

Annual Report and  
Financial Statements  
for the year  
ended 30 June 2008

08

Crown Place  
VCT PLC

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# Company information

<b>Company Number</b>	3495287
<b>Directors</b>	Patrick Crosthwaite, Chairman Rachel Beagles Andrew Cubie Vikram Lall Geoffrey Vero
<b>Company secretary and registered office</b>	Close Ventures Limited 10 Crown Place London, EC2A 4FT
<b>Manager</b>	Close Ventures Limited 10 Crown Place London, EC2A 4FT Tel: 0844 257 9722 Calls cost 4p per minute plus network extras Fax: 020 7422 7849 Website: <a href="http://www.closeventures.co.uk">www.closeventures.co.uk</a> Email: <a href="mailto:enquiries@closeventures.co.uk">enquiries@closeventures.co.uk</a>
<b>Registrar and shareholders' helpline</b>	Capita Registrars Limited Northern House Woodsome Park Fenay Bridge Huddersfield, HD8 0LA Tel: 0871 664 0300 Fax: 0871 664 0399 Calls cost 10p per minute plus network extras Email: <a href="mailto:ssd@capitaregistrars.com">ssd@capitaregistrars.com</a>
<b>Custodian</b>	Capita Trust Company Limited Phoenix House 7th Floor 18 King William Street London, EC4N 7HE
<b>Auditors</b>	PKF (UK) LLP Farringdon Place 20 Farringdon Road London, EC1M 3AP
<b>Taxation adviser</b>	PricewaterhouseCoopers LLP 1 Embankment Place London, WC2N 6RH

Crown Place VCT PLC is a member of the Association of Investment Companies.

## Investment objectives

The investment objective and policy of the Company is to achieve long term capital and income growth principally through investment in smaller unquoted companies in the United Kingdom.

## Financial calendar

Annual General Meeting	7 November 2008
Record date for first dividend	11 July 2008
Payment of first dividend	8 August 2008
Announcement of interim results for the six months ended 31 December 2008	February 2009
Payment of second dividend subject to Board and HMRC approval	April 2009

# Financial highlights

**4.51p**

Total return to shareholders since Close Ventures Limited was appointed investment manager

**(1.4p)**

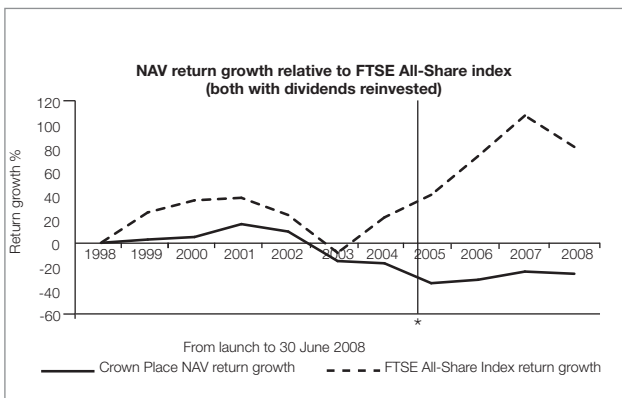
Total negative return to shareholders for the year ended 30 June 2008

**2.5p**

Tax free dividend for the year to 30 June 2008

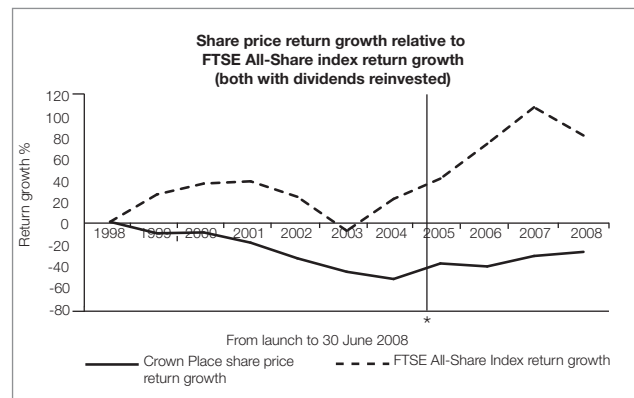
**41.1p**

Net asset value per share at 30 June 2008



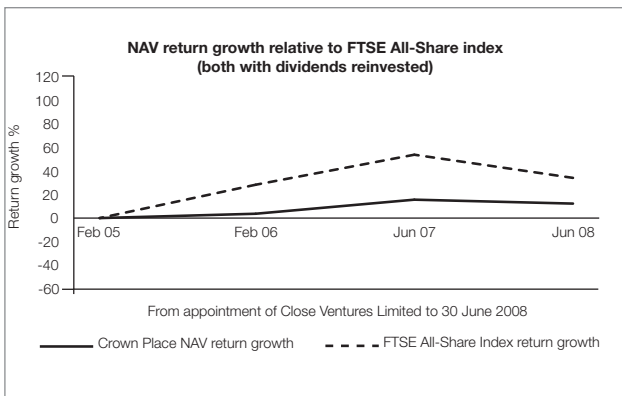
Source: Close Ventures Limited

\* Close Ventures Limited became manager on 6 April 2005.

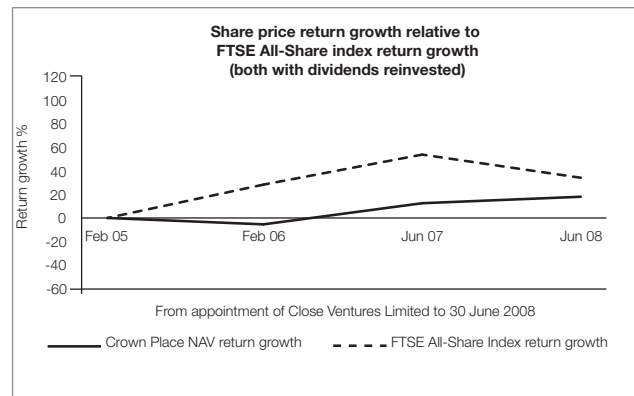


Source: Close Ventures Limited

In the interests of full information, additional charts showing the relative performance of Crown Place VCT PLC since 2005 are shown below.



Source: Close Ventures Limited



Source: Close Ventures Limited

# Financial highlights (continued)

## Shareholder returns and shareholder value

	Proforma <sup>(i)</sup> Murray VCT PLC	Proforma <sup>(i)</sup> Murray VCT 2 PLC	Crown Place VCT PLC*
<b>Shareholder return from launch to April 2005 (date that Close Ventures was appointed investment manager):</b>			
Total dividends paid to 6 April 2005 <sup>(ii)</sup>	30.36	30.91	24.93
Decrease in net asset value	(69.90)	(64.50)	(56.60)
Total shareholder return to 6 April 2005	<u>(39.54)</u>	<u>(33.59)</u>	<u>(31.67)</u>
<b>Shareholder return from April 2005 to 30 June 2008:</b>			
Total dividends paid	5.13	5.94	6.80
Decrease in net asset value	(0.84)	(0.52)	(2.29)
Total shareholder return to 30 June 2008	<u>4.29</u>	<u>5.42</u>	<u>4.51</u>
<b>Shareholder value since launch:</b>			
Total dividends paid to 30 June 2008 <sup>(ii)</sup>	35.49	36.85	31.73
Net asset value as at 30 June 2008	29.26	34.98	41.11
Total shareholder value as at 30 June 2008	<u>64.75</u>	<u>71.83</u>	<u>72.84</u>
<b>Current dividend objective:</b>			
Pence per share	<u>1.78</u>	<u>2.13</u>	<u>2.50</u>
Percentage yield on net asset value	<u>6.0%</u>	<u>6.0%</u>	<u>6.0%</u>

### Notes

(i) The proforma shareholder returns presented above are based on the dividends paid to shareholders before the merger and the pro-rata net asset value per share and pro-rata dividends per share paid to 30 June 2008 since the merger. This pro forma is based upon the proportion of shares received by Murray VCT PLC (now renamed CP1 VCT PLC) and Murray VCT 2 PLC (now renamed CP2 VCT PLC) shareholders at the time of the merger with Crown Place VCT PLC on 13 January 2006.

(ii) Prior to 6 April 1999, venture capital trusts were able to add 20 per cent. to dividends and figures for the period up until 6 April 1999 are included at the gross equivalent rate actually paid to shareholders.

\* Formerly Murray VCT 3 PLC

In addition to the dividends paid above, a first dividend was declared and announced on the London Stock Exchange RNS Service on 27 June 2008 for the year ending 30 June 2009, of 1.25 pence per Crown Place VCT PLC share (0.9 pence paid out of revenue profits and 0.35 pence out of realised capital gains). This dividend was paid on 8 August 2008 to shareholders on the register on 11 July 2008.

# Chairman's statement

## Investment objective

The VCT aims to provide shareholders with a regular and predictable dividend income together with protection of capital and the prospect of longer term capital growth.

## Profit and loss

In the year to 30 June 2008, the VCT made a revenue profit after tax of £957,000 but this was offset by a reduction in the value of the investment portfolio of £1.8 million resulting in a net loss after tax of £1,059,000.

While it is disappointing to report a negative return, the performance of the VCT has been resilient against the background of the economic slowdown and the decline in quoted company valuations.

## Capital

The net asset value per share declined from 44.8 pence to 41.1 pence after paying dividends of 2.5 pence per share. After adding back the dividend, the decline in total return of 2.7 per cent. compares to an equivalent decline of 12.7 per cent. in the FTSE All-Share Index for this period, again after adding back the average dividend yield on the Index.

The investment portfolio is performing reasonably and, following a number of profitable exits during the year, as at 30 June 2008 the VCT held cash and liquid assets of £11.9 million representing 40 per cent. of net assets. This high level of liquid assets positions the VCT well to capitalise on the attractive investment opportunities that I believe will present themselves over the medium term. It also allows the VCT to maintain its annual dividend of 2.5 pence per share, which is tax free to investors.

## Risks and uncertainties

The key risk continues to be the outlook for the UK economy, which is being affected by the concern in the wholesale financial and housing markets. While this has had an overall adverse effect on asset values, which may well continue, we believe that the resulting shortage of available bank finance will give rise to additional investment opportunities for a cash rich fund like ourselves. The Board believes that the Manager's policy of providing finance to investee companies without the use of external borrowings, not only reduces the risk to the existing portfolio, but also makes our form of investment more attractive at a time when banks are reducing their lending activities. A detailed analysis of the other risks and uncertainties facing the business are shown in the Directors' report and business review within the full Annual Report and Financial Statements.

## Dividends

The VCT's policy is to pay regular and predictable dividends to investors out of revenue income and realised capital gains. During the year to 30 June 2008, the VCT maintained its dividend distribution of 2.5 pence per share. The first dividend for the current financial year of 1.25 pence per share was paid to shareholders on 8 August 2008. Subject to the performance of the investment portfolio, the Board aims to maintain the current annualised dividend distribution of 2.5 pence per share going forward.

The Board anticipates paying a second dividend in the second half of the financial year, subject to HM Revenue & Customs approval. Dividends are paid free of tax to shareholders and qualifying shareholders will be able, in respect of further dividends, to receive their dividends in the form of new shares rather than cash, which will entitle them to income tax relief at the rate of 30 per cent. (the new shares will need to be held for at least five years).

A circular explaining this Dividend Reinvestment Scheme in more detail will be posted to shareholders with the Half Yearly Financial Report in March 2009.

## Discount management and share buy-backs

It is the Board's policy to buy back shares in the market, subject to the overall constraint that such purchases are in the VCT's interest, including the maintenance of sufficient resources for investment in existing and new investee companies. The VCT bought back 3,256,044 shares for cancellation during the year at prices ranging from 37 to 40.5 pence per share.

## Outlook

Since I last reported, economic conditions have continued to deteriorate and the outlook remains negative. The Manager's investment policy of building a portfolio with a high degree of asset backing and not using external gearing in investee companies is fully endorsed by the Board. This policy is serving the VCT well in the current economic climate and will provide a degree of protection if economic conditions continue to deteriorate.

The VCT has substantial cash balances which will protect its capital base in the short term while allowing it to take advantage of attractive investment opportunities. The Board views VCTs as a long term savings product and in this context, despite the undoubted near-term pressure caused by the severe deterioration in the economy, the Directors consider that the VCT remains well positioned to deliver shareholder value.

**Patrick Crosthwaite**

Chairman

7 October 2008

# Manager's report

## Portfolio realisations

During the year, the VCT made considerable progress in realising the older investments in the portfolio. Total realisation proceeds from the unquoted portfolio were £6.4 million and from the AIM portfolio £2.7 million. The VCT sold its entire holdings in The Bold Pub Company Limited, Grosvenor Health Limited, PSCA International Limited and RMS Europe VCT Limited at an aggregate profit of £1.6 million, while the older and underperforming investments in J&S Marine Limited and TLC (Tender Loving Childcare) Limited were sold at an aggregate loss of £532,000. Inhoco 3426 Limited and Palgrave Brown (Holdings) Limited repaid all of their outstanding loan stock. In the AIM portfolio, the VCT sold its remaining holdings in Dobbies Garden Centres plc, Synexus Clinical Research plc and Zetar Plc and reduced its holding in Cello VCT plc at a total profit of £856,000. As a result, the VCT's exposure to AIM quoted companies is now considerably reduced. As at 30 June 2008, the carrying value of the remaining AIM portfolio was £1.1 million or 3.7 per cent. of net assets.

## New investments

The VCT invested £3.5 million during the year in new and follow-on qualifying investments. A further investment of £750,000 was made in Kensington Health Clubs Limited, a health and fitness club in West London. £1.4 million was invested in The Sky Hotel Heathrow Limited, which owns and operates a hotel near Heathrow's new Terminal 5, a property with a significant development potential. Other new investments include £60,000 in CS (Norwich) Limited, a company operating a cinema in Norwich, £140,000 in Mi-Pay Limited, a provider of mobile payment services, £145,000 in Oxsensis Limited, a company developing high performance industrial sensors, £125,000 in Resorthoppa Limited, a provider of airport transfer services, £150,000 in Opta Sports Data Limited, a compiler of sports performance data and £180,000 in Vibrant Energy Surveys Limited, a surveyor of energy performance in buildings. A further £550,000 was invested in existing qualifying investments.

