Annual Report and Financial Statements for the year ended 31 December 2007

Close Technology & General VCT PLC

closeventures

Contents

Company Information

Company Number	4114310
Directors	Dr N E Cross, Chairman Lt Gen Sir Edmund Burton KBE M J Hart P H Reeve
Company secretary and registered office	Close Ventures Limited 10 Crown Place London, EC2A 4FT
Manager	Close Ventures Limited 10 Crown Place London, EC2A 4FT Tel: 020 7422 7830 Fax: 020 7422 7849 Website: www.closeventures.co.uk Email: enquiries@closeventures.co.uk
Registrar and shareholders' helpline	Capita Registrars Limited Northern House Penistone Road Fenay Bridge Huddersfield, HD8 0LA Tel: 0871 664 0300 Calls cost 10p per minute plus network extras Email: ssd@capitaregistrars.com
Custodian	Capita Trust Company Limited Phoenix House 7th Floor 18 King William Street London, EC4N 7HE
Auditors	Deloitte & Touche LLP Hill House 1 Little New Street London, EC4A 3TR
Taxation adviser	Ernst & Young LLP 1 More London Place London, SE1 2AF
Legal advisers	Berwin Leighton Paisner Adelaide House London Bridge London, EC4R 9HA

Close Technology & General VCT PLC is a member of the Association of Investment Companies.

Investment Objectives

Close Technology & General VCT PLC ("the Company") is a Venture Capital Trust which raised £14.3 million in December 2000 and 2002, and raised a further £35.0 million during 2006 through the launch of a C share issue. The Company offers investors the opportunity to participate in a balanced portfolio of technology and non-technology businesses. The Company's investment portfolio is intended to be split approximately as follows:

- 40 per cent. in unquoted UK technology-related companies; and
- 60 per cent. in unquoted UK non-technology companies.

Financial Highlights

	Ordinary shares 31 December 2007 Pence per share[ii]	C shares 31 December 2007 Pence per share[ii]
Dividends paid per share (pence)	8.0	2.5
Net asset value per share (pence)	114.1	92.7
Shareholder value created per share since launch:		
Total dividends paid during the year ended 31 December 2001[i]	1.0	–
Total dividends paid during the year ended 31 December 2002	2.0	–
Total dividends paid during the year ended 31 December 2003	1.5	–
Total dividends paid during the year ended 31 December 2004	7.5	–
Total dividends paid during the year ended 31 December 2005	9.0	–
Total dividends paid during the year ended 31 December 2006	8.0	0.5
Total dividends paid during the year ended 31 December 2007	8.0	2.5
Total dividends paid to 31 December 2007	37.0	3.0
Net asset value at 31 December 2007	114.1	92.7
Total return to 31 December 2007	**151.1**	**95.7**

In addition to the dividends summarised above, the Directors have declared a first dividend for the new financial year of 4.0 pence per Ordinary share (2.0 pence to be paid out of revenue profits and 2.0 pence out of capital profits) and 1.5 pence per C share (out of revenue profits) to be paid on 30 May 2008 to shareholders on the register at, 2 May 2008.

Notes

(i) Based on subscription by the first closing on 16 January 2001. Investors subscribing thereafter, up to 30 June 2001 received 0.5 pence per share.

(ii) Excludes tax benefits upon subscription.

Financial Calendar

Annual General Meeting	17 June 2008
Announcement of interim results for the six months ended 30 June 2008	August 2008
Record date for first dividend	2 May 2008
Payment of first dividend	30 May 2008
Payment of second dividend	November 2008

Chairman's Statement

Introduction

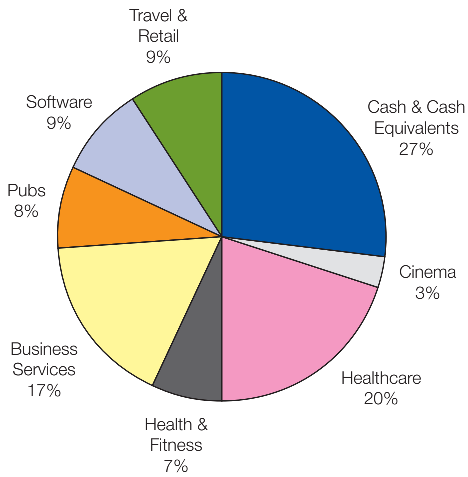
I am pleased to report that the year to 31 December 2007 continues the positive trend experienced by your Company over recent years. The strong investment return from the Ordinary share portfolio over the period was generated by some excellent profits realised from the sale of mature investments. These further underpinned the continuing policy of paying out a dividend of 8.0 pence per Ordinary share from both revenue and realised capital profits. The C share portfolio, meanwhile, continues in its programme of building up a balanced portfolio of investments in technology and non-technology businesses. We are now in a position to pay out an annual dividend of 3.0 pence per C share from revenue profits and it is hoped that this figure will grow further in the future.

Investment progress and performance

Ordinary share portfolio

The total return per Ordinary share was 7.6 pence for the year; part of this was due to the continued growth in income from the investment portfolio, with the balance from the successful realisation of investments. These comprised a profit of £607,000 for Careforce, which was taken over by the Mears Group in April of this year, £292,000 in respect of Intelligent Environments and £132,000 from Bond International (two companies within our residual AIM portfolio), £217,000 from the portfolio of International Quoted Technology companies (which was wound down during the period) and £240,000 from the sale of Bold Pub Company. Meanwhile, £2.3 million was invested in 23 existing and new investee companies.

Split of Ordinary share portfolio valuation by sector as at 31 December 2007



Source: Close Ventures Limited

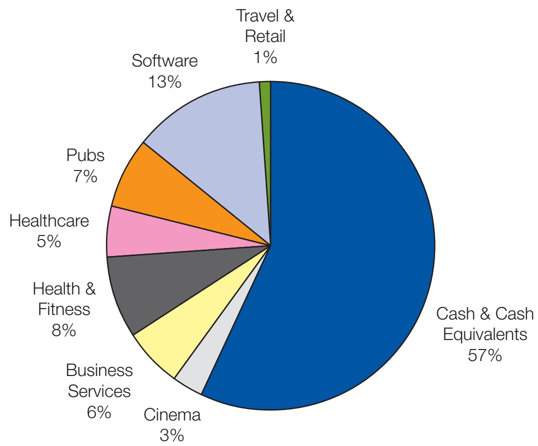
The investments held are diversified to ensure a spread of risk across the portfolio. The portfolio is split broadly 67 per cent. loan stock and 33 per cent. equity investments.

At 31 December 2007 the Ordinary share portfolio was 77 per cent. invested for HM Revenue & Customs purposes, in 46 investee companies.

C share portfolio

The C share portfolio, which is now over two-thirds of the way through its initial investment programme, recorded a total return of 0.2 pence per share. Of this, 3.1 pence was accounted for by the growing revenue return with a negative capital return of 2.9 pence, relating to a partial write down of two of its investments, Premier Leisure Suffolk and Helveta. During the year some £13.0 million was invested or reserved for investment in 20 investee companies.

Split of C share portfolio valuation by sector as at 31 December 2007



Source: Close Ventures Limited

The investments held are diversified to ensure a spread of risk across the portfolio. The portfolio is split approximately 52 per cent. loan stock and 48 per cent. equity investments; this does not include cash and cash equivalents. There is a large proportion of cash and cash equivalents because the C share portfolio has until 31 December 2008 to meet the minimum 70 per cent. HM Revenue & Customs qualifying level. At 31 December 2007 the C share portfolio was 43 per cent. invested for HM Revenue & Customs purposes, taking the total number of investments to 23.

Risks and uncertainties

The key risk is the UK economy which, while currently still growing, could be affected by the current unease in the wholesale financial and housing markets. While this could give rise to additional investment opportunities for a cash rich fund like ourselves, a downturn could affect existing investee companies and make it harder for the Manager to assess the prospects of new investment opportunities, as well as potentially affecting asset values. The Company's policy of having a first legal charge wherever possible, mitigates some

Chairman's Statement continued

of the investment risks. Other risks and uncertainties are detailed on page 20 of the Directors' Report and Business Review.

Dividend reinvestment scheme

I draw to shareholders' attention a Dividend Reinvestment Scheme whereby shareholders may elect to reinvest the whole of the dividend due for payment on 30 May 2008 by subscribing for New Ordinary Shares and New C Shares.

The Circular dated 18 April 2008 which is enclosed with this Annual Report and Financial Statements, 'Introduction of a Dividend Reinvestment Scheme', details the mechanics of this Scheme.

Proposed change to the Company's Articles of Association

I draw shareholders' attention to the proposed resolution to change the Articles of Association, which is described in detail on page 24 of the Directors' Report and Business Review. The new provisions of the Companies Act 2006 include the requirement for Directors to avoid actual or potential conflicts of interest with effect from 1 October 2008. The Directors are proposing a resolution to align with current legislation, actual or potential conflict situations, should it be in the Company's best interests to do so, and to allow conflicts of interest to be dealt with in a similar way to the current position.

Results, dividends and prospects

Overall, despite the general economic risks referred to above, your Board remains positive on the outlook of the Company and its investment portfolio. We believe that the income generation potential of the portfolio remains strong, while we have some particularly interesting technology investments which we believe could prove to be strong generators to shareholder value in the future.

As at 31 December 2007, the net asset value of the Company's Ordinary shares was 114.1 pence (2006: 114.4 pence) and the net asset value for the C shares 92.7 pence (2006: 94.9 pence). The revenue return before tax for the Ordinary shares was £738,000 (2006: £658,000) and for the C shares the revenue return before tax was £1,538,000 (2006: £947,000).

The first dividend for the new financial year will be 4.0 pence per Ordinary share (comprising 2.0 pence from revenue profits and 2.0 pence from realised capital profits) and 1.5 pence per C share (from revenue profits). Dividends will be payable on 30 May 2008 to those shareholders on the register on 2 May 2008.

Dr Neil Cross
Chairman 18 April 2008

The Board of Directors

The following are the Directors of the Company, all of whom operate in a non-executive capacity.

Dr Neil Cross (63) (appointed 6 December 2000) was formerly an executive director of 3i Group plc from 1989 to 1996, having spent 27 years in a variety of investment and management roles, latterly in charge of the group's international operations. He has been a non-executive director of a number of listed and private companies and is presently a non-executive director of BMT Group (Chairman), Bernard Matthews Holdings (Deputy Chairman) and Caliburn Absolute Strategies.

Lieutenant General Sir Edmund Burton KBE (64) (appointed 6 December 2000) was Deputy Chief of Defence Staff (Systems) from 1997 to 1999, with specific responsibility for developing a balanced and affordable equipment and research programme for the United Kingdom Armed Forces. His military career prior to that included three years as Commandant of the Royal Military College of Science at Shrivenham and two years as military attaché at the British Embassy in Washington. On 31 December 2003, he completed a three year appointment as Executive Chairman of the Police Information Technology Organisation. He is visiting professor at Cranfield University.

Michael Hart (66) (appointed 6 December 2001) was until October 2004 executive chairman of AFA Systems PLC, the AIM quoted developer of treasury software for financial institutions which he founded in 1995. Prior to that, he was managing director of ACT Group PLC which he joined in 1989 after 15 years at Siemens Nixdorf.

Patrick Reeve (47) MA, ACA, (appointed 11 December 2003) qualified as a chartered accountant with Deloitte Haskins & Sells before joining Cazenove & Co where he spent three years in the corporate finance department. He joined Close Brothers Group plc in 1989, initially in the development capital subsidiary, where he was a director specialising in the financing of smaller unquoted companies. He joined the corporate finance division in 1991, where he was also a director. He established Close Ventures Limited with the launch of Close Brothers Venture Capital Trust PLC in the spring of 1996. He is director of Close Income & Growth VCT PLC, Close Brothers Protected VCT PLC and Close Enterprise VCT PLC, all managed by Close Ventures Limited.

The Manager

Close Ventures Limited, is authorised and regulated by the Financial Services Authority and is the Manager of Close Technology & General VCT PLC. In addition to Close Technology & General VCT PLC, it manages a further six venture capital trusts, and has currently total funds under management of approximately £255 million.

Close Ventures Limited won the “Best VCT Provider” category in the Professional Adviser Awards 2005 and 2006, and “VCT Manager of the Year” at the 2005 and 2006 Growth Company Awards.

The Manager’s ultimate parent company is Close Brothers Group plc, an independent merchant banking group incorporated in Great Britain and listed on the London Stock Exchange.

The following are specifically responsible for the management and administration of the VCTs managed by Close Ventures Limited, including Close Technology & General VCT PLC.

Patrick Reeve, (47), MA, ACA, details included in the Board of Directors section.

Isabel Dolan, (43), BSc (Hons), ACA, MBA, is Operations Director of Close Ventures Limited having previously been Finance Director for a number of unquoted companies. From 1993-1997 she was Head of Recoveries at the Specialised Lending Services of the Royal Bank of Scotland plc and from 1997-2001 she was a Portfolio Director at 3i plc. She joined Close Ventures Limited in 2005.

Dr Andrew Elder, (37), MA, FRCS. After qualifying as a surgeon he practised for six years, specialising in neurosurgery before joining the Boston Consulting Group as a consultant in 2001, specialising in healthcare strategy. He joined Close Ventures Limited in 2005.

Will Fraser-Allen, (37), BA (Hons), ACA, qualified as a chartered accountant with Cooper Lancaster Brewers in 1996 before specialising in corporate finance and investigation. He joined Close Ventures Limited in 2001.

Emil Gigov, (37), BA (Hons), ACA, qualified as a chartered accountant with KPMG in 1997 and subsequently worked in KPMG’s corporate finance division working on the media, marketing and leisure sectors. He joined Close Ventures Limited in 2000.

David Gudgin, (35), BSc (Hons), ACMA, after working for ICL from 1993 to 1999 where he qualified as an accountant, he joined 3i plc as an investment manager based in London and Amsterdam. In 2002 he joined Foursome Investments, the venture capital arm of the Englehorn family, responsible for investing an evergreen fund of US$80 million, before joining Close Ventures Limited in 2005.

Ed Lascelles, (32), BA (Hons), joined the corporate broking department of Charterhouse Securities in 1998 focusing on primary and secondary equity fundraisings. He then moved to the corporate finance department of ING Barings in 2000, retaining his focus on smaller UK companies. He joined Close Ventures Limited in 2004.

Henry Stanford, (43), MA, ACA, qualified as a chartered accountant with Arthur Andersen before joining the corporate finance division of Close Brothers Group plc in 1992. He became an assistant director in 1996 and transferred to Close Ventures Limited in 1998 to concentrate on VCT investment.

Robert Whitby-Smith, (33), BA (Hons), MSI, ACA, qualified as a chartered accountant with KPMG in their corporate finance division. From 2000 to early 2005 he worked in the UK corporate finance departments of Credit Suisse First Boston and subsequently ING Barings, where he was a vice president. He joined Close Ventures Limited in 2005.

Michael Kaplan, (31), BA, MBA. After graduating from the University of Washington in 1999 with a BA in International Finance, he joined Marakon Associates as an Analyst. In 2000, he became the Chief Financial Officer of Widevine Technologies, a security software company based in Seattle. Then, after graduation with his MBA from INSEAD, in 2004 he joined the Boston Consulting Group focusing on the retail and financial services industries. He joined Close Ventures Limited in 2007.

Marco Yu (30), PPhil, MA, MRICS, qualified as a chartered surveyor in 2004. From 2002 to 2005, he worked at Bouygues (UK), developing cost management systems for PFI schemes, before moving to EC Harris in 2005, where he advised senior lenders on large capital projects. He joined Close Ventures Limited in 2007.

