



Close Income & Growth VCT PLC



Report & Financial Statements
for the year ended 30 September 2007



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COMPANY INFORMATION

Company number	05132495
Directors	Friedrich Ternofsky, Chairman Mary Anne Cordeiro John Kerr Patrick Reeve David Watkins
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 www.closeventures.co.uk enquiries@closeventures.co.uk
Registrar	Capita Registrars Limited Northern House Penistone Road Fenay Bridge Huddersfield, HD8 0LA
Shareholder helpline	Tel: 0870 162 3124 Fax: 0870 162 3199 Email: shareholder.services@capitaregistrars.com
Registered auditors	Deloitte & Touche LLP Hill House 1 Little New Street London, EC4A 3TR
Taxation adviser	Ernst & Young LLP 1 More London London, SE1 2AF

Close Income & Growth VCT PLC is a member of the Association of Investment Companies.



INVESTMENT OBJECTIVES

Close Income & Growth VCT PLC (“the Company”) is a Venture Capital Trust which raised £45 million under the Offer for Subscription which closed in March 2005 and which was fully subscribed. The Company intends to provide investors with a regular and predictable source of income combined with the prospect of long term capital growth.

The Company allows investors the opportunity to participate in a balanced portfolio of high growth businesses and lower risk asset-based companies. It is intended that in time the Company’s investment portfolio will be split approximately as follows:

- 45 per cent. to be invested in higher growth unquoted businesses, including early stage technology;
- 45 per cent. to be invested in unquoted property-based businesses in the leisure sector; and
- 10 per cent. to be held in floating rate securities, cash deposits and gilts.

FINANCIAL HIGHLIGHTS

	30 September 2007 (pence per share)	30 September 2006 (pence per share)
Dividends paid per Ordinary share (pence)	3.45	2.60
Revenue return per Ordinary share (pence)	3.63	2.90
Capital loss per Ordinary share (pence)	(3.45)	(1.50)
Net asset value per Ordinary share (pence)	90.72	94.00
Shareholder value since launch	pence per share	
Total dividends paid during the period ended 30 September 2005 (i)	0.65	
Total dividends paid during the year ended 30 September 2006	2.60	
Total dividends paid during the year ended 30 September 2007	3.45	
Total dividends paid to 30 September 2007	6.70	
Net asset value as at 30 September 2007	90.72	
Total cumulative shareholder value as at 30 September 2007	97.42	

In addition to the dividends paid above, the Board has declared a dividend of 1.75 pence per share to be paid on 25 January 2008 for those shareholders on the register on 28 December 2007.

Notes

- Investors subscribing by 31 December 2004 and remaining on the register on 1 July 2005 were entitled to a dividend of 0.65 pence per share. Investors subscribing thereafter were not entitled to the first interim dividend.
- Excludes tax benefits upon subscription of 40 per cent. income tax relief.
- All dividends paid by the Company are free of income tax. It is an Inland Revenue requirement that dividend vouchers indicate the tax element should dividends have been subject to income tax. Investors should ignore this figure on their dividend voucher and need not disclose any income they receive from a VCT on their tax return.
- The initial net asset value per share, after taking account of issue costs of 5.5 pence was 94.5 pence.
- The net asset value of the Company is not its share price as quoted on the official list of the London Stock Exchange. The share price of the Company can be found in the Investment Companies section of the Financial Times on a daily basis. Investors are reminded that it is common for shares in VCTs to trade at a discount to their net asset value, primarily as a result of the initial tax reliefs which are non-transferable.



FINANCIAL CALENDAR

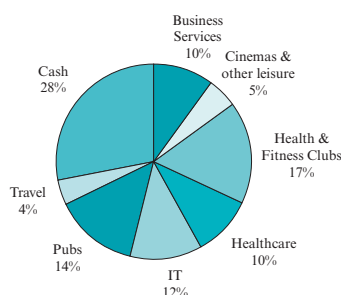
Ex dividend date for first dividend	24 December 2007
Record date for first dividend	28 December 2007
Payment of first dividend	25 January 2008
Annual General Meeting	4 February 2008
Publication of interim results	May 2008
Payment of second dividend	June 2008



CHAIRMAN'S STATEMENT

Overview

I am pleased to report that, following the third anniversary of the Company's launch, Close Income & Growth VCT PLC is just under 75 per cent. invested, for HM Revenue & Customs purposes, in qualifying unquoted investments. The portfolio, as at 30 September 2007, comprises 34 holdings in a broad range of companies, with strong sector diversification, as is shown below, by valuation.



(Source: Close Ventures Limited)

The level of income for the year to 30 September 2007 showed further growth resulting in net revenue per share of 3.6 pence (up from 2.9 pence for the previous year). This is in excess of our target of 3.5 pence per share once the Company is fully invested. Net asset value per share was 90.7 pence, showing a decline from the previous year end value of 94.0 pence, which we discuss further below.

Investment progress

The year has been an active one and a total of £15.6 million has been invested in 22 existing and new investee companies. The average age of the investment portfolio is now around 18 months, and we believe that it is therefore too early for the investment efforts to bear fruit in terms of materially higher valuations.

Overall, net provisions amounting to £923,000 or 2.3 pence per share, have been made against the portfolio over the course of the year. On the one hand we have seen a realised profit of £257,000 on the sale of The Bold Pub Company Limited, with unrealised uplifts on Tower Bridge Health Clubs Limited and Xceleron Limited following strong performance. Against this, partial provisions have been made against RFI Global Services Limited, Premier Leisure (Suffolk) Limited, Lowcosttravelgroup Limited and certain of our portfolio of pub investments. Despite this, the portfolio as a whole remains strongly income generative with some investments showing particularly promising prospects for growth.

Risks and uncertainties

As required under the new Listing Rules, under which your Company operates, we are required to comment on the potential risks and uncertainties which could have a material impact on the VCT's performance over the remaining six months of the financial period. The key risk is the outlook for 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 ours, a downturn could affect existing companies, making it harder for the Manager to assess the prospects of new investment opportunities and have an adverse effect on portfolio valuations. Your Company's policy of ensuring that it has a first charge, wherever possible, over the investee companies' assets should help mitigate these risks.

Results and dividends

As at 30 September 2007, the net asset value of the Company was £41.0 million, equivalent to 90.7 pence per share compared to £42.6 million or 94 pence per share as at 30 September 2006. Net revenue income attributable to shareholders was £1.64 million compared to £1.33 million for the previous year, enabling the Board to pay a first dividend for the current year of 1.75 pence per share. This dividend will be paid on 25 January 2008 to shareholders on the register on 28 December 2007. This supports our aim of providing shareholders with an annual dividend from revenue profits of 3.5 pence per share, once the portfolio is fully invested.

Friedrich Ternofsky

Chairman

18 December 2007



THE BOARD OF DIRECTORS

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

Friedrich Ternofsky (65)

An Austrian National, he has spent much of his career in the hotel and leisure industry. He was the Chief Executive of Marriott Hotels UK from 1981 to 1993 before becoming Chief Executive of the UK and Scandinavian operations of Compass Group plc, a post he held until 2000. He is currently a non-executive director of Wates Group Limited, Care UK PLC, and Punch Taverns PLC, as well as a number of private companies. Friedrich Ternofsky became a Director of the Company on 26 July 2004.

Mary Anne Cordeiro (46) MA

She worked at Goldman Sachs International Limited, first in the mergers and acquisitions department and subsequently in the Financial Institutions Group from 1986 to 1992. She worked in similar roles in Bankers Trust Company and Paribas, and was also co-head of Paribas' Financial Institutions Group, before leaving to found her own business in the insurance sector in 1998. More recently she has applied her financial and strategy expertise to the commercialisation of science and technology, and is now an executive director of FlexNlock Limited, a Brunel University spin out. Mary Anne Cordeiro became a Director of the Company on 26 July 2004.

John Kerr (65) ACMA

He has worked as a venture capitalist and also in manufacturing and service industries. He held a number of finance and general management posts in the UK and USA, before joining SUMIT Equity Ventures, an independent Midlands based venture capital company, where he was managing director from 1985 to 1992. Following a period as Chief Executive of the forestry products company, Price and Pierce Limited, he became finance director of Ambion Brick, a building material company bought out from Istock PLC. After retiring in 2002, he now works as a consultant. He is a non-executive director of Close Brothers Venture Capital Trust PLC, a VCT which is also managed by Close Ventures Limited. John Kerr became a Director of the Company on 26 July 2004.

