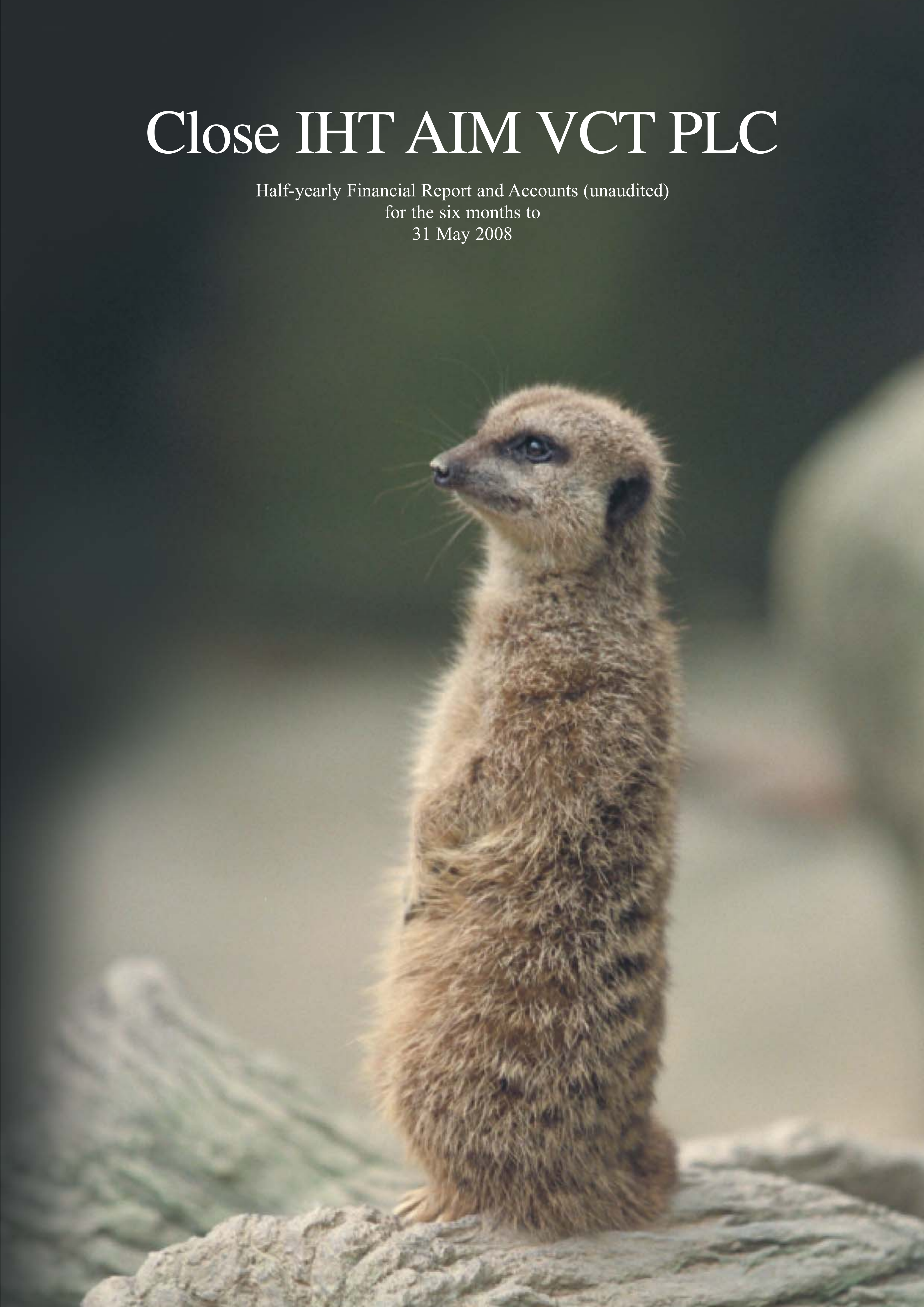
# Close IHT AIM VCT PLC

Half-yearly Financial Report and Accounts (unaudited)
for the six months to
31 May 2008



## Contents

## Investment Strategy

Close IHT AIM VCT PLC (the "Company" or the "Fund") is a Venture Capital Trust which raised £25 million in March 2006, from private investors through an issue of 7,339,861 'A' Ordinary shares and 17,680,650 'B' Ordinary shares. The 'A' Ordinary share class follows the traditional AIM VCT structure. The 'B' Ordinary shareholders however, will be asked to vote in Spring 2009 to confirm Distribution in Specie having been given the opportunity first to convert all of their 'B' Ordinary shares into 'A' Ordinary shares. The novel 'B' share class offers investors the opportunity for a distribution in specie in 2009 and potentially therefore, the creation of an investor's own portfolio of Inheritance Tax exempt investments, under current legislation, which may change in the future.