Portfolio of Investments Ordinary shares

		At 31 December 2007			At 31 December 2006			
	% voting rights	Investment at cost £'000	Cumulative movement in carrying/ fair value(1) £'000	Total carrying/ fair value £'000	Investment at cost £'000	Cumulative movement in carrying/ fair value(1) £'000	Total carrying/ fair value £'000	Change in carrying fair value for the year net of invesments/ exits in the year £'000
Qualifying Technology portfolio								
Xceleron Limited	7.3%	550	178	728	540	177	717	1
Peakdale Molecular Limited	5.8%	428	–	428	428	(340)	88	340
Pilat Media Global Plc*	1.2%	168	107	275	168	382	550	(275)
Blackbay Limited	3.8%	250	21	271	250	10	260	11
Tepnel Life Sciences Plc*	0.7%	328	(189)	139	328	(205)	123	16
Lowcosttravelgroup Limited	1.3%	120	8	128	120	49	169	(41)
Oxsensis Limited	1.3%	125	–	125	–	–	–	–
Mi-Pay Limited	1.1%	100	–	100	–	–	–	–
Portrait Software Plc*	0.6%	310	(238)	72	310	(232)	78	(6)
Dexela Limited	1.5%	65	3	68	65	–	65	3
Helveta Limited	1.2%	81	(15)	66	60	–	60	(15)
Point 35 Limited	0.9%	65	–	65	–	–	–	–
sparesFinder Limited	10.5%	675	(611)	64	675	(610)	65	(1)
RFI Global Services Limited	1.4%	180	(126)	54	180	(13)	167	(113)
Bond International Plc*	0.1%	12	40	52	48	156	204	(117)
Process Systems Enterprise Limited	0.4%	50	–	50	–	–	–	–
Palm Tree Technology plc	0.2%	38	2	40	38	2	40	–
Rostima Limited	0.6%	50	(15)	35	–	–	–	–
Red-M Group Limited	0.7%	75	(56)	19	75	(34)	41	(22)
OneclickHR Plc*	0.1%	58	(53)	5	58	(54)	4	1
Intelligent Environments Plc*	N/A	–	–	–	169	109	278	184
Total qualifying technology investments		**3,728**	**(944)**	**2,784**	**3,511**	**(602)**	**2,909**	**(34)**

(1) Included in this movement is net capital depreciation of equity and loan instruments amounting to £1,014,000 (2006: £664,000 depreciation) and an increase in carrying value of £70,000 for loans and receivables (2006: £62,000).

* AIM quoted investments

Portfolio of Investments Ordinary shares (continued)

		At 31 December 2007			At 31 December 2006			
	% voting rights	Investment at cost £'000	Cumulative movement in carrying/ fair value[1] £'000	Total carrying/ fair value £'000	Investment at cost £'000	Cumulative movement in carrying/ fair value[1] £'000	Total carrying/ fair value £'000	Change in carrying fair value for the year net of invesments/ exits in the year £'000
Qualifying Non-technology portfolio								
Evolutions Television Limited	10.7%	1,531	117	1,648	1,531	(12)	1,519	129
The Q Garden Company Limited	33.3%	2,068	(878)	1,190	2,068	(900)	1,168	22
Grosvenor Health Limited	5.2%	435	477	912	415	225	640	252
Consolidated Communications Management Limited	11.2%	887	(85)	802	1,000	(59)	941	(26)
Peakdale Molecular Limited [i]	N/A	667	–	667	533	182	715	(48)
The Weybridge Club Limited	3.3%	530	54	584	500	37	537	17
Kensington Health Club Limited	2.1%	250	4	254	–	–	–	–
Churchill Taverns VCT Limited	2.5%	235	14	249	145	7	152	7
Tower Bridge Health Clubs Limited	2.9%	183	24	207	183	35	218	(11)
Chichester Holdings Limited	2.3%	150	37	187	–	–	–	–
CS (Brixton) Limited	3.9%	150	8	158	150	5	155	3
GB Pub Company Limited	11.0%	163	(45)	118	160	(7)	153	(38)
The Dunedin Pub Company Limited	2.4%	120	(7)	113	80	(8)	72	1
CS (Greenwich) Limited	2.0%	110	(10)	100	110	(17)	93	7
Bravo Inns Limited	1.6%	98	–	98	–	–	–	–
Pelican Inn Limited	5.0%	148	(52)	96	120	(38)	82	(14)
Premier Leisure (Suffolk) Limited	1.4%	110	(25)	85	–	–	–	–
The Charnwood Pub Company Limited (previously The Rutland Pub Company Limited)	2.8%	110	(26)	84	110	32	142	(58)
Novello Pub Limited	4.3%	122	(42)	80	100	(43)	57	–
ResortHoppa (UK) Limited	1.7%	80	–	80	–	–	–	–
City Screen (Liverpool) Limited	4.6%	50	29	79	50	8	58	21
CS (Exeter) Limited	4.0%	60	(8)	52	60	(1)	59	(7)
River Bourne Limited	1.5%	30	1	31	–	–	–	–
CS (Norwich) Limited	1.9%	30	–	30	–	–	–	–
Careforce Group Plc*	N/A	–	–	–	314	306	620	302
The Bold Pub Company Limited	N/A	–	–	–	580	95	675	146
Total qualifying non-technology investments		**8,317**	**(413)**	**7,904**	**8,208**	**(152)**	**8,056**	**705**
Total qualifying investments		**12,045**	**(1,357)**	**10,688**	**11,719**	**(754)**	**10,965**	**671**

[1] Included in this movement is net capital depreciation of equity and loan instruments amounting to £858,000 (2006: £652,000) and an increase in carrying value of £445,000 for loans and receivables (2006: £500,000).

* AIM quoted investments

[i] This part of the Peakdale investment is in loan stock secured against debtors and property and is classified as a non-technology holding.

Portfolio of Investments Ordinary shares (continued)

		At 31 December 2007			At 31 December 2006			
	% voting rights	Investment at cost £'000	Cumulative movement in carrying/ fair value[1] £'000	Total carrying/ fair value £'000	Investment at cost £'000	Cumulative movement in carrying/ fair value[1] £'000	Total carrying/ fair value £'000	Change in carrying fair value for the year net of invesments/ exits in the year £'000
Non-qualifying investments								
Smiles Pub Company Limited	22.6%	456	(16)	440	377	10	387	(27)
Smiles Brewing Company Limited	22.6%	72	(72)	–	72	(40)	32	(32)
Total unquoted non-qualifying investments		**528**	**(88)**	**440**	**449**	**(30)**	**419**	**(59)**
Portfolio of non-qualifying quoted technology investments	N/A	136	(132)	4	1,843	70	1,913	182
Total non-qualifying investments		**664**	**(220)**	**444**	**2,292**	**40**	**2,332**	**123**

[1] Included in this movement is net capital depreciation of equity and loan instruments amounting to £88,000 (2006: £30,000) and with no movement in carrying value of loans and receivables (2006: £nil) for the unquoted non-qualifying investments; and net capital depreciation amounting to £132,000 (2006: net capital appreciation of £70,000) for the portfolio of international quoted technology investments.

Portfolio of Investments C shares

		At 31 December 2007			At 31 December 2006			
	% voting rights	Investment at cost £'000	Cumulative movement in carrying/ fair value[(1)] £'000	Total carrying/ fair value £'000	Investment at cost £'000	Cumulative movement in carrying/ fair value[(1)] £'000	Total carrying/ fair value £'000	Change in carrying fair value for the year net of invesments/ exits in the year £'000
Qualifying Technology portfolio								
Oxsensis Limited	7.6%	705	–	705	–	–	–	–
Point 35 Limited	9.0%	676	8	684	–	–	–	–
Xceleron Limited	8.9%	663	–	663	530	–	530	–
Blackbay Limited	5.5%	600	51	651	600	24	624	27
Mi-Pay Limited	6.7%	610	1	611	–	–	–	–
Helveta Limited	10.2%	719	(139)	580	530	5	535	(144)
Process Systems Enterprise Limited	4.1%	520	1	521	–	–	–	–
Dexela Limited	10.2%	440	20	460	440	–	440	20
Rostima Limited	7.1%	600	(184)	416	–	–	–	–
RFI Global Services Limited	0.8%	100	(70)	30	100	(4)	96	(66)
Total qualifying technology investments		**5,633**	**(312)**	**5,321**	**2,200**	**25**	**2,225**	**(163)**

(1) Included in this decrease is capital depreciation of equity and loan instruments amounting to £411,000 (2006: £11,000) and movement in carrying value of loans and receivables of £99,000 (2006: £36,000).

Portfolio of Investments C shares (continued)

		At 31 December 2007			At 31 December 2006			
	% voting rights	Investment at cost £'000	Cumulative movement in carrying/ fair value[1] £'000	Total carrying/ fair value £'000	Investment at cost £'000	Cumulative movement in carrying/ fair value[1] £'000	Total carrying/ fair value £'000	Change in carrying fair value for the year net of invesments/ exits in the year £'000
Qualifying Non-technology portfolio								
Chichester Holdings Limited	12.9%	1,850	223	2,073	–	–	–	–
Kensington Health Club Limited	6.3%	1,750	20	1,770	–	–	–	–
Bravo Inns Limited	14.5%	902	3	905	–	–	–	–
Churchill Taverns VCT Limited	8.0%	815	28	843	340	20	360	8
Premier Leisure (Suffolk) Limited	10.9%	890	(217)	673	–	–	–	–
The Weybridge Club Limited	3.4%	550	25	575	–	–	–	–
ResortHoppa (UK) Limited	9.9%	480	–	480	–	–	–	–
The Dunedin Pub Company Limited	8.0%	400	–	400	–	–	–	–
River Bourne Limited	15.5%	310	10	320	–	–	–	–
Grosvenor Health Limited	0.8%	276	37	313	–	–	–	–
The Charnwood Pub Company Limited (previously The Rutland Pub Company Limited)	9.5%	370	(87)	283	370	98	468	(185)
CS (Norwich) Limited	10.6%	170	–	170	–	–	–	–
Evolutions Television Limited	0.4%	70	(3)	67	70	(7)	63	4
Total non-technology investments		**8,833**	**39**	**8,872**	**780**	**111**	**891**	**(173)**
Total qualifying investments		**14,466**	**(273)**	**14,193**	**2,980**	**136**	**3,116**	**(336)**

[1] Included in this movement is capital depreciation of equity instruments amounting to £152,000 (2006: capital appreciation of £59,000) and increase in carrying value of loans and receivables of £191,000 (2006: £52,000).

Portfolio of Investments C shares (continued)

		At 31 December 2007			At 31 December 2006			
	% voting rights	Investment at cost £'000	Cumulative movement in carrying/ fair value[1] £'000	Total carrying/ fair value £'000	Investment at cost £'000	Cumulative movement in carrying/ fair value[1] £'000	Total carrying/ fair value £'000	Change in carrying fair value for the year net of invesments/ exits in the year £'000
Non-qualifying investments								
The Royal Bank of Scotland FRN January 2009		5,003	(9)	4,994	5,003	(2)	5,001	(7)
Abbey National FRN September 2008		5,001	(8)	4,993	5,001	–	5,001	(8)
Rabobank FRN July 2010		5,000	(20)	4,980	5,000	–	5,000	(20)
Nationwide FRN June 2010		–	–	–	5,007	(2)	5,005	2
Alliance & Leicester FRN October 2008		–	–	–	4,999	(1)	4,998	1
Total floating rate notes		**15,004**	**(37)**	**14,967**	**25,010**	**(5)**	**25,005**	**(32)**
Portfolio of International quoted technology investments		–	–	–	3,278	147	3,425	521
Total non-qualifying investments		**15,004**	**(37)**	**14,967**	**28,288**	**142**	**28,430**	**489**

[1] Included in this movement is capital appreciation of floating rate notes and equity amounting to £nil (2006: £147,000) and capital depreciation in floating rate notes of £37,000 (2006: £5,000).

Portfolio Companies

The top ten qualifying investments by total aggregate value of equity and loan stock are as follows (unquoted loan stock held by following investments are classified as loans and receivables in accordance with FRS 26 and are carried at amortised cost using the effective interest rate):

Chichester Holdings Limited

This company is a fast growing distributor of beverages to airline, cruise and other travel industry customers.

Latest audited results – year to 30 June 2007

	£'000
Turnover	789
Profit before Tax	551
Profit after Tax	551
Net assets	5,196
Basis of valuation:	Earnings multiple

Investment at value

	Ordinary share portfolio £'000	C share portfolio £'000
Equity	91	517
Loan stock	96	1,556
Voting rights	2.3 per cent.	12.9 per cent.

Other funds managed by Close Ventures Limited have invested in this company.

Kensington Health Club Limited

This company has developed a 29,000 square foot health and fitness club on a 999 year lease in West London which opened in December 2007. It now has 1,700 members.

Latest audited results

As a new company, Kensington Health Club Limited has not yet filed statutory accounts

Basis of valuation:	Net asset value
Website:	www.thirtysevendegrees.co.uk/olympia

Investment at value

	Ordinary share portfolio £'000	C share portfolio £'000
Equity	82	578
Loan stock	172	1,193
Voting rights	2.1 per cent.	6.3 per cent.

Other funds managed by Close Ventures Limited have invested in this company.

Portfolio Companies continued

Evolutions Television Limited

The company is a television post production business providing post production services, including video and sound editing and automation, to a broad range of production companies. It operates from a freehold building in Oxford Street, London and three leasehold premises nearby. In 2007 it was voted "Television Post Production Company of the Year".

Latest audited results – year to 30 June 2006

	£'000
Turnover	5,042
Profit before tax	(568)
Profit after tax	(568)
Net assets	1,322
Basis of valuation:	Net asset value
Website:	www.evolutions.tv

Investment at value

	Ordinary share portfolio £'000	C share portfolio £'000
Equity	339	11
Loan stock	1,309	56
Voting rights	10.7 per cent.	0.4 per cent.

Other funds managed by Close Ventures Limited have invested in this company.

Xceleron Limited

The company is a spin-out from York University using accelerator mass spectrometry to provide bio-analytical services to the drug development industry. It has recently opened a new operation outside Baltimore in the USA.

Latest audited results – year to 31 July 2007

	£'000
Turnover	4,828
Profit before tax	71
Profit after tax	71
Net assets	2,589
Basis of valuation:	Recent investment price
Website:	www.xceleron.co.uk

Investment at value

	Ordinary share portfolio £'000	C share portfolio £'000
Equity	648	663
Loan stock	179	–
Voting rights	7.3 per cent.	8.9 per cent.

Other funds managed by Close Ventures Limited have invested in this company.

Portfolio Companies continued

Grosvenor Health Limited

The company is a provider of occupational healthcare services to large corporates such as Qinetiq and Ford. It has recently completed its second acquisition.

Latest audited results – year to 31 December 2006

	£'000
Turnover	10,625
Profit before tax	629
Profit after tax	451
Net assets	2,753
Basis of valuation:	Earnings multiple
Website:	www.grosvenorhealth.com

Investment at value

	Ordinary share portfolio £'000	C share portfolio £'000
Equity	545	87
Loan stock	367	226
Voting rights	5.2 per cent.	0.8 per cent.

Other funds managed by Close Ventures Limited have invested in this company.

The Q Garden Company Limited

The Q Garden Company owns and operates a seven acre freehold garden centre in Fareham (Hampshire).

Latest audited results – year to 31 January 2006

	£'000
Turnover	1,093
Profit before tax	(415)
Profit after tax	(415)
Net assets	(2,587)
Basis of valuation:	Net asset value

Investment at value

	Ordinary share portfolio £'000	C share portfolio £'000
Equity	–	–
Loan stock	1,190	–
Voting rights	33.3 per cent.	–

Other funds managed by Close Ventures Limited have invested in this company.

The Weybridge Club Limited

The company bought a 30 acre freehold site near to the centre of Weybridge, Surrey, which it developed into a premium health and fitness club and which opened in May 2007. It now has 2,200 members.

Latest audited results – year to 31 August 2006

	£'000
Turnover	£nil
Profit before tax	(42)
Profit after tax	(42)
Net assets	1,002
Basis of valuation:	Net asset value
Website:	www.theweybridgeclub.com

Investment at value

	Ordinary share portfolio £'000	C share portfolio £'000
Equity	151	157
Loan stock	433	418
Voting rights	3.3 per cent.	3.4 per cent.

Other funds managed by Close Ventures Limited have invested in this company.

Portfolio Companies continued

Churchill Taverns VCT Limited

The company was formed to acquire and manage public houses in and around Northamptonshire. The company has purchased and operates six units.

Latest audited results – year to 30 September 2006

As a small company, Churchill Taverns is exempt from filing full accounts.

	£'000
Net assets	1,247
Basis of valuation:	Net asset value

Investment at value

	Ordinary share portfolio £'000	C share portfolio £'000
Equity	76	251
Loan stock	173	592
Voting rights	2.5 per cent.	8.0 per cent.

Other funds managed by Close Ventures Limited have invested in this company.

Bravo Inns Limited

The company currently owns seven pubs in and around Bolton. The company is managed by the team which recently succcessfully exited from The Bold Pub Company Limited.

Latest audited results

As a new company, Bravo Inns Limited has not yet filed statutory accounts.

Basis of valuation: Cost

Investment at value

	Ordinary share portfolio £'000	C share portfolio £'000
Equity	46	426
Loan stock	52	479
Voting rights	1.6 per cent.	14.5 per cent.

Other funds managed by Close Ventures Limited have invested in this company.

Blackbay Limited

The company provides mobile data solutions for the logistics and field service sectors.

Latest audited results – year to 31 December 2006

	£'000
Turnover	1,292
Profit before tax	(595)
Profit after tax	(595)
Net assets	140
Basis of valuation:	Earnings multiple
Website:	www.blackbay.com

Investment at value

	Ordinary share portfolio £'000	C share portfolio £'000
Equity	80	192
Loan stock	191	459
Voting rights	3.8 per cent.	5.5 per cent.