Against the background of a negative economic climate, the Manager is targeting investments in sectors which are perceived to be less exposed to the downturn, such as healthcare and environmental services. Following the year end, the VCT invested an initial £250,000 in Prime Care

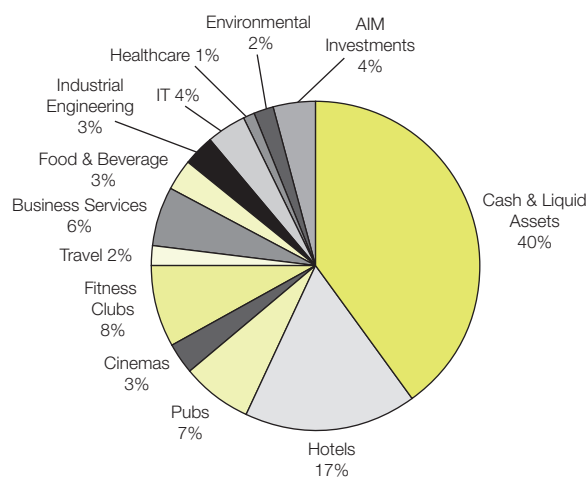
Holdings Limited, a provider of domiciliary care services to local authorities and private individuals.

## Portfolio review

The investment portfolio declined in value by £1.8 million during the year. Of this amount, £0.9 million relates to a single investment – ELE Advanced Technologies Limited, a manufacturer of precision engineering components for the industrial gas turbine, aerospace and automotive markets. £0.6 million of the revaluation of ELE Advanced Technologies Limited was recognised in the interim accounts to 31 December 2007 and a further £0.3 million has been recognised in the final accounts for the year. The decline in valuation reflects a prudent view on short term issues arising from setting up a new operation in Slovakia. The valuation of Sanastro PLC, the financial publishing company, has been reduced by £0.2 million as the company is being reorganised. The investments in the pub sector have been revalued down by £0.1 million in aggregate and now stand at a valuation of £1.4 million, or 4.6 per cent. of net assets. The VCT's other leisure investments are performing in line with expectations though their valuations have shown a small decline. The values attributed to all asset backed investments are supported by recent third party valuation reports, and the remainder of the unquoted portfolio has been holding up in the current economic climate.

The following is the sector split of the portfolio by valuation as at 30 June 2008:

Split of investment portfolio by sector





# The Board of Directors

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

**Patrick Crosthwaite FSI (65)**, is the Chairman of the Company. From 1989 to 1999 he was managing director of Henderson Crosthwaite Limited, a private client portfolio management and broking business. Subsequently he served as a director of Carr Shepherds Crosthwaite (part of the Investec Group). He served as Chairman of Investec Bank's underwriting committee from 2000 until 2002 and was the director responsible for Investment Process and Research at Gerrard Limited from 2003 to 2004. Patrick Crosthwaite became a Director of the Company on 13 January 2006.

**Andrew Cubie CBE (62)**, is a consultant to Fyfe Ireland LLP solicitors, having been the senior partner until April 2003. He has extensive experience of corporate law and investment, particularly in the private company sector. He is a non-executive director of a number of companies including BLAS Limited, ESPC (UK) Limited, Kinloch Anderson Limited, CP1 VCT PLC and CP2 VCT PLC (which are wholly owned subsidiaries of Crown Place VCT PLC). He is the Deputy Chairman of the Northern Lighthouse Board and the senior member of the Management Board of H.M.I.E. in Scotland. He was Chairman of CBI Scotland from 1995 to 1997. He is Chairman of Quality Scotland Foundation and The Centre of Healthy Working Lives. He is the Chairman of the Committee of University Chairs for the UK. In 2001 he was awarded a CBE for services to business and education in Scotland. Andrew Cubie became a Director of the Company on 20 January 1998.

**Rachel Beagles MA (40)**, was Co-Head of the Pan-European Banks Equity Research and Sales Team and a Managing Director of Corporate and Investment Bank Group Division at Deutsche Bank AG until April 2003. She is a non-executive director of Schroder UK Mid and Small Cap Fund PLC, a board member of Newlon Housing Trust and Outward Housing, and a non-executive director of Webface Technology Ventures Limited. Rachel Beagles became a Director of the Company on 13 January 2006.

**Vikram Lall CA CBE (61)**, was corporate finance director of Brewin Dolphin until December 2003. He is a non-executive director of a number of companies including ISIS Property Trust, CP1 VCT PLC and CP2 VCT PLC (which are wholly owned subsidiaries of Crown Place VCT PLC). He was Chairman of the Scottish Industrial Development Advisory Board from 2001 to 2007. In 2005 he was awarded the CBE for services to business in Scotland. Vikram Lall became a Director of the Company on 13 January 2006.

**Geoffrey Vero FCA (61)**, has spent much of his career in venture capital, serving as a director of Causeway Capital Limited and ABN Amro Private Equity (UK) Limited which invested in small and medium sized unquoted businesses. He is non-executive Chairman of Close Brothers Development VCT PLC (which is also managed by Close Ventures Limited) and Numis Corporation Plc, and non-executive Chairman of EPE Special Opportunities Plc. Geoffrey Vero became a Director of the Company on 13 January 2006.

# The Manager

Close Ventures Limited is authorised and regulated by the Financial Services Authority and is the Manager of Crown Place VCT PLC. In addition to Crown Place VCT PLC, it manages a further six venture capital trusts, and has currently total funds under management of approximately £250 million.

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, including Crown Place VCT PLC.

**Patrick Reeve, (48), 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 Close Brothers Group plc in 1989, initially in the development capital subsidiary, where he was a director specialising in the financing of smaller unquoted companies. He joined the corporate finance division in 1991, where he was also a director. He established Close Ventures Limited with the launch of Close Brothers Venture Capital Trust PLC in the spring of 1996. He is a Director of Close Technology & General VCT PLC, Close Brothers Protected VCT PLC, Close Income & Growth VCT PLC and Close Enterprise VCT PLC (all VCTs managed by Close Ventures Limited).

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

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

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

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

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

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

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

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

**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 June 2008:

Investment name	Nature of business	% voting rights	At 30 June 2008			At 30 June 2007	
			% voting rights of CVL* managed companies	Investment to date at cost £'000	Total carrying/fair value £'000	Investment to date at cost £'000	Total carrying/fair value £'000
<b>Unquoted investments</b>							
The Crown Hotel Harrogate Limited	Owner and operator of the Crown Hotel, Harrogate	15.0%	50.0%	2,976	2,463	2,784	2,331
Kensington Health Clubs Limited	Operator of a health and fitness club in West London	8.3%	50.0%	1,750	1,715	1,000	1,014
Sky Hotel Heathrow Limited	Owner and operator of the Stanwell Hotel at Heathrow Airport	13.2%	50.0%	1,400	1,400	–	–
Kew Green VCT (Stansted) Limited	Owner and operator of the Express by Holiday Inn at Stansted Airport	2.0%	50.0%	1,000	1,078	1,000	1,123
ELE Advanced Technologies Limited	Manufacturer of precision engineering components for the industrial gas turbine, aerospace and automotive markets	48.3%	48.3%	1,050	891	1,050	1,822
House of Dorchester Limited	Chocolate manufacturer	23.3%	23.3%	490	880	490	1,022
The Charnwood Pub Company (Hotels) Limited	Owner and manager of public houses and hotels	14.5%	50.0%	945	723	945	801
Chichester Holdings Limited	Drinks distributor to the travel sector	9.1%	50.0%	600	696	600	610
Tower Bridge Health Clubs Limited	Operator of health and fitness clubs in central London	9.5%	50.0%	591	663	591	708
Blackbay Limited	Provider of mobile data solutions for the logistics and field service sectors	3.8%	32.9%	451	522	410	435
CS (Brixton) Limited	Cinema owner and operator	9.4%	50.0%	375	412	375	401
The Dunedin Pub Company VCT Limited	Freehold pub owner and operator	7.8%	50.0%	390	380	390	326
Lowcosttravelgroup Limited	Online travel business	3.5%	13.9%	330	353	330	349
Sanastro PLC	Financial publisher	16.2%	16.2%	832	340	832	575
Clear Pub Company VCT Limited	Freehold pub owner and operator	3.3%	50.0%	340	285	233	238
Premier Leisure (Suffolk) Limited	Freehold cinema owner	2.6%	45.0%	420	280	420	333
GB Pub Company VCT Limited	Freehold pub owner and operator	9.0%	50.0%	373	268	365	290

## Portfolio of investments (continued)

Investment name	Nature of business	% voting rights	At 30 June 2008			At 30 June 2007	
			% voting rights of CVL* managed companies	Investment to date at cost £'000	Total carrying/fair value £'000	Investment to date at cost £'000	Total carrying/fair value £'000
<b>Unquoted investments (continued)</b>							
Helveta Limited	Provider of software solutions, traceability and inventory analysis to the timber industry	4.1%	27.0%	285	232	210	143
Clear Pub Company VCT (Hotels) Limited	Operator of one freehold hotel in Buckden, Cambridgeshire	9.0%	50.0%	304	230	300	302
Rostima Limited	Provider of workforce management solutions software	4.2%	30.3%	279	213	230	232
Booth Dispensers Limited	Manufacturer of vending machine components and beer pump coolers	22.3%	22.3%	227	204	227	215
The Weybridge Club Limited	Owner and operator of a freehold health and fitness club in Weybridge, Surrey	1.2%	50.0%	190	193	190	194
Xceleron Limited	Provider of a range of drug development services to the life-science industries	3.3%	45.1%	250	188	200	200
RFI Global Services Limited	Provider of conformance testing to the cellular, wireless and smart card industries	2.3%	15.0%	310	186	310	207
Vibrant Energy Surveys Limited	Surveyor of energy performance in buildings	1.5%	20.3%	180	180	–	–
The Charnwood Pub Company Limited	Freehold pub owner and operator	6.1%	50.0%	235	179	235	211
Bravo Inns Limited	Freehold pub owner and operator	2.6%	50.0%	230	169	230	231
Novello Pub Limited	Freehold pub owner and operator	9.1%	50.0%	258	157	258	177
Opta Sports Data Limited	Compiler of sports performance data	1.5%	15.3%	150	154	–	–
Oxsensis Limited	Developer and producer of industrial sensors used in super-high temperature environments	1.6%	22.3%	145	145	–	–
Mi-Pay Limited	Provider of mobile payment services	2.0%	20.3%	140	140	–	–
PSCA International Limited	Magazine publisher	–	–	129	130	571	734

## Portfolio of investments (continued)

Investment name	Nature of business	% voting rights	At 30 June 2008			At 30 June 2007	
			% voting rights of CVL* managed companies	Investment to date at cost £'000	Total carrying/fair value £'000	Investment to date at cost £'000	Total carrying/fair value £'000
<b>Unquoted investments (continued)</b>							
Resorthoppa Limited	Global airport transfer service	2.6%	2.6%	125	125	–	–
River Bourne Health Club Limited	Operator of a health and fitness club in Chertsey, Surrey	5.5%	50.0%	110	121	110	112
Dexela Limited	Developer of medical imaging technology for the early detection of breast cancer	2.5%	27.8%	110	115	110	110
CS (Exeter) Limited	Cinema owner and operator	9.6%	50.0%	145	112	145	159
Palm Tree Technology PLC	Software company	0.6%	2.1%	102	111	102	110
Driver Hire Investment Limited	Supplier of temporary drivers	2.7%	2.7%	436	106	436	240
Point 35 Microstructures Limited	Refurbisher of semiconductor fabrication equipment	1.7%	28.1%	130	105	130	130
Process Systems Enterprise Limited	Provider of process systems modeling solutions	0.8%	14.5%	100	100	100	100
CS (Norwich) Limited	Cinema owner and operator	3.8%	50.0%	60	62	–	–
Evolutions Television Limited	Provider of TV post production services	0.3%	49.9%	50	51	50	49
Red-M Group Limited	Service and software provider	1.8%	10.7%	211	36	211	75
Forward Media Limited	Provider of radio broadcast services	5.2%	5.2%	500	3	500	40
Investments exited in the period				–	–	4,876	5,988
Other investments valued at nil				19,704 3,085	17,096 –	21,546 9,565	22,377 –
				<b>22,789</b>	<b>17,096</b>	<b>31,111</b>	<b>22,377</b>

## Portfolio of investments (continued)

Investment name	Nature of business	% voting rights	At 30 June 2008			At 30 June 2007	
			% voting rights of CVL* managed companies	Investment to date at cost £'000	Total carrying/ fair value £'000	Investment to date at cost £'000	Total carrying/ fair value £'000
<b>AIM quoted investments</b>							
Avanti Communications Group plc	Supplier of satellite communications	1.0%	1.0%	542	632	542	510
Cello Group plc	Market researcher, brand advertising and direct marketing	0.8%	0.8%	340	248	447	612
Augean PLC	Waste management	0.5 %	0.5%	593	232	593	456
Avanti Screenmedia Group plc	Supplier of retail television services	1.0%	1.0%	81	3	81	26
Investments exited in the period				–	–	1,911	2,256
				<b>1,556</b>	<b>1,115</b>	<b>3,574</b>	<b>3,860</b>
<b>Total investments</b>				<b>24,345</b>	<b>18,211</b>	<b>34,685</b>	<b>26,237</b>

\* CVL is Close Ventures Limited

## Portfolio companies

The top ten qualifying investments by total aggregate value of equity and loan stock are as follows (unquoted loan stock held by investments is classified as loans and receivables in accordance with IAS 39 and FRS 26, and are carried at amortised cost using the effective interest rate):

### The Crown Hotel Harrogate Limited



The company owns and operates the historic 110 bedroom Crown Hotel in Harrogate, Yorkshire, which has just finished an 18 month refurbishment programme.

#### Management accounts results – year to 31 March 2008

	£'000
Turnover	2,343
EBITDA	47
Net liabilities	(923)
Net assets before VCT loan stock	5,595
Basis of valuation:	Net asset value supported by third party valuation
Website:	<a href="http://www.crownhotelharrogate.com">www.crownhotelharrogate.com</a>

#### Investment at value

	£'000
Equity	279
Loan stock	2,184
Voting rights	15.0 per cent.

### Kensington Health Clubs Limited



This company has developed a 29,000 square foot health and fitness club on a 999 year lease in West London which opened in December 2007. It now has 2,060 members.