The investment strategy of Close IHT AIM VCT PLC is to provide investors with the prospect of long term capital growth through a balanced portfolio which will, when fully invested, comprise of approximately 80 per cent. of its funds in qualifying investments in companies quoted on AIM or PLUS. Start-up companies will usually be avoided.

Once its qualifying target has been reached, the Company intends that approximately 20 per cent. of its funds will be invested in non-qualifying investments comprising gilts, floating rate securities and short term money market deposits with, or issued by major companies and institutions with a minimum Moody's long term debt rating of 'A'. A proportion of the 20 per cent. will also be invested in an authorised UK smaller company unit trust (Close Special Situations Fund) managed by Close Investments (UK) Limited, a subsidiary of Close Brothers Group, the ultimate parent company of the Investment Manager.

## Financial Highlights

| | **Unaudited Six months to 31 May 2008** | Unaudited Six months to 31 May 2007 | Audited Year to 30 November 2007 |
|---|---|---|---|
| Revenue return per A and B Ordinary share | **0.57p** | 1.01p | 1.91p |
| Capital return per A and B Ordinary share | **(7.19)p** | 7.66p | (0.47)p |
| Dividends paid to shareholders | **1.00p** | 1.00p | 2.00p |
| Net asset value per A and B Ordinary share | **86.52p** | 102.38p | 94.15p |
| Movement in FTSE AIM Index (%) | **(2.57)** | 20.15 | 3.40 |
| Movement in FTSE Small Cap (excl Investment Trusts) (%) | **(12.36)** | 14.97 | (11.55) |

## Financial Calendar

| | |
|---|---|
| Record date for second dividend | August 2008 |
| Payment date of second dividend | August 2008 |
| Financial year end | 30 November 2008 |
| Announcement of year end results | March 2009 |

## Shareholder value per share since launch

| | **Ordinary Shares pence per share** |
|---|---|
| Total dividends paid during the period to 30 November 2006* | 1.40 |
| Total dividends paid during the year to 30 November 2007 | 2.00 |
| Total dividends paid during the period to 31 May 2008 | 1.00 |
| Total dividends paid to 31 May 2008 | 4.40 |
| Net asset value as at 31 May 2008 | 86.52 |
| Total cumulative Shareholder value as at 31 May 2008 | 90.92 |

In addition to the dividend above, the Directors have declared a dividend of 1.00 pence per A and B Ordinary share (0.5 pence out of revenue reserves and 0.5 pence out of realised gains). This dividend is subject to HM Revenue & Customs approval. The record date and payment date of this dividend will be announced on the London Stock Exchange RNS service.

* Investors subscribing by 17 January 2006 were entitled to this dividend. Investors subscribing thereafter were not entitled to the first dividend.

**Note**

- All dividends paid by the Company are free of income tax. It is an HM Revenue & Customs requirement that dividend vouchers indicate the tax element should dividends have been subject to income tax. Investors should ignore this figure on their dividend voucher and need not disclose any income they receive from a VCT on their tax return.
- The net asset value of the Company is not its share price as quoted on the official list of the London Stock Exchange. The share price of the Company can be found in the Investment Companies section of the Financial Times on a daily basis. Investors are reminded that it is common for shares in VCTs to trade at a discount to their net asset value, primarily as a result of the initial tax relief which is non-transferable.

## Interim Management Report

**Overview**

The six month period to 31 May 2008 has been a time of extreme volatility in financial markets as the combination of the fallout from the credit crisis and fears over inflation have resulted in a considerably reduced appetite for risk among investors. This has had an adverse effect on smaller company valuations and has led to a slowing in the new issue market. Despite this, your Investment Manager has continued to make investments with the result that at the end of May, the portfolio was 60 per cent. invested, compared with the 70 per cent. needed by the end of November. Although there has been a decline in the value of some of the investments in the portfolio, it is relatively early days for many of these, and provided the companies make progress, this should be reflected in their share prices in time.

**Dividends**

Your Board has declared a dividend of 1.00 pence per A and B share (0.5 pence out of the revenue reserves and 0.5 pence out of realised gains). This dividend is subject to HM Revenue & Customs approval and the record date and payment date of this dividend will be announced on the London Stock Exchange RNS Service. Your Board believes that shareholders appreciate tax free dividends and it will strive to produce a steady and sensible dividend policy. That may be more difficult to achieve in the short term as new investments are made and the cash balance is further reduced. However, your Company has realised some distributable profits which should help to maintain dividends when the income from investments diminishes.