Other funds managed by Close Ventures Limited have invested in this company.

Directors' Report and Business Review

The Directors submit their Annual Report and the audited Financial Statements on the affairs of Close Technology & General VCT PLC (the "Company") for the year ended 31 December 2007.

BUSINESS REVIEW

Principal activity and status

The principal activity of the Company is that of a venture capital trust. It has been approved by H.M. Revenue & Customs as a venture capital trust in accordance with Part 6 of the Income Taxes Act 2007 and in the opinion of the Directors, the Company has conducted its affairs so as to enable it to continue to obtain such approval. Approval for the year ended 31 December 2007 is subject to review should there be any subsequent enquiry under corporation tax self assessment.

The Company is not a close company for taxation purposes.

The Company is no longer an investment company as defined by Section 266 of the Companies Act 1985. The Company revoked its investment trust status on 21 September 2004 in order for the Company to pay dividends from realised capital profits. The Company is listed on The London Stock Exchange.

Under current tax legislation, shares in the Company provide tax-free capital growth and income distribution, in addition to the income tax relief some investors would have obtained when they invested in fundraisings.

Capital structure

Details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 15.

The Company's share capital comprises Ordinary shares and C shares. Currently Ordinary shares represent 27 per cent. of the total share capital and C shares represent 73 per cent. of the total share capital by voting rights. The Ordinary shares and C shares are designed for individuals who are professionally advised private investors seeking, over the long term, investment exposure to a diversified portfolio of unquoted investments spread over a number of sectors which produce a regular and predictable source of income combined with the prospect of longer term capital growth.

Both Ordinary shares and C shares currently rank *pari passu* for dividend and voting rights, save in respect of specific resolutions impacting their class, such as in the case of reconstruction. Each Ordinary share and C share is currently entitled to one vote.

Dividend reinvestment scheme

The Company is introducing a Dividend Reinvestment Scheme whereby shareholders may elect to reinvest the whole of the dividend to be paid on 30 May 2008 by subscribing for New Ordinary Shares and New C Shares.

The Circular dated 18 April 2008 which is enclosed with this Annual Report and Financial Statements, 'Introduction of a Dividend Reinvestment Scheme', details the mechanics of this Scheme.

Investment policy

The Company's investment strategy is to provide investors with a regular and predictable source of dividend income combined with the prospect of long term capital growth through allowing investors the opportunity to participate in a balanced portfolio of technology and non-technology businesses. It is intended that, in time, the Company's investment portfolio will be split approximately as follows:

- 40 per cent. in unquoted UK technology-related companies.
- 60 per cent. in unquoted UK non-technology companies; and

The Company currently holds a small portfolio of AIM quoted technology investments which it is gradually realising over time. The Company does not currently intend to make new investments in AIM quoted shares.

In order to maintain status under Venture Capital Trust legislation, the following tests must be met:

(1) The Company's income must be derived wholly or mainly from shares and securities;

(2) At least 70 per cent. of the value of its investments must have been represented throughout the year by shares or securities that are classified as 'qualifying holdings' (following the initial three year investment period);

(3) At least 30 per cent. by value of its total qualifying holdings must have been represented throughout the period by holdings of 'eligible shares';

(4) At no time in the period must the Company's holdings in any one company (other than another VCT) have exceeded 15 per cent. by value of its investments;

(5) The Company must not have retained greater than 15 per cent. of its income earned in the period from shares and securities;

Directors' Report and Business Review continued

(6) Eligible shares must comprise at least 10 per cent. by value of the total of the shares and securities that the Company holds in any one investee company; and

(7) The Company's shares, throughout the period must have been listed in the Official List of the Stock Exchange.

The C share portfolio has until 31 December 2008 to meet the minimum 70 per cent. qualifying level stated in (2) above and is confident of doing so.

These tests have been carried out and independently reviewed for the year ended 31 December 2007. The Company has complied with all of these tests, and continues to do so.

'Qualifying holdings', for Close Technology & General VCT PLC include shares or securities (including loans with a five year or greater maturity period) in companies which operate a 'qualifying trade' wholly or mainly in the United Kingdom. 'Qualifying trade' excludes, amongst other sectors, dealing in property or shares and securities, insurance, banking, agriculture, and operating or managing hotels or residential care homes.

Investee company gross assets must not exceed £15 million immediately prior to the investment and £16 million immediately thereafter and there is an annual investment limit of £1 million in each company.

As defined by the Articles of Association, the Company's maximum exposure in relation to gearing is restricted to 10 per cent. of the adjusted share capital and reserves. As at 31 December 2007, the Company's maximum exposure was £4,807,000 and its actual short term and long term gearing at this date was £nil. The Directors do not currently have any intention to utilise long term gearing.

Details of the principal investments made by the Company are shown in the portfolio of investments on page 8. A detailed review of the Company's business during the year and future prospects is contained in the Chairman's Statement on page 4. Details of significant events which have occurred since the end of the financial year are listed in note 20.

The Directors do not foresee any major changes in the activity undertaken by the Company in the current year. The Company continues with its objective to invest in unquoted companies throughout the United Kingdom with a view to providing both capital growth and a reliable dividend income to shareholders over the long term.

The Company has delegated the investment management of the portfolio to Close Ventures Limited, a subsidiary of Close Brothers Group plc, which is authorised and regulated by the Financial Services Authority. Close Ventures Limited also provides company secretarial and other accounting and administrative support to the Company. Further details regarding the terms of engagement of the Manager are shown on page 22.

Results and dividends

Ordinary shares

	£'000
Net revenue return for the year ended 31 December 2007	586
Revenue dividend of 1.5p per share paid on 25 May 2007	(204)
Revenue dividend of 2.0p per share paid on 2 November 2007	(267)
Transferred to revenue reserve	115
Net capital profit for the year ended 31 December 2007	423
Capital dividend of 2.5p per share paid on 25 May 2007	(337)
Capital dividend of 2.0p per share paid on 2 November 2007	(267)
Transferred to realised and unrealised capital reserve	(181)
Net assets as at 31 December 2007	15,193
Net asset per share as at 31 December 2007 (pence)	114.1p

C shares	**£'000**
Net revenue return for the year ended 31 December 2007	1,113
Revenue dividend of 1.0p per share paid on 25 May 2007	(355)
Revenue dividend of 1.5p per share paid on 2 November 2007	(532)
Transferred to revenue reserve	226
Realised and unrealised capital loss for the year ended 31 December 2007 transferred to reserves	(1,031)
Net assets as at 31 December 2007	32,875
Net asset per share as at 31 December 2007 (pence)	92.7p

The Company paid dividends of 8.0 pence per Ordinary share (2006: 8.0 pence) and 2.5 pence per C share (2006: 0.5 pence) during the year ended 31 December 2007.

Directors' Report and Business Review continued

As described in the Chairman's Statement, the Board has declared a dividend of 4.0 pence per Ordinary share and 1.5 pence per C share payable on 30 May 2008 to shareholders on the register as at 2 May 2008.

As shown in the Company's Income Statement on page 33 of the financial statements, the Ordinary shares' investment income has increased to £932,000 (2006: £832,000) and the C shares' income has increased to £1,964,000 (2006: £1,322,000). Ordinary shares' revenue return to equity holders has improved to £586,000 (2006: £439,000) and for C shares to £1,113,000 (2006: £663,000). In both share classes, this is due to greater investment income being received in the year due to higher investment levels.

The Ordinary shares' capital return for the year was a profit of £423,000, primarily as a result of the unrealised gains on investments made during the year (2006: loss £240,000). The C shares' capital return for the year was a loss of £1,031,000 primarily as a result of the capitalisation of management fees (2006: £315,000).

The Ordinary share total return per share was 7.6 pence per share (2006: 1.4 pence per share) and the C share total return per share was 0.2 pence per share (2006: 1.2 pence per share).

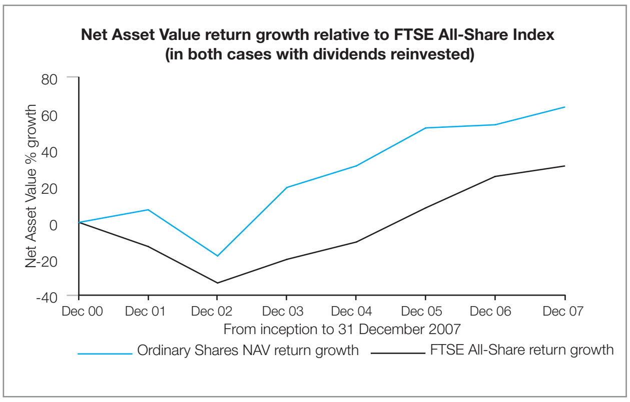
The Balance Sheet on page 35 of the financial statements shows that the Ordinary shares' net asset value per share has decreased over the last year to 114.1 pence per share (2006: 114.4 pence per share) including the payment of 8.0 pence per share dividends during the period and of the purchase of own shares (for Treasury). The C share net asset value per share has decreased over the last year to 92.7 pence per share (2006: 94.9 pence per share) reflecting an increase in dividends, capitalisation of management fees and the unrealised devaluation of two investments, offset against the increased investment income received in the year.

Ordinary shares' cash flow for the business has been positive for the year, reflecting the profitable disposal on qualifying and non-qualifying assets, set against the payment of dividends and the buy-back of shares by the Company. C shares' cash flow has been positive as a result of the disposal of non-qualifying investments in the year, offset by the purchase of qualifying investments.

Key Performance Indicators

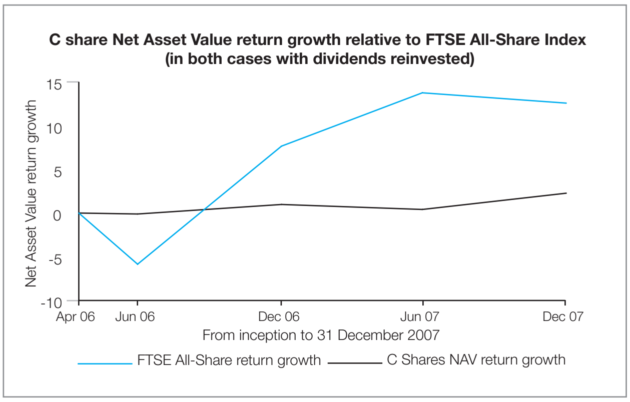
The graphs that follow show Close Technology & General VCT PLC's Ordinary and C shares' net asset values return growth against the FTSE All-Share Index return growth, in both instances with dividends reinvested, since the launch of the Ordinary Shares and since the launch of the C Shares in January 2006.

Ordinary shares



Source: Close Ventures Limited

C shares



Source: Close Ventures Limited

The total expense ratio for the year to 31 December 2007 was 3.5 per cent. (2006: 3.3 per cent.).

The Company operates a policy of buying back shares either for cancellation or for holding in Treasury. The Manager has an objective of maintaining the discount of the share price to net asset value at around 10 per cent.

Principal risks and uncertainties

In addition to the current economic risks outlined in the Chairman's Statement, the Board considers that the Company faces the following major risks and uncertainties:

1. *Investment risk*

   This is the risk of investment in poor quality assets which reduces the capital and income returns to shareholders, and negatively impacts on the Company's reputation. By nature, smaller unquoted businesses, such as those that qualify for venture capital trust purposes, are more fragile than larger, long established businesses.

   To reduce this risk, the Board places reliance upon the skills and expertise of the Manager and their strong track record for investing in this segment of the market. In addition, the Manager operates a formal and structured investment process, which includes an Investment Committee, comprising investment professionals from the Manager and senior investment personnel from within the Close Brothers Group. The Manager also invites comments from all non-executive Directors on investments discussed at the Investment Committee meetings. Investments are actively and regularly monitored by the Manager (investment managers normally sit on investee company boards) and the Board receives detailed reports on each investment as part of the Manager's report at quarterly board meetings.

2. *Venture Capital Trust approval risk*
The current approval as a venture capital trust allows investors to take advantage of tax reliefs on initial investment and ongoing tax free capital gains and dividend income. Failure to meet the qualifying requirements could result in investors losing the tax relief on initial investment and loss of tax relief on any tax free income or capital gains received. In addition, failure to meet the qualifying requirements could result in a loss of listing of the shares.

To reduce this risk, the Board has appointed the Manager, who has significant experience in venture capital trust management, and is used to operating within the requirements of the venture capital trust legislation. In addition, to provide further formal reassurance, the Board has appointed Ernst & Young LLP as its taxation advisors. Ernst & Young LLP report quarterly to the Board to independently confirm compliance with the venture capital trust legislation, to highlight areas of risk and to inform on changes in legislation.

3. *Compliance risk*
The Company is listed on The London Stock Exchange and is required to comply with the rules of the UK Listing Authority, as well as with the Companies Act, Accounting Standards and other legislation. Failure to comply with these regulations could result in a delisting of the Company's shares, or other penalties under the Companies Act or from financial reporting oversight bodies.

Board members and the Manager have considerable experience of operating at the most senior levels within quoted businesses. In addition, the Board and the Manager receive regular updates on new regulation from its auditors, lawyers and other professional bodies.

4. *Internal control risk*
Failures in key controls, within the Board or within the Manager's business, could put assets of the Company at risk or result in reduced or inaccurate information being passed to the Board or to shareholders.

The Audit Committee meets with the Head of Internal Audit from Close Brothers Group plc at least once a year, receiving a report regarding the last formal internal audit performed on the Manager, and providing the opportunity for the Audit Committee to ask specific and detailed questions. The Manager has a comprehensive business continuity plan in place in the event that operational continuity is threatened. Further details regarding the Board's management and review of the Company's internal controls through the implementation of the Turnbull guidance are detailed on page 28.

Measures are in place to mitigate information risk in order to ensure the integrity, availability and confidentiality of information used within the business.

5. *Reliance upon third parties risk*
The Company is reliant upon the services of Close Ventures Limited for the provision of investment management and administrative functions. There are provisions within the Management Agreement for the change of Manager under certain circumstances (for more detail, see the Management Agreement paragraph on page 22). In addition, the Manager has demonstrated to the Board that there is no undue reliance placed upon any one individual within Close Ventures Limited, or its parent company Close Brothers Group plc.

6. *Financial risks*
By its nature, as a venture capital trust, the Company is exposed to investment risk, credit risk and liquidity risk. The Company's policies for managing these risks and its financial instruments are outlined in full in note 19 to the financial statements.

The Company is financed through equity and does not have any borrowings.

Environment

The management and administration of Close Technology & General VCT PLC is undertaken by the Manager. Close Ventures Limited recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by its activities. Initiatives

Directors' Report and Business Review continued

designed to minimise the Company's impact on the environment include recycling and reducing energy consumption as shown in the financial statements of Close Ventures Limited.

Employees

The Company is managed by Close Ventures Limited and hence has no employees. In the Directors' view, there are no other non-financial performance indicators materially relevant to the business.

Directors

The Directors who held office throughout the year, and their interests in the shares of the Company (together with those of their immediate family) are shown below:

	31 December 2007		31 December 2006	
	Ordinary shares	C shares	Ordinary shares	C shares
Dr Neil Cross	100,000	100,000	100,000	100,000
Lt. Gen Sir Edmund Burton KBE	27,660	31,050	27,660	31,050
Michael Hart	100,000	–	100,000	–
Patrick Reeve	154,502	200,000	155,002	200,000

There have been no changes in the holdings of the Directors between 31 December 2007 and the date of this report.

No Director has a service contract with the Company.

All Directors, except for Patrick Reeve, who is a director of the Manager, are members of the Audit Committee of which Dr. Neil Cross is Chairman.

Patrick Reeve, as director of Close Ventures Limited is deemed to have an interest in the management contract and management performance incentive to which the Company is party.

No options over the share capital, long term incentive or retirement benefits of the Company have been granted to Directors personally, nor does the Company make a contribution to any pension scheme on behalf of the Directors.

Directors' retirement and re-election is subject to the Articles of Association and the Combined Code on Corporate Governance. At the forthcoming Annual General Meeting, all Directors, save Patrick Reeve, will retire and offer themselves for election.

Management agreement

The Company and Close Ventures Limited have entered into a Management Agreement dated 14 December 2000, which may be terminated by either party on 12 months' notice. Under this agreement, the Manager also provides secretarial and administrative services to the Company. The Management Agreement is subject to earlier termination in the event of certain breaches or on the insolvency of either party. Under the terms of the Management Agreement, the Manager is paid an annual fee equal to 2.5 per cent. (plus any applicable VAT) of the net asset value of the Company. The fee is payable quarterly in arrears.

Under the terms of a supplemental management agreement dated 7 November 2005, the services of the Manager have been extended to the C share portfolio.