Patrick Reeve (47) MA

See under Manager below. He is Managing Director of Close Ventures Limited and is a Director of Close Brothers Protected VCT PLC, Close Technology & General VCT PLC and Close Enterprise VCT PLC which are also managed by Close Ventures Limited. Patrick Reeve became a Director of the Company on 10 June 2004.

David Watkins (63) MBA (Harvard)

From 1972 until 1991, he worked for Goldman Sachs, where he was head of Euromarkets Syndication and Head of European Real Estate. He subsequently joined Mountleigh Group PLC where he worked as a director on the restructuring of the business prior to the Group being placed into administration. Until late 1995, he worked at Baring Securities Limited as Head of Equity Capital Markets – London, before leaving ultimately to become Chief Financial Officer and one of the principal shareholders of his current company, The Distinguished Programs Group LLC, an insurance distribution and underwriting group. From 1986 to 1990 he was a member of the Council of the London Stock Exchange. He is currently Chairman of Close Brothers Venture Capital Trust PLC, which is managed by Close Ventures Limited, and is a director of a number of private UK companies. David Watkins became a Director of the Company on 26 July 2004.



THE MANAGER

Close Ventures Limited, a subsidiary of Close Brothers Group plc is authorised and regulated by the Financial Services Authority and is the Manager of Close Income & Growth VCT PLC. In addition to Close Income & Growth VCT PLC it manages a further six VCTs and has total funds under management of approximately £240 million.

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

The Manager’s ultimate parent company is Close Brothers Group plc, a substantial independent merchant banking group incorporated in the United Kingdom and listed on the London Stock Exchange.

The following are specifically responsible for the management and administration of the Venture Capital Trusts managed by Close Ventures Limited:

Patrick Reeve, (47), MA, ACA, 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 the 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.

Isabel Dolan, (42), 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.

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 is Deputy Managing Director of Close Ventures Limited. He 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, (34), BSc (Hons), ACMA, after working for ICL from 1993 to 1999 where he qualified as an accountant, he joined 3i plc as a Manager based in London and Amsterdam. In 2002 he joined Foursome Investments, responsible for investing an evergreen fund of US\$80 million, before joining 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 graduating 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.

Ed Lascelles, (31), 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, (42), MA, ACA, qualified as a chartered accountant with Arthur Andersen before joining the corporate finance division of the 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, (32), 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.

Marco Yu, (30), MPhil, 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

The following is a list of investments with a carrying/fair value as at 30 September 2007:

Qualifying investments

Investee Company	As at 30 September 2007				As at 30 September 2006		
	% of Voting rights	Investment at cost £'000	Cumulative movement in carrying/fair value* £'000	Total carrying/fair value £'000	Investment at cost £'000	Cumulative movement in carrying/fair value £'000	Total carrying/fair value £'000
Property-based leisure investments							
The Weybridge Club Limited	18.5	3,000	145	3,145	1,000	44	1,044
Kensington Health Clubs Limited	8.3	2,000	30	2,030	–	–	–
Churchill Taverns VCT Limited	17.7	1,640	53	1,693	640	26	666
Tower Bridge Health Clubs Limited	17.2	1,375	216	1,591	1,075	–	1,075
Bravo Inns Limited	12.7	1,000	2	1,002	–	–	–
Bravo Inns II Limited	50.0	1,000	–	1,000	–	–	–
Premier Leisure (Suffolk) Limited	12.3	1,000	(221)	779	–	–	–
CS (Brixton) Limited	16.7	650	41	691	650	19	669
The Dunedin Pub Company Limited	15.4	770	(110)	660	390	(1)	389
GB Pub Company VCT Limited	16.6	675	(116)	559	675	(30)	645
The Rutland Pub Company Limited	15.7	610	(155)	455	610	4	614
CS (Norwich) Limited	20.0	320	–	320	–	–	–
Novello Pub Limited	16.5	466	(154)	312	380	(76)	304
River Bourne Health Club Limited	14.0	280	7	287	–	–	–
CS (Exeter) Limited	16.6	250	18	268	250	(8)	242
Pelican Inn Limited	6.3	186	(63)	123	150	(45)	105
The Bold Pub Company Limited	0.0	–	–	–	690	87	777
Total property based leisure investments		15,222	(307)	14,915	6,510	20	6,530
High growth unquoted investments							
Xceleron Limited	21.7	1,625	643	2,268	1,000	349	1,349
Evolutions Television Limited	15.0	2,170	95	2,265	2,170	(28)	2,142
Chichester Holdings Limited	15.2	1,699	40	1,739	–	–	–
Blackbay Limited	13.8	1,500	108	1,608	1,000	28	1,028
Grosvenor Health Limited	3.4	885	153	1,038	644	41	685
Gardenswitch Limited	20.6	1,000	–	1,000	–	–	–
RFI Global Services Limited	7.1	950	(476)	474	950	31	981
Lowcosttravelgroup Limited	5.9	560	38	598	560	211	771
Rostima Limited	8.4	570	10	580	–	–	–
Point 35 Limited	7.6	572	–	572	–	–	–
Oxsensis Limited	6.2	570	–	570	–	–	–
Process System Engineering Limited	3.5	440	–	440	–	–	–
Dexela Limited	8.9	400	–	400	400	–	400
Helveta Limited	5.9	430	(116)	314	430	1	431
Palm Tree Technologies Limited	1.3	235	15	250	235	11	246
Red-M Group Limited	4.1	467	(312)	155	467	(80)	387
FlexNLock Limited	5.1	110	–	110	110	–	110
Total high growth investments		14,183	198	14,381	7,966	564	8,530
Total qualifying investments		29,405	(109)	29,296	14,476	584	15,060

Qualifying investments are unlisted securities and are not listed on any exchange.



PORTFOLIO OF INVESTMENTS

(continued)

Non-qualifying investments

Investee Company	As at 30 September 2007				As at 30 September 2006		
	% of Voting rights	Investment at cost £'000	Cumulative movement in carrying/fair value* £'000	Total carrying/fair value £'000	Investment at cost £'000	Cumulative movement in carrying/fair value £'000	Total carrying/fair value £'000
FRN Abbey National 22 Sep 2008	—	5,001	1	5,002	5,001	1	5,002
FRN Rabobank 29 Jul 2008	—	5,000	(10)	4,990	5,000	1	5,001
FRN Bank of Nova Scotia 22 Sep 2010	—	—	—	—	5,002	1	5,003
FRN Citigroup 01 Nov 2010	—	—	—	—	5,000	—	5,000
FRN Barclays Bank 23 Dec 2009	—	—	—	—	5,000	(4)	4,996
Total non-qualifying investments		10,001	(9)	9,992	25,003	(1)	25,002
Total investments		39,406	(118)	39,288	39,479	583	40,062

* Included in this movement is capital depreciation of equity, loan stock and floating rate notes of £1,085,000 (2006: appreciation £96,000) and increase in carrying value of loans and receivables of £967,000 (2006: £487,000).

* Non-qualifying investments are listed floating rate notes.



PORTFOLIO OF INVESTMENTS

(continued)

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

The Weybridge Club Limited

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

Latest audited results	Year to 31 August 2006
	£'000
Turnover	nil
Profit before Tax (PBT)	(42)
Profit after Tax (PAT)	(42)
Net assets	1,002
% voting rights	18.5%
Basis of valuation:	Cost plus amortised cost movements
Website	www.theweybridgeclub.com

Other funds managed and advised 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.

Latest audited results	Year to 31 July 2006
	£'000
Turnover	2,655
Profit before Tax (PBT)	(580)
Profit after Tax (PAT)	(580)
Net assets	857
% voting rights	21.7%
Basis of valuation:	Value of latest fundraising
Website:	www.xceleron.co.uk

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

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.

Latest audited results	Year to 30 June 2006
	£'000
Turnover	5,042
Profit before Tax (PBT)	(568)
Profit after Tax (PAT)	(568)
Net assets	1,322
% voting rights	15%
Basis of valuation:	Multiple of earnings combined with a property valuation
Website:	www.evolutionstelevision.com

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



PORTFOLIO OF INVESTMENTS

(continued)

Kensington Health Clubs Limited

The company has developed a health and fitness centre in West London which opened in December 2007.