**Performance**

The Net Asset Value of the ‘A’ and ‘B’ Ordinary shares fell in the period by 8.1 per cent. to 86.52 pence, a total return of minus 6.8 per cent. after dividends. This compares with a 2.6 per cent. fall in the FTSE AIM Index. This was once again a period when the FTSE AIM Index outperformed smaller companies generally because of its high weighting in oil and gas and mining companies that between them account for about a third of AIM. These companies are not eligible investments for VCTs. Thus, a better comparison might be the FTSE Smaller Companies Index (excl Investment Trusts). This fell by 12.4 per cent. in the period.

The main reason for the fall in the NAV in the six months was a steady de-rating of smaller company shares as investors became increasingly risk averse. Liquidity has greatly reduced in smaller companies, leaving many of them priced to reflect the probability of profits being downgraded over the next few months as the effects of a slowing economy begin to be felt. This contrasts with good progress being reported by many of the companies in the portfolio which in many cases is not reflected in their share prices.

There have been some setbacks in individual holdings, with Optimisa and Twenty both highlighting signs of weakness in marketing spend which has, in the former case, coincided with its own challenges to integrate acquisitions. Hatpin, which was suspended pending clarification of its financial position in February, announced the appointment of administrators in May 2008. It has been written off in the accounts. Vertu Motors has also suffered from a very weak share price against a background of fear about the sustainability of consumer spending combined with a stream of profit warnings from Pendragon, one of the largest operators of motor retail outlets. Vertu's business was still making progress when it reported on its results in April and it is concentrating its efforts on improving the profitability of what is still a fairly small and manageable estate. It would, however, be unrealistic to expect its shares to recover in the short term. Claimar also saw its shares fall after it warned on profits as a result of cost pressures.

Many of the holdings in the portfolio have announced good progress despite all the gloom apparent in share prices. Mount Engineering and Pressure Technologies have both benefited as suppliers to the booming oil sector. Research Now is building critical mass and credibility with its online consumer panels. The challenge for all small companies in the current environment is financing growth, but this will hopefully open up opportunities to make further investments at keen prices.

**Portfolio Activity**

In our statement with the last accounts, we remarked that the Board believed the Investment Manager to be on track to reach its minimum 70 per cent. qualifying investment level within the three years set by HM Revenue & Customs. In the first half of the year, six new qualifying investments were made at a book cost of £3.0m and £0.4m was invested in a new non-qualifying investment. There was only one disposal of a qualifying holding when BBI was bid for by a non-qualifying US company. To the date of writing, one further investment has been made in Darwen Group, a Midlands based bus manufacturer, bringing the HM Revenue & Customs cover up to 63 per cent. This means that the Investment Manager needs to make three more medium sized investments to reach the 70 per cent. level by the end of November this year.

## Interim Management Report
## (continued)

Your Investment Manager has started to dispose of the holding in the Close Special Situations Fund in the six month period. This is expected to continue over the coming months as originally set out in the prospectus. The fund has performed relatively well to date, although current market conditions are affecting values of all equities. Details of related party transactions can be found in note 11.

**Shareholder information**

We propose to write to shareholders in the Autumn outlining the timetable for the distribution in specie of the ‘B’ Ordinary shares and the conversion of the ‘B’ Ordinary shares to ‘A’ Ordinary shares. In the meantime any shareholders seeking to remind themselves of the terms of these corporate actions can refer to the prospectus, a copy of which can be found with other useful information at www.closeventures.co.uk by clicking the ‘Our Funds’ section.

**Risks and Uncertainties**

As required under the Listing Rules under which your Company operates, we are required to comment on the potential risks and uncertainties which could have a material impact over the VCT’s performance. The key risk derives from the need to meet HM Revenue & Customs regulations requiring 70 per cent. of your Company to be invested in qualifying holdings within three years and to maintain that level of cover thereafter. In addition, a downturn could affect existing companies' trading prospects and share prices.

**Outlook**

Although the rate of new issues has evidently slowed down over the last year, the Investment Manager has managed to continue investing in qualifying investments at sensible valuations for the portfolio. Despite the probability of a lull during the Summer, with only three more normal sized investments needed to reach 70 per cent, your Board is comfortable that your Investment Manager can continue to be selective.

The short term prospects for small company share prices looks uncertain with fears over inflation and slowing growth leaving them firmly out of favour. However, a major factor in successful VCT investment results from backing good management at realistic valuations. Your Investment Manager believes that current market conditions should generate good opportunities for investing the remaining capital.

**Andrew Raynor**
Director
18 July 2008

## Responsibility Statement

The Directors have chosen to prepare this Half-yearly Financial Report for the Company in accordance with United Kingdom Generally Accepted Accounting Practice (“UK GAAP”).

In preparing these summarised financial statements for the period to 31 May 2008, we the Directors, confirm that to the best of our knowledge:

(a) the summarised set of financial statements have been prepared in accordance with the pronouncement on interim reporting issued by the Accounting Standards Board;

(b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year);

(c) the summarised set of financial statements give a true and fair view in accordance with UK GAAP of the state of affairs of the Company and of the profit and loss of the Company for that period and comply with UK GAAP and Companies Act 1985 as required by DTR 4.2.4R; and

(d) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties’ transactions and changes therein).