In line with common practice, the Manager is also entitled to an arrangement fee, payable by each investee company, of approximately 2 per cent. on each investment made.

Management Performance Incentive

In order to provide the Manager with an incentive to maximise the return to investors, the Company has entered into a management performance incentive arrangement with the Manager. Under the incentive arrangement, if the net asset value per share at the end of a financial period, when added to the aggregate dividends per share (both revenue and capital) paid to that date, exceed £1 as increased at the compound rate of 8 per cent. per annum since the Company's commencement of trading, then the Manager will be entitled to an incentive fee equal to 20 per cent. of such excess (plus VAT if applicable). In the event that the performance of the Company falls short of the target in any period, such shortfall must be made up in future periods before the Manager is entitled to any incentive in respect of such future periods. The fee if applicable, will be payable annually. There is no management performance incentive fee arising in the year.

Under the terms of a supplemental management agreement dated 7 November 2005, the compounding provisions relating to the incentive fee payable in respect of the Ordinary shares has been removed, and the agreement has been extended to the C shares.

Evaluation of the Manager

The Board has evaluated the performance of the Manager based on the returns generated by the Company, the C share's progress on reaching the 70 per cent. investment target for Venture Capital Trust status, the long term prospects of the current investments, a review of the management agreement and the services provided therein, and benchmarking the performance of the Manager to other service providers. The Board believes that it is in the interests

Directors' Report and Business Review continued

of shareholders as a whole, and of the Company, to continue the appointment of the Manager for the forthcoming year.

Valuation of investments

As described in note 2 of the financial statements, the unquoted equity investments held by the Company are valued at fair value through profit or loss in accordance with the International Private Equity and Venture Capital Valuation Guidelines. These Guidelines set out recommendations, intended to represent current best practice on the valuation of venture capital investments. Unquoted investments are valued on the basis of forward looking estimates and judgements about the business itself, its market and the environment in which it operates, together with the state of the mergers and acquisitions market, stock market conditions and other factors. In making these judgements the valuation takes into account all known material facts up to the date of approval of the financial statements by the Board. Unquoted loan stock is valued at amortised cost.

Investment and co-investment

The Company co-invests with other venture capital trusts and funds managed by Close Ventures Limited. Allocation of investments is on the basis of an allocation agreement which is based, inter alia, on the ratio of funds available for investment.

Auditors

During the year, the Board, advised by the Audit Committee, decided to put the audit of the Company out to tender. Following a formal selection process, which considered expertise within the VCT market, depth of expertise within the audit firm and value for money, the Board have decided to propose a resolution for the appointment of PKF (UK) LLP at the Annual General Meeting on 17 June 2008.

In view of the proposed change in auditors, Deloitte & Touche LLP, who are the auditors for the financial year ended 31 December 2007, have informed the Company of their intention not to seek reappointment at the forthcoming Annual General Meeting.

Substantial interests

As at 31 December 2007 and at the date of this report, the Company was not aware of any beneficial interest exceeding 3 per cent. of the issued share capital, and there have been no disclosures in accordance with Disclosure and Transparency Rule 5 made to the company during the year ended 31 December 2007, and to the date of this report.

Supplier payment policy

The Company's policy is to pay all supplier invoices within 30 days of the invoice date, or as otherwise agreed. There were no overdue trade creditors at 31 December 2007 (2006: Nil).

Annual General Meeting

The Annual General Meeting will be held at 10 Crown Place, London EC2A 4FT at 12 noon on 17 June 2008. The notice of the Annual General Meeting is at the end of this document.

The proxy form enclosed with this Annual Report and Financial Statements permits shareholders to disclose votes 'for', 'against', 'withheld' and 'discretionary'. A 'vote withheld' is not a vote in law and will not be counted in the proportion of the votes for and against the resolution.

Summary of proxies lodged at the Annual General Meeting will be published at www.closeventures.co.uk within the 'Our Funds' section by clicking on Close Technology & General VCT PLC.

Resolutions relating to the following items of special business will be proposed at the forthcoming Annual General Meeting for which shareholder approval is required in order to comply either with the Companies Act or the Listing Rules of the Financial Services Authority.

Power to allot shares

Ordinary resolution number 7 will request the authority to allot up to 10 per cent. of the Ordinary share capital and 10 per cent. of the C share capital of the Company (excluding shares held in Treasury) as at 18 April 2008.

The Directors do not currently have any intention to allot shares, with the exception of reissuing shares where it is in the Company's interest to do so.

Dis-application of pre-emption rights

Special resolution number 8 will request the authority to disapply pre-emption rights in circumstances of a rights or other pre-emptive issue, in the case of a dividend reinvestment scheme and otherwise of up to 5 per cent. of Ordinary shares and 5 per cent. of C shares.

Purchase of own shares

Special resolution number 9 will request the authority to purchase an aggregate of 14.99 per cent. of the Ordinary shares and C shares in issue subject to the provisions shown in the notice of the meeting attached to the back of the financial statements. Shares bought back under this authority may be cancelled and up to 10 per cent. can be held in Treasury.

Directors' Report and Business Review continued

The Board believes that it is helpful for the Company to continue to have the flexibility to buy its own shares and this resolution seeks authority from shareholders to do so.

This resolution would renew the 2007 authority, which was in similar terms. During the financial year under review the Company purchased 216,862 of its Ordinary shares, which are held in Treasury. The Company holds a total of 273,473 shares in Treasury, representing 2 per cent. of the Ordinary shares in issue (excluding Treasury shares) as at 31 December 2007. The Company holds no C shares in Treasury.

The minimum repurchase price will be the nominal value of the shares from time to time and, in accordance with the Listing Rules, the maximum repurchase price will be the higher of: a) 105 per cent. of the average of the middle market quotations for a share, as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which that share is purchased; and b) the higher of the price of the last independent trade in the shares and the highest then current independent bid for the shares on the London Stock Exchange. The Board will only authorise repurchases of Treasury shares at prices representing a discount to the NAV per share which would have the effect of enhancing the NAV per share for remaining holders.

Treasury shares

Under the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003, shares purchased by the Company out of distributable profits can be held as Treasury shares, which may then be cancelled or sold for cash. The authority sought by this special resolution number 9 is intended to apply equally to shares to be held by the Company as Treasury shares in accordance with the Regulations.

At the Annual General Meeting, resolutions as described above will be proposed that the Directors will be authorised to allot relevant securities in accordance with section 80 of the Companies Act 1985 (the "Act") and to empower to allot equity securities for cash in accordance with section 95 of the Act. Again, these replace existing authorities and powers which allow the Directors to sell Treasury shares at a price not less than that at which they were purchased.

Powers to authorise Directors' conflict of interest

Special resolution number 10 will be proposed to insert a new Article into the Company's Articles of Association with effect from 1 October 2008.

The Companies Act 2006 sets out Directors' general duties which largely codify the existing law but with some changes. Under the Companies Act, from 1 October 2008 a Director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The requirement is very broad and could apply, for example, if a Director becomes a Director of another company or a trustee of another organisation. The Companies Act 2006 allows Directors of public companies to authorise conflicts and potential conflicts where appropriate, where the Articles of Association contain a provision to this effect. The Companies Act 2006 also allows the Articles to contain other provisions for dealing with Directors' conflicts of interest to avoid a breach of duty. The Articles give the Directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards that will apply when Directors decide whether to authorise a conflict or potential conflict. First, only Directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the company's success. The Directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the Article should contain provisions relating to confidential information, attendance at Board meetings and availability of Board papers to protect a Director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the Directors.

It is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers of authorisation of conflicts are operated effectively and that the procedures have been followed.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare such financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the income statement of the Company for

Directors' Report and Business Review continued

the year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether all applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In the case of the persons who are Directors of the Company at the date of approval of this report:

- so far as each of the Directors are aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the Company's auditors are unaware; and
- each of the Directors has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

This disclosure is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

By Order of the Board

Close Ventures Limited
Company Secretary

10 Crown Place
London, EC2A 4FT

18 April 2008

Statement of Corporate Governance

Background
The Financial Services Authority requires all listed companies to disclose how they have applied the principles and complied with the provisions of the Combined Code issued by the Financial Reporting Council ("FRC") in July 2003 ("the Code") and updated in June 2006.

The Board of Close Technology & General VCT PLC has also considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the Combined Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to Close Technology & General VCT PLC.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Combined Code), will provide better information to shareholders.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of Section 1 of the Combined Code, except as set out below.

Application of the Principles of the Code
The Board attaches importance to matters set out in the Code and applies its principles. However, as a venture capital trust company, most of the Company's day-to-day responsibilities are delegated to third parties and the Directors are all non-executive. Thus, not all the provisions of the Code are directly applicable to the Company.

Board of Directors
The Board consists solely of non-executive directors. Since all Directors are non-executive and day-to-day management responsibilities are sub-contracted to the Manager, the Company does not have a Chief Executive Officer.

Dr Neil Cross is the Chairman and Senior Independent Director. Mr Michael Hart and Lt Gen Sir Edmund Burton are considered independent directors. Mr Patrick Reeve is not considered an independent Director as he is the Managing Director of Close Ventures Limited, the Manager. The Directors have a range of business and financial skills which are extremely relevant to the Company; these are described in the Board of Directors section of this Report, on page 6. Directors are provided with key information on the Company's activities, including regulatory and statutory requirements, and internal controls, by the Manager. The Board has direct access to secretarial advice and compliance services by the Manager, who is responsible for ensuring that Board procedures are followed and applicable procedures complied with. All Directors are able to take independent professional advice in furtherance of their duties if necessary. In accordance with the Combined Code, the Company has in place Directors' & Officers' Liability Insurance.

The Board met four times during 2007 as part of its regular programme of Board meetings. All of the Directors attended each meeting.

The Chairman ensures that all Directors receive in a timely manner all relevant management, regulatory and financial information. The Board receives and considers reports regularly from the Manager and other key advisers and ad hoc reports and information are supplied to the Board as required. The Board has a formal schedule of matters reserved for it and the agreement between the Company and its Manager sets out the matters over which the Manager has authority and limits beyond which Board approval must be sought.

The Manager has authority over the management of the investment portfolio, the organisation of custodial services, accounting, secretarial and administrative services. The main issues reserved for the Board include:

- the consideration and approval of future developments or changes to the investment policy, including risk and asset allocation;
- consideration of corporate strategy;
- application of the principles of the Combined Code, corporate governance and internal control;
- review of sub-committee recommendations, including the recommendation to shareholders for the appointment and remuneration of auditors;
- approval of the appropriate dividend to be paid to shareholders;
- the appointment, evaluation, removal and remuneration of the Manager;
- the performance of the Company, including monitoring of the discount of the net asset value and the share price; and
- monitoring shareholder profile and considering shareholder communications.

Statement of Corporate Governance continued

Committees' and Directors' performance evaluation
Performance of the Board and the Directors is assessed on the following:

- attendance at Board and Committee meetings;
- the contribution made by individual Directors at, and outside of, Board and Committee meetings; and
- completion of a detailed internal assessment process and annual performance evaluation conducted by the Chairman.

The Board believes that it has the right balance of independence, skills, experience and knowledge for the effective governance of the Company.

All Directors will be elected at the Annual General Meeting save Patrick Reeve. As a result of the performance evaluation process, they are considered to be independent and effective and demonstrate strong commitment to the role; on this basis, the Board believes it to be in the best interest of the Company to appoint these Directors at the forthcoming Annual General Meeting.

Remuneration committee
Since the Company has no executive directors, the detailed Directors' Remuneration disclosure requirements set out in Listing Rules 12.43A (a), 12.43A (b) and 12.43A (c) as they relate to Combined Code Provisions B.1 to B.2, B1.1 to B1.6, and B2.1 to B2.4 are not relevant.

Audit Committee
The Audit Committee consists of all Directors excluding Mr Patrick Reeve. Dr Neil Cross is Chairman of the Audit Committee. In accordance with the Code, the members of the Audit Committee have recent and relevant financial experience. The Committee met twice during the year ended 31 December 2007; all members attended.

Written terms of reference have been constituted for the Audit Committee, these are as follows:

- providing an overview of the Company's accounting policies and financial reporting;
- considering and reviewing the effectiveness of the Company's internal controls and risk management systems;
- monitoring the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them;
- meeting the Company's external auditors annually, approving their appointment, reappointment, remuneration, terms of engagement and providing an ongoing review of auditor independence and objectivity;
- developing and implementing a policy for the supply of non-audit services by the external auditors;
- meeting with the Head of Internal Audit of Close Brothers Group plc when appropriate;
- ensuring that all Directors of the Company, and staff of the Manager feel able to raise issues of serious concern with the Chairman of the Audit Committee, and that these issues, where raised, are subject to proportionate and independent investigation, and appropriate action;
- reporting to the Board, identifying any matters in respect of which action or improvement is needed and recommending appropriate steps to be taken; and
- undertaking the duties of the Engagement Committee, and therefore reviewing the performance of the Manager and all matters arising under the management agreement.

During the year under review, the Committee discharged the responsibilities described above. Its activities included:

- formally reviewing the final report and accounts, the interim report, and the associated announcements, with particular focus on the main areas requiring judgement and on critical accounting policies;
- reviewing the effectiveness of the internal controls system and examination of the Internal Controls Report produced by the Manager;
- meeting with the Head of Internal Audit of Close Brothers Group plc;
- meeting with the external auditors and reviewing their findings;
- undertaking a tender process for the provision of audit services to the Company, evaluating the tenders, and recommending the appointment of PKF (UK) LLP to the Board with a view to their appointment at the Annual General Meeting; and
- reviewing the performance of the Manager and making recommendations regarding their re-appointment to the Board.

Statement of Corporate Governance continued

Nomination Committee
The Nomination Committee consists of all Directors, apart from Patrick Reeve, with Dr Neil Cross as Chairman. The terms of reference of the Nomination Committee are to evaluate the balance of skills, experience and time commitment of the current Board members and make recommendations to the Board as and when a particular appointment arises. The Nomination Committee did not meet during 2007 and will meet when it is appropriate for it to do so.

It is the policy of the Company that all of the Directors are nominated for re-election every three years. The next re-election is at the Annual General Meeting on 17 June 2008. The terms and conditions of Directors' appointment are available for inspection at the Annual General Meeting.

Internal Control
In accordance with principle C.2 of the Combined Code, the Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place throughout the year and continues to be subject to regular review by the Board in accordance with the Internal Control Guidance for Directors in the Combined Code published in September 1999 and updated in 2005 (the "Turnbull guidance"). The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage, rather than eliminate the risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board's monitoring covers all controls, including financial, operational and compliance controls, and risk management. The Board receives each year from the Manager a formal report, which details the steps taken to monitor the areas of risk, including those that are not directly the responsibility of the Manager, and which reports the details of any known internal control failures. Steps are, and continue to be taken to embed the system of internal control and risk management into the operations and culture of the Company and its key suppliers, and to deal with areas of improvement which come to the Manager's and the Board's attention.

The Board has also performed a specific assessment for the purpose of this Annual Report. This assessment considers all significant aspects of internal control arising during the year. The Audit Committee assists the Board in discharging its review responsibilities.

As the Board has delegated the investment management and administration to Close Ventures Limited, the Board feels that it is not necessary to have its own internal audit function. Instead, the Board has continual access to the internal audit department of Close Brothers Group plc, which undertakes periodic examination of the business processes and controls environment at Close Ventures Limited, and ensures that any recommendations to implement improvements in controls are carried out. The internal audit department of Close Brothers Group plc reports formally to the Board on an annual basis. The Board will continue to monitor its system of internal control in order to provide assurance that it operates as intended.

Going concern
After making reasonable enquiries the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors have adopted the going concern basis in preparing the accounts.

Relationships with shareholders
The Company's Annual General Meeting on 17 June 2008 will be used as an opportunity to communicate with investors. The Board and the Chairman of the Audit Committee will be available to answer questions at the Annual General Meeting. At the Annual General Meeting, the level of proxies lodged on each resolution, the balance for and against the resolution, and the number of votes withheld, are announced after the resolution has been voted on by a show of hands.

The Annual General Meeting will also include a presentation from the Manager on the portfolio and on the Company, and a presentation from an investee company.

Shareholders are able to access the latest information on the Company via the Close Ventures Limited website www.closeventures.co.uk under the "Our Funds" section.

Any enquiries relating to shareholdings and share certificates or changes to personal details can be directed to Capita Registrars plc:

Tel: 0871 664 0300
Calls cost 10p per minute plus network extras
E-mail: ssd@capitaregistrars.com

Specific enquiries relating to the performance of the Fund should be directed to Close Ventures Limited:

Tel: 020 7422 7830
E-mail: enquiries@closeventures.co.uk

Statement of Corporate Governance continued

The company's share buy-back programme operates in the market through brokers. In order to sell shares, as they are quoted on the London Stock Exchange, investors should approach a broker to undertake the sale. Banks may be able to assist shareholders with a referral to a broker within their banking group.