#### Latest audited results

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

Basis of valuation: Net asset value supported by third party valuation

Website: [www.thirtysevendegrees.co.uk/olympia](http://www.thirtysevendegrees.co.uk/olympia)

#### Investment at value

	£'000
Equity	500
Loan stock	1,215
Voting rights	8.3 per cent.

### Sky Hotel Heathrow Limited



The company was established to acquire and operate the 19 bedroom Stanwell Hotel near Heathrow Terminal 5. A planning application has been submitted to increase the number of bedrooms to 54.

#### Latest audited results

As a new company, Sky Hotel Heathrow Limited has not yet filed statutory accounts

Basis of valuation: Cost

Website: [www.thestanwellhotelheathrow.com](http://www.thestanwellhotelheathrow.com)

#### Investment at value

	£'000
Equity	462
Loan stock	938
Voting rights	13.2 per cent.

## Portfolio companies (continued)

### Kew Green VCT (Stansted) Limited



The company was established to develop and operate a limited service hotel under the "Express by Holiday Inn" brand at Stansted airport on a 125 year lease. The 183 bedroom hotel opened in January 2005 with a 71 room extension opening in July 2007.

Trading has been strong.

#### Management accounts results – year to 31 August 2008

	£'000
Turnover	5,672
EBITDA (after management fees)	1,763
Net assets	3,541
Net assets before VCT loan stock	10,166
Basis of valuation: Net asset value supported by third party valuation	
Website:	<a href="http://www.expressstanstedairport.co.uk">www.expressstanstedairport.co.uk</a>

#### Investment at value

	£'000
Equity	378
Loan stock	700
Voting rights	2.0 per cent.

### ELE Advanced Technologies Limited



The company manufactures precision engineering components for the industrial gas turbine, aerospace and automotive markets, in Lancashire and Slovakia.

#### Management accounts results – year to 30 April 2008

	£'000
Loss before tax	(420)
Loss after tax	(283)
Net assets	3,241
Basis of valuation:	Earnings multiple
Website:	<a href="http://www.eleat.co.uk">www.eleat.co.uk</a>

#### Investment at value

	£'000
Equity	891
Voting rights	48.3 per cent.

### House of Dorchester Limited



The company is a chocolate manufacturer.

#### Latest audited results – year to 31 December 2007

	£'000
Turnover	5,552
Profit before tax	337
Profit after tax	229
Net assets	788
Basis of valuation:	Earnings multiple
Website:	<a href="http://www.hodchoc.com">www.hodchoc.com</a>

#### Investment at value

	£'000
Equity	290
Loan stock	590
Voting rights	23.3 per cent.



## Portfolio companies (continued)

### The Charnwood Pub Company (Hotels) Limited

The company owns and operates three freehold hotels across England.

#### Latest audited results – year to 31 October 2007 (abbreviated)

	£'000
Net liabilities	60
Basis of valuation:	Net asset value supported by third party valuation

#### Investment at value

	£'000
Equity	32
Loan stock	691
Voting rights	14.5 per cent.

### Chichester Holdings Limited

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

#### Latest audited results – year to 30 June 2007

	£'000
Turnover	789
Profit before tax	551
Profit after tax	551
Net assets	5,196
Basis of valuation:	Earnings multiple
Website:	<a href="http://www.compass-group.co.uk">www.compass-group.co.uk</a>

#### Investment at value

	£'000
Equity	311
Loan stock	385
Voting rights	9.1 per cent.

### Tower Bridge Health Clubs Limited

The company has developed and operates a health and fitness club in the More London development in central London. It now has 3,300 members.



#### Management accounts results – year to 30 April 2008 (abbreviated)

	£'000
Net assets	118
Net assets before VCT loan stock	2,132
Basis of valuation:	Net asset value supported by third party valuation
Website:	<a href="http://www.thirtysevendegrees.co.uk">www.thirtysevendegrees.co.uk</a>

#### Investment at value

	£'000
Equity	256
Loan stock	407
Voting rights	9.5 per cent.

## Portfolio companies (continued)

### Avanti Communications Group plc

The company is a supplier of satellite communication services and is quoted on AIM.

#### Latest audited results – year to 30 June 2007

	£'000
Turnover and other operating income (including exceptional income of £23,343,000)	25,905
Profit before tax	20,196
Profit after tax	21,094
Net assets	28,688
Basis of valuation:	Bid price
Website:	<a href="http://www.avanti-communications.com">www.avanti-communications.com</a>

#### Investment at value

Equity	£'000
	632
Voting rights	1.0 per cent.

Net assets of investee companies where a recent third party valuation has taken place, may have a higher valuation in Crown Place VCT PLC accounts than in their own. These are where the investee company does not have a policy of revaluing their fixed assets.

# Directors' report and business review

The Directors submit their Annual Report and the audited Financial Statements of the Company, including the consolidated financial statements, for the year ended 30 June 2008.

## BUSINESS REVIEW

### Principal activity and status

The principal activity of the Company is that of a Venture Capital Trust. It was approved by H.M. Revenue & Customs (HMRC) as a Venture Capital Trust in accordance with Part 6 of the Income Taxes Act 2007 and in the opinion of the Directors the Company has conducted its affairs so as to enable it to continue to obtain such approval. Approval for the year ended 30 June 2008 is subject to review should there be any subsequent enquiry under corporation tax self assessment.

The Company is not a close company for taxation purposes.

The Company is no longer an investment company as defined in Section 266 of the Companies Act 1985. The Company revoked its investment trust status on 4 June 1999 in order for the Company to pay dividends from realised capital profits. The Company is listed on The London Stock Exchange.

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

### Capital structure

Details of the authorised and issued share capital, including the movements in the Company's issued share capital during the year, are shown in note 14.

The Company's share capital comprises Ordinary shares. The shares are designed for individuals who are professionally advised private investors seeking, over the long term, investment exposure to a diversified portfolio of unquoted investments spread over a number of sectors, which produce a regular and predictable source of income combined with the prospect of longer term capital growth. Ordinary shares represent 100 per cent. of the total share capital and voting rights. Each Ordinary share is currently entitled to one vote. The Directors are not aware of any restrictions on the transfer of shares or on voting rights.

### Dividend Reinvestment Scheme

The Company will be introducing a Dividend Reinvestment Scheme whereby shareholders may elect to reinvest the whole of the second dividend, which is expected to be paid in April 2009, and future dividends, by subscribing for New Ordinary Shares. Benefits to individual shareholders arising

on participation in the Dividend Reinvestment Scheme will include:

- income tax relief on the reinvestment at the rate of 30 per cent. (VCT investments cannot exceed £200,000 in one tax year to be able to obtain this relief, and new shares need to be held for at least five years);
- any gains arising on disposal of shares in a VCT will be exempt from tax (any loss will not be an allowable capital loss); and
- any future dividends on the new shares are not subject to income tax.

The Company will issue a circular explaining the scheme in more detail with the Half-yearly Financial Report which will be posted to shareholders in March 2009.

### Investment policy

The Company's investment policy and maximum exposures policy is designed to meet the requirements of investors who seek to protect the capital value of their investment whilst still providing an attractive level of return. In pursuing this policy, the Manager aims to build a portfolio which concentrates on two complementary investment areas. The first are lower risk, often asset-based, investments that can provide a strong income stream combined with protection of capital. These investments will be balanced by a smaller proportion of the portfolio invested in higher risk companies with greater growth prospects.

The following investment restrictions were described in the Company prospectus.

- No holding of the Company in any other company will represent more than 15 per cent. by value of the Company's portfolio; and
- Not more than 20 per cent. of the total assets in the Company's portfolio will be invested in the securities of companies which are property companies, defined as companies primarily engaged in property activities which include:
  - (a) the holding of properties and development of properties for letting and retention as investments; or
  - (b) the purchase and development of properties for subsequent sale; or
  - (c) the purchase of land for development of properties for retention as investments.

### Venture Capital Trust status

In addition to the investment restrictions described above, the HMRC rules drive the Company's investment allocation and risk diversification policies. In order to maintain status

## Directors' report and business review (continued)

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 HMRC value of its investments must have been represented throughout the year by shares or securities that are classified as 'qualifying holdings';
- (3) at least 30 per cent. by HMRC value of its total qualifying holdings must have been represented throughout the year 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 HMRC 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 HMRC value of the total of the shares and securities that the Company holds in any one investee company; and
- (7) the Company's shares, throughout the year must have been listed in the Official List of the London Stock Exchange.

These tests drive a spread of investment risk through disallowing holdings of more than 15 per cent. in one investee company. The tests have been carried out and independently reviewed for the year ended 30 June 2008. The Company has complied with all tests and continues to do so.

'Qualifying holdings', for Crown Place 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, and agriculture.

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.

In the case of investments made since the change of Manager in 2005, investee companies would not normally have any external borrowing with a charge ranking ahead of the VCT. Up to two thirds of qualifying assets by cost will comprise loan stock secured by a first charge on the investee company's assets.

### Gearing

As defined under the Articles of Association, the Company's maximum exposure in relation to gearing is restricted to the amount of the adjusted share capital and reserves of the latest published audited consolidated balance sheet. As at 30 June 2008, the Company's maximum exposure was £29,257,000 (2007: £33,416,000) and its actual short term and long term gearing at this date was £nil (2007: £nil). The Directors do not currently have any intention to utilise long term gearing.

### Current portfolio sector allocation

The pie chart on page 7 of the Manager's report graphically represents the split of the portfolio valuation by industrial or commercial sector as at 30 June 2008. Asset backed investments now represent 60 per cent. of the portfolio excluding cash and cash equivalents. The Company is gradually exiting from AIM companies within the portfolio, and therefore increasing the proportion of investment in smaller unquoted businesses.

Details of the principal investments held by the Company are shown in the portfolio of investments on page 10.

### Operational arrangements

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

### Review of business and future changes

A detailed review of the Company's business during the year and future prospects is contained in the Chairman's Statement on page 6.

The Directors do not foresee any major changes in the activity undertaken by the Company in the current year.

Details of significant events which have occurred since the end of the financial year are listed in note 19 and details of related party transactions are shown in note 21.

## Directors' report and business review (continued)

The subsidiary undertakings affecting the profits and net assets of the Group in the year are listed in note 11 to the financial statements.

### Results for the Group

	£'000
Consolidated revenue profit for the year ended 30 June 2008	957
Revenue dividend of 0.8p per share paid on 28 December 2007	(604)
Revenue dividend of 0.25p per share paid on 25 April 2008	(187)
<b>Transferred to revenue reserve</b>	<u>166</u>
Consolidated capital loss for the year ended 30 June 2008	(2,016)
Capital dividend of 0.45p per share paid on 28 December 2007	(340)
Capital dividend of 1p per share paid on 25 April 2008	(745)
<b>Transferred to capital reserves</b>	<u>(3,101)</u>
Consolidated net assets as at 30 June 2008	<u>30,174</u>
Consolidated net asset per share as at 30 June 2008	<u>41.1p</u>

The Company paid dividends of 2.50 pence per share during the year ended 30 June 2008 (sixteen months to 30 June 2007: 3.3 pence).

The Board has declared and paid a first dividend for the year ending 30 June 2009 of 1.25 pence per Ordinary share (0.9 pence paid out of revenue profits and 0.35 pence out of realised capital gains), as announced on the London Stock Exchange RNS Service on 27 June 2008. This dividend was paid on 8 August 2008 to shareholders on the register on 11 July 2008.

As shown in the Group's Income Statement on page 33 of the financial statements, the investment income has decreased to £1,714,000 (2007: annualised £1,889,000), in part due to the disposal of income yielding investments that took place during the year, and also due to the low yield on some loan stock investments which have been in the turnaround phase during the year. The revenue return to equity holders has decreased to £957,000 (2007: annualised £1,066,000) as a result.

The capital return for the year was a loss of £2,016,000, primarily as a result of the unrealised losses made during the year on investments (2007: annualised profit £1,767,000).

The total return per share was a loss of 1.40 pence per share (sixteen months to 30 June 2007: profit of 4.76 pence per share).

The Consolidated Balance sheet on page 34 of the financial statements shows that the net asset value per share has decreased over the last year to 41.1 pence per share (2007: 44.8 pence per share) as a result of the payment of 2.5 pence per share dividends during the year, and of the unrealised devaluation of AIM and unquoted investments due to current stock market share performance and market sentiment.

The cash flow for the Group has been positive for the year, reflecting the proceeds from the disposal of qualifying investments and positive cashflow generated by the operations of the business, against which is offset the payment of dividends, the purchase of shares for cancellation, and investments made during the year.

### Key Performance Indicators

The graph on page 4 shows Crown Place VCT PLC's net asset values return growth against the FTSE All-Share Index return growth, in both instances with dividends reinvested.

Close Ventures Limited assumed management of the Company and its subsidiaries in April 2005 and the Group is now paying an annualised tax free dividend to 30 June 2008 of 2.5 pence per share (2007: 2.5 pence per share).

The total expense ratio for the year to 30 June 2008 was 3.2 per cent. (2007: 3.1 per cent.) excluding performance fees. This increase results from the reduction in net assets for the reasons stated above.

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 between 10 and 15 per cent. During the year the Company purchased 3,256,044 shares (sixteen months to 30 June 2007: 2,179,439) for cancellation at a cost of £1,265,000 (including stamp duty) (2007: £818,000).

**In the Directors' view, there are no other non-financial performance indicators materially relevant to the business.**

### Principal risks and uncertainties

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

## Directors' report and business review (continued)

### 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 part of the portfolio in asset-based businesses and taking a first charge over the relevant assets. In addition, the Manager operates a formal and structured investment process, which includes an Investment Committee, comprising investment professionals from the Manager and senior investment personnel from within the Close Brothers Group. Investments are actively and regularly monitored by the Manager (investment managers normally sit on investee company boards) and the Board receives detailed reports on each investment as part of the Manager's report at quarterly Board meetings.

### 2. *Venture Capital Trust approval risk*

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

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

### 3. *Compliance risk*

The Company is listed on The London Stock Exchange and is required to comply with the rules of the UK Listing Authority, as well as with the Companies Act,

Accounting Standards and other legislation. Failure to comply with these regulations could result in a delisting of the Company's shares, or other penalties under the Companies Act or from financial reporting oversight bodies.