This Half-yearly Financial Report has not been audited or reviewed by the auditors, pursuant to the Auditing Practices Board guidance on Review of the Interim Financial Information.

By order of the Board

**Andrew Raynor**
Director
18 July 2008

## Portfolio of Investments
## at 31 May 2008

| **Company** | **Fair value £'000** | **Book cost £'000** | **Shareholding nominal units** | **Voting equity owned by Fund CIHT* %** | **Voting equity owned by CIL** managed funds %** |
|---|---|---|---|---|---|
| **Qualifying AIM investments** | | | | | |
| Adept Telecom Ord GBP0.10 | 209 | 750 | 535,715 | 2.5 | 4.6 |
| Animalcare Group Ord GBP0.20 | 600 | 600 | 1,090,909 | 5.5 | 12.7 |
| BGlobal Ord GBP0.01 | 108 | 200 | 400,000 | 0.7 | 1.6 |
| Brulines (Holdings) Ord GBP0.10 | 278 | 253 | 205,882 | 0.9 | 2.9 |
| Claimar Care Group Ord GBP0.10 | 190 | 500 | 476,190 | 1.0 | 4.3 |
| Clerkenwell Ventures Ord GBP0.05 | 433 | 650 | 1,733,333 | 2.1 | 8.0 |
| Craneware Ord GBP0.01 | 263 | 174 | 136,328 | 0.5 | 1.6 |
| Essentially Group Ord GBP0.001 | 644 | 659 | 5,856,964 | 3.0 | 5.6 |
| Fishworks Ord GBP0.01 | 241 | 275 | 4,583,333 | 4.1 | 7.3 |
| Hatpin Ord GBP0.025 | – | – | 427,351 | – | – |
| Hexagon Human Capital Ord GBP0.01 | 479 | 632 | 382,801 | 2.1 | 5.2 |
| IDOX Ord GBP0.01 | 378 | 236 | 3,150,000 | 0.9 | 3.1 |
| Individual Restaurant Company Ord GBP0.35 | 163 | 217 | 206,295 | 0.5 | 1.9 |
| IS Pharma Ord GBP0.70 | 1,182 | 1,000 | 1,298,701 | 4.2 | 8.7 |
| Jelf Group Ord GBP0.01 | 431 | 180 | 169,800 | 0.3 | 0.6 |
| Lombard Medical Technologies Ord GBP0.02 | 321 | 375 | 2,678,571 | 2.0 | 3.6 |
| Melorio Ord GBP0.10 | 753 | 612 | 612,000 | 1.9 | 6.4 |
| Mount Engineering Ord GBP0.01 | 569 | 539 | 769,142 | 3.2 | 8.2 |
| Neuropharm Group Ord GBP0.10 | 535 | 400 | 314,959 | 1.0 | 4.3 |
| Optimisa Ord GBP0.25 | 283 | 511 | 235,800 | 2.6 | 8.8 |
| Plastics Capital Ord GBP0.01 | 492 | 535 | 535,000 | 2.0 | 5.2 |
| Pressure Technologies Ord GBP0.05 | 551 | 352 | 234,333 | 2.1 | 5.6 |
| Research Now Ord GBP0.02 | 375 | 375 | 125,000 | 1.4 | 4.8 |
| Telephonetics Ord GBP0.01 | 160 | 456 | 2,280,000 | 2.1 | 7.5 |
| Twenty Ord GBP0.10 | 300 | 750 | 3,750,000 | 7.8 | 18.1 |
| Vertu Motors Ord GBP0.10 | 538 | 750 | 1,250,001 | 1.4 | 4.5 |
| Work Group Ord GBP0.02 | 404 | 707 | 878,450 | 3.1 | 7.2 |
| **Total qualifying equity investments at 31 May 2008** | **10,880** | **12,688** | | | |

* CIHT: Close IHT AIM VCT, the Company
** CIL: Close Investments Limited, the Investment Manager.