Latest audited financial information	As a new company, Kensington Health Clubs Limited has not yet filed statutory accounts
% voting rights	8.3%
Basis of valuation:	Cost
Website:	www.thirtysevendegrees.co.uk/olympia

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

Chichester Holdings Limited

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

Latest audited financial information	As a new company, Chichester Holdings Limited has not yet filed statutory accounts
% voting rights	15.2%
Basis of valuation:	Cost

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

Churchill Taverns VCT Limited

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

Latest audited financial information	Year to 30 September 2006
	As a small company, Churchill Taverns VCT Limited is exempt from filing full accounts.
	£'000
Net assets	1,247
% voting rights	17.7%
Basis of valuation:	Third party valuation

Other funds managed and advised 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 financial information	Year to 31 December 2006
	£'000
Turnover	1,292
Profit before Tax (PBT)	(595)
Profit after Tax (PAT)	(595)
Net assets	140
% voting rights	13.8%
Basis of valuation:	Cost plus amortised cost movements
Website:	www.blackbay.com

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



PORTFOLIO OF INVESTMENTS

(continued)

Tower Bridge Health Clubs Limited

The company owns a 27 year lease for a site that has been developed into a health and fitness club in the More London development next to Tower Bridge in London.

Latest audited financial information	Period to 30 April 2006
	£'000
Turnover	nil
Profit before Tax (PBT)	(560)
Profit after Tax (PAT)	(454)
Net assets	473
% voting rights	17.2%
Basis of valuation:	Third party valuation
Website:	www.thirtysevendegrees.co.uk

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

Grosvenor Health Limited

The company is a provider of occupational healthcare services to large corporates such as Qinetiq and Ford.

Latest audited financial information	Year to 31 December 2006
	£'000
Turnover	10,625
Profit before Tax (PBT)	629
Profit after Tax (PAT)	451
Net assets	2,753
% voting rights	3.4%
Basis of valuation:	Multiple of earnings
Website:	www.grosvenorhealth.com

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

Bravo Inns Limited

The company currently owns 7 pubs in and around Bolton. The company is managed by the team which recently successfully exited from The Bold Pub Company Limited.

Latest audited financial information	As a new company, Bravo Inns Limited has not yet filed accounts
% voting rights	12.7%
Basis of valuation:	Cost

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



DIRECTORS' REPORT AND BUSINESS REVIEW

The Directors submit the Report and Financial Statements of the Company including the financial statements for the year ended 30 September 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 the HM Revenue & Customs as a Venture Capital Trust in accordance with Section 842AA of the Income and Corporation Taxes Act 1988. 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 period ended 30 September 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 an investment company as defined in Section 266 of the Companies Act 1985 and 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 at the time of the initial fundraising.

Investment policy

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

- 45 per cent. to be invested in higher growth unquoted businesses, including early stage technology;
- 45 per cent. to be invested in unquoted property-based businesses in the leisure sector; and
- 10 per cent. to be held in floating rate securities, cash deposits and gilts with a Moody's credit rating of at least A.

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 period 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;
- (6) Eligible shares must comprise at least 10 per cent. by value of the totality 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.

'Qualifying holdings', for Close Income & Growth 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.

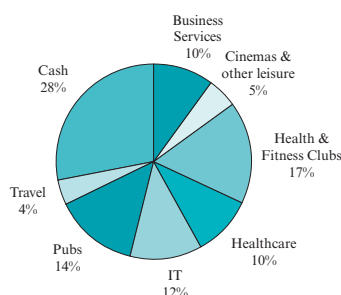
The Company had until 30 September 2007 to achieve test (2) above, which it achieved. These tests have been carried out and independently reviewed for the year ended 30 September 2007. The Company has complied with all of these tests.

As defined under 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 30 September 2007, the Company's maximum exposure was £4,098,700 and its actual short term exposure at this date was £45,993. The Directors do not currently have any intention to utilise long-term gearing.



DIRECTORS' REPORT AND BUSINESS REVIEW (continued)

Investment policy (continued)



(Source: Close Ventures Limited)

The above graphically represents the split of the portfolio valuation by industrial or commercial sector as at 30 September 2007.

Property-based leisure investments represent approximately 37 per cent. by value of the portfolio, and high growth businesses, 35 per cent. The remaining 28 per cent. is currently held as cash or quoted instruments for liquidity purposes.

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 5.

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. More details regarding the terms of engagement of the Manager are shown on page 17.

Results of the company	£'000
Revenue return for the year ended 30 September 2007	1,643
Dividend of 1.75 pence per share paid on 19 January 2007	(793)
Dividend of 1.70 pence per share paid on 13 July 2007	(771)
Transferred to revenue reserves	79
Realised capital loss for the year ended 30 September 2007 transferred to reserves	(381)
Unrealised capital loss for the year ended 30 September 2007 transferred to reserves	(1,180)
Net assets as at 30 September 2007	40,987
Net asset per share as at 30 September 2007	90.7 pence

Dividends

The Company paid dividends of 3.45 pence per share during the year ended 30 September 2007 (2006: 2.6 pence per share).

As shown in the Company's Income Statement on page 26 of the financial statements, investment income has increased to £2,786,000 (2006: £2,406,000). Revenue return to equity holders has improved to £1,643,000 (2006: £1,327,000) or 3.63 pence per share (2006: 2.90 pence per share), due to increase in loan stock interest and dividend income generated by a larger investment portfolio compared to the previous year.

The capital loss for the year was a loss of £1,561,000 (2006: £672,000), or 3.45 pence per share, primarily as a result of unrealised losses on the devaluation of investments and the capitalisation of management fees.

The total return per share for the year was 0.18 pence per share (2006: 1.40 pence per share) as a result of the offset of the positive revenue returns against the capital losses.

The Balance Sheet on page 27 of the financial statements shows that the net asset per share has decreased over the last year to 90.7 pence per share (2006: 94.0 pence per share), reflecting the devaluation of investments and the payment of dividends.

Cash flow for the business has been negative for the period, as a result of the cash paid for new investments and dividends to investors.

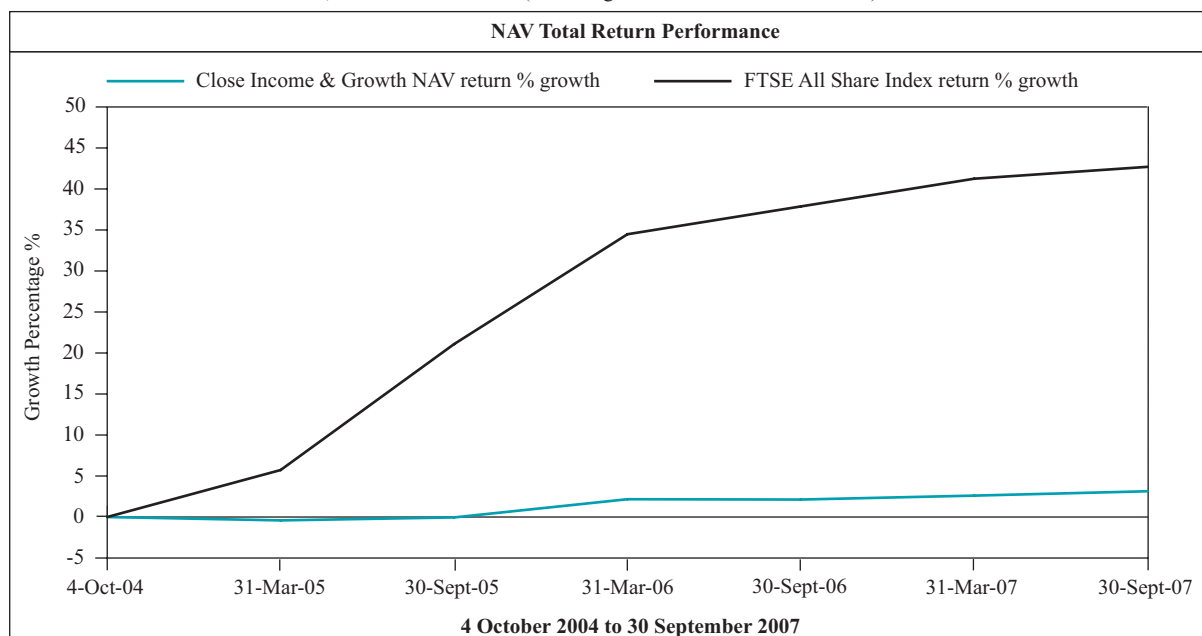


DIRECTORS' REPORT AND BUSINESS REVIEW

(continued)

Key performance indicators

The graph below shows the growth of Close Income & Growth VCT PLC's net asset value against the FTSE All-Share Index, in both instances with dividends reinvested, since first allotment (following the deduction of issue costs).