Board members and the Manager have considerable experience of quoted businesses. In addition, the Board and the Manager receive regular updates on new regulation from the Company's 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 and Risk 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 and Risk Committee to ask specific and detailed questions. The Manager has a comprehensive business continuity plan in place in the event that operational continuity is threatened. Further details regarding the Board's management and review of the Company's internal controls through the implementation of the Turnbull guidance are detailed on page 28.

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

### 5. *Reliance upon third parties risk*

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

### 6. *Financial risks*

By its nature, as a venture capital trust, the Company is exposed to investment risk, credit risk, liquidity risk and cash flow interest rate risk. The Company's

# Directors' report and business review (continued)

policies for managing these risks and its financial instruments are outlined in full in note 18 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

The management and administration of Crown Place 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 other than its Directors.

## Directors

The Directors who held office throughout the year, and their interests in the shares of the Company (including their connected persons and beneficial interests) as at 30 June 2008 were:

	30 June 2008	30 June 2007
Patrick Crosthwaite	6,000	6,000
Rachel Beagles	27,962	27,962
Andrew Cubie	13,217	13,217
Vikram Lall	22,743	22,743
Geoffrey Vero	6,000	6,000

There have been no changes in the holdings of the Directors between 30 June 2008 and the date of this report.

No Director has a service contract with the Company.

Each Director has entered into a Deed of Indemnity with the Company pursuant to which, the Company agrees, subject to the provisions of the Companies Act 2006 and the limitations set out in each deed, to indemnify each Director against any liability arising out of any claim made against him in relation to the performance of his duties as a Director of the Company. A copy of each Deed of Indemnity entered into by the Company for each Director is available at the Registered Office of the Company.

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

## Re-election of Directors

Directors' retirement and re-election is subject to the Articles of Association and the Combined Code on Corporate Governance. At the forthcoming Annual General Meeting, Vikram Lall, Geoffrey Vero and Andrew Cubie will retire and offer themselves for election.

## Management agreement

The Company and the Manager have entered into a Management Agreement dated 8 July 2005, and revised on 4 January 2006, which may be terminated thereafter by either party on 12 months' notice. Under this agreement, the Manager also provides secretarial and administrative services to the Company. The Management Agreement is subject to earlier termination in the event of certain breaches or on the insolvency of either party.

Under the terms of the management agreement, the Manager is paid an annual fee equal to 1.75 per cent (plus any applicable VAT) of the net asset value of the Company plus £50,000 fee per annum for administrative and secretarial services. The fee is payable quarterly in arrears.

The Manager is also entitled to charge an arrangement fee, payable by each company in which the Company invests, in the region of two per cent on each investment made.

## Management Performance Incentive

In order to provide the Manager with an incentive to maximise the return to investors, the Manager is entitled to charge an incentive fee in the event that returns exceed minimum target levels per share.

The target level requires that the growth of the aggregate of the Net Asset Value per share and dividends paid by the Company, or declared by the Board and approved by the shareholders during the relevant period (both revenue and capital), compared with the previous accounting date, exceeds the average base rate of the Royal Bank of Scotland plc plus two per cent. If the target return is not achieved in a period, the cumulative shortfall is carried forward to the next accounting period and has to be made up before an incentive fee becomes payable.

If the target return is achieved, the Manager is entitled to 20 per cent. of the excess return. A management performance incentive fee has not arisen for the year ended 30 June 2008.

## Evaluation of the Manager

The Board, through the Audit and Risk Committee has evaluated the performance of the Manager based on the



# Directors' report and business review (continued)

returns generated by the Company, the long term prospects of the current investments, a review of the management agreement and the services provided therein, and by benchmarking the performance of the VCT against its peer group. The Board believes that it is in the interests of shareholders as a whole, and of the Company, to continue the appointment of the Manager for the forthcoming year.

## Valuation of investments

As described in note 1 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.

Investments quoted on recognised exchanges such as AIM are valued at the closing bid price.

## Investment and co-investment

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

## Auditors

During the year, the Board, advised by the Audit and Risk Committee, decided to put the audit of the Company out to tender. Following a formal selection process which considered experience within the VCT market, depth of expertise within the audit firm and value for money, the Board decided to appoint PKF (UK) LLP as auditors to the Group.

As a result of this process, Deloitte & Touche LLP formally resigned as auditors.

A resolution to re-appoint PKF (UK) LLP as the Company's auditors will be proposed at the forthcoming Annual General Meeting.

## Substantial interests

As at 30 June 2008 and the date of this report, the Company is aware of one shareholder, Giltspur Nominees Limited, which holds 3.70 per cent. of the issued share capital (3.42 per cent. as at 30 June 2007).

## Statement of Directors' responsibilities for the preparation of Group and Company financial statements

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations. They are also responsible for ensuring that the annual report includes information required by the Listing and Disclosure and Transparency Rules of the Financial Services Authority.

Company law and the Disclosure and Transparency Rules require the Directors to prepare financial statements for each financial year. Under these regulations the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. The Directors have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

The Directors confirm, to the best of their knowledge:

- that the financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union and United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and of the Group taken as a whole; and
- the management report included within the Chairman's statement, Manager's report and Directors' report and business review includes a fair review of the development and performance of the business and the position of the Company and the Group taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Directors of the Company as at 7 October 2008 are shown in the Board of Directors section on page 8.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;



## Directors' report and business review (continued)

- state, in the Parent Company financial statements, whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 that disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

### 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 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 and to establish that the Company's auditors are aware of that information.

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

### Supplier payment policy

The Company's policy is to pay all supplier invoices within 30 days of the invoice date, or as otherwise agreed. There were no overdue trade creditors at 30 June 2008 (2007: nil). Creditor days for the year were 19 (2007: 14).

### Annual General Meeting

The Annual General Meeting will be held at 10 Crown Place, London EC2A 4FT at 12 noon on 7 November 2008. The notice of the Annual General Meeting is at the end of this document.

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

A summary of proxies lodged at the Annual General Meeting will be published at [www.closeventures.co.uk](http://www.closeventures.co.uk) within the 'Our Funds' section by clicking on Crown Place VCT PLC.

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

### Power to allot shares

Ordinary resolution number 8 will request the authority to allot up to 10 per cent. of the Ordinary share capital of the Company (excluding shares held in Treasury) as at 30 June 2008.

The Directors do not currently have any intention to allot shares, with the exception the Dividend Reinvestment Scheme and of reissuing Treasury shares where it is in the Company's interest to do so, and at a price in excess of that paid for the Treasury shares.

### Dis-application of pre-emption rights

Special resolution number 9 will request the authority to disapply pre-emption rights in circumstances of a rights or other pre-emptive issue, the dividend reinvestment scheme, and the allotment of up to 5 per cent. of the share capital as described in Ordinary resolution number 8.

### Purchase of own shares

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

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

This resolution would renew the 2007 authority, which was in similar terms. During the financial year under review the Company purchased 3,256,044 of its Ordinary shares, of 10 pence each to be cancelled, at an aggregate consideration of £1,265,000 including stamp duty representing 4.4 per cent. of the issued share capital

## Directors' report and business review (continued)

(excluding Treasury shares) of the Company as at 30 June 2008. The Company holds a total of 7,260,410 shares in Treasury, representing 9 per cent. of the Ordinary shares in issue as at 30 June 2008.

No Treasury shares purchased by the Company have been re-issued.

### Treasury shares

Under the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003, shares purchased by the Company out of distributable profits can be held as Treasury shares, which may then be cancelled or sold for cash. The authority sought by this special resolution number 10 is intended to apply equally to shares to be held by the Company as Treasury shares in accordance with the Regulations.

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

### Recommendation

The Board believes that these Resolutions are in the best interest of Shareholders as a whole and accordingly, unanimously recommends that you vote in favour of these resolutions. The Directors intend to vote in favour of the special business resolutions in respect of their own holdings of Ordinary shares.

By Order of the Board

### Close Ventures Limited

Company Secretary

10 Crown Place  
London, EC2A 4FT

7 October 2008

# Statement of corporate governance

## Background

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

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

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

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

## Application of the Principles of the Code

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

## Board of Directors

The Board consists solely of non-executive directors. Patrick Crosthwaite is the Chairman. As the Board comprises wholly independent non-executive Directors, it is not considered necessary to appoint a senior non-executive Director.

Geoffrey Vero, a non-executive Director, acts as non-executive Chairman to Close Brothers Development VCT PLC, a venture capital trust managed by Close Ventures Limited. Under the Listing Rules, with effect from October 2010 the Company will be required to have an independent Chairman and a majority of independent Directors where, to be independent, a Director cannot serve on the Board of more than one Company managed by the Manager. The Board is keeping this under review and will report on this in future periods.

Andrew Cubie has been a Director of the Company for more than nine years. The Board does not consider that his length of service reduces his ability to act independently of the Manager.

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 considered relevant to the Company; these are described in the Board of Directors section of this Report, on page 8. Directors are provided with key information on the Company's activities, including regulatory and statutory requirements, and internal controls, by the Manager. The Board has direct access to secretarial advice and compliance services by the Manager, who is responsible for ensuring that Board procedures are followed and applicable procedures complied with. All Directors are able to take independent professional advice in furtherance of their duties if necessary. In accordance with the Combined Code, the Company has in place Directors' & Officers' Liability Insurance.

The Board met four times during the year ended 30 June 2008 as part of its regular programme of Board meetings. Andrew Cubie was not able to attend on 12 May 2008.

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

The Manager has authority over the management of the investment portfolio, the organisation of custodian, 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;

# Statement of corporate governance (continued)

- review of sub-committee recommendations, including the recommendation to shareholders for the appointment and remuneration of auditors;
- approval of the appropriate dividend to be paid to shareholders;
- the appointment, evaluation, removal and remuneration of the Manager;
- the performance of the Company, including monitoring of the discount of the net asset value and the share price; and
- monitoring shareholder profile and considering shareholder communications.

## Committees' and Directors' performance evaluation

Performance of the Board and the Directors is assessed on the following;

- attendance at Board and Committee meetings;
- the contribution made by individual Directors at, and outside of, Board and Committee meetings; and
- completion of a detailed internal assessment process and annual performance evaluation conducted by the Chairman (or in the case of the Chairman's review, by the Chairman of the Audit and Risk Committee).

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.

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.

Directors' retirement and re-election is subject to the Articles of Association and the AIC Code on Corporate Governance. Andrew Cubie has been a Director for more than nine years, and in accordance with the AIC Code will retire and offer himself for re-election at the forthcoming Annual General Meeting, and annually thereafter.

In light of the structured performance evaluation, the performance of Vikram Lall, Geoffrey Vero, and Andrew Cubie, all of whom are subject to re-election at the forthcoming Annual General Meeting, is considered by the remainder of the Board to be effective and reflects their strong commitment to the role, and on this basis they are recommended for re-appointment.

## 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 and Risk Committee

The Audit and Risk Committee consists of all Directors except Patrick Crosthwaite. Geoffrey Vero is Chairman. In accordance with the Code, the members of the Audit and Risk Committee have recent and relevant financial experience. The Committee met twice during the year ended 30 June 2008; all members attended.

Written terms of reference have been constituted for the Audit and Risk Committee, are as follows;

- providing an overview of the Company's accounting policies and financial reporting;
- considering and reviewing the effectiveness of the Company's internal controls and risk management systems;
- monitoring the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance and 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 external auditors at least once a year without the presence of the Manager;
- meeting with the Head of Internal Audit of Close Brothers Group plc when appropriate;
- 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 and Risk 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

## Statement of corporate governance (continued)

- undertaking the duties of the Engagement Committee and therefore reviewing the performance of the Manager and all matters arising under the Management agreement.

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

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

### Nomination Committee

The Nomination Committee consists of all Directors. Given the size of the Board, this facilitates more effective and efficient communication. Patrick Crosthwaite is Chairman of the Committee. The terms of reference of the Nomination Committee are to evaluate the balance of skills, experience and time commitment of the current Board members and make recommendations to the Board as and when a particular appointment arises. The Nomination Committee did not meet during the period.

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 each year in rotation.

### Internal Control

In accordance with principle C.2 of the Combined Code, the Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place throughout the year and continues to be subject to regular review by the Board in accordance with the Internal Control Guidance for Directors in the Combined Code published in September

1999 and updated in 2006 (the "Turnbull guidance"). The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage, rather than eliminate the risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

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

The Board has also performed a specific assessment for the purpose of this Annual Report. This assessment considers all significant aspects of internal control arising during the year. The Audit and Risk 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 formally to the Board on an annual basis. The Board will continue to monitor its system of internal control in order to provide assurance that it operates as intended.

### Going concern

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

The wholly owned subsidiaries CP1 VCT PLC and CP2 VCT PLC will be subject to liquidation once the hive up of all assets under the Scheme of Arrangement approved by the Court on 12 January 2006 is complete. The timing of the

## Statement of corporate governance (continued)

liquidation is dependent on the outcome of the VAT matters mentioned in note 19. A provision for liquidation costs has been included in the accounts of the subsidiaries and hence in the consolidated financial statements. Any excess costs for the liquidation will be borne by the Company. The subsidiary accounts have been prepared on a basis other than going concern.

### Relationships with shareholders

The Company's Annual General Meeting on 7 November 2008 will be used as an opportunity to communicate with investors. The Board, including the Chairman of the Audit and Risk 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, will be announced after the resolution has been voted on by a show of hands.

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

Shareholders are able to access the latest information on the Company via the Close Ventures Limited website [www.closeventures.co.uk](http://www.closeventures.co.uk) under the "Our Funds" section.

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

Tel: 0871 664 0300

Calls cost 10p per minute plus network extras

E-mail: [ssd@capitaregistrars.com](mailto:ssd@capitaregistrars.com)

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

Tel: 0844 257 9722

Calls cost 4p per minute plus network extras.

E-mail: [enquiries@closeventures.co.uk](mailto: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 should approach a broker to undertake the sale. Banks may be able to assist shareholders with a referral to a broker within their banking group.

### Statement of compliance

With the exception of the requirements to have a Remuneration Committee and the appointment of a senior non-executive director, the Directors consider that the Company has complied throughout the year ended 30 June 2008 with all the relevant provisions set out in Section 1 of the Code, and with the AIC Code of Corporate Governance. The Company continues to comply with the Code as at the date of this report.