## Portfolio of Investments
## at 31 May 2008
## (continued)

| Company | Fair value £'000 | Book cost £'000 | Shareholding nominal units |
|---|---|---|---|
| **AIM Quoted Investments** | | | |
| BGlobal Ord GBP0.01 | – | 1 | 1,000 |
| Brulines (Holdings) Ord GBP0.10 | 2 | 2 | 1,000 |
| Claimar Care Group Ord GBP0.10 | – | 1 | 1,000 |
| Hatpin Ord GBP0.025 | – | – | 1,000 |
| Hexagon Human Capital Ord GBP0.01 | 1 | 2 | 1,000 |
| Individual Restaurant Company Ord GBP0.35 | 1 | 1 | 1,000 |
| Jelf Group Ord GBP0.01 | 3 | 2 | 1,000 |
| Neuropharm Group Ord GBP0.10 | 2 | 2 | 1,000 |
| Research Now Ord GBP0.02 | 375 | 375 | 125,000 |
| Vertu Motors Ord GBP0.10 | – | 1 | 1,000 |
| Work Group Ord GBP0.02 | – | 1 | 1,000 |
| **Listed Investments** | | | |
| Citigroup Inc Floating Rate Note 01/11/10 | 2,936 | 3,002 | 3,000,000 |
| **Authorised Unit Trust** | | | |
| Close Special Situations Fund (ACC) | 3,299 | 2,925 | 3,071,189 |
| **Total non-qualifying investments at 31 May 2008** | **6,619** | **6,315** | |

Please note, the voting equity for the AIM Quoted Investments listed above have been included in the percentage calculations for each relevant company on page 6.

## Summary Income Statement

| | | **Unaudited Six months to 31 May 2008** | | | Unaudited Six months to 31 May 2007 | | | Audited Year to 30 November 2007 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Note | **Revenue £'000** | **Capital £'000** | **Total £'000** | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| (Losses)/gains on investments | 4 | **–** | **(1,626)** | **(1,626)** | – | 2,092 | 2,092 | – | 230 | 230 |
| Investment income | 3 | **304** | **–** | **304** | 466 | – | 466 | 858 | – | 858 |
| Investment management fees | | **(64)** | **(194)** | **(258)** | (73) | (220) | (293) | (144) | (432) | (576) |
| Other expenses | | **(71)** | **–** | **(71)** | (93) | – | (93) | (138) | – | (138) |
| Return/(loss) on ordinary activities before finance costs and taxation | | **169** | **(1,820)** | **(1,651)** | 300 | 1,872 | 2,172 | 576 | (202) | 374 |
| Finance costs | | **(1)** | **–** | **(1)** | – | – | – | – | – | – |
| Return/(loss) on ordinary activities before taxation | | **168** | **(1,820)** | **(1,652)** | 300 | 1,872 | 2,172 | 576 | (202) | 374 |
| Tax (charge)/credit on ordinary activities | 5 | **(26)** | **23** | **(3)** | (47) | 42 | (5) | (97) | 85 | (12) |
| Return/(loss) attributable to shareholders | | **142** | **(1,797)** | **(1,655)** | 253 | 1,914 | 2,167 | 479 | (117) | 362 |
| Return per share (pence) – basic and diluted | 7 | **0.57** | **(7.19)** | **(6.62)** | 1.01 | 7.66 | 8.67 | 1.91 | (0.47) | 1.44 |

*Comparative figures have been extracted from the unaudited interim accounts for the period ended 31 May 2007 and the audited statutory accounts for the year ended 30 November 2007.*

The accompanying notes on pages 12 to 15 are an integral part of these financial statements.

All of the Company's activities derive from continuing operations.

No operations were acquired or discontinued during the period.

The Company has no recognised gains or losses other than the results from the period as disclosed above. Accordingly, a statement of total recognised gains and losses is not required.

The total column of the Income Statement represents the profit and loss account of the Company. The supplementary revenue and capital columns have been prepared in accordance with the AITC's Statement of Recommended Practice.

## Summary Balance Sheet

| | Note | **Unaudited 31 May 2008 £'000** | Unaudited 31 May 2007 £'000 | Audited 30 November 2007 £'000 |
|---|---|---|---|---|
| **Fixed assets investments – at fair value through profit or loss** | | | | |
| Qualifying investments | | **10,880** | 7,768 | 9,820 |
| Non-qualifying investments | | **6,619** | 16,322 | 12,711 |
| **Total fixed asset investments** | | **17,499** | 24,090 | 22,531 |
| **Current assets** | | | | |
| Debtors | | **53** | 156 | 123 |
| Cash at bank | 10 | **4,144** | 2,048 | 1,754 |
| | | **4,197** | 2,204 | 1,877 |
| **Creditors: amounts falling due within one year** | | **(83)** | (720) | (890) |
| **Net current assets** | | **4,114** | 1,484 | 987 |
| **Net assets** | | **21,613** | 25,574 | 23,518 |
| **Capital and reserves** | | | | |
| Called up share capital | 8 | **3** | 3 | 3 |
| Special reserve | | **23,604** | 23,604 | 23,604 |
| Realised capital reserve | | **(631)** | (237) | (418) |
| Unrealised capital reserve | | **(1,504)** | 1,930 | 80 |
| Revenue reserve | | **141** | 274 | 249 |
| **Total shareholders' funds** | | **21,613** | 25,574 | 23,518 |
| **Net asset value (pence per share)** | | **86.52** | 102.38 | 94.15 |

*Comparative figures have been extracted from the unaudited interim accounts for the period ended 31 May 2007 and the audited statutory accounts for the year ended 30 November 2007.*

The accompanying notes on pages 12 to 15 form an integral part of these financial statements.