Statement of compliance

With the exception of the requirements to have a Remuneration Committee, the Directors consider that the Company has complied throughout the year ended 31 December 2007 with all the relevant provisions set out in Section 1 of the Code, and with the AIC Code of Corporate Governance. The Company continues to comply with the Code as at the date of this report.

Directors' Remuneration Report

Introduction

This report is submitted in accordance with Schedule 7a to the Companies Act 1985. The report also meets the relevant rules of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles relating to the Director's remuneration. As required by the Act, a resolution to approve the report will be proposed at the Annual General Meeting.

UNAUDITED INFORMATION

Remuneration Committee

Since the Company consists solely of non-executive Directors, a Remuneration Committee is not considered necessary.

Directors' remuneration policy

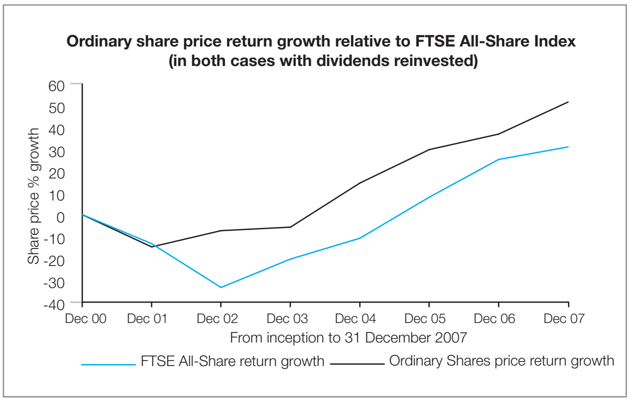
The Company's policy is that fees payable to non-executive Directors should reflect their expertise, responsibilities and time spent on Company matters. In determining the level of non-executive remuneration market equivalents are considered in comparison to the overall activities and size of the Company.

The maximum level of non-executive Directors' remuneration is fixed by the Company's Articles of Association, not to exceed £75,000 per annum; amendment to this is by way of a special resolution subject to ratification by shareholders.

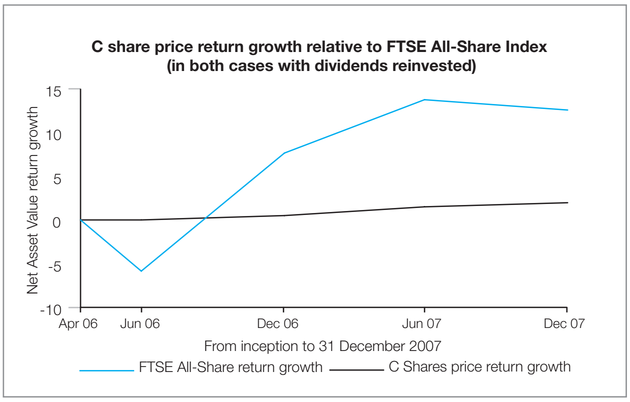
Performance graph

The graphs that follow show Close Technology & General VCT PLC's Ordinary and C shares' prices growth against the FTSE All-Share Index growth, in both instances with dividends reinvested since the launch of the Ordinary Shares and since the launch of the C Shares. The Directors consider this to be the most appropriate benchmark. Investors should however be reminded that shares in VCTs generally trade at a discount to the actual net asset value of the Company.

There are no options, issued or exercisable, in the Company which would distort the graphical representation that follow.



Source: Close Ventures Limited



Source: Close Ventures Limited

Service contracts

None of the Directors has a service contract with the Company.

The Company's Articles of Association provide for the resignation and, if approved, re-election of the Directors every three years at the Annual General Meeting. At the forthcoming Annual General Meeting all directors, save Patrick Reeve will retire and be proposed for re-election.

Directors' Remuneration Report continued

Directors' remuneration
The following items have been audited.

The following table shows an analysis of the remuneration of individual directors, exclusive of National Insurance or VAT:

	2007 Fees £'000	2006 Fees £'000
Dr Neil Cross	17.5	17.5
Michael Hart	17.5	17.5
Lt Gen Sir Edmund Burton	17.5	17.5
Close Ventures Limited (for Patrick Reeve's services)	17.5	17.5
	70	70

The Company does not confer any share options, long term incentives or retirement benefits to any Director, nor does it make a contribution to any pension scheme on behalf of the Directors.

Each Director of the Company was remunerated personally, save for Patrick Reeve whose services are provided by Close Ventures Limited.

In addition to Directors' remuneration, the Company pays annual premiums in respect of Directors' & Officers' Liability Insurance of £15,000.

By Order of the Board

Close Ventures Limited
Company Secretary

10 Crown Place
London, EC2A 4FT

18 April 2008

Independent Auditors' Report
To the Members of Close Technology & General VCT Plc

We have audited the financial statements of Close Technology & General VCT PLC for the year ended 31 December 2007 which comprise the income statement, the balance sheet, the reconciliation of movement in shareholders' funds, the cash flow statement and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the annual report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of Directors' responsibilities. Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements. The information given in the Directors' Report and Business Review include the specific information presented in the Chairman's Statement and the portfolio of investments that is cross referred from the Business Review section of the Directors' Report and Business Review.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Statement of Corporate Governance reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007 and its total return for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London, United Kingdom 18 April 2008

Income Statement

		Ordinary Shares Year ended 31 December 2007			C Shares Year ended 31 December 2007			Total Year ended 31 December 2007		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments	3	–	664	664	–	(517)	(517)	–	147	147
Investment income	4	932	–	932	1,964	–	1,964	2,896	–	2,896
Investment management fees	5	(113)	(340)	(453)	(242)	(725)	(967)	(355)	(1,065)	(1,420)
Other expenses	6	(81)	–	(81)	(184)	–	(184)	(265)	–	(265)
Return/(loss) on ordinary activities before tax		738	324	1,062	1,538	(1,242)	296	2,276	(918)	1,358
Tax (charge)/ credit on ordinary activities	8	(152)	99	(53)	(425)	211	(214)	(577)	310	(267)
Return/(loss) attributable to shareholders		586	423	1,009	1,113	(1,031)	82	1,699	(608)	1,091
Basic and diluted return per share (pence) (excluding Treasury shares)	10	4.4	3.2	7.6	3.1	(2.9)	0.2			

The total column of this Income Statement represents the profit and loss account of the Company. The supplementary revenue and capital columns have been prepared in accordance with the Association of Investment Trust Companies' Statement of Recommended Practice.

The accompanying notes on pages 41 to 57 form an integral part of these financial statements.

All revenue and capital items in the above statement derive from continuing operations.

There are no recognised gains or losses other than the results for the year disclosed above. Accordingly a statement of total recognised gains and losses is not required.

Income Statement

		Ordinary Shares Year ended 31 December 2006			C Shares Year ended 31 December 2006			Total Year ended 31 December 2006		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments	3	–	(3)	(3)	–	202	202	–	199	199
Investment income	4	832	–	832	1,322	–	1,322	2,154	–	2,154
Investment management fees	5	(117)	(351)	(468)	(246)	(738)	(984)	(363)	(1,089)	(1,452)
Other expenses	6	(57)	–	(57)	(129)	–	(129)	(186)	–	(186)
Return/(loss) on ordinary activities before tax		658	(354)	304	947	(536)	411	1,605	(890)	715
Tax (charge)/credit on ordinary activities	8	(219)	114	(105)	(284)	221	(63)	(503)	335	(168)
Return/(loss) attributable to shareholders		439	(240)	199	663	(315)	348	1,102	(555)	547
Basic and diluted return per share (pence) (excluding Treasury shares)	10	3.2	(1.8)	1.4	2.3	(1.1)	1.2			

The total column of this Income Statement represents the profit and loss account of the Company. The supplementary revenue and capital columns have been prepared in accordance with the Association of Investment Trust Companies' Statement of Recommended Practice.

The accompanying notes on pages 41 to 57 form an integral part of these financial statements.

All revenue and capital items in the above statement derive from continuing operations.

There are no recognised gains or losses other than the results for the year disclosed above. Accordingly a statement of total recognised gains and losses is not required.

Balance Sheet

	Note	Ordinary shares 31 December 2007 £'000	C Shares 31 December 2007 £'000	Total 31 December 2007 £'000
Fixed asset investments				
Qualifying		10,688	14,193	24,881
Non-qualifying		444	14,967	15,411
Total fixed asset investments	11	11,132	29,160	40,292
Current Assets				
Debtors	13	223	136	359
Cash at bank	17	4,056	4,229	8,285
		4,279	4,365	8,644
Creditors: amounts falling due within one year	14	(218)	(650)	(868)
Net current assets		4,061	3,715	7,776
Net assets		15,193	32,875	48,068
Capital and reserves				
Called up share capital	15	6,795	17,740	24,535
Share premium		165	–	165
Special reserve		5,554	15,768	21,322
Capital redemption reserve		400	–	400
Own treasury shares reserve		(282)	–	(282)
Realised capital reserve		4,067	(745)	3,322
Unrealised capital reserve		(2,092)	(600)	(2,692)
Revenue reserve		586	712	1,298
Total equity shareholders' funds		15,193	32,875	48,068
Net asset value per share (pence)	16	114.1	92.7	

The accompanying notes on pages 41 to 57 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors, and authorised for issue on 18 April 2008 and were signed on its behalf by

Dr Neil Cross
Chairman

Balance Sheet

	Note	Ordinary shares 31 December 2006 £'000	C Shares 31 December 2006 £'000	Total 31 December 2006 £'000
Fixed asset investments				
Qualifying		10,965	3,116	14,081
Non-qualifying		2,332	28,430	30,762
Total fixed asset investments	11	13,297	31,546	44,843
Current Assets				
Debtors	13	23	332	355
Cash at bank	17	2,486	2,145	4,631
		2,509	2,477	4,986
Creditors: amounts falling due within one year	14	(321)	(344)	(665)
Net current assets		2,188	2,133	4,321
Net assets		15,485	33,679	49,164
Capital and reserves				
Called up share capital	15	6,795	17,740	24,535
Share premium		165	–	165
Special reserve		5,554	15,768	21,322
Capital redemption reserve		400	–	400
Own treasury shares reserve		(56)	–	(56)
Realised capital reserve		3,432	(505)	2,927
Unrealised capital reserve		(1,276)	190	(1,086)
Revenue reserve		471	486	957
Total equity shareholders' funds		15,485	33,679	49,164
Net asset value per share (pence)	16	114.4	94.9	

The accompanying notes on pages 41 to 57 form an integral part of these financial statements.

Reconciliation of movement in shareholders' funds

Ordinary Shares

	Called-up share capital £'000	Share premium £'000	Special reserve £'000	Capital redemption reserve £'000	Own Treasury shares reserve £'000	Realised capital reserve £'000	Unrealised capital reserve £'000	Revenue reserve £'000	Total £'000
As at 1 January 2006	6,908	165	5,785	287	–	4,311	(1,027)	235	16,664
Net realised gains on investments in the year	–	–	–	–	–	246	–	–	246
Capitalised investment management fees	–	–	–	–	–	(351)	–	–	(351)
Tax relief on costs charged to capital	–	–	–	–	–	114	–	–	114
Share redemptions	(113)	–	(231)	113	–	–	–	–	(231)
Purchase of own treasury shares	–	–	–	–	(56)	–	–	–	(56)
Movement in unrealised appreciation	–	–	–	–	–	–	(249)	–	(249)
Revenue return attributable to shareholders	–	–	–	–	–	–	–	439	439
Dividends paid	–	–	–	–	–	(888)	–	(203)	(1,091)
As at 31 December 2006	6,795	165	5,554	400	(56)	3,432	(1,276)	471	15,485
Net realised gains on investments in the year	–	–	–	–	–	1,480	–	–	1,480
Capitalised investment management fees	–	–	–	–	–	(340)	–	–	(340)
Tax relief on costs charged to capital	–	–	–	–	–	99	–	–	99
Purchase of own treasury shares	–	–	–	–	(226)	–	–	–	(226)
Movement in unrealised appreciation	–	–	–	–	–	–	(816)	–	(816)
Revenue return attributable to shareholders	–	–	–	–	–	–	–	586	586
Dividends paid	–	–	–	–	–	(604)	–	(471)	(1,075)
As at 31 December 2007	6,795	165	5,554	400	(282)	4,067	(2,092)	586	15,193

Reconciliation of movement in shareholders' funds

C Shares

	Called-up share capital £'000	Share premium £'000	Special reserve £'000	Realised capital reserve £'000	Unrealised capital shares £'000	Revenue reserve £'000	Total £'000
As at 1 January 2006	–	–	–	–	–	–	–
Net realised gains on investments in the year	–	–	–	12	–	–	12
Capitalised investment management fees	–	–	–	(738)	–	–	(738)
Tax relief on costs charged to capital	–	–	–	221	–	–	221
Issue of share capital	17,740	17,740	–	–	–	–	35,480
Issue costs	–	(1,952)	–	–	–	–	(1,952)
Cancellation of share premium account	–	(15,788)	15,788	–	–	–	–
Cost of cancellation of share premium	–	–	(20)	–	–	–	(20)
Movement in unrealised appreciation	–	–	–	–	190	–	190
Revenue return attributable to shareholders	–	–	–	–	–	663	663
Dividends paid	–	–	–	–	–	(177)	(177)
As at 31 December 2006	17,740	–	15,768	(505)	190	486	33,679
Net realised gains on investments in the year	–	–	–	274	–	–	274
Capitalised investment management fees	–	–	–	(725)	–	–	(725)
Tax relief on costs charged to capital	–	–	–	211	–	–	211
Movement in unrealised appreciation	–	–	–	–	(790)	–	(790)
Revenue return attributable to shareholders	–	–	–	–	–	1,113	1,113
Dividends paid	–	–	–	–	–	(887)	(887)
As at 31 December 2007	17,740	–	15,768	(745)	(600)	712	32,875

Cash flow Statement

	Note	Ordinary shares Year to 31 December 2007 £'000	C Shares Year to 31 December 2007 £'000	Total Year to 31 December 2007 £'000
Operating activities				
Investment income received		566	1,605	2,171
Deposit interest received		166	203	369
Investment management fees paid		(460)	(983)	(1,443)
Other cash payments		(72)	(141)	(213)
Intercompany account movement		(100)	288	188
Net cash inflow from operating activities	18	100	972	1,072
Taxation				
UK corporation tax paid		(67)	(61)	(128)
Capital expenditure and financial investments				
Purchase of investments		(1,709)	(11,900)	(13,609)
Disposals of investments		4,547	13,960	18,507
Net cash inflow from investing activities		2,838	2,060	4,898
Equity dividends paid				
Dividends paid	9	(1,075)	(887)	(1,962)
Net cash inflow before financing		1,796	2,084	3,880
Financing				
Purchase of own shares	15	(226)	–	(226)
Net cash (outflow)/inflow from financing		(226)	–	(226)
Cash inflow in the year	17	1,570	2,084	3,654

Cash flow Statement

	Note	Ordinary shares Year to 31 December 2006 £'000	C Shares Year to 31 December 2006 £'000	Total Year to 31 December 2006 £'000
Operating activities				
Investment income received		621	750	1,371
Deposit interest received		102	314	416
Investment management fees paid		(534)	(735)	(1,269)
Other cash payments		(259)	(109)	(368)
Intercompany account movement		114	(114)	–
Net cash (outflow)/inflow from operating activities	18	44	106	150
Taxation				
UK corporation tax paid		(46)	–	(46)
Capital expenditure and financial investments				
Purchase of investments		(2,073)	(31,594)	(33,667)
Disposals of investments		1,185	297	1,482
Net cash outflow from investing activities		(888)	(31,297)	(32,185)
Equity dividends paid				
Dividends paid	9	(1,091)	(177)	(1,268)
Net cash outflow before financing		(1,981)	(31,368)	(33,349)
Financing				
Issue of share capital (net of costs)		–	33,513	33,513
Purchase of own shares	15	(287)	–	(287)
Net cash (outflow)/inflow from financing		(287)	33,513	33,226
Cash (outflow)/inflow in the year	17	(2,268)	2,145	(123)

Notes to the Financial Statements

1. Accounting convention

The financial statements have been prepared in accordance with the historical cost convention, modified to include the revaluation of investments, in accordance with applicable United Kingdom law and accounting standards and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" ("SORP") issued by the Association of Investment Trust Companies ("AITC") in January 2003 and revised in December 2005. Accounting policies have been applied consistently in current and prior periods.

True and fair override

The Company is no longer an investment company within the meaning of s266, of the Companies Act 1985. However, it conducts its affairs as a venture capital trust for taxation purposes under Part 6 of the Income Taxes Act 2007.