# Directors' remuneration report

## Introduction

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

## UNAUDITED INFORMATION

### Remuneration Committee

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

### Directors' remuneration policy

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

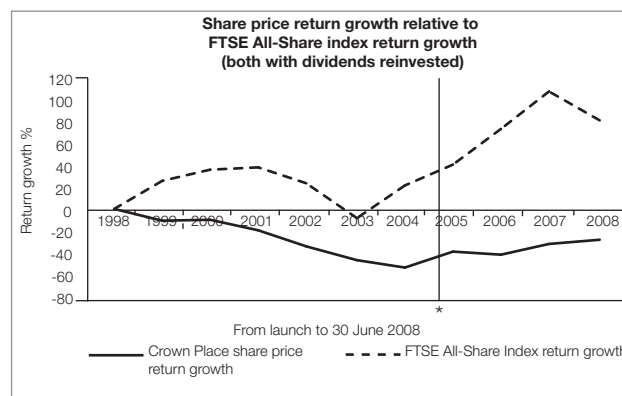
The maximum aggregate level of non-executive Directors' remuneration is £100,000 per annum which is fixed by the Company's Articles of Association, amendment to which is by way of an ordinary resolution subject to ratification by shareholders.

### Performance graph

The graph that follows shows Crown Place VCT PLC's share price return growth against the FTSE All-Share Index return growth, in both instances with dividends reinvested. The Directors consider this to be the appropriate benchmark in the absence of a Venture Capital Trust Index. Investors

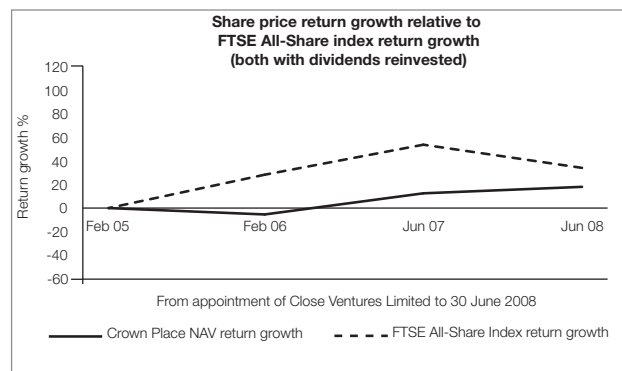
should however be reminded that shares in VCTs generally trade at a discount to the actual net asset value of the Company.

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



Source: Close Ventures Limited

\* Close Ventures Limited became manager on 6 April 2005.



Source: Close Ventures Limited

### Service contracts

None of the Directors 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 ending 30 June 2008		
	Fees £'000	Expenses £'000	Total £'000
Patrick Crosthwaite	19	–	19
Rachel Beagles	16	–	16
Andrew Cubie	16	1	17
Vikram Lall	16	1	17
Geoffrey Vero	16	–	16
	<hr/>	<hr/>	<hr/>
	83	2	85
	<hr/>	<hr/>	<hr/>

	Sixteen months ending 30 June 2007		
	Fees £'000	Expenses £'000	Total £'000
Patrick Crosthwaite	25	–	25
Rachel Beagles	22	–	22
Andrew Cubie	22	2	24
Vikram Lall	22	1	23
Geoffrey Vero	22	–	22
	<hr/>	<hr/>	<hr/>
	113	3	116
	<hr/>	<hr/>	<hr/>

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

Each Director of the Company was remunerated personally, with the exception of Geoffrey Vero whose remuneration was paid to Vero Consultancy Limited until 28 February 2008.

In addition to Directors' remuneration, the Group paid annual premiums in respect of Directors' & Officers' Liability Insurance of £20,000.

By Order of the Board

### Close Ventures Limited

Company Secretary

10 Crown Place  
London, EC2A 4FT

7 October 2008



# Independent auditors' report to the members of Crown Place VCT PLC

We have audited the Group and Parent Company Financial Statements ('the Financial Statements') of Crown Place VCT PLC for the year ended 30 June 2008 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes. The 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 and the Financial Statements in accordance with applicable law and for preparing the Group Financial Statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and the Parent Company Financial Statements in accordance with 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 and whether, in addition, the Group Financial Statements have been properly prepared in accordance with Article 4 of the IAS Regulation. 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 Statement of corporate governance reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Financial Statements. The other information comprises only the Chairman's statement, the Portfolio of investments, Portfolio companies, the Directors' report and business review, the Statement of corporate governance, and the unaudited part of the Directors' remuneration report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

## 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 Group's and Company's circumstances, consistently applied and adequately disclosed.

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

## Opinion

In our opinion:

- the Group Financial Statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 30 June 2008 and of its loss for the year then ended;
- the Parent Company Financial Statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Parent Company's affairs as at 30 June 2008;
- the Group Financial Statements have been properly prepared in accordance with Article 4 of the IAS Regulation;
- 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.

## PKF (UK) LLP

Registered Auditors  
London, UK

7 October 2008

# Consolidated income statement

	Note	Year ended 30 June 2008			Sixteen months ended 30 June 2007		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments	2	–	(1,818)	(1,818)	–	2,932	2,932
Investment income and deposit interest	3	1,714	–	1,714	2,519	–	2,519
Investment management fees	4	(167)	(502)	(669)	(291)	(872)	(1,163)
Other expenses	5	(307)	–	(307)	(509)	23	(486)
Non-recurring operating expenses	5	–	–	–	(4)	–	(4)
Profit/(loss) before taxation		1,240	(2,320)	(1,080)	1,715	2,083	3,798
Taxation	6	(283)	304	21	(294)	273	(21)
<b>Profit/(loss) for the period</b>		<b>957</b>	<b>(2,016)</b>	<b>(1,059)</b>	<b>1,421</b>	<b>2,356</b>	<b>3,777</b>
<b>Basic and diluted return per Ordinary share (pence) (excluding Treasury shares)</b>	8	<b>1.27</b>	<b>(2.67)</b>	<b>(1.40)</b>	<b>1.79</b>	<b>2.97</b>	<b>4.76</b>

The accompanying notes on pages 38 to 53 form an integral part of these financial statements.

This consolidated income statement has been reclassified to show (losses)/gains on investments at the top of the income statement as noted in the accounting policies note on page 38.

The total column of this statement represents the Group's income statement, prepared in accordance with International Financial Reporting Standards ('IFRS'). The supplementary revenue and capital columns are prepared under guidance published by the Association of Investment Companies.

The consolidated income statements for the year ended 30 June 2008 and the period ended 30 June 2007 include the results of the subsidiaries CP1 VCT PLC and CP2 VCT PLC.

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

# Consolidated balance sheet

	Note	30 June 2008 £'000	30 June 2007 £'000
<b>Non-current assets</b>			
Investments	9	18,211	26,237
<b>Current Assets</b>			
Trade and other receivables	12	308	322
Current asset investments	12	2,686	–
Current tax asset	12	53	–
Cash and cash equivalents	16	9,237	8,367
		12,284	8,689
<b>Total assets</b>		30,495	34,926
<b>Current liabilities</b>			
Trade and other payables	13	(321)	(552)
<b>Net assets</b>		30,174	34,374
<b>Equity attributable to equityholders</b>			
Ordinary share capital	14	8,066	8,392
Share premium		14,422	14,422
Capital redemption reserve		793	468
Own shares held		(2,849)	(2,849)
Realised capital reserve		(17,206)	(11,193)
Unrealised capital reserve		(6,645)	(9,558)
Special reserve		32,421	33,686
Revenue reserve		1,172	1,006
<b>Total equity shareholders' funds</b>		30,174	34,374
<b>Net asset value per share (pence) (excluding Treasury shares)</b>	15	41.1	44.8

The consolidated balance sheets as at 30 June 2008 and 30 June 2007 include the balance sheets of the subsidiaries CP1 VCT PLC and CP2 VCT PLC.

The reserves section of this balance sheet has been reclassified as described in the accounting policies note on page 38.

The accompanying notes on pages 38 to 53 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors, and authorised for issue on 7 October 2008 and were signed on its behalf by

**Patrick Crosthwaite**  
Chairman

# Company balance sheet

	Note	30 June 2008 £'000	30 June 2007 £'000
<b>Fixed assets</b>			
Fixed asset investments	9	18,211	26,237
Investment in subsidiary undertakings	11	15,059	17,978
		<u>33,270</u>	<u>44,215</u>
<b>Current assets</b>			
Trade and other debtors	12	302	313
Current asset investments	12	2,686	–
Current tax asset	12	53	–
Cash at bank and in hand	16	6,548	3,900
		<u>9,589</u>	<u>4,213</u>
<b>Total assets</b>		42,859	48,428
<b>Current liabilities</b>			
Trade and other creditors	13	(12,685)	(14,054)
<b>Net assets</b>		<u>30,174</u>	<u>34,374</u>
<b>Equity attributable to equityholders</b>			
Ordinary share capital	14	8,066	8,392
Share premium		14,422	14,422
Capital redemption reserve		793	468
Own shares held		(2,849)	(2,849)
Realised capital reserve		(17,206)	(11,193)
Unrealised capital reserve		(6,645)	(9,558)
Special reserve		32,421	33,686
Revenue reserve		1,172	1,006
<b>Total equity shareholders' funds</b>		<u>30,174</u>	<u>34,374</u>
<b>Net asset value per share (pence) (excluding Treasury shares)</b>	15	<u>41.1</u>	<u>44.8</u>

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

The reserves section of this balance sheet has been reclassified as described in the accounting policies note on page 38.

The accompanying notes on pages 38 to 53 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors, and authorised for issue on 7 October 2008 and were signed on its behalf by

**Patrick Crosthwaite**  
Chairman

## Consolidated statement of changes in equity

	Ordinary share capital £'000	Share premium £'000	Capital redemption reserve £'000	Own shares held £'000	Realised capital reserve* £'000	Unrealised capital reserve £'000	Special reserve* £'000	Revenue reserve* £'000	Total £'000
<b>As at 1 July 2007</b>	8,392	14,422	468	(2,849)	(11,193)	(9,558)	33,686	1,006	34,374
Purchase of own shares for cancellation (including costs)	(326)	–	326	–	–	–	(1,265)	–	(1,265)
Capitalised management and performance fees (net of tax)	–	–	–	–	(197)	–	–	–	(197)
Net realised losses on investments during the year	–	–	–	–	(4,731)	–	–	–	(4,731)
Movement in unrealised appreciation	–	–	–	–	–	2,913	–	–	2,913
Revenue profit for the year	–	–	–	–	–	–	–	957	957
Dividends paid in year	–	–	–	–	(1,085)	–	–	(791)	(1,876)
<b>As at 30 June 2008</b>	<u>8,066</u>	<u>14,422</u>	<u>793</u>	<u>(2,849)</u>	<u>(17,206)</u>	<u>(6,645)</u>	<u>32,421</u>	<u>1,172</u>	<u>30,174</u>
<b>As at 28 February 2006</b>	8,610	14,422	250	(1,908)	(9,501)	(11,637)	34,504	215	34,955
Purchase of own shares for cancellation (including costs)	(218)	–	218	–	–	–	(818)	–	(818)
Purchase of own shares for Treasury (including costs)	–	–	–	(941)	–	–	–	–	(941)
Capitalised management and performance fees (net of tax)	–	–	–	–	(599)	–	–	–	(599)
Net realised gains on investments during the period	–	–	–	–	853	–	–	–	853
Other capitalised items of expenditure	–	–	–	–	25	–	–	–	25
Movement in unrealised appreciation	–	–	–	–	–	2,079	–	–	2,079
Revenue profit for the period	–	–	–	–	–	–	–	1,421	1,421
Dividends paid in period	–	–	–	–	(1,971)	–	–	(630)	(2,601)
<b>As at 30 June 2007</b>	<u>8,392</u>	<u>14,422</u>	<u>468</u>	<u>(2,849)</u>	<u>(11,193)</u>	<u>(9,558)</u>	<u>33,686</u>	<u>1,006</u>	<u>34,374</u>

\* Included within these reserves is an amount of £6,893,000 (2007: £11,092,000) which is considered distributable. The special reserve has been treated as distributable in determining the reserves available for distribution.

The consolidated statement of changes in equity for the Group also represents the Company's reconciliation of movements in shareholders' funds.

The reserves have been reclassified as described in the accounting policies note on page 38.

# Consolidated cashflow statement

	Note	Year to 30 June 2008 £'000	Sixteen months to 30 June 2007 £'000
<b>Operating activities</b>			
Investment income received		1,858	2,549
Deposit interest received		396	347
Administration fees paid		(59)	(85)
Investment management fees paid		(900)	(1,242)
Other cash payments		(212)	(634)
Cash generated from operations		1,083	935
<b>Taxation</b>			
Tax (paid)/recovered		(52)	1,431
<b>Net cash flows from operating activities</b>	17	1,031	2,366
<b>Cash flows from investing activities</b>			
Purchase of investments		(3,434)	(7,773)
Disposal of investments		9,122	14,949
Payment re loan guarantee		–	(1,662)
<b>Net cash flows from investing activities</b>		5,688	5,514
<b>Management of liquid resources</b>			
Increase in current investments		(2,718)	–
<b>Cash flows from financing activities</b>			
Equity dividends paid		(1,876)	(2,601)
Purchase of Ordinary shares for cancellation		(1,255)	(817)
Purchase of Ordinary shares for Treasury		–	(941)
<b>Net cash flows used in financing activities</b>		(3,131)	(4,359)
<b>Increase in cash and cash equivalents</b>		870	3,521
<b>Cash and cash equivalents at the start of the period</b>		8,367	4,846
<b>Cash and cash equivalents at the end of the period</b>	16	9,237	8,367

# Notes to the financial statements

## 1. Accounting policies

The following policies refer to the Group and the Company except where noted. References to International Financial Reporting Standards ('IFRS') relate to the Group financial statements and to Financial Reporting Standards ('FRS') relate to the Company financial statements.

### **Basis of accounting**

The financial statements have been prepared in accordance with the historical cost convention, modified to include the revaluation of investments and in accordance with International Financial Reporting Standards ('IFRS') adopted for use in the European Union (and therefore comply with the Article 4 of the EU IAS regulation), in the case of the Group, and in accordance with Financial Reporting Standards ('FRS') in the case of the Company.