(Source: Close Ventures Limited)

The total annualised expense ratio for the year to 30 September 2007 was 3.46 per cent. (2006: 3.37 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 approximately ten per cent.

Principal risks and uncertainties

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 reduce 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. The Company's policy is to lower investment risk by investing in property-backed businesses and taking a first charge over the relevant property asset. In addition, the Manager operates a formal and structured investment process, which includes an Investment Committee comprising investment professionals from the Manager and from other, senior investment personnel from within the Close Brothers Group. Investments are actively and regularly monitored by the Manager (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 income 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 income 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 have 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 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.



DIRECTORS' REPORT AND BUSINESS REVIEW

(continued)

Principal risks and uncertainties (continued)

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, Statements of Recommended Practice 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 per accounting period, 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 22. 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 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 17). In addition, the Manager has demonstrated to the Board that there is no undue reliance placed upon 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 market price risk, credit risk, liquidity risk and cash flow interest rate risk. The Company's policies for managing these risks and its financial instruments are outlined in full in note 19 to the financial statements.

All of the Company's income and expenditure is denominated in sterling and hence the Company has no foreign currency risk. The Company is financed through equity and does not have any borrowings. The Company does not use derivative financial instruments.

Environment

Management and administration of Close Income & Growth 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 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 during the year and their interests in the shares of the Company (together with those of their immediate family) at 30 September 2007 were:

	30 September 2007 Shares held	30 September 2006 Shares held
Friedrich Ternofsky	10,000	10,000
Mary Anne Cordeiro	4,000	4,000
John Kerr	6,000	6,000
Patrick Reeve	200,000	200,000
David Watkins	5,000	5,000

There have been no changes in the holdings of the Directors between 30 September 2007 and the date of this Report.



DIRECTORS' REPORT AND BUSINESS REVIEW

(continued)

Directors (continued)

No Director has a service contract with the Company.

The Company does not have any employees.

Mr. P H Reeve is a Director of Close Ventures Limited and is deemed to have an interest in the management contract and management performance incentive to which the Company is a party.

No options over the share capital of the Company have been granted to Directors personally.

All Directors, with the exception of Patrick Reeve, are members of the Audit Committee, of which Mr. Kerr is the Chairman.

Director's retirement and re-election is subject to the Articles of Association and the Combined Code of Corporate Governance. At the forthcoming Annual General meeting Patrick Reeve will retire and offer himself for re-election.

Management agreement

Under the terms of an agreement dated 2 August 2004, the Company and Close Ventures Limited entered into a management agreement for an initial two year period which may be terminated by either party on 12 months' notice. The Manager will provide investment management, company secretarial and administrative services to the Company, for a fee payable quarterly in arrears on 1 January, 1 April, 1 July and 1 October in each year, of an amount equal to 2.5 per cent. of the net asset value of the Company. The management agreement is subject to earlier termination in the event of certain breaches, or on the insolvency of either party.

The Manager is also entitled to an arrangement fee payable by each investee company of approximately 2 per cent. on each investment made, and also to fees payable by investee companies for providing non-executive directors to those companies.

Under the terms of the management agreement, the total management and administration expenses of the Company, inclusive of any net irrecoverable VAT, but not including any Manager's performance incentive fee, are limited to a maximum of 3.5 per cent. of the value of the Company's net assets. Any excess will either be paid by the Manager, or refunded by way of deduction of management fees.

Management performance incentive

In order to provide the Manager with an incentive to maximise the return to investors, the Management agreement contains the Manager's incentive fee arrangement in the event that returns exceed a minimum compound target level of 8 per cent. per annum (comprising dividends and net asset value), the Manager is entitled to 20 per cent. of the excess. For the year to 30 September 2007, no incentive fee became due to the Manager.

Evaluation of the Manager

The Board, through the Audit Committee, has evaluated the performance and remuneration of the Manager, and compared this to the key targets set in the original prospectus to shareholders dated August 2004. On the basis that the Manager has achieved the 70 per cent. qualifying investment target by the deadline of 30 September 2007, and has achieved a dividend level equivalent to 3.5 pence per annum for the past year, the Board believes that it is in the Company's and in shareholders' best interests to re-appoint the Manager on the terms agreed for the current 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

A resolution to re-appoint Deloitte & Touche LLP as the Company's auditors will be proposed at the forthcoming Annual General Meeting.

Substantial interests

As at the year end and the date of this report, the Company has not been notified of any substantial interests in excess of 3 per cent. of the issued share capital of the Company.



DIRECTORS' REPORT AND BUSINESS REVIEW

(continued)

Statement of Directors' responsibilities for the preparation of the financial statements

The Directors are responsible for preparing the Report and Financial Statements. The Directors have chosen to prepare the financial statements for the Company in accordance with the United Kingdom Generally Accepted Accounting Practice ("UK GAAP").

Company law requires the Directors to prepare such financial statements for each financial period which give a true and fair view in accordance with the UK GAAP of the state of affairs of the Company and of the total return of the Company for that period and comply with UK GAAP and the Companies Act 1985. In preparing those 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 applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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.

Disclosure of information to auditors

In the case of each 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.

The Directors are responsible for ensuring that any electronic publication or distribution of financial information properly presents the financial information and any report by us thereon and for the controls over, and security of, the website. The Directors are also responsible for establishing and controlling the process for electronically distributing annual reports and other information.

Annual General Meeting

The Annual General Meeting will be held at 10 Crown Place, London EC2A 4FT on 4th February 2008 at 12.30 p.m. The notice of the Annual General Meeting is at the end of this document. The proxy form enclosed with this Report and Accounts 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 calculation of the proportion of the votes for and against the resolution. Resolutions will be proposed as special business at the Annual General Meeting for the following purpose:

Power to allot shares

Ordinary resolution number 5 in the notice of the meeting will request the authority to allot up to 10 per cent. of the Ordinary share capital of the Company (excluding shares held in treasury).

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

Disapplication of pre-emption rights

Special resolution number 6 will request the authority to disapply pre-emption rights in circumstances of a rights issue or other pre-emptive issue the allotment of up to 5 per cent. of the share capital as described in ordinary resolution number 5.

**DIRECTORS' REPORT AND BUSINESS REVIEW****(continued)****Purchase of own shares**

Special resolution number 7 will request the authority to purchase an aggregate of 14.99 per cent. of the Ordinary shares in issue provided that:

- The maximum number of shares authorised to be purchased is 6,795,542 (representing 14.99 per cent.) of the Company's issued shares including treasury shares;
- The minimum price which may be paid for a share is 50p;
- 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;
- This authority expires at the conclusion of the next annual general meeting of the Company, or eighteen months, whichever is earlier; and
- 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.

This resolution is intended to apply equally to shares to be cancelled or to be held by the Company as treasury shares in accordance with the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003.

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 2006 authority, which was in similar terms. During the financial year ended 30 September 2007, the Company purchased 154,081 of its shares which are held as treasury shares.

Treasury shares

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. These replace existing authorities and powers and will allow the Directors to sell treasury shares at a price not less than that at which they were purchased.

Suppliers 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 30 September 2007 (2006: nil).

Re-election of Directors

In accordance with the Articles of Association, one third of the Directors of the Company retire by rotation. At the forthcoming Annual General Meeting, Patrick Reeve will retire and offer himself for re-election.

By Order of the Board

Close Ventures Limited

Company Secretary

10 Crown Place
London EC2A 4FT

18 December 2007



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").

The Board of Close Income & Growth VCT PLC has also considered the principles and recommendations of the Association of Investment Companies ("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 Income & Growth 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 and this is likely to remain the position for the foreseeable future.

Board of Directors

The Board consists of non-executive and independent Directors with the exception of Patrick Reeve who is Managing Director of Close Ventures Limited and who is therefore deemed to have an interest in the management contract and management performance incentive to which the Company is a party.