The financial statements on pages 8 to 15 were approved by the Board of Directors on 18 July 2008.

Signed on behalf of the Board of Directors by

**Andrew Raynor**
Director
18 July 2008

## Summary Reconciliation of Movements in Shareholders' Funds (unaudited)

| | Called up share capital £'000 | Special reserve £'000 | Realised capital reserve £'000 | Unrealised capital reserve £'000 | Revenue reserve £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **As at 30 November 2007** | **3** | **23,604** | **(418)** | **80** | **249** | **23,518** |
| Net (loss)/return after taxation for the period | **–** | **–** | **(213)** | **(1,584)** | **142** | **(1,655)** |
| Dividends paid to shareholders | **–** | **–** | **–** | **–** | **(250)** | **(250)** |
| **As at 31 May 2008** | **3** | **23,604** | **(631)** | **(1,504)** | **141** | **21,613** |
| **As at 30 November 2006** | 3 | 23,623 | (209) | (12) | 270 | 23,675 |
| Net (loss)/return after taxation for the period | – | – | (28) | 1,942 | 253 | 2,167 |
| Shares purchased for cancellation | – | (19) | – | – | – | (19) |
| Dividends paid to shareholders | – | – | – | – | (249) | (249) |
| **As at 31 May 2007** | 3 | 23,604 | (237) | 1,930 | 274 | 25,574 |
| **As at 30 November 2006** | 3 | 23,623 | (209) | (12) | 270 | 23,675 |
| Net (loss)/return after taxation for the year | – | – | (209) | 92 | 479 | 362 |
| Shares purchased for cancellation | – | (19) | – | – | – | (19) |
| Dividends paid to shareholders | – | – | – | – | (500) | (500) |
| **As at 30 November 2007** | 3 | 23,604 | (418) | 80 | 249 | 23,518 |

## Summary Cash Flow Statement

| | Note | **Unaudited Six months to 31 May 2008 £'000** | Unaudited Six months to 31 May 2007 £'000 | Audited Year to 30 November 2007 £'000 |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Investment income received | | **283** | 420 | 808 |
| Deposit interest received | | **76** | 32 | 79 |
| Investment management fees paid | | **(214)** | (326) | (631) |
| Other expenses paid | | **(86)** | (74) | (138) |
| **Net cash inflow from operating activities** | 9 | **59** | 52 | 118 |
| **Servicing of finance** | | | | |
| Interest paid | | **(1)** | – | (1) |
| **Taxation payment** | | **(15)** | – | (29) |
| **Capital expenditure and financial investments** | | | | |
| Purchase of qualifying investments | | **(3,821)** | (2,698) | (5,770) |
| Purchase of non-qualifying investments | | **(375)** | (17) | (16) |
| Disposals of qualifying investments | | **431** | 419 | 419 |
| Disposals of non-qualifying investments | | **6,362** | 3,009 | 6,001 |
| **Net cash inflow from investing activities** | | **2,597** | 713 | 634 |
| **Dividends** | | | | |
| Dividends paid on Ordinary shares | | **(250)** | (249) | (500) |
| **Financing** | | | | |
| Cancellation of shares | | **–** | (19) | (19) |
| **Net cash outflow from financing** | | **–** | (19) | (19) |
| **Increase in cash** | 10 | **2,390** | 497 | 203 |

## Notes to the Summarised set of Financial Statements for the six months to 31 May 2008

**1 Accounting convention**

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

**2 Accounting policies**

**a) Investments**

In accordance with FRS 26 "Financial Instruments: Measurement", equity investment units in an authorised UK Smaller Company unit trust and debt securities are designated as fair value through profit or loss ("FVTPL").

Investments listed on recognised exchanges are valued at the closing bid prices or last traded price at the end of the accounting period. The total column of the Income Statement represents the Company's profit and loss account. Fair value movements on equity investments and gains or losses arising on the disposal of investments are reflected in the capital column of the Income Statement in accordance with the AITC's SORP.

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

The Directors are conscious of the fact that because shares are traded on AIM, this does not guarantee their liquidity. The nature of AIM investments and units in an authorised UK smaller company unit trust are such that the prices can be volatile and realisation may not achieve current book value, especially when such a sale represents a significant proportion of that company's market capital. Nevertheless, on the grounds that the investments are not intended for immediate realisation, the Directors regard bid prices as the most objective and appropriate method of valuation.

**b) Investment income**

Dividends receivable on quoted equity shares and units in an authorised UK smaller company unit trust are taken to revenue on an ex-dividend basis. Returns on listed debt securities are recognised on a time apportionment basis from the date of purchase so as to reflect the effective yield on the securities.