Both the Group and the Company financial statements also apply 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, in so far as this does not conflict with IFRS or FRS. The financial statements have been prepared in accordance with those parts of the Companies Act 1985 applicable to companies reporting under IFRS and FRS. These financial statements are presented in Sterling to the nearest thousand. Accounting policies have been applied consistently in current and prior periods.

In order to better reflect the activities of a venture capital trust, and in accordance with the SORP, supplementary information which analyses the Income statement between items of a revenue and capital nature has been presented within the Income statement.

The Directors also consider it more useful to shareholders to separate the capital returns to shareholders and the Special reserve from within the revenue reserve and have therefore reclassified the comparative reserves on a consistent basis.

Gains or losses on investments have also been reclassified and presented at the top of the Consolidated Income statement. The Directors believe this presentation is more relevant to the Group's activities as a venture capital trust.

The Company has adopted the following new amended IFRS interpretation during the year. Adoption of this revised standard and interpretation did not have any effect on the financial statements of the Company. They did however give rise to additional disclosures:

- **IAS 1 (amendment) Presentation of Financial Statements.** This amendment requires the Company to make new disclosures to enable users of the financial statements to evaluate the Company's objectives, policies and processes for managing capital. These new disclosures are shown in note 18.

At the date of authorisation of these financial statements, the following International Accounting Standards and interpretations were in issue but not yet effective:

- **IAS 1 Presentation of Financial Statements (revised)** (effective for annual periods beginning on or after 1 January 2009)
- **IFRS 8 Operating Segments** (effective for annual periods beginning on or after 1 January 2009)
- **IAS 23 (amendment) Borrowing Costs** (effective for annual periods beginning on or after 1 January 2009)
- **IFRIC 12 Service Concession Arrangements** (effective for annual periods beginning on or after 1 January 2009)
- **IFRIC 13 Customer Loyalty Programmes** (effective for annual periods beginning on or after 1 July 2008)
- **IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction** (effective for annual periods beginning on or after 1 January 2008)
- **IAS 27 Consolidated and Separate Financial Statements** (effective for annual periods beginning on or after 1 July 2009)
- **IFRS 2 (amendment) Share-based Payments** (effective for annual periods beginning on or after 1 January 2009)
- **IFRS 3 Revised Business Combinations** (effective for annual periods beginning on or after 1 July 2009)
- **IAS 32 & IAS 1 (amendments) Puttable Financial Instruments and Obligations arising on Liquidation** (effective for annual periods beginning on or after 1 January 2009)
- **IAS 32 (amendment) Financial Instruments: Presentation** (effective for annual periods beginning on or after 1 January 2009)
- **IAS 27 and IFRS 1 (amendment) Cost of Investment in Subsidiary** (effective for annual periods beginning on or after 1 January 2009)
- **IFRIC 16 Hedges of Net Investment in Foreign Operation** (effective for annual periods beginning on or after 1 October 2008)
- **IFRIC 15 Agreements for the Construction of Real Estate** (effective for annual periods beginning on or after 1 January 2009)
- **IAS 39 (amendment) Financial Instruments: Recognition and Measurement** (effective for annual periods beginning on or after 1 January 2009)
- **IFRIC 11 IFRS 2 Group and Treasury share transactions**

# Notes to the financial statements (continued)

## 1. Accounting policies (continued)

### **Basis of accounting (continued)**

The Directors currently anticipate that the adoption of these standards and interpretations in future periods will have no material financial impact on the financial statements of the Group. The Group concludes however that certain additional disclosures may be necessary on their application from the effective dates.

### **Basis of consolidation**

The Group consolidated financial statements incorporate the financial statements of the Company for the year ended 30 June 2008 and the entities controlled by the Company (its subsidiaries), for the same period. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

As permitted by Section 230 of the Companies Act 1985, the Company has not presented its own profit and loss account. The amount of the Company's loss for the period dealt with in the accounts of the Group is £1,076,000 (2007: profit £3,553,000).

### **Segmental reporting**

The Directors are of the opinion that the Group and the Company are engaged in a single segment of business, being investment business. The Group invests in smaller companies principally based in the UK.

### **Business Combinations**

The acquisition of subsidiaries is accounted for using the purchase method in the Group financial statements. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the subsidiaries, plus any costs directly attributable to the business combination. The subsidiary's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 "Business Combinations" are recognised at their fair value at the acquisition date.

### **Estimates**

The preparation of the Group and Company's financial statements requires estimates, assumptions and judgments to be made, which affect the reported results and balances. Actual outcomes may differ from these estimates, with a consequent impact on the results of future periods. These estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are those used to determine the fair value of investments at fair value through the profit or loss.

The valuation of investments at fair value through the profit or loss is determined by using valuation techniques. The Group and the Company use judgments to select a variety of methods and makes assumptions that are mainly based on market conditions at each balance sheet date.

### **Investments**

#### *Quoted and unquoted equity investments*

In accordance with IAS 39 'Financial Instruments: Recognition and Measurement', and FRS 26 'Financial Instruments: Recognition and Measurement', quoted and unquoted equity investments are designated as fair value through profit or loss ("FVTPL"). Investments listed on recognised exchanges are valued at the closing bid prices at the end of the accounting period. Unquoted investments' fair value is determined by the Directors in accordance with the International Private Equity and Venture Capital Valuation Guidelines (IPEVCV guidelines).

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

#### *Warrants, convertibles and unquoted equity derived instruments*

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

#### *Unquoted loan stock*

Unquoted loan stock is classified as loans and receivables in accordance with IAS 39 and FRS 26 and carried at amortised cost using the Effective Interest Rate method ("EIR") less impairment. Movements in the amortised cost relating to interest income are reflected in the revenue column of the Income statement, and hence are reflected in the Revenue reserve, and movements in respect of capital provisions are reflected in the capital column of the Income statement and are reflected in the Realised capital reserve following sale, or in the Unrealised capital reserve on revaluation.

Loan stocks which are not impaired or past due are considered fully performing in terms of contractual interest and capital repayments and the Board does not consider that there is a current likelihood of a shortfall on security cover for these assets. For unquoted loan stock, the amount of the impairment is the difference between the asset's cost and the present value of estimated future cash flows, discounted at the effective interest rate.

#### *Floating rate notes*

In accordance with IAS 39 and FRS 26, floating rate notes are designated as fair value through profit or loss ("FVTPL"). Floating rate notes are valued at market bid price at the balance sheet date.

It is not the Group or the Company's policy to exercise control or significant influence over investee companies. Therefore in accordance with the exemptions under IAS 28 "Investments



# Notes to the financial statements (continued)

## 1. Accounting policies (continued)

### **Investments (continued)**

in associates” and FRS 9 ‘Associates and joint ventures’ those undertakings in which the Group or Company holds more than 20 per cent. of the equity are not regarded as associated undertakings.

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.

### **Investment income**

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

Fixed returns on debt securities are recognised on a time apportionment basis using an effective interest rate over the life of the financial instrument. Loan stock accrued interest is recognised in the Balance sheet as part of the carrying value of the loans and receivables at the end of each reporting period.

Returns on cash balances are recognised on an accruals basis using the rate agreed with the bank.

### **Taxation**

Taxation is applied on a current basis in accordance with IAS 12 and FRS 16 “Income taxes”. Taxation associated with capital expenses is applied in accordance with the SORP. Deferred taxation is provided in full on temporary differences in accordance with IAS 12 and timing differences in accordance with FRS 16, 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. Temporary and 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 probable that future taxable profit will be available against which unused tax losses and credits can be utilised.

### **Dividends**

In accordance with IAS 10 and FRS 21 “Events after the balance sheet date”, dividends are accounted for in the period in which the dividend has been paid, or approved by shareholders.

### **Issue costs**

Issue costs associated with the allotment of share capital have been deducted from the share premium account.

### **Investment management fees, performance incentive fees and other expenses**

All expenses have been accounted for on an accruals basis. Expenses are charged through the Revenue column of the Income statement, except for management fees and performance incentive fees which are allocated in part to the capital column of the Income Statement, to the extent that these relate to an enhancement in the value of the investments and in line with the Board’s expectation that over the long term 75 per cent. of the Group’s investment returns will be in the form of capital gains.

### **Receivables and payables/debtors and creditors**

- Receivables are non-interest bearing, 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 receivables/debtors is not materially different to their fair value.
- Payables are non-interest bearing and are stated at their nominal value. The Directors consider that the carrying amount of payables/creditors is not materially different to their fair value.

### **Realised capital reserves**

The following are disclosed in this reserve:

- gains and losses compared to cost on the realisation of investments;
- expenses, together with the related taxation effect, charged in accordance with the above policies; and
- dividends paid to equity holders.

### **Unrealised capital reserves**

Increases and decreases in the valuation of investments held at the period end are disclosed in this reserve.

### **Capital redemption reserve**

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

### **Own shares held reserve**

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

### **Special reserve**

The cancellation of the share premium account has created a special reserve that can be used to fund market purchases and subsequent cancellation of own shares, to cover gross realised losses, and for other distributable purposes.

## Notes to the financial statements (continued)

### 2. (Losses)/gains on investments

	Year to 30 June 2008 £'000	Sixteen months to 30 June 2007 £'000
Unrealised losses on non-current asset investments held at fair value through profit and loss account	(3,716)	(3,054)
Net unrealised losses transferred to realised losses in the year	5,515	3,373
Unrealised gains on non-current asset investments held at amortised cost	1,145	1,760
<b>Unrealised gains on non-current asset investments sub total</b>	<b>2,944</b>	<b>2,079</b>
Unrealised losses on current asset investments	(31)	–
<b>Unrealised gains sub total</b>	<b>2,913</b>	<b>2,079</b>
Realised gains on investments held at fair value through profit and loss account	784	4,226
Net realised losses transferred from unrealised losses in the year	(5,515)	(3,373)
<b>Realised (losses)/gains sub total</b>	<b>(4,731)</b>	<b>853</b>
<b>Total</b>	<b>(1,818)</b>	<b>2,932</b>

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

### 3. Investment income and deposit interest

	Year to 30 June 2008 £'000	Sixteen months to 30 June 2007 £'000
<b>Income recognised on investments held at fair value through profit and loss</b>		
UK dividend income	69	148
Management fees received from equity investments	3	16
Floating rate note interest	144	–
Treasury gilt interest	–	199
Bank deposit interest	441	317
	657	680
<b>Income recognised on investments held at amortised cost</b>		
Return on loan stock investments	1,057	1,839
	<b>1,714</b>	<b>2,519</b>

Interest income earned on impaired investments at 30 June 2008 amounted to £4,000 (2007: £4,000).

### 4. Investment management fees

	Year to 30 June 2008			Sixteen months to 30 June 2007		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	167	502	669	239	715	954
Investment management performance incentive	–	–	–	52	157	209
	<b>167</b>	<b>502</b>	<b>669</b>	<b>291</b>	<b>872</b>	<b>1,163</b>

Further details of the management agreement under which the investment management fee and performance fee is paid are given in the Directors' report and business review on page 22.

## Notes to the financial statements (continued)

### 5. Profit/(loss) before taxation is stated after charging:

	Year to 30 June 2008 £'000	Sixteen months to 30 June 2007 £'000
Directors' remuneration	83	113
National insurance and/or VAT	8	8
Fees to auditors;		
– audit fees (Crown Place VCT PLC)	18	31
– audit fees (CP1 VCT PLC and CP2 VCT PLC)	6	4
Other expenses	192	330
	<b>307</b>	<b>486</b>
<b>Non-recurring operating costs:</b>		
Recovery of income tax previously written off	–	23
Merger costs	–	(27)
	<b>–</b>	<b>(4)</b>

With the exception of Directors whose remuneration is disclosed above and in the Directors remuneration report, the Group and Company did not have any employees.

### 6. Taxation

	Year to 30 June 2008			Sixteen months to 30 June 2007		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
UK Corporation tax	(283)	304	21	(294)	273	(21)

The UK government enacted a change in the UK corporation tax rate from 30 per cent. to 28 per cent. with effect from 1 April 2008. The effective rate of tax for the year to 30 June 2008 is 29.5 per cent. (275 days at 30 per cent. and 91 days at 28 per cent.). The tax charge for the period shown in the Income Statement is lower than the standard rate of corporation tax in the UK of 29.5 per cent. (2007: 30 per cent.). The differences are explained below:

	Year to 30 June 2008 £'000	Sixteen months to 30 June 2007 £'000
(Loss)/profit on ordinary activities before taxation	(1,080)	3,798
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax (29.5 per cent.)	(319)	1,139
Effect of (gains)/losses on capital assets not subject to taxation	536	(880)
Effect of income not subject to taxation	(20)	(51)
Effect of disallowed expenditure	–	8
Utilisation of tax losses	(197)	(195)
Release of over accrual in prior year	(21)	–
	<b>(21)</b>	<b>21</b>

No provision for deferred tax has been made in the current or prior accounting period. The Company and Group have not recognised a deferred tax asset of £1,120,000 in respect of unutilised management expenses as it is not considered sufficiently probable that there will be taxable profits against which to utilise these expenses in the foreseeable future. The Group has not recognised a further deferred tax asset of £4,120,000 in respect of unutilised management expenses and deficits arising from non-trading relationships which would only be used if its subsidiaries made significant profits.

## Notes to the financial statements (continued)

### 7. Dividends

	Year to 30 June 2008			Sixteen months to 30 June 2007		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
First dividend paid on 22 September 2006 (1.25 pence per share)	-	-	-	-	997	997
Second dividend paid on 19 January 2007 (1.25 pence per share)	-	-	-	630	355	985
Third dividend paid on 15 June 2007 (0.8 pence per share)	-	-	-	-	619	619
First dividend paid on 28 December 2007 (1.25 pence per share)	604	340	944	-	-	-
Second dividend paid on 25 April 2008 (1.25 pence per share)	187	745	932	-	-	-
	<b>791</b>	<b>1,085</b>	<b>1,876</b>	<b>630</b>	<b>1,971</b>	<b>2,601</b>

In addition, the Board has declared and paid a first dividend of 1.25 pence per share, (0.9 pence was paid out of revenue profits and 0.35 pence out of realised capital gains). This dividend was announced on the London Stock Exchange RNS Service on 27 June 2008. This dividend was paid on 8 August 2008 to shareholders on the register on 11 July 2008. The total cost of this dividend is £917,000.