John Kerr and David Watkins are Directors of Close Brothers Venture Capital Trust VCT PLC, which is also managed by Close Ventures Limited.

As the Board comprises of a majority of independent non-executive Directors, it is not considered necessary to appoint a senior non-executive Director.

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. 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 company secretarial advice and compliance services provided by the Manager, who is responsible for ensuring that Board procedures are followed and applicable regulations 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 five times during the year ended 30 September 2007. 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 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 appointment, evaluation and the 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 share price to net asset value; and
- monitoring shareholder profile and considering shareholder communications.



STATEMENT OF CORPORATE GOVERNANCE

(continued)

Committees' and Directors' Performance Evaluation

Performance of the Board, the Committees and the Directors is assessed on the following:

- attendance at Board and Committee meetings; and
- the contribution made by individual Directors at Board and Committee meetings.

The Board believes that it has the right balance of independence, skills, experience and knowledge for the effective governance of the Company. The Board considers any skills gaps in existence and takes action to remedy this where necessary.

In light of this performance evaluation, the performance of Patrick Reeve, subject to re-election at the Annual General Meeting, is considered by the remainder of the Board to be effective and reflects his strong commitment to the role.

Directors are offered training, both at the time of joining the Board and on other occasions where required.

The Board also undertakes a proper and thorough evaluation of its committees on an annual basis.

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 except Patrick Reeve. Mr John Kerr is Chairman. 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 30 September 2007; all members attended.

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

- 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, making recommendations to the Board in relation to the appointment, and reappointment of the external auditors and approving their remuneration and terms of engagement;
- monitoring and reviewing the external auditor's independence and objectivity and the effectiveness of the audit process;
- 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;
- meeting external auditors at least once a year without the presence of the Manager;
- ensuring that all Directors of the Company, and staff of companies who provide services to the Company feel able to raise matters 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 Company discharged the responsibilities described above. Its activities included:

- formally reviewing the final report and financial statements, the interim reports, and the associated announcements, with particular focus on the main areas requiring judgement and on critical accounting policies;
- reviewing the effectiveness of internal control systems by examining the Internal Controls Report produced by the Manager;
- meeting with the Head of Internal Audit of Close Brothers Group plc; and
- meeting with the external auditors and reviewing their findings.

In addition, the Board, through the Engagement Committee, reviewed the performance of the Manager and made recommendations regarding their re-appointment to the Board. The Board also reviews the relationship between share price discount and net asset value regularly and compares this with similar funds.



STATEMENT OF CORPORATE GOVERNANCE

(continued)

Nomination Committee

A nomination committee has not been formed as it is not currently considered warranted.

It is the policy of the Company, as detailed in the Articles of Association, for one third of the Board of Directors to be re-elected at each Annual General Meeting in rotation.

Internal Control

In accordance with the principle C.2 of the Combined Code, the Board has established an ongoing process for identifying, evaluating and managing those significant risks faced by the Company. This process is subject to regular review by the Board and accords with the Internal Control Guidance for Directors on the Combined Code published in September 1999 (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 will 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 management’s and the Board’s attention.

The Board has also performed a specific assessment for the purpose of this Report and Financial Statements. 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 Company has delegated the investment management and administration to Close Ventures Limited, a subsidiary of Close Brothers Group plc, 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 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 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 4th February 2008 will be used as an opportunity to communicate with private investors. The Board, including 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 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).

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

Tel: 0870 162 3124

E-mail: shareholder.services@capitaregistrars.com

Specific queries relating to the performance of the fund should be directed to Close Ventures Limited:

Tel: 020 7422 7830

E-mail: enquiries@closeventures.co.uk

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 must 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 requirement to have a Remuneration Committee and the appointment of a senior non-executive director, the Directors consider that the Company has complied throughout the year ended 30 September 2007 with all the relevant provisions set out in Section 1 of the Code on Corporate Governance issued by the Financial Services Authority 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 Directors' remuneration. As required by the Act, a resolution to approve the report will be proposed at the forthcoming 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

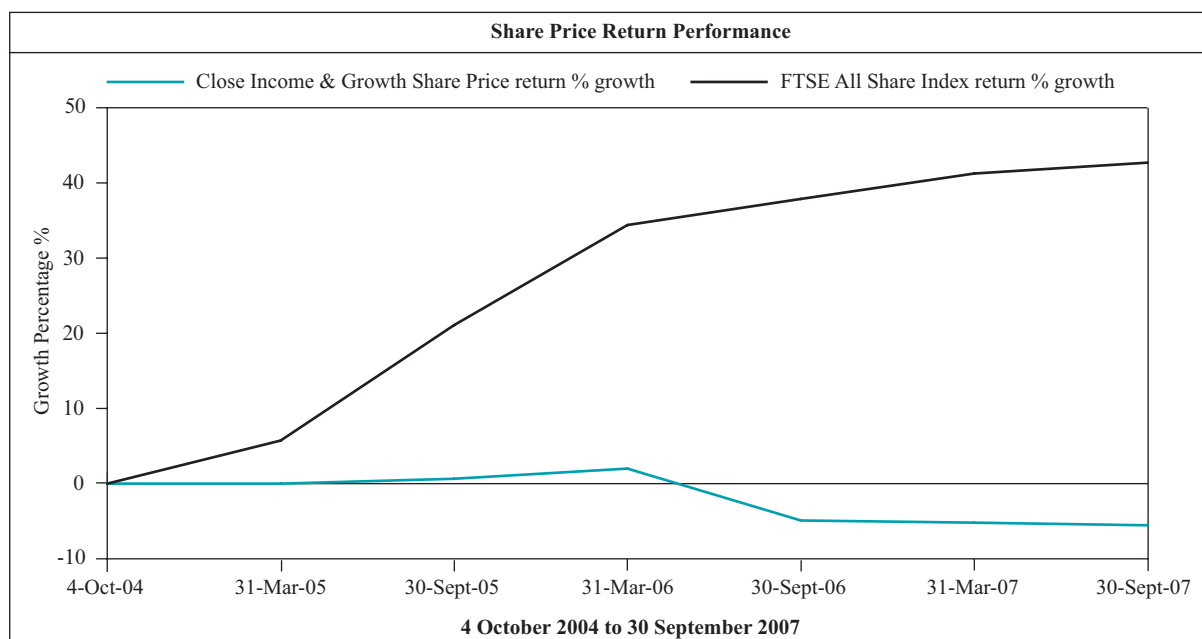
The Company's policy is that fees payable to non-executive Directors should reflect their expertise, responsibilities and time spent on Company matters. In determining the level of non-executive remuneration market equivalents are considered in comparison to the overall activities and size of the Company.

The maximum aggregate level of non-executive Directors' remuneration is £120,000 per annum which is fixed by the Company's Articles of Association, amendment to which is by way of an ordinary resolution subject to ratification by shareholders.

Performance graph

The following graph shows Close Income & Growth VCT PLC's share price growth against the FTSE All Share Index, in both instances with dividends reinvested. The Directors consider this to be the most appropriate benchmark, in the absence of a Venture Capital Trust Index. 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 below.



Source: Close Ventures Limited

Service contracts

No Director has a service contract with the Company.



DIRECTORS' REMUNERATION REPORT

(continued)

AUDITED INFORMATION

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:

	Year ended 30 September 2007			Year ended 30 September 2006		
	Fees £'000	Expenses £'000	Total £'000	Fees £'000	Expenses £'000	Total £'000
Friedrich Ternofsky	21	–	21	21	–	21
John Kerr	19	–	19	19	–	19
David Watkins	19	–	19	19	–	19
Mary Anne Cordeiro	19	–	19	19	–	19
Patrick Reeve	19	–	19	19	–	19
	<u>97</u>	<u>–</u>	<u>97</u>	<u>97</u>	<u>–</u>	<u>97</u>

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 is remunerated personally except for Patrick Reeve, whose fees are paid to Close Ventures Limited.

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

By Order of the Board

Close Ventures Limited

Company Secretary

10 Crown Place

London

EC2A 4FT

18 December 2007



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CLOSE INCOME & GROWTH VCT PLC

We have audited the financial statements of Close Income & Growth VCT PLC for the year ended 30 September 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.

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 Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 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 statement on internal control covers 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 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 described as having been 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 30 September 2007 and its 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

18 December 2007

Neither an audit nor a review provides assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the Directors but no control procedures can provide absolute assurance in this area. Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.