**c) Investment management fees and other expenses**

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue account except as follows:

- expenses which are incidental to the acquisition of an investment are included within the cost of the investment;
- expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment; and
- expenses are allocated between capital and revenue where a connection with maintenance or enhancement of the value of the investments held can be demonstrated. In respect of the Investment Manager's fee, 75% has been allocated to the realised capital reserve and 25% to revenue in the Income Statement.

**d) Performance incentive**

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

## Notes to the Summarised set of Financial Statements for the six months to 31 May 2008 (continued)

**2 Accounting policies** (continued)

**e) Taxation**

Taxation is applied on a current basis in accordance with FRS 16 "current tax" and is based on the profit before taxation for the period. Taxation associated with capitalised expenses is applied in accordance with the SORP. In accordance with FRS 19 "Deferred Tax", deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. The specific nature of taxation of Venture Capital Trusts means that it is unlikely that any deferred tax will arise. The Directors have considered the requirements of FRS 19 and do not believe that any provision should be made.

**f) Reserves**

The realised capital reserve contains gains and losses on the realisation of investments, capital dividends paid to shareholders and investment management fees allocated to the capital reserve and taxation thereon. The unrealised capital reserve contains increases and decreases in the valuation of investments held at the end of the accounting period. The special reserve is distributable and is primarily used for the cancellation of the Company's share capital.

**g) Dividends**

In accordance with FRS 21 "Events after the balance sheet date" interim dividends are not accounted for until paid and final dividends are accounted for when approved by shareholders at an annual general meeting.

**3 Investment income**

| | **Unaudited Six months to 31 May 2008 £'000** | Unaudited Six months to 31 May 2007 £'000 | Audited Year to 30 November 2007 £'000 |
|---|---|---|---|
| Dividend income | **28** | 17 | 25 |
| Floating Rate Note interest income | **187** | 375 | 685 |
| Bank deposit interest income | **62** | 39 | 92 |
| Management fee rebates | **27** | 35 | 56 |
| | **304** | 466 | 858 |

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

**4 (Losses)/gains on investments**

| | **Unaudited Six months to 31 May 2008 £'000** | Unaudited Six months to 31 May 2007 £'000 | Audited Year to 30 November 2007 £'000 |
|---|---|---|---|
| Realised (losses)/gains on investments | **(42)** | 150 | 138 |
| Unrealised (losses)/gains on investments | **(1,584)** | 1,942 | 92 |
| | **(1,626)** | 2,092 | 230 |

## Notes to the Summarised set of Financial Statements for the six months to 31 May 2008 (continued)

**5 Tax (charge)/credit on ordinary activities**

The tax charge for the half-year is £3,000 which relates to an adjustment to the prior year charge (31 May 2007: £5,000; 30 November 2007: £12,000). The effective tax rate is expected to be nil as investment gains are exempt from tax owing to the Company's status as a Venture Capital Trust and there is expected to be an excess of management expenses over taxable income.

**6 Dividends**

During the period, the Company paid a dividend of 1.00p per Ordinary share making a total dividend payment of £250,000 (31 May 2007: £249,000; 30 November 2007: £500,000). The Board has declared a dividend of 1.00p per Ordinary share (0.5 pence out of revenue reserves and 0.5 pence out of realised gains). This dividend is subject to HM Revenue & Customs approval. The record date and payment date of this dividend will be announced on the London Stock Exchange RNS service.

**7 Basic and diluted return per share**

Return per share has been calculated on 24,980,111 (31 May 2007: 24,989,639; 30 November 2007: 25,053,501) shares being the weighted average number of A and B Ordinary shares in issue for the period.

There are no convertible instruments, derivatives or contingent share agreements in issue for Close IHT AIM PLC hence there are no dilution effects to the return per share. The basic return per share is therefore the same as the diluted return per share.

**8 Share Capital**

| | **Unaudited Six months to 31 May 2008 £'000** | Unaudited Six months to 31 May 2007 £'000 | Audited Year to 30 November 2007 £'000 |
|---|---|---|---|
| **Authorised** | | | |
| 275,000,000 A Ordinary shares of 0.01p each | **27** | 27 | 27 |
| 275,000,000 B Ordinary shares of 0.01p each | **27** | 27 | 27 |
| **Allotted called up and fully paid** | | | |
| 7,299,461 A Ordinary shares of 0.01p each | **1** | 1 | 1 |
| 17,680,650 B Ordinary shares of 0.01p each | **2** | 2 | 2 |
| | **3** | 3 | 3 |

All classes of shares rank pari passu as to rights to attend and vote at any general meeting of the Company, and to receive dividends.
The capital and assets of the Company shall on a winding up be divided amongst the holders of each class of share pro rata according to their shareholding.