The absence of Section 266 status does not preclude the Company from presenting its accounts in accordance with the AITC's SORP and furthermore the Directors consider it appropriate to continue to present the accounts in accordance with the SORP. Under the SORP, the financial performance of the Company is presented in an Income Statement in which the total column is the profit and loss account of the Company.

In the opinion of the Directors the presentation adopted enables the Company to report in a manner consistent with the sector within which it operates. The Directors therefore consider that these departures from the specific provisions of Schedule 4 of the Companies Act 1985 relating to the form and content of accounts for companies other than investment companies and these departures from accounting standards are necessary to give a true and fair view. The departures have no effect on the total return or balance sheet.

2. Accounting policies

Investments

Quoted and unquoted equity investments

In accordance with FRS 26 "Financial Instruments Measurement", quoted and unquoted equity investments are designated as fair value through profit or loss ("FVTPL"). Investments listed on recognised exchanges are valued at the closing bid prices at the end of the accounting period. Unquoted investments' fair value is determined by the Directors in accordance with the International Private Equity and Venture Capital Valuation Guidelines (IPEVCV guidelines).

Fair value movements on equity investments and gains and losses arising on the disposal of investments are reflected in the capital column of the Income Statement in accordance with the AITC SORP and realised gains or losses on the sale of investments will be reflected in the realised capital reserve, and unrealised gains or losses arising from the revaluation of investments will be reflected in the unrealised capital reserve.

Unquoted loan stock

Unquoted loan stock is classified as loans and receivables in accordance with FRS 26 and carried at amortised cost using the Effective Interest Rate method ("EIR") less impairment. Movements in the amortised cost relating to interest income are reflected in the revenue column of the Income Statement, and hence are reflected in the Revenue reserve, and movements in respect of capital provisions are reflected in the capital column of the Income Statement and are reflected in the Realised capital reserve following sale, or in the Unrealised Capital reserve on revaluation. Loan stocks which are not impaired or past due are considered fully performing in terms of contractual interest and capital repayments and the Board does not consider that there is a current likelihood of a shortfall on security cover for these assets. For unquoted loan stock, the amount of the impairment is the difference between the asset's carrying value and the present value of estimated future cash flows, discounted at the effective interest rate.

Floating rate notes

In accordance with FRS 26 "Financial Instruments Measurement", floating rate notes are designated as fair value through profit or loss ("FVTPL"). Floating rate notes are valued at market bid price at the balance sheet date.

Warrants, convertibles and unquoted equity derived instruments

Warrants, convertibles and unquoted equity derived instruments are only valued if their exercise or contractual conversion terms would allow them to be exercised or converted as at the balance sheet date, and if there is additional value to the Company in exercising or converting as at the balance sheet date. Otherwise these instruments are held at nil value. The valuation techniques used are those used for the underlying equity investment.

Investments are recognised as financial assets on legal completion of the investment contract and are de-recognised on legal completion of the sale of an investment.

Dividend income is not recognised as part of the fair value movement of an investment, but is recognised separately as investment income through the Revenue reserve when a share becomes ex-dividend.

Loan stock accrued interest is recognised in the Balance Sheet as part of the carrying value of the loans and receivables at the end of each reporting period.

It is not the Company's policy to exercise control or significant influence over investee companies. Therefore in accordance with the exemptions under FRS 9 "Associates and joint ventures", those undertakings in which the Company holds more than 20 per cent. of the equity are not regarded as associated undertakings.

Investment income

Quoted and Unquoted equity income

Dividend income is included in revenue when the investment is quoted ex-dividend.

Unquoted Loan stock income

The fixed returns on non-equity shares and debt securities are recognised on a time apportionment basis using an effective interest rate over the life of the financial instrument.

Bank interest income

Interest income is recognised on an accrual basis using the rate of interest agreed with the bank.

Notes to the Financial Statements continued

2. Accounting policies (continued)

Investment income (continued)

Floating rate note income

Floating rate note income is recognised on an accrual basis using the interest rate applicable to the floating rate note at that time.

Investment management fees and other expenses

All expenses have been accounted for on an accruals basis. Expenses are charged through the Revenue account except the following which are charged through the realised capital reserve:

- 75 per cent. of Management fees are allocated to the capital account to the extent that these relate to an enhancement in the value of the investments and in line with the Board's expectation that over the long term 75 per cent. of the Company's investment returns will be in the form of capital gains; and

- expenses which are incidental to the purchase or disposal of an investment are charged through the realised capital reserve.

Under the terms of the Management Agreement, total expenses including management fees and excluding performance fees will not exceed 3.5 per cent. of net asset value at the year end.

Taxation

Taxation is applied on a current basis in accordance with FRS 16 "Current tax". Taxation associated with capital expenses is applied in accordance with the SORP. In accordance with FRS 19 "Deferred tax", deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

The specific nature of taxation of venture capital trusts means that it is unlikely that any deferred tax will arise. The Directors have considered the requirements of FRS 19 and do not believe that any provision should be made.

Performance incentive fee

In the event that a performance incentive fee crystallises, the fee will be allocated between revenue and realised capital reserves based upon the proportion to which the calculation of the fee is attributable to revenue and capital returns.

Reserves

Realised capital reserves

The following are disclosed in this reserve:

- gains and losses compared to cost on the realisation of investments;

- expenses, together with the related taxation effect, charged in accordance with the above policies; and

- realised exchange differences of a capital nature.

- dividends paid to equity holders.

Unrealised capital reserves

The following are disclosed to this reserve:

- increases and decreases in the valuation of investments against cost held at the period end; and

- unrealised exchange differences of a capital nature.

Special reserve

This reserve is distributable and is primarily used for the cancellation of the Company's share capital.

Capital redemption reserve

This reserve accounts for amounts by which the issued share capital is diminished through the repurchase of the Company's own shares.

Own shares held reserve

This reserve accounts for amounts by which the distributable reserves of the Company are diminished through the repurchase of the Company's own shares for Treasury.

Share premium reserve

This reserve accounts for the difference between the price paid for shares and the nominal value of the shares, less issue costs and transfers to the special reserve.

Dividends

In accordance with FRS 21 "Events after the balance sheet date", dividends declared by the Company are accounted for in the period in which the dividend has been paid or approved by shareholders in an Annual General Meeting.

Foreign currency

Transactions denominated in foreign currencies are recorded in the local currency at the actual exchange rates as at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the capital reserve or in the revenue account depending on whether the gain or loss is of a capital or revenue nature respectively.

C Shares

Until such time that C shares are converted into Ordinary shares in 2011, all investments and returns attributable to this class of share will be separately identifiable from the existing Ordinary shares. All residual expenses will be allocated on the basis of total funds raised for each class of share.

Notes to the Financial Statements continued

3. Gains/(losses) on investments

	Year ended 31 December 2007			Year ended 31 December 2006		
	Ordinary Shares £'000	**C Shares £'000**	**Total £'000**	**Ordinary Shares £'000**	**C Shares £'000**	**Total £'000**
Unrealised (losses)/gains on investments held at fair value through profit and loss account	(711)	(760)	(1,471)	(260)	190	(70)
Unrealised (impairments)/gains on investments held at amortised cost	(105)	(30)	(135)	13	22	35
Unrealised (losses)/gains sub total	**(816)**	**(790)**	**(1,606)**	**(247)**	**212**	**(35)**
Realised gains on investments held at fair value through profit and loss account	1,487	282	1,769	297	–	297
Realised gains sub total	**1,487**	**282**	**1,769**	**297**	**–**	**297**
Net movement on foreign exchange on investments held at fair value through profit or loss account	3	4	7	(42)	1	(41)
Commission on purchase and disposal on investments held at fair value through profit or loss account	(10)	(13)	(23)	(11)	(11)	(22)
	(7)	**(9)**	**(16)**	**(53)**	**(10)**	**(63)**
Total	**664**	**(517)**	**147**	**(3)**	**202**	**199**

Investments valued on amortised cost basis are unquoted loan stock investments.

4. Investment income

	Year ended 31 December 2007			Year ended 31 December 2006		
	Ordinary Shares £'000	**C Shares £'000**	**Total £'000**	**Ordinary Shares £'000**	**C Shares £'000**	**Total £'000**
Income recognised on investments held at fair value through profit and loss						
UK dividend income	17	73	90	8	–	8
Foreign investment income	–	–	–	8	–	8
Management fees received from equity investments	14	–	14	7	–	7
Floating rate note interest	–	1,037	1,037	–	889	889
Bank deposit interest	172	211	383	105	318	423
	203	1,321	1,524	128	1,207	1,335
Income recognised on investments held at amortised cost						
Return on loan stock investments	729	643	1,372	704	115	819
	932	**1,964**	**2,896**	**832**	**1,322**	**2,154**

Interest income earned on impaired investments at 31 December 2007 for Ordinary shares amounted to £86,000 (2006: £46,000) and for C shares amounted to £32,000 (2006: £nil). These investments are all held at amortised cost.

Notes to the Financial Statements continued

5. Investment management fees

	Year ended 31 December 2007 Ordinary Shares £'000	C Shares £'000	Total £'000	Year ended 31 December 2006 Ordinary Shares £'000	C Shares £'000	Total £'000
Investment management fee charged to revenue	113	242	355	117	246	363
Investment management fee charged to capital	340	725	1,065	351	738	1,089
	453	**967**	**1,420**	**468**	**984**	**1,452**

Total management fees for the year ended 31 December 2007 include irrecoverable VAT amounting to approximately £214,000 (2006: £216,000). Further details of the Management Agreement under which the investment management fee is paid are given in the Report of the Directors on page 22.

6. Other expenses

	Year ended 31 December 2007 Ordinary Shares £'000	C Shares £'000	Total £'000	Year ended 31 December 2006 Ordinary Shares £'000	C Shares £'000	Total £'000
Directors' fees	22	56	78	23	57	80
Auditors' remuneration – audit fees	11	20	31	6	13	19
Other	48	108	156	28	59	87
	81	**184**	**265**	**57**	**129**	**186**

7. Directors' fees

The amounts paid to Directors during the year are as follows:

	Year ended 31 December 2007 Ordinary Shares £'000	C Shares £'000	Total £'000	Year ended 31 December 2006 Ordinary Shares £'000	C Shares £'000	Total £'000
Directors' fees	20	50	70	20	50	70
National Insurance and/or VAT	2	6	8	2	6	8
Expenses	–	–	–	1	1	2
	22	**56**	**78**	**23**	**57**	**80**

Expenses charged relate to travel expenses in furtherance of their duties as Directors. Further information regarding Directors' remuneration can be found on the Directors' Remuneration Report on page 30.

Notes to the Financial Statements continued

8. Tax charge/(credit) on ordinary activities

Ordinary Shares	**Year ended 31 December 2007**			**Year ended 31 December 2006**		
	Revenue £'000	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**
Return before taxation	738	324	1,062	658	(354)	304
Tax on profit at the standard rate of 30%	221	97	318	197	(106)	91
Over accrual in previous year	(2)	–	(2)	27	(8)	19
	219	97	316	224	(114)	110
Factors affecting the charge						
Non-taxable gains	–	(199)	(199)	–	–	–
Tax attributable to capitalised expenses	99	(99)	–	114	(114)	–
Expenses charged to capital	(99)	99	–	(114)	114	–
Non-taxable income	(5)	–	(5)	(5)	–	(5)
Consortium relief	(56)	–	(56)	–	–	–
Adjustment for effective rate of tax	(6)	3	(3)	–	–	–
	152	**(99)**	**53**	**219**	**(114)**	**105**

C Shares	**Year ended 31 December 2007**			**Year ended 31 December 2006**		
	Revenue £'000	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**
Return before taxation	1,538	(1,242)	296	947	(536)	411
Tax on profit at the standard rate of 30%	461	(373)	88	284	(161)	123
Over accrual in previous year	(2)	–	(2)	–	–	–
	459	(373)	86	284	(161)	123
Factors affecting the charge						
Non-taxable losses	–	155	155	–	(60)	(60)
Tax attributable to capitalised expenses	211	(211)	–	221	(221)	–
Expenses charged to capital	(211)	211	–	(221)	221	–
Non-taxable income	(23)	–	(23)	–	–	–
Adjustment for effective rate of tax	(11)	7	(4)	–	–	–
	425	**(211)**	**214**	**284**	**(221)**	**63**

The tax charge for the year for Ordinary shares is lower than the standard rate of corporation tax of 30 per cent., and higher for C shares. The differences are explained above.

Notes

(i) Venture Capital Trusts are not subject to corporation tax on capital gains.

(ii) Tax relief on expenses charged to capital has been determined by allocating tax relief to expenses by reference to the applicable corporation tax rate of 30 per cent. and allocating the relief between revenue and capital in accordance with the SORP.

(iii) No deferred tax asset or liability has arisen in the year.

Notes to the Financial Statements continued

9. Dividends

Ordinary Shares

	Year ended 31 December 2007			Year ended 31 December 2006		
	Revenue £'000	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**
Dividend of 4.0p (capital) per share paid on 26 May 2006	–	–	–	–	550	550
Dividend of 4.0p (1.5p revenue and 2.5p capital) per share paid on 3 November 2006	–	–	–	203	338	541
Dividend of 4.0p (1.5p revenue and 2.5p capital) per share paid on 25 May 2007	204	337	541	–	–	–
Dividend of 4.0p (2.0p revenue and 2.0p capital) per share paid on 2 November 2007	267	267	534	–	–	–
	471	**604**	**1,075**	**203**	**888**	**1,091**

C Shares

	Year ended 31 December 2007			Year ended 31 December 2006		
	Revenue £'000	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**
Revenue dividend of 0.5p per share paid on 3 November 2006	–	–	–	177	–	177
Revenue dividend of 1.0p per share paid on 25 May 2007	355	–	355	–	–	–
Revenue dividend of 1.5p per share paid on 2 November 2007	532	–	532	–	–	–
	887	**–**	**887**	**177**	**–**	**177**

In addition to the dividends summarised above, the Directors have declared a first dividend of 4.0 pence per Ordinary share and 1.5 pence per C share to be paid on 30 May 2008 to shareholders on the register at 2 May 2008.

10. Basic and diluted return per share

	31 December 2007			31 December 2006		
	Revenue pence	**Capital pence**	**Total pence**	**Revenue pence**	**Capital pence**	**Total pence**
Ordinary shares (pence per share)	4.4	3.2	7.6	3.2	(1.8)	1.4
C shares (pence per share)	3.1	(2.9)	0.2	2.3	(1.1)	1.2

Ordinary shares

Revenue return per Ordinary share is based upon the net revenue return attributable to shareholders for the year of £586,000 (2006: £439,000) in respect of the weighted average number of shares in issue during the year, being 13,438,783 (2006: 13,661,733).

Capital return per Ordinary share is based upon the net capital profit attributable to shareholders for the year of £423,000 (2006: loss £240,000) in respect of the same weighted average number of shares as for the revenue return above.

C shares

Revenue return per C share is based upon the net revenue return attributable to shareholders for the year of £1,113,000 (2006: £663,000) in respect of the weighted average number of shares in issue during the year, being 35,479,122 (2006: 35,479,122).

Capital return per C share is based upon the net capital loss attributable to shareholders for the year of £1,031,000 (2006: loss £315,000) in respect of the same weighted average number of shares as for the revenue return above.

Notes to the Financial Statements continued

11. Fixed asset investments

Ordinary Shares	31 December 2007 £'000	31 December 2006 £'000
Qualifying technology investments	2,784	2,909
Qualifying non-technology investments	7,904	8,056
Non-qualifying technology investments	4	1,913
Non-qualifying non-technology investments	440	419
Total	**11,132**	**13,297**

Ordinary shares	Qualifying technology £'000	Qualifying non-technology £'000	Non-qualifying technology £'000	Non-qualifying non-technology £'000	Total £'000
Opening valuation as at 1 January 2007	2,909	8,056	1,913	419	13,297
Purchases at cost	421	1,649	171	143	2,384
Disposal proceeds	(626)	(2,387)	(2,096)	(64)	(5,173)
Realised gains	422	847	218	–	1,487
Movement in loan stock carrying value	8	(55)	–	–	(47)
Unrealised depreciation	(350)	(206)	(202)	(58)	(816)
Closing valuation as at 31 December 2007	**2,784**	**7,904**	**4**	**440**	**11,132**
Movement in loan stock carrying value					
Opening accumulated movement in loan stock carrying value	62	500	–	–	562
Movement in loan stock carrying value	8	(55)	–	–	(47)
Closing accumulated movement in loan stock carrying value	**70**	**445**	**–**	**–**	**515**
Movement in unrealised (losses)/gains					
Opening accumulated unrealised (losses)/gains	(664)	(652)	70	(30)	(1,276)
Unrealised movement on disposals	(221)	(393)	(196)	–	(810)
Movement in unrealised (losses)/gains	(129)	187	(6)	(58)	(6)
Closing accumulated unrealised losses	**(1,014)**	**(858)**	**(132)**	**(88)**	**(2,092)**
Historic cost basis					
Opening book cost	3,511	8,208	1,843	449	14,011
Purchases at cost	421	1,649	171	143	2,384
Sales at cost	(204)	(1,540)	(1,878)	(64)	(3,686)
Closing book cost	**3,728**	**8,317**	**136**	**528**	**12,709**

Fixed asset investments held at fair value through the profit or loss account total £4,030,000. Investments held at amortised cost total £7,102,000. There has been no re-designation of fixed asset investments during the period.