INCOME STATEMENT

		Year ended 30 September 2007			Year ended 30 September 2006		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments	3	–	(923)	(923)	–	4	4
Investment income	4	2,786	–	2,786	2,406	–	2,406
Investment management fees	5	(307)	(920)	(1,227)	(314)	(942)	(1,256)
Other expenses	6	(198)	–	(198)	(179)	–	(179)
Return/(loss) on ordinary activities before tax		2,281	(1,843)	438	1,913	(938)	975
Tax (charge)/credit on ordinary activities	8	(638)	282	(356)	(586)	266	(320)
Return/(loss) for the period		1,643	(1,561)	82	1,327	(672)	655
Basic and diluted return/(loss) per Ordinary share (pence) (excluding treasury shares)	10	3.63	(3.45)	0.18	2.90	(1.50)	1.40

The accompanying notes on pages 31 to 38 form an integral part of these financial statements.

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

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

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



BALANCE SHEET

	Notes	30 September 2007 £'000	30 September 2006 £'000
Fixed asset investments			
Qualifying investments	11	29,296	15,060
Non-qualifying investments		9,992	25,002
		<u>39,288</u>	<u>40,062</u>
Current assets			
Debtors and accrued income	13	446	110
Cash and cash equivalents	17	1,355	3,483
		<u>1,801</u>	<u>3,593</u>
Creditors: amounts falling due within one year	14	(102)	(1,049)
Net current assets		<u>1,699</u>	<u>2,544</u>
Net assets		<u>40,987</u>	<u>42,606</u>
Equity attributable to equityholders			
Called up share capital	15	22,667	22,667
Capital redemption reserve		14	14
Own treasury shares reserve		(137)	–
Special reserve		20,148	20,148
Realised capital reserve		(1,499)	(1,118)
Unrealised capital reserve		(1,084)	96
Revenue reserve		878	799
Total shareholders' funds		<u>40,987</u>	<u>42,606</u>
Net asset value per Ordinary share (excluding treasury shares) (pence)	16	<u>90.72</u>	<u>94.00</u>

The accompanying notes on pages 31 to 38 form an integral part of these financial statements.

This Company balance sheet has been prepared in accordance with UK GAAP.

These financial statements were approved by the Board of Directors, and authorised for issue on 18 December 2007 and were signed on its behalf by

Friedrich Ternofsky
Chairman



RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Ordinary share capital £'000	Capital redemption reserve £'000	Own treasury shares reserve £'000	Special reserve £'000	Realised capital reserve £'000	Unrealised capital reserve £'000	Revenue reserve £'000	Total £'000
As at 30 September 2006	22,667	14	–	20,148	(1,118)	96	799	42,606
Purchase of treasury shares	–	–	(137)	–	–	–	–	(137)
Capitalised investment management fees	–	–	–	–	(920)	–	–	(920)
Tax on capitalised investment management fees	–	–	–	–	282	–	–	282
Realised gains on investments	–	–	–	–	257	–	–	257
Unrealised gains on investments	–	–	–	–	–	(1,180)	–	(1,180)
Revenue return attributable to equityholders	–	–	–	–	–	–	1,643	1,643
Dividend paid to equityholders	–	–	–	–	–	–	(1,564)	(1,564)
As at 30 September 2007	22,667	14	(137)	20,148	(1,499)	(1,084)	878	40,987



RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

(continued)

	Called up share capital £'000	Capital redemption reserve £'000	Own treasury shares reserve £'000	Special reserve £'000	Realised capital reserve £'000	Unrealised capital reserve £'000	Revenue reserve £'000	Total £'000
As at 1 October 2005 (restated and adjusted)	22,681	—	—	20,186	(442)	92	651	43,168
Purchase of own shares	(14)	14	—	(26)	—	—	—	(26)
Cost of cancellation of share premium account	—	—	—	(12)	—	—	—	(12)
Capitalised investment management fees	—	—	—	—	(942)	—	—	(942)
Tax on capitalised investment management fees	—	—	—	—	266	—	—	266
Unrealised gains on investments	—	—	—	—	—	4	—	4
Revenue return attributable to equityholders	—	—	—	—	—	—	1,327	1,327
Dividend paid to equityholders	—	—	—	—	—	—	(1,179)	(1,179)
As at 30 September 2006	<u>22,667</u>	<u>14</u>	<u>—</u>	<u>20,148</u>	<u>(1,118)</u>	<u>96</u>	<u>799</u>	<u>42,606</u>



CASH FLOW STATEMENT

	Note	Year ended 30 September 2007 £'000	Year ended 30 September 2006 £'000
Operating activities			
Investment income		1,174	1,856
Interest received		1,140	557
Investment management fees paid		(1,543)	(1,255)
Administrative expenses paid		(254)	(157)
Other cash received		4	–
Net cash inflow from operating activities	18	521	1,001
Taxation		(672)	(121)
Capital expenditure and financial investment			
Purchase of qualifying investments		(16,281)	(6,752)
Purchase of non-qualifying investments		–	(25,003)
Disposal of investments		15,959	–
Net cash outflow from investing activities		(322)	(31,755)
Equity dividends paid			
Dividends paid on Ordinary shares		(1,564)	(1,179)
Financing			
Repurchase of shares		–	(26)
Purchase of treasury shares		(137)	–
Net cash outflow from financing		(137)	(26)
Decrease in cash		(2,174)	(32,080)



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2007

1. Accounting convention

The financial statements are prepared 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.

The financial statements are prepared under the historical cost convention, modified by the revaluation of certain investments in the current and prior year.

2. Accounting policies

The financial statements are prepared in accordance with UK applicable accounting standards. The particular accounting policies are described below.

Investments

In accordance with FRS 26 "Financial Instruments Measurement", equity investments are designated at fair value through profit or loss account ("FVTPL"). The total column of the Income Statement represents the Company's profit and loss account. Unquoted investments' fair value is determined by the Directors in accordance with the International Private Equity and Venture Capital Valuation 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.

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"). Movements in the amortised cost relating to interest income are reflected in the revenue column of the Income Statement and movements in respect of capital provisions are reflected in the capital column of the Income Statement. 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 the reporting period.

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.

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, those investments in which the Company holds more than 20 per cent of the equity are not regarded as associated undertakings.

Investment Income

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

Management fees and 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, net of corporation tax (the balance of the management fee is charged to the Revenue account) which represents the proportion of the investment management fee attributable to the enhancement of the value of the investments of the Company; and
- expenses which are incidental to the purchase or disposal of an investment.

Performance incentive fee

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

Debtors and creditors

Debtors are non-interest bearing and are short term in nature and are accordingly stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. The Directors consider that the carrying amount of debtors approximates their fair value.

Creditors are non-interest bearing and are stated at their nominal value. The Directors consider that the carrying amount of creditors approximates their fair value.



NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2007 (continued)

2. Accounting policies (continued)

Taxation

Taxation is applied on a current basis in accordance with Financial Reporting Standard ('FRS') 16. Taxation associated with capitalised management fees is applied in accordance with the SORP. In accordance with FRS 19, 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 the taxation of VCTs means that it is unlikely any deferred tax will arise. The Directors have considered the requirements of FRS 19 and do not believe any provision should be made.

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 general meeting.

Reserves

Realised capital reserves

The following are accounted for in this reserve:

- gains and losses on the realisation of investments;
- capitalised management and performance fees together with the related taxation effect, charged in accordance with the above policies; and
- dividends paid to equityholders.

Unrealised capital reserve

Increases and decreases in the valuation of investments held at the year end are accounted for in this reserve.

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 treasury shares reserve

This reserve accounts for amounts paid on buying treasury shares.

3. (Losses)/gains on investments

	Year ended 30 September 2007 £'000	Year ended 30 September 2006 £'000
Unrealised (losses)/gains	(1,180)	4
Realised gains	257	—
Total	(923)	4



NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2007 (continued)

4. Investment income

	Year ended 30 September 2007 £'000	Year ended 30 September 2006 £'000
Dividend income	86	2
Income from loan stock investments	1,555	973
Floating Rate Note interest	900	970
Bank deposit interest income	218	461
Other	27	–
Total	2,786	2,406

All of the Company's income is derived from operations based in the United Kingdom.