**9 Reconciliation of (loss)/return before finance costs and taxation to net cash inflow from operating activities**

| | **Unaudited Six months to 31 May 2008 £'000** | Unaudited Six months to 31 May 2007 £'000 | Audited Year to 30 November 2007 £'000 |
|---|---|---|---|
| (Loss)/return on ordinary activities before finance costs and taxation | **(1,651)** | 2,172 | 374 |
| Net capital loss/(return) before finance costs and taxation | **1,820** | (1,872) | 202 |
| Investment management fees charged to capital | **(194)** | (220) | (432) |
| Decrease/(increase) in operating debtors | **69** | (17) | 16 |
| Increase/(decrease) in operating creditors | **15** | (11) | (42) |
| **Net cash inflow from operating activities** | **59** | 52 | 118 |

## Notes to the Summarised set of Financial Statements for the six months to 31 May 2008 (continued)

**10 Analysis of change in cash during the period**

| | **Unaudited Six months to 31 May 2008 £'000** | Unaudited Six months to 31 May 2007 £'000 | Audited Year to 30 November 2007 £'000 |
|---|---|---|---|
| Opening net funds | **1,754** | 1,551 | 1,551 |
| Net cash inflow | **2,390** | 497 | 203 |
| **Closing net funds** | **4,144** | 2,048 | 1,754 |

**11 Related party transactions**

The Investment Manager, Close Investments Limited, is considered to be a related party by virtue of the fact that it is party to a management agreement from the Company. During the period, services of a total value of £258,000 (31 May 2007: £293,000; 30 November 2007: £576,000) were purchased by the Company from Close Investments Limited. At the financial period end, the amount due to Close Investments Limited was £37,000 (31 May 2007: £14,000; 30 November 2007: nil) and debtors were nil (31 May 2007: nil; 30 November 2007: £8,000).

As at 31 May 2008, the Company held 3,071,189 units, in Close Special Situations Fund, an authorised unit trust which is managed by Close Investments (UK) Limited, a subsidiary of Close Brothers Group, the ultimate parent company of the Investment Manager. This investment was valued at £3,299,000 as at 31 May 2008 (cost £2,925,000). The Company received a rebate of £27,000 (31 May 2007: £35,000; 30 November 2007: £56,000) on the Management fees charged by Close Special Situations Fund in the period under review.

The Close Special Situations Fund held an investment in Tenon Group PLC, a company of which Andrew Raynor is Chief Executive Officer.

**12 Other information**

The information set out in this Half-yearly Report does not constitute the Company's statutory accounts within the terms of section 240 of the Companies Act 1985 for the period ended 31 May 2008 and 31 May 2007, and is unaudited. The information for the year ended 30 November 2007 does not constitute statutory accounts within the terms of section 240 of the Companies Act 1985 and is derived from the statutory accounts for the financial year, which have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified and did not contain a statement under s237 (2) or (3) of the Companies Act 1985.

**13 Publication**

The Half-yearly report is being sent to shareholders and copies will be made available to the public at the registered office of the Company and at Companies House, the FSA viewing facility and also electronically on www.closeventures.co.uk.

## Company Information

| | |
|---|---|
| Directors | Keith Richard Mullins *Chairman*<br>Christopher Holdsworth Hunt<br>Andrew Paul Raynor FCA |
| Investment Manager | Close Investments Limited<br>10 Exchange Square<br>Primrose Street<br>London EC2A 2BY<br>Tel: 0207 426 4000 |
| Company secretary & registered office | Close Ventures Limited<br>10 Crown Place<br>London EC2A 4FT<br>Tel: 020 7422 7830<br>Fax: 020 7422 7849<br>www.closeventures.co.uk<br>E-mail: enquiries@closeventures.co.uk |
| Registered auditors | PKF (UK) LLP<br>Farringdon Place<br>20 Farringdon Road<br>London EC1M 3AP |
| Taxation advisers | PricewaterhouseCoopers LLP<br>1 Embankment Place<br>London WC2N 6NN |
| Custodians | Capita Trust Company Limited<br>7th Floor, Phoenix House<br>18 King William Street<br>London EC4N 7HE |
| Registrar | Capita Registrars<br>Northern House<br>Woodsome Park<br>Fenay Bridge<br>Huddersfield HD8 0LA |
| Shareholder helpline | Tel: 0871 664 0300*<br>Overseas tel: +44 208 639 3399<br>Fax: 0871 664 0399<br>E-mail: ssd@capitaregistrars.com |
| Company number | 5528235 |

Close IHT AIM VCT PLC is a member of the Association of Investment Companies.
* (Calls cost 10 pence per minute plus network extras)

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A subsidiary of Close Brothers Group plc

Authorised and regulated by the Financial Services Authority