### 8. Basic and diluted return per share

	Year to 30 June 2008			Sixteen months to 30 June 2007		
	Revenue	Capital	Total	Revenue	Capital	Total
The return per share has been based on the following figures:						
Return attributable to equity shares (£'000)	957	(2,016)	(1,059)	1,421	2,356	3,777
Weighted average shares in issue (excluding Treasury shares)	75,364,144	75,364,144	75,364,144	79,277,922	79,277,922	79,277,922
Return attributable per equity share (pence)	1.27	(2.67)	(1.40)	1.79	2.97	4.76

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 (continued)

### 9. Investments

	30 June 2008	30 June 2007
	Total	Total
	£'000	£'000
<b>Group &amp; Company</b>		
Carrying value as at 1 July 2007	26,237	30,969
Purchases	3,471	7,505
Carrying value of investments sold	(10,826)	(14,006)
Net decrease in value of investments	(671)	1,769
<b>Carrying value as at 30 June 2008</b>	<b>18,211</b>	<b>26,237</b>
Investments held at fair value through profit or loss	7,307	12,587
Loans and receivables valued at amortised cost	10,904	13,650
	<b>18,211</b>	<b>26,237</b>

The net decrease in the carrying value of investments is not consistent with the losses on investments made in the year, as the figure additionally comprises the movement in the amortised cost of loan stock over the year.

On a historical cost basis the movement in investments is as follows:

	30 June	30 June
	2008	2007
	£'000	£'000
<b>Group &amp; Company</b>		
Cost as at 1 July 2007	34,685	41,936
Purchases	3,471	7,505
Sales proceeds	(9,080)	(15,609)
Realised (losses)/gains	(4,731)	853
<b>Cost as at 30 June 2008</b>	<b>24,345</b>	<b>34,685</b>
Cost as at 30 June 2008	24,345	34,685
Unrealised losses	(6,614)	(9,558)
Accumulated movement in loan stock carrying value	480	1,110
<b>Carrying value as at 30 June 2008</b>	<b>18,211</b>	<b>26,237</b>
<b>Group &amp; Company (losses)/gains on investments during the period</b>		
Realised (losses)/gains	(4,731)	853
Net unrealised appreciation	2,944	2,079
	<b>(1,787)</b>	<b>2,932</b>

There has been no re-designation of fixed asset investments during the period.

# Notes to the financial statements (continued)

## 9. Investments (continued)

The following material disposals took place in the year:

Name of Company	Net proceeds	Opening carrying	
	from sale	Cost	value as at
	£'000	£'000	1 July 2007
			£'000
Cello Group plc	152	108	148
Dobbies Garden Centres plc	382	144	427
Grosvenor Health Limited	528	364	408
J & S Marine Limited	157	428	132
PSCA International Limited	908	442	734
RMS Europe Group Limited	2,501	1,292	2,556
The Bold Pub Company Limited	244	180	248
Synexus plc	1,889	1,455	1,429
TLC (Tender Loving Childcare) Limited	1,692	1,584	1,533
Zetar plc	284	144	286

The disposal proceeds per the cashflow statement do not agree to the disposal proceeds of £9,080,000 in note 9 by £42,000 due to proceeds received in the year in relation to a disposal of Cello shares that took place in the prior year.

In addition to the above material disposals, the redemption of loan stocks by Palgrave Brown (Holdings) Limited of £675,000 and Inhoco 3426 Limited of £276,000 occurred. Deferred proceeds of £11,000 were received with respect to a sale of Enterprise Foods Limited.

### Fixed asset investment class valuation methodologies

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

Unquoted loan stock investments are valued on an amortised cost basis. Loan stocks using a fixed interest rate total £10,520,000 (2007: £12,852,000).

Loan stocks using a floating rate total £384,000 (2007: £798,000).

The Directors believe that the carrying value of loan stock is not materially different to fair value.

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

Unquoted equity instruments are valued in accordance with the IPEVCV guidelines as follows:

	Carrying value	
	30 June 2008	30 June 2007
	£'000	£'000
<b>Investment valuation methodology</b>		
Cost (reviewed for impairment)	1,215	633
Net asset value supported by third party valuation	1,825	2,199
Price of recent investment	423	241
Earnings multiple	2,367	5,479
Revenue multiple	362	173
<b>Total</b>	<b>6,192</b>	<b>8,725</b>

The classification of investments by nature of instrument is as follows:

	Carrying value	
	30 June 2008	30 June 2007
	£'000	£'000
Unquoted equity	6,094	8,570
Quoted equity	1,115	3,862
Unquoted equity derived instruments	98	155
Unquoted loan stock	10,904	13,650
	<b>18,211</b>	<b>26,237</b>

## Notes to the financial statements (continued)

### 9. Investments (continued)

The unquoted equity instruments had the following movements between investment methodologies between 30 June 2007 and 30 June 2008:

<b>Change in investment methodology (2007 to 2008)</b>	<b>Carrying value as at 30 June 2008 £'000</b>	<b>Explanatory note</b>
Cost to earnings multiple	43	Investment held at cost for the first year
Cost to net asset value supported by third party valuation	14	Investment held at cost for the first year
Cost to recent investment price	279	Investment held at cost for the first year
Break up basis to earnings multiple	6	Investee company generated revenue in the year
Recent price of investment to revenue multiple	188	The Company is developing the market

In the absence of a more appropriate valuation methodology, investments held for less than 12 months are valued at cost. Thereafter, the valuation will move to the most appropriate valuation methodology for an investment within its market, with regard to the financial health of the investment and the IPEVCV Guidelines. The Directors believe that, within these parameters, there are no other possible methods of valuation which would be reasonable as at 30 June 2008.

### 10. Significant interests

The principal activity of the Company is to select and hold a portfolio of investments in listed and unquoted securities. Although the Company, through the Manager, will, in some cases, be represented on the board of the investee company, it will not take a controlling interest or become involved in the management. The size and structure of the companies with unlisted securities may result in certain holdings in the portfolio representing a participating interest without there being any partnership, joint venture or management consortium agreement.

The Company has interests of greater than 20 per cent. of the nominal value of any class of the allotted shares in the investee companies as at 30 June 2008 as described below:

<b>Company</b>	<b>Country of incorporation</b>	<b>Principal activity</b>	<b>% class and share type</b>	<b>% total voting rights</b>
Booth Dispensers Limited	Great Britain	Manufacturer of vending machine components and beer pump coolers	100.0% A Ordinary	22.3%
ELE Advanced Technologies Limited	Great Britain	Manufacturer of precision engineering components for the industrial gas turbine, aerospace and automotive markets	74.4% B Ordinary	48.3%
House of Dorchester Limited	Great Britain	Chocolate manufacturer	33.2% B Ordinary	23.3%
CCM Motorcycles Limited *	Great Britain	No trading activity	25.0% A Ordinary	20.4%
Wisdom IT Holdings Limited *	Great Britain	No trading activity	100.0% A Ordinary	43.0%
Tuscan Energy Group Limited *	Great Britain	No trading activity	42.5% C Ordinary	none
GW 665 Limited *	Great Britain	No trading activity	37.0% B Ordinary	37.0%

\* Carried at nil value as at 30 June 2008.

As permitted by IAS 28 and FRS 9, the investments listed above are held as part of an investment portfolio, and their value to the Company is as part of a portfolio of investments. Therefore these investments are not considered to be associated undertakings.



# Notes to the financial statements (continued)

## 11. Investments in subsidiary undertakings

	30 June 2008		
	CP1 £'000	CP2 £'000	Total £'000
Carrying value as at 1 July 2007	6,769	11,209	17,978
Movement in subsidiary net assets	(184)	(2,735)	(2,919)
	<b>6,585</b>	<b>8,474</b>	<b>15,059</b>

	30 June 2007		
	CP1 £'000	CP2 £'000	Total £'000
Carrying value as at 1 March 2006	6,608	10,898	17,506
Movement in subsidiary net assets	161	311	472
	<b>6,769</b>	<b>11,209</b>	<b>17,978</b>

The subsidiary companies currently hold cash and intercompany balances.

Both CP1 VCT PLC and CP2 VCT PLC are wholly owned by Crown Place VCT PLC as follows:

	30 June 2008	
	CP1	CP2
Nominal value of shares held	£6,382,746	£8,219,350
Percentage of authorised share capital in issue	57.8%	59.8%
Percentage of total voting rights held	100%	100%

## 12. Current assets include the following:

	30 June 2008		30 June 2007	
	Group £'000	Company £'000	Group £'000	Company £'000
<b>Trade and other receivables/debtors</b>				
Prepayments and accrued income	308	302	322	313
Current tax asset	53	53	–	–
Money held pending investment	2,686	2,686	–	–

Money held pending investment comprises an investment in Nationwide Building Society floating rate note. The floating rate note can be converted to cash in three days. This sum is regarded as money held pending investment and is treated as liquid resources in the cash flow statement.

The Directors consider that the carrying amount of receivables/debtors is not materially different to their fair value.

## 13. Trade and other payables/creditors

	30 June 2008		30 June 2007	
	Group £'000	Company £'000	Group £'000	Company £'000
Amounts falling due within one year:				
Amounts due to subsidiary undertakings	–	12,390	–	13,534
Other payables	51	51	71	70
Accruals	270	244	481	450
	<b>321</b>	<b>12,685</b>	<b>552</b>	<b>14,054</b>

The Directors consider that the carrying amount of payables/creditors is not materially different to their fair value.

## Notes to the financial statements (continued)

### 14. Called up share capital

	30 June 2008 £'000	30 June 2007 £'000
<b>Authorised</b>		
140,000,000 Ordinary shares of 10p each (2007: 140,000,000)	14,000	14,000
<b>Allotted, called up and fully paid</b>		
80,664,390 Ordinary shares of 10p each (2007: 83,920,434)	8,066	8,392
<b>Allotted, called up and fully paid excluding Treasury shares</b>		
73,403,980 Ordinary shares of 10p each (2007: 76,660,024)	7,340	7,666

The Company repurchased for cancellation 3,256,044 Ordinary shares during the year at a total cost of £1,265,000 (2007: 2,179,439 shares at a cost of £818,000). The Company purchased nil Ordinary shares (2007: 2,504,826) to be held in Treasury at a cost of £nil (2007: £941,000). The shares purchased for cancellation were funded from the special reserve. The total number of shares held in Treasury as at 30 June 2008 was 7,260,410 (2007: 7,260,410).

### 15. Net asset value per Ordinary share

The Group and Company net asset value attributable to the Ordinary shares at the year end was as follows:

	30 June 2008	30 June 2007
Net asset value per share attributable (pence)	41.1	44.8

The number of shares used in this calculation is 73,403,980 (excluding Treasury shares) (2007: 76,660,024).

### 16. Cash and cash equivalents/cash at bank and in hand

	30 June 2008		30 June 2007	
	Group £'000	Company £'000	Group £'000	Company £'000
Cash at bank	9,237	6,548	8,367	3,900

### 17. Reconciliation of revenue return on ordinary activities before taxation to net cash inflow from operating activities

	Year to 30 June 2008 £'000	Sixteen months to 30 June 2007 £'000
Revenue return before tax	1,240	1,715
Capitalised expenses	(502)	(849)
(Increase)/decrease in accrued amortised loan stock interest	648	(405)
(Increase)/decrease in receivables	(114)	2,047
(Decrease) in payables	(241)	(142)
<b>Net cash inflow from operating activities</b>	<b>1,031</b>	<b>2,366</b>

# Notes to the financial statements (continued)

## 18. Capital and financial instruments risk management

New disclosures as required by IFRS 7 Financial Instruments: Disclosures, are included in the note below.

The following policies are with reference to both the Company and the Group except where the 'Company' is used below.

The Group's maximum permitted gearing is £29,257,000 (2007: £33,416,000) and as at 30 June 2008, the Group's gearing was nil (2007: nil). The Group's policy on gearing is described in more detail on page 19 of the Director's report and business review.

The Group's capital comprises Ordinary shares as described in note 14. The Company is permitted to buy back its own shares for cancellation or Treasury purposes, and this is described in more detail on page 24 of the Director's report and business review.

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

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

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

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

### Investment risk

As a venture capital trust, it is the Group's specific nature to price, evaluate and control the investment risk in its portfolio in unquoted and in quoted companies, details of which are shown on pages 10 to 13. Investment risk is the exposure of the Group to the revaluation and devaluation of investments. The main driver of investment risk is the operational and financial performance of the investee company. The Manager receives management accounts from investee companies, and members of the investment management team often sit on the boards of unquoted investee companies; this enables the close identification, monitoring and management of investment risk.

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

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

The maximum investment risk as at the balance sheet date is the value of the non-current and current asset investment portfolio which is £20,897,000 (2007: £26,237,000). Non-current asset and current investments form 69 per cent. of the net asset value as at 30 June 2008 (2007: 76 per cent.).

More details regarding the classification of non-current asset investments are shown in Note 9.

### Investment price risk

Investment price risk is the risk that the fair value of future investment cash flows will fluctuate due to factors specific to an investment instrument or to a market in similar instruments. To mitigate the investment price risk for the Group as a whole, the strategy of the Group is to invest in a broad spread of industries with approximately two-thirds of the unquoted investments comprising debt securities, which, owing to the structure of their yield and the fact that they are usually secured, have a lower level of price volatility than equity. Details of the industries in which investments have been made are contained in the Portfolio of investments section on pages 10 to 13 and in the Chairman's statement.

In accordance with the International Private Equity and Venture Capital Valuation Guidelines, in the absence of a more appropriate methodology, investments held for less than 12 months are valued at cost. Thereafter, the valuation will move to the most appropriate valuation methodology for an investment within its market, with regard to the financial health of the investment and the IPEVCV Guidelines. The Directors believe that, within these parameters, there are no reasonable possible alternative methods of valuation of the investments as at 30 June 2008.