5. Investment management fees

	Year ended 30 September 2007			Year ended 30 September 2006		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fees	307	920	1,227	314	942	1,256
Total	307	920	1,227	314	942	1,256

6. Other expenses

	Year ended 30 September 2007 £'000	Year ended 30 September 2006 £'000
Directors' fees (including VAT and NIC)	107	106
Auditors' remuneration – audit fees	9	14
Tax services	11	5
Other administrative expenses	71	54
Total	198	179

7. Directors' fees

	Year ended 30 September 2007 £'000	Year ended 30 September 2006 £'000
Directors' fees	97	97
National insurance and VAT where applicable	10	9
Total	107	106



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2007 (continued)

8. Tax (charge)/credit on ordinary activities

The tax charge for the period shown in the Income Statement is different to the standard rate of corporation tax in the UK of 30% (2006: 30%). The differences are explained below:

	Year ended 30 September 2007			Year ended 30 September 2006		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Return/(loss) before taxation	2,281	(1,843)	438	1,913	(938)	975
UK corporation tax at 30%	(684)	553	(131)	(574)	281	(293)
Under accrual in previous year	–	–	–	(12)	(15)	(27)
Total UK corporation tax charge at 30%	(684)	553	(131)	(586)	266	(320)
Factors affecting the tax charge:						
Non-taxable (gain)/loss on investments	–	(277)	(277)	–	1	1
Expenses charged to capital	277	(277)	–	282	(282)	–
Non-taxable income	26	–	26	–	–	–
Tax attributable to capital expenses	(277)	277	–	(282)	282	–
Consortium relief	20	–	20	–	–	–
Marginal relief	–	6	6	–	(1)	(1)
Total	(638)	282	(356)	(586)	266	(320)

No provision for deferred tax has been made in the current or prior accounting period. The Company has no unutilised management expenses and deficits arising from non-trading relationships.

9. Dividends paid to equityholders

	Year ended 30 September 2007 £'000	Year ended 30 September 2006 £'000
Revenue dividends		
First interim dividend paid on 19 January 2007 of 1.75 pence per share (2006: 1.35 pence per share)	793	612
Second interim dividend on 13 July 2007 of 1.70 pence per share (2006: 1.25 pence per share)	771	567
Total	1,564	1,179

In addition to the dividends paid above the Board has declared a dividend of 1.75 pence per share to be paid on 25 January 2008 for those shareholders on the register on 28 December 2007.

10. Basic and diluted return/(loss) per share

	Year ended 30 September 2007			Year ended 30 September 2006		
	Revenue	Capital	Total	Revenue	Capital	Total
Return/(loss) attributable to equity shares (£'000)	1,643	(1,561)	82	1,327	(672)	655
Weighted average shares in issue (number)	45,278,956	45,278,956	45,278,956	45,347,996	45,347,996	45,347,996
Return/(loss) attributable per equity share (pence)	3.63	(3.45)	0.18	2.90	(1.50)	1.40

The weighted average number of shares is calculated excluding the treasury shares of 154,081 (2006: nil).

There are no convertible instruments, derivatives or contingent share agreements in issue, and therefore no dilution affecting the return per share.



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2007 (continued)

11. Fixed asset investments

	Qualifying investments £'000	Non-qualifying investments £'000	Total investments £'000
Opening valuation at 1 October 2006	15,060	25,002	40,062
Purchases at cost	15,618	–	15,618
Disposal proceeds	(943)	(15,005)	(15,948)
Realised gains	253	4	257
Movement in loan stock carrying value	480	–	480
Decrease in unrealised appreciation	(1,172)	(8)	(1,180)
Closing valuation	29,296	9,992	39,288
Movement in loan stock carrying value			
Opening accumulated movement in loan stock carrying value	487	–	487
Movement in loan stock carrying value	480	–	480
Closing accumulated movement in loan stock carrying value	967	–	967
Movement in unrealised gains			
Opening movement in unrealised gains	97	(1)	96
Unrealised gain on disposals	(62)	–	(62)
Movement in unrealised gains	(1,110)	(8)	(1,118)
Closing accumulated movement in unrealised losses	(1,075)	(9)	(1,084)
Historic cost basis			
Opening book cost	14,477	25,003	39,480
Purchases at cost	15,618	–	15,618
Sales at cost	(690)	(15,002)	(15,692)
Closing book cost	29,405	10,001	39,406

Fixed asset investments held at fair value through profit and loss account are £ 21,276,118. Investments held at amortised cost are £18,012,041.

Qualifying investments are unquoted and not listed on any exchange. Non-qualifying investments are listed floating rate notes.

12. Significant interests

The Company has interests of greater than 20% in the nominal value of the allotted shares in the investee companies as at 30 September 2007 as described below:

Company	Country of incorporation	Principal activity	% class and share type	% total voting rights
Xceleron Limited	United Kingdom	Bio-analytical services	50% A Ordinary	21.7
Garden Switch Limited (trading as Resorthoppa)	United Kingdom	Taxi transfer service	10.78% Ordinary and 9.80% Warrants	20.6
CS (Norwich) Limited	United Kingdom	Picturehouse cinema	20% Ordinary	20.0
Bravo Inns II Limited	United Kingdom	Food and Beverages	50% Ordinary	50.0

13. Debtors and accrued income

	30 September 2007 £'000	30 September 2006 £'000
Corporation tax	26	–
Prepayments and accrued income	68	106
Other debtors	352	4
Total	446	110



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2007 (continued)

14. Creditors: amounts falling due within one year

	30 September 2007 £'000	30 September 2006 £'000
Bank overdraft	46	–
Accruals and deferred income	56	758
Corporation tax	–	291
Total	102	1,049

15. Called up share capital

	30 September 2007 £'000	30 September 2006 £'000
Authorised		
50,000,000 shares of 50p each	25,000	25,000
Allotted, called up and fully paid		
45,333,837 shares of 50p each (2006: 45,333,837)	22,667	22,667
Allotted, called up and fully paid excluding treasury shares		
45,179,756 shares of 50p each (2006: 45,333,837)	22,590	22,667

The above figure includes 154,081 (2006: nil) treasury shares purchased at a cost of £137,000 during the year ended 30 September 2007 representing 0.34% of the total issued share capital as at 30 September 2007. During the year, no shares were cancelled (2006: 28,872 shares).

16. Net asset value per Ordinary share

Net asset value per Ordinary share is based on net assets at the year end of £40,987,000 (2006: £42,606,000), and on 45,179,756 Ordinary shares excluding treasury shares, (2006: 45,333,837) being the number of Ordinary shares in issue excluding treasury shares at the year end.

17. Analysis of changes in cash during the year

	30 September 2007 £'000	30 September 2006 £'000
Opening cash balance	3,483	35,563
Net cash outflow	(2,174)	(32,080)
Closing cash balance	1,309	3,483
Closing cash balance is represented by:		
Cash in bank accounts	1,355	3,483
Bank overdraft	(46)	–
	1,309	3,483



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2007 (continued)

18. Reconciliation of net revenue before finance costs and taxation to net cash flow from operating activities

	Year ended 30 September 2007 £'000	Year ended 30 September 2006 £'000
Return on ordinary activities before taxation	438	975
Losses/(gains) on investments	923	(4)
Decrease in operating debtors	40	60
(Decrease)/increase in operating creditors	(943)	364
Movement in return on loan stock	63	(394)
Net cash inflow from operating activities	521	1,001

19. Financial instruments and risk management

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

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

- Market and investment price risk (which includes fair value interest rate risk and credit risk);
- liquidity risk; and
- cash flow interest rate risk.

The Board regularly reviews and agrees policies for managing each of these risks and they are summarised below:

Market price 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 investments, details of which are shown on pages 8 to 12. The Manager monitors this risk on an ongoing basis, and the Board reviews these risks on a formal basis when investments are made and at board meetings.

Fair value interest rate risk

Unquoted investments in loan stock and equity are not subject to price movements as a result of interest rate movements. Floating rate note investments, due to the floating rate nature of these instruments, are not subject to significant price movements as a result of interest rate movements.

Credit risk

The Manager evaluates credit risk on loan stock instruments prior to investment, and as part of its ongoing monitoring of investments. Typically all loan stock instruments have a first charge over the assets of the investee company. Floating rate note investments are made in notes issued by banks with a Moody's credit rating of at least 'A'. In this way, the Manager seeks to limit credit risk to the Company. The Company's total credit risk is limited to £18,164,415 of unquoted loan stock instruments and £9,992,000 of floating rate notes.