There has been one material disposal in the year of The Bold Pub Company Limited. The net disposal proceeds were £821,000, with cost of £580,000 and an opening carrying value as at 1 January 2007, of £675,000.

Notes to the Financial Statements continued

11. Fixed asset investments (continued)

C Shares	31 December 2007 £'000	31 December 2006 £'000
Qualifying technology investments	5,321	2,225
Qualifying non-technology investments	8,872	891
Non-qualifying technology investments	–	3,425
Non-qualifying non-technology investments	14,967	25,005
Total	**29,160**	**31,546**

C Shares	Qualifying technology £'000	Qualifying non-technology £'000	Non-qualifying technology £'000	Non-qualifying non-technology £'000	Total £'000
Opening valuation as at 1 January 2007	2,225	891	3,425	25,005	31,546
Purchases at cost	3,433	8,053	393	–	11,879
Disposal proceeds	–	–	(3,946)	(10,013)	(13,959)
Realised gains	–	–	275	7	282
Movement in loan stock carrying value	63	139	–	–	202
Unrealised depreciation	(400)	(211)	(147)	(32)	(790)
Closing valuation as at 31 December 2007	**5,321**	**8,872**	–	**14,967**	**29,160**
Movement in loan stock carrying value					
Opening accumulated movement in loan stock carrying value	36	52	–	–	88
Movement in loan stock carrying value	63	139	–	–	202
Closing accumulated movement in loan stock carrying value	**99**	**191**	–	–	**290**
Movement in unrealised (losses)/gains					
Opening accumulated unrealised (losses)/gains	(11)	59	147	(5)	190
Unrealised movement on disposals	–	–	(147)	(32)	(179)
Movement in unrealised losses	(400)	(211)	–	–	(611)
Closing accumulated unrealised losses	**(411)**	**(152)**	–	**(37)**	**(600)**
Historic cost basis					
Opening book cost	2,200	780	3,278	25,010	31,268
Purchases at cost	3,433	8,053	393	–	11,879
Sales at cost	–	–	(3,671)	(10,006)	(13,677)
Closing book cost	**5,633**	**8,833**	–	**15,004**	**29,470**

Fixed asset investments held at fair value through the profit or loss account total £21,607,000. Investments held at amortised cost total £7,553,000. There has been no re-designation of fixed asset investments during the period.

Notes to the Financial Statements continued

11. Fixed asset investments (continued)

	Year ended 31 December 2007			Year ended 31 December 2006		
	Ordinary Shares £'000	**C Shares £'000**	**Total £'000**	**Ordinary Shares £'000**	**C Shares £'000**	**Total £'000**
Unquoted equity	3,444	6,434	9,878	2,669	1,854	4,523
Quoted equity	547	–	547	3,769	3,426	7,195
Unquoted equity derived instruments	39	206	245	–	–	–
Unquoted loan stock	7,102	7,553	14,655	6,859	1,261	8,120
Floating rate notes	–	14,967	14,967	–	25,005	25,005
Warrants and convertibles	–	–	–	–	–	–
Total	**11,132**	**29,160**	**40,292**	**13,297**	**31,546**	**44,843**

Fixed asset investment class valuation methodologies

Quoted equity investments (both qualifying and non-qualifying) and floating rate notes are valued at market bid price as at the balance sheet date.

Unquoted loan stock investments are valued on an amortised cost basis. Loan stocks in the Ordinary share portfolio using a fixed interest rate total £6,476,000 (2006: £6,349,000) and in the C share portfolio total £5,987,000 (2006: £1,261,000).

Loan stocks in the Ordinary share portfolio valued using a floating rate total £626,000 (2006: £510,000) and C share portfolio valued using a floating rate total £1,566,000 (2006: £nil).

The Directors believe that the amortised cost basis approximates to fair value.

The Company does not hold any assets as the result of the enforcement of security during the period, and believes that the carrying values for both impaired and past due assets are covered by the value of security held for these loan stock investments.

Unquoted equity investments, warrants and convertibles, and unquoted equity derived instruments are valued in accordance with the IPEVCV guidelines as follows;

	Year ended 31 December 2007			Year ended 31 December 2006		
Investment methodology	**Ordinary Shares £'000**	**C Shares £'000**	**Total £'000**	**Ordinary Shares £'000**	**C Shares £'000**	**Total £'000**
Cost	499	3,606	4,105	479	991	1,470
Net asset value	947	1,189	2,136	988	305	1,293
Recent investment price	471	387	858	88	–	88
Discounted price earnings multiple	1,566	1,458	3,024	1,114	558	1,672
Total	**3,483**	**6,640**	**10,123**	**2,669**	**1,854**	**4,523**

Notes to the Financial Statements continued

11. Fixed asset investments (continued)

The Ordinary shares had the following movements between investment methodologies between 31 December 2006 and 31 December 2007:

Change in investment methodology (2006 to 2007)	Value as at 31 December 2007 £'000	Explanatory note
Cost to discounted price earnings multiple	164	Investment held at cost for the first year
Cost to net asset value	166	Investment held at cost for the first year
Cost to recent investment price	44	Investment held at cost for the first year

The C shares had the following movements between investment methodologies between 31 December 2006 and 31 December 2007:

Change in investment methodology (2006 to 2007)	Value as at 31 December 2007 £'000	Explanatory note
Cost to discounted price earnings multiple	192	Investment held at cost for the first year
Cost to net asset value	157	Investment held at cost for the first year
Cost to recent investment price	388	Investment held at cost for the first year

Investments held for less than 12 months are valued at cost. Thereafter, the valuation will move to the most appropriate valuation methodology for an investment within its market, with regard to the financial health of the investment and the IPEVCV Guidelines. The Directors believe that, within these parameters, there are no reasonable possible alternative methods of valuation of the investments as at 31 December 2007, other than those used.

12. Significant interests

The Company has interests of greater than 20 per cent. in the nominal value of the allotted shares of any class of shares in the investee companies as at 31 December 2007 as described below:

Company	Country of incorporation	Principal activity	% class and share type	% total voting rights
Xceleron Limited	Great Britain	Bio-analytical services	26.0% A Ordinary	16.2%
Evolutions Television Limited	Great Britain	Television post production	27.0% A Ordinary	11.1%
The Q Garden Company Limited	Great Britain	Garden centre operator	67.0% A Ordinary	33.3%
Consolidated Communications Management Limited	Great Britain	Public relations agency	50.0% A Ordinary	11.2%
Smiles Pub Company Limited	Great Britain	Owner of residential property	22.6% A Ordinary	22.6%
Smiles Brewing Company Limited	Great Britain	Owner of Smiles real ale brand	22.6% A Ordinary	22.6%
Blackbay Limited	Great Britain	Mobile data solutions	24.2% A Ordinary	9.3%

As permitted by FRS 9, the investments listed above are held as part of an investment portfolio, and their value to the Company is through their marketable value as part of a portfolio of investments. Therefore these investments are not considered to be associated undertakings.

Notes to the Financial Statements continued

13. Debtors

	Year ended 31 December 2007 Ordinary Shares £'000	Year ended 31 December 2007 C Shares £'000	Year ended 31 December 2007 Total £'000	Year ended 31 December 2006 Ordinary Shares £'000	Year ended 31 December 2006 C Shares £'000	Year ended 31 December 2006 Total £'000
Prepayments and accrued income	15	136	151	12	176	188
Interclass debtor	101	–	101	–	99	99
Other debtors	107	–	107	11	57	68
	223	**136**	**359**	**23**	**332**	**355**

The Directors consider that the carrying amount of debtors approximates their fair value.

14. Creditors: amounts falling due within one year

	Year ended 31 December 2007 Ordinary Shares £'000	Year ended 31 December 2007 C Shares £'000	Year ended 31 December 2007 Total £'000	Year ended 31 December 2006 Ordinary Shares £'000	Year ended 31 December 2006 C Shares £'000	Year ended 31 December 2006 Total £'000
UK corporation tax payable	73	216	289	87	62	149
Interclass creditor	–	101	101	99	–	99
Accruals and deferred income	140	306	446	135	274	409
Other creditors	5	27	32	–	8	8
	218	**650**	**868**	**321**	**344**	**665**

The Directors consider that the carrying amount of creditors approximates their fair value.

15. Called up share capital

	Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000
Authorised		
70,000,000 Ordinary shares of 50p each (2006: 70,000,000)	35,000	35,000
40,000,000 C shares of 50p each (2006: 40,000,000)	20,000	20,000
	55,000	**55,000**
Allotted, called up and fully paid		
13,591,015 Ordinary shares of 50p each (2006: 13,591,015)	6,795	6,795
35,479,122 C shares of 50p each (2006:35,479,122)	17,740	17,740
	24,535	**24,535**
Allotted, called up and fully paid excluding Treasury shares		
13,317,542 Ordinary shares of 50p each (2006: 13,534,404)	6,659	6,767
35,479,122 C shares of 50p each (2006:35,479,122)	17,740	17,740
	24,399	**24,507**

The Company did not repurchase any Ordinary shares for cancellation during the year (2006: 224,535 shares at a cost of £231,000). The Company purchased 216,862 Ordinary shares (2006: 56,611) to be held in Treasury at a cost of £226,000 (2006: £56,000) representing 1.6 per cent. of the share capital as at 1 January 2007. The shares purchased for Treasury were funded from the Ordinary shares Own Treasury Shares reserve. The Company holds a total of 273,473 shares in Treasury, representing 2 per cent. of the Ordinary shares in issue (excluding Treasury shares) as at 31 December 2007. The Company did not purchase any C shares for cancellation or to be held in Treasury during the year.

Notes to the Financial Statements continued

16. Net asset value per share

	Year ended 31 December 2007 Ordinary shares £'000	Year ended 31 December 2007 C shares £'000	Year ended 31 December 2006 Ordinary shares £'000	Year ended 31 December 2006 C shares £'000
Net asset value per share attributable (pence)	114.1	92.7	114.4	94.9

The net asset values per share at the year end is calculated in accordance with the Articles of Association and is based upon total shares in issue less the Treasury shares of 13,317,542 Ordinary shares (2006: 13,534,404) and 35,479,122 C shares (2006: 35,479,122) in issue at 31 December 2007.

17. Analysis of changes in cash during the year

	Year ended 31 December 2007 Ordinary shares £'000	Year ended 31 December 2007 C shares £'000	Year ended 31 December 2006 Ordinary shares £'000	Year ended 31 December 2006 C shares £'000
Beginning of the year	2,486	2,145	4,754	–
Net cash inflow/(outflow)	1,570	2,084	(2,268)	2,145
End of the year	**4,056**	**4,229**	**2,486**	**2,145**

18. Reconciliation of net return on ordinary activities before taxation to net cash inflow from operating activities

	Year ended 31 December 2007 Ordinary shares £'000	Year ended 31 December 2007 C shares £'000	Year ended 31 December 2006 Ordinary shares £'000	Year ended 31 December 2006 C shares £'000
Revenue return on ordinary activities before taxation	738	1,538	658	947
Investment management fee charged to capital	(340)	(725)	(351)	(738)
Movement in accrued amortised loan stock interest	(196)	(202)	(106)	(88)
(Increase)/decrease in debtors	(12)	40	32	(180)
Increase/(decrease) in creditors	10	33	(303)	279
Intercompany account movement	(100)	288	114	(114)
Net cash inflow/(outflow) from operating activities	**100**	**972**	**44**	**106**

19. Capital and financial instruments risk management

The Company's capital and financial assets comprise equity and loan stock investments in unquoted companies, equity in AIM quoted companies, floating rate notes, cash balances, short term debtors and creditors which arise from its operations. The main purpose of these financial instruments is to generate revenue and capital appreciation for the Company's operations. The Company has no gearing or other financial liabilities apart from short term creditors. The Company does not use any derivatives for the management of its balance sheet.

The Company has an investment strategy which, over time, will split the portfolio into approximately 40 per cent. technology investments and 60 per cent. non-technology investments (including asset based investments).

The principal risks arising from the Company's operations are:

- Investment (or market) risk (which comprises investment price and cash flow interest rate risk);
- credit risk; and
- liquidity risk.

The Board regularly reviews and agrees policies for managing each of these risks. There have been no changes in the nature of the risks that the Company has faced during the past year, and apart from where noted below, there have been no changes in the objectives, policies or processes for managing risks during the past year. The key risks are summarised below:

Notes to the Financial Statements continued

19. Capital and financial instruments risk management (continued)

Investment risk

As a venture capital trust, it is the Company's specific nature to evaluate and control the investment risk of its portfolio in unquoted and in quoted investments, details of which are shown on pages 8 to 13. Investment risk is the exposure of the Company to the revaluation and devaluation of investments. The main driver of investment risk is the operational and financial performance of the investee company. The Manager receives management accounts from investee companies, and members of the investment management team often sit on the boards of unquoted investee companies; this enables the close identification, monitoring and management of investment risk.

The Manager and the Board formally reviews investment risk (which includes market price risk), both at the time of initial investment and at quarterly Board meetings.

The Board monitors the prices at which sales of investments are made to ensure that profits to the Company are maximised, and that valuations of investments retained within the portfolio appear sufficiently prudent and realistic compared to prices being achieved in the market for sales of unquoted investments.

The maximum investment risk as at the balance sheet date is the value of the fixed asset investment portfolio which is £11,132,000 (2006: £13,297,000) for Ordinary shares and £29,160,000 for the C shares (2006: £31,546,000). Fixed asset investments form 73 per cent. of the Ordinary share net asset value as at 31 December 2007 (2006: 86 per cent.) and 89 per cent. of the C share net asset value as at 31 December 2007 (2006: 94 per cent.).

More details regarding the classification of fixed asset investments are shown in Note 11.

Investment price risk

Investment price risk is the risk that the fair value of future investment cash flows will fluctuate due to factors specific to an investment instrument or to a market in similar instruments. To mitigate the investment price risk for the Company as a whole, the strategy of the Company is to invest in a broad spread of industries with approximately two-thirds of the unquoted investments comprising debt securities, which, owing to the structure of their yield and the fact that they are usually secured, have a lower level of price volatility than equity. Details of the industries in which investments have been made are contained in the Portfolio of Investments section on pages 8 to 13 and in the Chairman's Statement.

In accordance with the International Private Equity and Venture Capital Valuation Guidelines, investments held for less than 12 months are valued at cost. Thereafter, the valuation will move to the most appropriate valuation methodology for an investment within its market, with regard to the financial health of the investment and the IPEVCV Guidelines. The Directors believe that, within these parameters, there are no reasonable possible alternative methods of valuation of the investments as at 31 December 2007.

The Ordinary shares sensitivity to a 1 per cent. increase or decrease in the equity valuation (keeping all other variables constant) would be an increase or decrease in net asset value of £40,000 (2006: £64,000) and for C shares £66,000 (2006: £53,000).

The assumptions used in determining the fair values of unquoted investments are disclosed in note 2.

Cash flow interest rate risk

It is the Company's policy to accept a degree of interest rate risk on its financial assets through the effect of interest rate changes. On the basis of the Company's analysis, it is estimated that a fall of one percentage point in all interest rates would have reduced profits before tax for the year by approximately 3 per cent. for the Ordinary shares (2006: 7 per cent.) and 76 per cent. for the C shares (2006: 22 per cent.).

The weighted average interest rate applied to the Company's fixed rate assets during the year was approximately 9 per cent. (2006: 11 per cent.) for the Ordinary shares and 10 per cent. (2006: 11 per cent.) for the C shares. The weighted average period to maturity for the fixed rate assets is approximately three years for the Ordinary shares and approximately four years for the C shares (2006: three years for the Ordinary shares and four years for C shares).

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Company is exposed to credit risk through its debtors, investment in unquoted loan stock, floating rate notes, and through the holding of cash on deposit with banks.

The Manager evaluates credit risk on loan stock instruments prior to investment, and as part of its ongoing monitoring of investments. In doing this, it takes into account the extent and quality of any security held. Typically loan stock instruments have a first fixed charge or a fixed and floating charge over the assets of the investee company in order to mitigate the gross credit risk. The Manager receives management accounts from investee companies, and members of the investment management team often sit on the boards of unquoted investee companies; this enables the close identification, monitoring and management of investment-specific credit risk.