The Board considers that the value of the investment portfolio is sensitive to a 10 per cent. change based on the current economic climate. The impact of a 10 per cent. change has been selected as this is considered reasonable given the current level of volatility observed on both a historic basis and future expectations. By way of illustration, the impact of a 10 per cent. increase or decrease in the investment portfolio valuation (keeping all other variables constant) would be an increase or decrease in net asset value of £1,821,000 (2007: £2,624,000).

# Notes to the financial statements (continued)

## 18. Capital and financial instruments risk management (continued)

The Board considers that the value of floating rate notes is also sensitive to a 10 per cent. change. The sensitivity to a 10 per cent. increase or decrease in the valuation would be an increase or decrease in net asset value of £269,000 (2007: £nil).

The methods and guidelines used in determining the fair values of unquoted investments are disclosed in notes 1 and 9.

### Cash flow interest rate risk

It is the Group'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 Group's analysis, it is estimated that a fall of one percentage point in all interest rates would have reduced profits before tax for the year by approximately 13.1 per cent. (2007: 1.6 per cent.).

The weighted average interest rate applied to the Group's fixed rate assets during the year was approximately 12.60 per cent. (2007: 11.57 per cent.). The weighted average period to maturity for the fixed rate assets is approximately 3.07 years (2007: 3.69 years).

### Credit risk

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

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

Bank deposits and floating rate notes are held with banks which have a Moody's credit rating of at least 'A'. The Group adopts an informal policy of limiting counterparty banking and floating rate note exposure to a maximum of 20 per cent. of net asset value for any one counterparty.

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

The Group's total gross credit risk as at 30 June 2008 is limited to £10,904,000 (2007: £13,650,000) of unquoted loan stock instruments, £9,237,000 (2007: £8,367,000) cash deposits with banks and £2,686,000 (2007: £nil) floating rate notes.

As at the balance sheet date, the cash held by the Group was held with the Royal Bank of Scotland plc and Lloyds TSB Bank plc. Credit risk on floating rate note and cash transactions is mitigated by transacting with counterparties that are regulated entities subject to prudential supervision, with high credit ratings assigned by international credit-rating agencies.

### Liquidity risk

Liquid assets are held as cash on current account, cash on deposit or short term money market account and as floating rate notes. Under the terms of its Articles, the Group has the ability to borrow up to the amount of its adjusted capital and reserves of the latest published audited consolidated balance sheet, which amounts to £29,451,000 as at 30 June 2008 (2007: £33,416,000).

The Group has no committed borrowing facilities as at 30 June 2008 (2007: £nil) and had cash balances of £9,237,000 (2007: £8,367,000) (Company: £6,548,000; 2007: £3,900,000). The main cash outflows are for new investments and dividends, which are within the control of the Group. The Manager formally reviews the cash requirements of the Group on a monthly basis, and the Board on a quarterly basis, as part of its review of management accounts and forecasts. All the Group's financial liabilities are short term in nature and total £321,000 for the year to 30 June 2008 (2007: £552,000). (Company: 30 June 2008; £12,685,000, 30 June 2007; £14,054,000).

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

### Fair values of financial assets and financial liabilities

All the Group's financial assets and liabilities as at 30 June 2008 are stated at fair value as determined by the Directors, with the exception of loans and receivables, which are carried at amortised cost, in accordance with IAS 39. In the opinion of the Directors, the amortised cost of loan stock is not materially different to the fair value of the loan stock. There are no financial liabilities other than short term trade and other payables. See note 1 of the financial statements for accounting policies. The Group's financial liabilities are all non-interest bearing. It is the Directors' opinion that the book value of the financial liabilities is not materially different to the fair value and all are payable within one year, and that the Group is subject to low financial risk as a result of having nil gearing and positive cash balances.

## Notes to the financial statements (continued)

### 18. Capital and financial instruments risk management (continued)

The Group's financial assets and liabilities as at 30 June 2008, all denominated in pounds sterling, consist of the following:

	30 June 2008			Total £'000
	Fixed rate £'000	Floating rate £'000	Non- interest £'000	
Unquoted and AIM investments	10,520	384	7,307	18,211
Listed floating rate notes held as current asset investments	–	2,686	–	2,686
Cash and other assets and liabilities	5,000	4,237	40	9,277
<b>Net assets</b>	<b>15,520</b>	<b>7,307</b>	<b>7,347</b>	<b>30,174</b>

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

	Preference dividend £'000	30 June 2007			Total £'000
		Fixed rate £'000	Floating rate £'000	Non- interest £'000	
Unquoted and AIM investments	46	12,852	798	12,541	26,237
Cash and other assets and liabilities	–	–	8,367	(230)	8,137
<b>Net assets</b>	<b>46</b>	<b>12,852</b>	<b>9,165</b>	<b>12,311</b>	<b>34,374</b>

The Company's financial assets and liabilities as at 30 June 2008, all denominated in pounds sterling, consist of the following:

	30 June 2008			Total £'000
	Fixed rate £'000	Floating rate £'000	Non- interest £'000	
Unquoted and AIM investments	10,520	384	7,307	18,211
Listed floating rate notes held as current asset investments	–	2,686	–	2,686
Cash and other assets and liabilities	5,000	1,548	2,729	9,277
<b>Net assets</b>	<b>15,520</b>	<b>4,618</b>	<b>10,036</b>	<b>30,174</b>

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

	Preference dividend £'000	30 June 2007			Total £'000
		Fixed rate £'000	Floating rate £'000	Non- interest £'000	
Unquoted and AIM investments	46	12,852	798	12,541	26,237
Cash and other assets and liabilities	–	–	3,900	4,237	8,137
<b>Net assets</b>	<b>46</b>	<b>12,852</b>	<b>4,698</b>	<b>16,778</b>	<b>34,374</b>

## Notes to the financial statements (continued)

### 18. Capital and financial instruments risk management (continued)

The carrying value of Group and Company loan stock investments held as at 30 June 2008 was as follows:

	Fully performing loan stock £'000	Renegotiated loan stock £'000	Past due <sup>o</sup> loan stock £'000	Impaired loan stock £'000	Total £'000
Less than one year	–	590	–	–	590
1-2 years	–	183	–	106	289
2-3 years	1,392	3,017	–	145	4,554
3-5 years	2,695	1,513	1,215	48	5,471
<b>Total</b>	<b>4,087</b>	<b>5,303</b>	<b>1,215</b>	<b>299</b>	<b>10,904</b>

(i) Interest (not capital) is overdue.

The carrying value of Group and Company loan stock investments held as at 30 June 2007 was as follows:

	Fully performing loan stock £'000	Renegotiated loan stock £'000	Past due <sup>o</sup> loan stock £'000	Impaired loan stock £'000	Total £'000
Less than one year	276	–	–	–	276
1-2 years	–	–	537	–	537
2-3 years	2,493	256	–	240	2,989
3-5 years	4,185	3,336	2,075	252	9,848
<b>Total</b>	<b>6,954</b>	<b>3,592</b>	<b>2,612</b>	<b>492</b>	<b>13,650</b>

(i) Interest (not capital) is overdue.

The Group and Company interest overdue on past due loan stock described above is as follows:

	30 June 2008 £'000	30 June 2007 £'000
Less than 3 months	–	–
3-6 months	–	25
6-9 months	–	–
9-12 months	5	3
More than 1 year	8	–
<b>Total</b>	<b>13</b>	<b>28</b>

### 19. Post balance sheet events

Since 30 June 2008 the Company has completed the following investments:

- July 2008: Investment in Dexela Limited of £185,000.
- July 2008: Investment in GB Pub Company VCT Limited of £38,000.
- July 2008: Investment in Red-M Group Limited of £84,000.
- August 2008: Investment in Bravo Inns Limited of £160,000.
- September 2008: Investment in Prime Care Holdings Limited of £250,000.
- September 2008: Investment in Rostima Limited of £14,000.
- September 2008: Investment in Clear Pub Company VCT Limited of £13,000.
- September 2008: Investment in Clear Pub Company VCT (Hotels) Limited of £9,000.

HMRC issued a Business Briefing on 24 July 2008, which permitted the recovery of historic VAT that had been charged on management fees. There was no right to historic VAT recovery at the balance sheet date, however, the Company is currently working to quantify and recover the applicable back VAT from HMRC. There should certainly be some benefit to the Company.

## Notes to the financial statements (continued)

### 20. Contingencies, guarantees and financial commitments

There are no contingencies, guarantees and financial commitments of the Group or Company as at 30 June 2008 (2007: £150,000) which have been accrued for, except those funds scheduled for investment.

### 21. Related party transactions

The Manager, Close Ventures Limited, is considered to be a related party by virtue of the fact that it is party to a management agreement from the Company (details disclosed on page 22 of this report). During the year, services of a total value of £728,000 (2007: £1,230,000) were purchased by the Company from Close Ventures Limited. At the financial year end, the amount due to Close Ventures Limited disclosed as accruals and deferred income was £169,000 (2007: £397,000).

In addition, Crown Place VCT PLC transferred its investment in Carmichael International Limited, which was held at nil value, to Close Ventures Limited during the period, for £1.

Close Ventures Limited also holds 1,256 Ordinary shares of the Company, as a result of the merger in January 2006 where these shares resulted from fractional holdings arising on the merger.

Buy-backs of shares during the year were transacted through Winterflood Securities Limited, a subsidiary of Close Brothers Group plc. A total of 3,256,044 shares were purchased for cancellation at an average price of 38.7 pence per share. As at 30 June 2008, the settlement amount due to Winterflood Securities Limited disclosed within payables/creditors was £42,000 (2007: £31,000).



# Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Crown Place VCT PLC will be held at 12 noon on 7 November 2008 at 10 Crown Place, London, EC2A 4FT for the purpose of dealing with the following business, of which items 8 to 10 are special business.

## Ordinary Business

1. To receive and adopt the accounts and the reports of the Directors and auditors for the year ended 30 June 2008.
2. To appoint PKF (UK) LLP as auditors of the Company from the conclusion of the meeting to the conclusion of the next meeting at which accounts are to be laid.
3. To authorise the Directors to agree the auditors' remuneration.
4. To approve the Directors' remuneration report for the year ended 30 June 2008.
5. To re-elect Vikram Lall as a Director of the Company.
6. To re-elect Geoffrey Vero as a Director of the Company.
7. To re-elect Andrew Cubie as a Director of the Company.

## Special Business

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

That the Directors be generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (the "Act") to exercise all powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Act) up to a maximum aggregate nominal amount in the case of Ordinary shares of 10p each in the capital of the Company ("Ordinary shares") of £734,040 (which comprises 10 per cent. of the Ordinary share capital) such authority to expire on 7 May 2010, 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.

9. 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 8, 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 8 as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities;

- (a) in connection with an offer of such securities by way of rights issue, open offer or other offer of securities in favour of the holders of shares on the register of members at such record date as the Directors shall determine, where the equity securities respectively attributable to the interest of the shareholder are proportionate (as nearly as may be) to the respective numbers of shares held by them on any such record date, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange by virtue of shares being represented by depository receipts or any other matter whatsoever;
- (b) in connection with any dividend reinvestment scheme introduced and operated by the Company; and
- (c) otherwise than pursuant to the sub-paragraphs above, in respect of the Ordinary shares, to an aggregate nominal amount of £367,020 (equal to 5 per cent. of the Ordinary share capital)

## Notice of Annual General Meeting (continued)

and shall expire on 7 May 2010, 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.

In this resolution, “rights issue” means an offer of equity securities open for acceptance for a period fixed by the Directors to holders on the register on a fixed record date in proportion as nearly as may be to their respective holdings, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with any fractional entitlements or legal or practical difficulties under the laws of, or the requirement of any recognised regulatory body or any stock exchange in, any territory.

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 8” were omitted.

10. 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 on such terms as the Directors think fit and where such shares are held as Treasury shares, the Company may use them for the purposes set out in section 162D of the Act, provided that;

- (a) the maximum aggregate number of shares authorised to be purchased is 11,003,256 Ordinary shares (representing approximately 14.99 per cent of the issued Ordinary share capital respectively);
- (b) the minimum price which may be paid for a share is 10p;
- (c) the maximum price exclusive of any expenses 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 Ordinary shares over the five business days immediately preceding the date on which the ordinary shares are contracted to be purchased; and (b) the amount stipulated by Article 5(i) of the Buyback and Stabilisation Regulation 2003;
- (d) this authority expires at the conclusion of the next Annual General Meeting of the Company or eighteen months from the date of the passing of this resolution, whichever is earlier; and
- (e) the Company may make a contract or contracts to purchase Ordinary shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of shares in pursuance of any such contract or contracts.

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

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

BY ORDER OF THE BOARD

### Close Ventures Limited

Company Secretary

Registered Office

10 Crown Place, London, EC2A 4FT

7 October 2008

# Notice of Annual General Meeting (continued)

## Notes

1. This Notice is being sent to all members and to any person nominated by a member of the Company under section 146 of the Companies Act 2006 to enjoy information rights.
2. Only holders of Ordinary Shares, or their duly appointed representatives, are entitled to attend, vote and speak at the meeting. A member so entitled may appoint (a) proxy(ies), who need not be (a) member(s), to attend, speak and vote on his/her behalf. A proxy form is enclosed with this Notice. To be valid a proxy appointment must reach the office of the Company's Registrars, Capita Registrars The Registry, 34 Beckenham Road, Beckenham, BR3 4TU not less than 48 hours before the time fixed for the meeting or any adjournment thereof.
3. The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the registered member who hold shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.
4. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members on the register of members of the Company as at 12 noon on 5 November 2008 (or, if the meeting is adjourned, members on the register of members not later than 48 hours before the time fixed for the adjourned meeting) are entitled to attend and vote at the meeting in respect of the shares registered in their names at that time. Subsequent changes to the register shall be disregarded in determining the rights of any person to attend and vote at the meeting.
5. Copies of contracts of service and letters of appointment between the Directors and the Company will be available for inspection at the Registered Office of the Company during normal business hours from the date of this Notice until the conclusion of the meeting, and at the place of the meeting for at least 15 minutes prior to the meeting until its conclusion. In addition, a copy of the new and the revised articles of association will be available for inspection at the Company's registered office from the date of this Notice until the conclusion of the meeting, and at the place of the meeting for at least 15 minutes prior to the meeting until its conclusion.
6. Members should note that it is possible that, pursuant to requests made by members of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

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