Investment price risk

As a venture capital trust, it is the Company's specific business to price, evaluate and control the investment risk in its portfolio of unquoted companies, the results of which are detailed in the Chairman's statement on page 5. To mitigate the investment risk, the strategy of the Company is to invest in a broad spread of industries with approximately two thirds of the investment comprising debt securities, which, owing to the structure of their yield, 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 12.

Liquidity risk

The Company has no committed borrowing facilities as at 30 September 2007 (2006: £nil) and had net cash balances of £1,309,000. The main cash outflows are for investments, which are within the control of the Company.

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

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 30 September 2007 (continued)

19. Financial instruments and risk management (continued)**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 30 September 2007 profits before tax by approximately 24.79% (2006: 26.08%).

The weighted average interest rate applied to the Company's fixed rate assets during the year was approximately 8.51% (2006: 10.56%). The weighted average period to maturity for the fixed rate assets is 3.60 years (2006: 4.06 years).

Fair values of financial assets and financial liabilities

All the Company's financial assets and liabilities as at 30 September 2007 are stated at fair value as determined by the Directors, with the exceptions 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. See note 2 of the financial statements for accounting policies.

The Company's financial assets and liabilities as at 30 September 2007, all denominated in pounds sterling, consist of the following:

	30 September 2007				30 September 2006			
	Fixed rate	Floating rate	Non-interest bearing	Total	Fixed rate	Floating rate	Non-interest bearing	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Equity	–	–	11,284	11,284	–	–	5,715	5,715
Loan stock	15,569	2,443	–	18,012	7,515	1,830	–	9,345
Floating Rate Notes	–	9,992	–	9,992	–	25,002	–	25,002
Debtors	–	–	446	446	–	–	110	110
Liabilities	–	–	(102)	(102)	–	–	(1,049)	(1,049)
Cash	–	1,355	–	1,355	–	3,483	–	3,483
Total net assets	15,569	13,790	11,628	40,987	7,515	30,315	4,776	42,606

The maturity value of loan stock investments held at amortised cost is as follows:

	£'000
Less than 1 year	–
1-2 years	–
2-3 years	–
3-5 years	18,012
Total	18,012

The contractual re-pricing of the Floating Rate Notes held in the portfolio will occur within one year.

20. Contingencies, guarantees and financial commitments

The Company has given a guarantee to The Royal Bank of Scotland plc in respect of the borrowing of investee companies. As at 30 September 2007 the maximum exposure under these guarantees was £1,200,000. One of these guarantees (which has a maximum exposure of £nil as at 30 September 2007) is secured by a third party charge of deposit over specific bank accounts with balances of £nil (2006: £nil) dated 31 January 2005 granted to the Royal Bank of Scotland plc.

21. Post balance sheet events

Since 30 September 2007 the Company has entered into the following material transactions:

- Investment of £153,573 in Helveta Limited
- Investment of £430,045 in MiPay Limited

22. Related party transactions

The Manager, Close Ventures Limited, is considered to be a related party by virtue of the fact that it is a party to a management contract from the Company (details disclosed on page 17 of this report.) During the year, services of a total value of £1,227,000 (including VAT) 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 £2,000.

Buy-backs of treasury shares during the year were transacted through Winterflood Securities Limited, a subsidiary of Close Brothers Group plc. A total of 154,081 shares were purchased at an average price of 88.8 pence per share.

There are no other related party transactions or balances requiring disclosure.



NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of Close Income and Growth VCT PLC will be held at 12.30 p.m. on 4 February 2008 at 10 Crown Place, London EC2A 4FT for the purpose of dealing with the following business, of which items 5 to 7 are special business.

Ordinary Business

1. To receive and adopt the accounts and the reports of the Directors and Auditors for the year ended 30 September 2007.
2. To re-appoint Deloitte & Touche LLP as Auditors for the ensuing year and to authorise the Directors to fix their remuneration.
3. To re-elect Patrick Reeve as a Director.
4. To receive and approve the Directors' remuneration report for the year ended 30 September 2007.

Special Business

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

That the Directors be and they are hereby 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 of £2,266,692 which comprises 10% of the Ordinary share capital (excluding shares held in treasury) such authority to expire on 31 May 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.

6. 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 5, 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 5 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 Ordinary shares on the register of members at such records date as the Directors shall determine where the equity securities respectively attributable to the interest of the Ordinary shareholder are proportionate (as nearly as may be) to the respective numbers of Ordinary 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 whatever; and
- (b) otherwise than pursuant to sub-paragraph (a) above to any persons up to an aggregate nominal amount of £1,133,346 equal to 5% of the Ordinary share capital;

and shall expire on the expiry of the general authority conferred by resolution number 5, 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 5" were omitted.

7. 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 of 10p each ("Ordinary shares") in the capital of the Company provided that:

- (a) the maximum aggregate number of shares authorised to be purchased is 6,795,542 Ordinary shares (representing approximately 14.99% per cent of the issued share capital excluding treasury shares);
- (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) an amount equal to 105% 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



NOTICE OF MEETING

(continued)

- (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.

This resolution is intended to apply equally to shares to be cancelled or to be held by the Company as treasury shares in accordance with the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003.

BY ORDER OF THE BOARD

Close Ventures Limited

Company Secretary

Registered Office

10 Crown Place

London EC2A 4FT

18 December 2007



NOTICE OF MEETING

(continued)

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 12.30 p.m. on 2 February 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 12.30 p.m. on 2 February 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 2 February 2008 and will also be available for inspection at the place of the meeting for at least 15 minutes before, and during the meeting until the close of, the meeting.





FORM OF PROXY

Form of proxy for the Annual General Meeting to be held on 4 February 2008.

I/We.....(BLOCK CAPITALS please)
being a holder/s of Ordinary shares in Close Income & Growth VCT PLC and entitled to attend and vote at the above Annual General Meeting, hereby appoint the duly elected Chairman* of the Meeting or failing him

.....
as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 12.30 p.m. at 10 Crown Place, London, EC2A 4FT on 4 February 2008 and at any adjournment thereof in respect of the resolutions set out in the Notice of Meeting.

My/our proxy is to vote as indicated below:

		For	Against	Vote Withheld (note 4)	Discretionary (note 5)
Resolution Number 1	Report and accounts				
Resolution Number 2	Re-appointment of auditors				
Resolution Number 3	Re-election of Patrick Reeve				
Resolution Number 4	Approval of Directors remuneration report				
Resolution Number 5	(Special business) Authority to allot shares				
Resolution Number 6	(Special Resolution) Disapplication of pre-emption rights				
Resolution Number 7	(Special Resolution) Purchase of own shares				

..... Signed..... Date



Notes

- *If any other proxy is preferred, strike out the reference to the Chairman stated above, add the name of the proxy you wish to appoint and initial the alteration. Failure to initial the alteration will deem the Chairman of the Meeting to be your proxy. A proxy need not be a member of the Company.
- If the appointor is a Corporation, this form must be under its common seal or under the hand of some officer or attorney in that behalf.
- Please insert an "X" in either of the columns. If all spaces are left blank, the proxy will exercise his discretion as to whether, and if so how, he votes.
- The "Vote withheld" option is provided to enable you to abstain on any particular resolution. However it should be noted that a "Vote withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes "For" and "Against" a resolution.
- If you want your proxy to vote in a certain way on the resolutions specified please place a mark in the relevant boxes. If you select "Discretionary" or fail to select any of the given options your proxy can vote as he or she chooses or can decide not to vote at all. The proxy can also do this on any other business (including a motion to adjourn the Meeting or to amend a resolution) which may properly come before the Meeting.
- To be valid, this form of proxy must be completed and deposited at the office of the Company's Registrars, Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not later than 48 hours prior to the time fixed for the holding of the Meeting.
- In the case of joint holders, only one needs sign but the names of all joint holders should be shown.
- The completion and return of this form of proxy will not preclude you from attending and voting at the meeting should you subsequently decide to do so.

Second Fold

Business Reply Service
Licence No. MB122



**Capita Registrars
Proxy Department
PO Box 25
Beckenham
Kent
BR3 4TU**

First Fold

Third Fold and tuck in



Close Income & Growth VCT PLC