Notes to the Financial Statements continued

19. Capital and financial instruments risk management (continued)

Credit risk (continued)

Floating rate note investments and bank deposits are held with banks which have a Moody's credit rating of at least 'A'. Since the year end, the Company has a policy of limiting counterparty banking and floating rate note exposure to a maximum of 20 per cent. of net asset value for any one counterparty.

The Manager and the Board formally review credit risk (including debtors) and other risks, both at the time of initial investment and at quarterly Board meetings.

The Company's total gross credit risk for Ordinary shares at 31 December 2007 is limited to £7,102,000 (2006: £6,857,000) of unquoted loan stock instruments and £4,056,000 (2006: £2,486,000) cash deposits with banks.

The Company's total gross credit risk for C shares at 31 December 2007 is limited to £7,553,000 (2006: £1,261,000) of unquoted loan stock instruments, £14,967,000 (2006: £25,005,000) of floating rate notes and £4,229,000 (2006: £2,145,000) cash deposits with banks.

The cash held by the Company is held with the Royal Bank of Scotland plc, Bank of Scotland plc and BNP Paribas Securities Services Custody Bank Limited. Credit risk on cash transactions is mitigated by transacting with counterparties that are regulated entities subject to prudential supervision, with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

Liquid assets are held as cash on current account, cash on deposit or short term money market account and as floating rate notes. Under the terms of its Articles, the Company has the ability to borrow up to 10 per cent. of its net assets, which amounts to £1,519,000 for Ordinary shares and £3,288,000 for C shares as at 31 December 2007.

The Company has no committed borrowing facilities as at 31 December 2007 (2006: £nil) and Ordinary Shares had cash balances of £4,056,000 (2006: £2,486,000). C share cash balances were £4,229,000 (2006: £2,145,000) together with £14,967,000 (2006: £25,005,000) invested in floating rate notes, which are considered to be readily realisable within the timescales required to make cash available for investment. The main cash outflows are for new investments, which are within the control of the Company. The Manager formally reviews the cash requirements of the Company on a monthly basis, and the Board on a quarterly basis as part of its review of management accounts and forecasts. All the Company's financial liabilities are short term in nature and total £218,000 for the Ordinary shares and £650,000 for the C shares at 31 December 2007.

In view of this, the Board considers that the Company is subject to low liquidity risk.

Foreign currency exposure risk

During the year, the Company has been exposed to foreign exchange currency risk through its investment in securities listed on overseas stock markets. The company has not used hedge instruments against foreign currency movements and had historically accepted a degree of foreign currency risk on its portfolio. With the sale of all of the quoted foreign technology investment portfolio earlier in the year, the Company is no longer exposed to foreign currency risk. The value of the Ordinary share foreign quoted technology portfolio at 31 December 2007 was £nil (31 December 2006: £1,913,000), and the value of the C share foreign quoted technology portfolio at 31 December 2007 was £nil (31 December 2006: £3,425,000).

Fair values of financial assets and financial liabilities

All the Company's financial assets and liabilities as at 31 December 2007 are stated at fair value as determined by the Directors, with the exception of loans and receivables, which are carried at amortised cost, in accordance with FRS 26. In the opinion of the Directors, the amortised cost of loan stock approximates to the fair value of the loan stock. There are no financial liabilities other than creditors. See note 2 of the financial statements for accounting policies. The Company's financial liabilities are all non-interest bearing. It is the Directors' opinion that the fair value of the financial liabilities approximates to the book value and all are payable within one year and that the Company is subject to low financial risk.

Notes to the Financial Statements continued

19. Capital and financial instruments risk management (continued)

The Company's financial assets and liabilities as at 31 December 2007, all denominated in pounds sterling, consist of the following:

Ordinary shares

	31 December 2007				31 December 2006			
	Fixed rate £'000	Floating rate £'000	No interest £'000	Total £'000	Fixed rate £'000	Floating rate £'000	No interest £'000	Total £'000
Sterling	6,632	4,502	4,059	15,193	5,159	3,892	4,242	13,293
US Dollar	–	–	–	–	–	207	1,218	1,425
Euro	–	–	–	–	–	44	310	354
Norwegian Kroner	–	–	–	–	–	–	112	112
Australian Dollar	–	–	–	–	–	–	106	106
Singapore Dollar	–	–	–	–	–	21	34	55
Swedish Kroner	–	–	–	–	–	20	120	140
Total net assets	**6,632**	**4,502**	**4,059**	**15,193**	**5,159**	**4,184**	**6,142**	**15,485**

C shares

	31 December 2007				31 December 2006			
	Fixed rate £'000	Floating rate £'000	No interest £'000	Total £'000	Fixed rate £'000	Floating rate £'000	No interest £'000	Total £'000
Sterling	5,767	20,751	6,357	32,875	1,309	25,005	3,676	29,990
US Dollar	–	–	–	–	–	263	2,751	3,014
Euro	–	–	–	–	–	–	192	192
Norwegian Kroner	–	–	–	–	–	–	232	232
Swedish Kroner	–	–	–	–	–	–	251	251
Total net assets	**5,767**	**20,751**	**6,357**	**32,875**	**1,309**	**25,268**	**7,102**	**33,679**

Ordinary shares

The carrying value of loan stock investments held at amortised cost at 31 December 2007 as follows:

	Fully performing loan stock £'000	Renegotiated loan stock £'000	Past due (i) loan stock £'000	Impaired loan stock £'000	Total £'000
Less than one year	36	–	–	548	584
1-2 years	1,041	–	–	228	1,269
2-3 years	1,177	858	–	556	2,591
3-5 years	1,505	1,048	–	105	2,658
Total	**3,759**	**1,906**	**–**	**1,437**	**7,102**

(i) Interest (not capital) is overdue.

The carrying value of loan stock investments held at amortised cost as at 31 December 2006 is as follows:

	Fully performing loan stock £'000	Renegotiated loan stock £'000	Past due(i) loan stock £'000	Impaired loan stock £'000	Total £'000
Less than one year	753	–	–	–	753
1-2 years	–	–	–	–	–
2-3 years	447	–	1,415	82	1,944
3-5 years	2,937	–	–	1,225	4,162
Total	**4,137**	**–**	**1,415**	**1,307**	**6,859**

(i) Interest (not capital) is overdue.

Notes to the Financial Statements continued

19. Capital and financial instruments risk management (continued)

C shares

The carrying value of loan stock investments held at amortised cost as at 31 December 2007 is as follows:

	Fully performing loan stock £'000	Renegotiated loan stock £'000	Past due[i] loan stock £'000	Impaired loan stock £'000	Total £'000
Less than one year	–	–	–	–	–
1-2 years	–	–	–	–	–
2-3 years	–	–	–	–	–
3-5 years	4,072	1,549	1,902	30	7,553
Total	**4,072**	**1,549**	**1,902**	**30**	**7,553**

(i) Interest (not capital) is overdue.

The carrying value of loan stock investments held at amortised cost as at 31 December 2006 is as follows:

	Fully performing loan stock £'000	Renegotiated loan stock £'000	Past due[i] loan stock £'000	Impaired loan stock £'000	Total £'000
Less than one year	–	–	–	–	–
1-2 years	–	–	–	–	–
2-3 years	–	–	–	–	–
3-5 years	727	–	534	–	1,261
Total	**727**	**–**	**534**	**–**	**1,261**

(i) Interest (not capital) is overdue.

The contractual re-pricing of the floating rate notes held in the portfolio will occur within one year (2006: within one year).

The interest overdue on loan stock in the past due loan stock described above are as follows:

	31 December 2007			31 December 2006		
	Ordinary Shares £'000	C Shares £'000	Total £'000	Ordinary Shares £'000	C Shares £'000	Total £'000
Less than 3 months	–	2	2	10	–	10
3-6 months	–	16	16	15	21	36
6-9 months	–	13	13	–	20	20
9-12 months	–	–	–	–	–	–
More than 1 year	–	–	–	31	–	31
Total	**–**	**31**	**31**	**56**	**41**	**97**

20. Post balance sheet events

Since 31 December 2007 the Company has completed the following investments:

- Investment in Blackbay Limited of £85,000
- Investment in Consolidated Communications Management Limited of £33,000
- Investment in Opta Sportsdata Limited of £625,000
- Investment in Rostima Limited of £138,000
- Sale of Abbey National FRN for £5,001,000
- Proposal of Dividend Reinvestment Scheme as described on page 5 of the Chairman's Statement

Notes to the Financial Statements continued

21. Contingencies, guarantees and financial commitments

At 31 December 2007 there is a third party charge of deposit dated 8 September 2006, granted to National Westminster Bank PLC relating to a loan facility advanced by the Bank to an investee company. As at 31 December 2007, the funds held within the specific account were £324,000 (2006: £nil).

The Company has given a guarantee to The Royal Bank of Scotland plc in respect of the borrowing of investee companies. As at 31 December 2007 the maximum exposure under these guarantees was £1,949,000 (2006: £nil).

These guarantees are secured by a third party charge of deposit over specific bank accounts with balances of £1,949,000 (2006: £nil). This security would be enforced in the event of a default by the investee company. The Company did not have any other contingencies at 31 December 2007.

22. Related party transactions

The Manager, Close Ventures Limited, is considered to be a related party by virtue of the fact that it is party to a management agreement from the Company (details disclosed on page 22 of this report). During the year, services of a total value of £1,426,000 (2006: £1,452,000) were purchased by the Company from Close Ventures Limited. At the financial year end, the amount due to Close Ventures Limited disclosed as accruals and deferred income was £347,000 (2006: £364,000).

Buy-backs of Ordinary shares during the year were transacted through Winterflood Securities Limited, a subsidiary of Close Brothers Group plc. A total of 216,862 shares were purchased for treasury at an average price of 99.4 pence per share.

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Close Technology & General VCT PLC will be held at 12.00 noon on 17 June 2008 at 10 Crown Place, London, EC2A 4FT for the purpose of dealing with the following business, of which items 5 to 10 are special business.

Ordinary Business

1. To receive and adopt the accounts and the reports of the Directors and auditors for the year ended 31 December 2007.

2. To appoint PKF (UK) LLP as auditors for the ensuing year and to authorise the Directors to fix their remuneration.

3. To approve the Directors' remuneration report for the year ended 31 December 2007.

4. To re-elect Dr Neil Cross as a Director of the Company.

5. To re-elect Mr Michael Hart as a Director of the Company.

6. To re-elect Lt. Gen. Sir Edmund Burton as a Director of the Company.

Special Business

7. To consider and, if thought fit, pass the following resolution as an ordinary resolution:

   That the Directors be generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (the "Act") to exercise all powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Act) up to a maximum aggregate nominal amount in the case of Ordinary shares of 50p each in the capital of the Company ("Ordinary shares") of £676,720 (which comprises 10 per cent. of the Ordinary share capital) and in the case of C shares of 50p each in the capital of the Company ("C shares") £1,773,956 (which comprises 10 per cent. of the C share capital) such authority to expire on 17 December 2009, but so that the Company may before the expiry of such period, make an offer or agreement which would or might require relevant securities to be allotted after the expiry of such period, and the Directors may allot relevant securities pursuant to such an offer or agreement as if the authority had not expired; and all unexercised authorities previously granted to the Directors to allot relevant securities be, and are hereby, revoked.

8. To consider and, if thought fit, pass the following resolution as a special resolution:

   That subject to and conditional on the passing of resolution number 7, the Directors be empowered, pursuant to section 95 of the Act, to allot equity securities (within the meaning of section 94 (2) to section 94 (3A) of the Act) for cash pursuant to the authority conferred by resolution number 7 as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities;

   (a) in connection with an offer of such securities by way of rights issue, open offer or other offer of securities in favour of the holders of shares on the register of members at such record date as the Directors shall determine where the equity securities respectively attributable to the interest of the shareholder are proportionate (as nearly as may be) to the respective numbers of shares held by them on any such record date, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange by virtue of shares being represented by depository receipts or any other matter whatsoever;

   (b) in connection with any dividend reinvestment scheme introduced and operated by the Company; and

   (c) otherwise than pursuant to the sub-paragraphs above, in respect of the Ordinary shares, to an aggregate nominal amount of £338,360 (equal to 5 per cent. of the Ordinary share capital) and in respect of the C shares, to an aggregate nominal amount of £886,978 (equal to 5 per cent. of the C share capital); and shall expire on

17 December 2009, save that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement as if the power had not expired.

This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 94(3A) of the Act as if in the first paragraph of the resolution the words "pursuant to the authority conferred by resolution number 7" were omitted.

9. To consider and, if thought fit, pass the following resolution which will be proposed as a special resolution:

That the Company be generally and unconditionally authorised to make one or more market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of Ordinary shares and C shares provided that;

(a) the maximum aggregate number of shares authorised to be purchased is 1,018,647 Ordinary shares and 2,659,160 C shares (representing approximately 7.5 per cent of the issued Ordinary and C share capital respectively);

(b) the minimum price which may be paid for a share is 50p;

(c) the maximum price that may be paid on the exercise of this authority will not exceed the higher of (a) 105 per cent. of the average of the middle market quotations as derived from the London Stock Exchange Daily Official List for the shares over the five business days immediately preceding the date on which the shares are contracted to be purchased; and (b) the higher of the price of the last independent trade and the highest independent bid on the London Stock Exchange;

(d) this authority expires at the conclusion of the next Annual General Meeting of the Company or eighteen months from the date of the passing of this resolution, whichever is earlier; and

(e) the Company may make a contract or contracts to purchase Shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of shares in pursuance of any such contract or contracts.

Under the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003, shares purchased by the Company out of distributable profits can be held as Treasury shares, which may then be cancelled or sold for cash. The authority sought by this special resolution number 9 is intended to apply equally to shares to be held by the Company as Treasury shares in accordance with the Regulations.

The Directors seek authority to sell Treasury shares at a price not less than that at which they were purchased.

10. To consider and, if thought fit pass the following resolution as a special resolution:

That (with effect from 1 October 2008) the Articles of Association of the Company be amended by the insertion of the following new Article number 41.13:

"41.13 Subject to the provisions of the Acts and as contemplated by section 175 of the Companies Act 2006, the Directors may authorise in such manner and on such terms as they think fit, any matter in which a Director and/or such connected persons of the Director has, or can have, a direct or indirect interest which conflicts, or could reasonably be regarded to conflict, with the interest of the Company. Where such authorisation is given, the duty of the Director in question to avoid conflicts of interest shall not be infringed in relation to that matter. Neither the Director in question nor any other interested Director shall vote on, or if he does, his vote shall not be counted as part of the quorum in relation to any resolution of the Directors concerning such authorisation. Where a Director has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the

Notice of Meeting continued

interest of the Company and that conflict or potential conflict has been authorised by the Company or by the Directors in accordance with this Article, subject to the terms on which any authorisation has been given;

(a) the Director in question need not disclose to or use for the benefit of the Company any information relating to that matter which he obtains or has obtained otherwise than as a Director and in respect of which he owes a duty of confidentiality to a person or persons other than the Company;

(b) the Director in question need not consider board papers of the Company, nor participate in discussions of the Directors, relating to that matter;

(c) any Director may act in any way authorised by any guidance for dealing with conflicts of interest issued by the Directors from time to time; and

(d) where a Director has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the Company, the duties which the Directors owe to the Company shall not be infringed by anything done (or omitted) by the Directors, or any of them, in accordance with Articles.

For the purposes of the Articles, a conflict of interest includes a conflict of interest and duty and a conflict of duties."

BY ORDER OF THE BOARD

Close Ventures Limited
Company Secretary

Registered Office
10 Crown Place, London, EC2A 4FT

18 April 2008

Notes

1. A shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote in his stead. Such proxy need not be a member of the Company.
2. A form of proxy is enclosed and to be valid must be lodged with the Registrars of the Company not less than forty-eight hours before the time fixed for the meeting.
3. The register of interests of Directors kept by the Company in accordance with Section 325 of the Companies Act 1985 will be open for inspection at the meeting.
4. No Director has a service contract or contract for services with the Company.
5. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 specifies that only those shareholders registered in the register of members of the Company as at 12.00 noon on 15 June 2008 or, in the event that this meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting, shall be entitled to attend or vote at this meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of members after 12.00 noon on 15 June 2008 or, in the event that this meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.
6. Copies of the Company's existing Articles of Association are available for inspection at the Company's registered office during normal business hours on any weekday (excluding Saturdays and public holidays) from the date of this notice until close of business on 15 June 2008 and will also be available for inspection at the place of the meeting for at least 5 minutes before, and during the meeting until the close of, the meeting.

Close Technology &
General VCT PLC

closeventures