CLOSE BROTHERS
AIM VCT PLC

Report and Financial Statements
for the year ended
29 February 2008

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COMPANY INFORMATION

Company number	03477519
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Close AIM VCT PLC is a member of the Association of Investment Companies.

FINANCIAL HIGHLIGHTS

	Ordinary Shares		D Shares	
	Year to 29 February 2008	Year to 28 February 2007	Year to 29 February 2008	Year to 28 February 2007
Total return per share (pence)	**(22.80)**	4.88	**(10.23)**	7.99
Net dividend paid per share (pence)	**5.00**	4.20	**5.00**	3.30
Net asset value per share (pence)	**60.06**	87.76	**110.23**	125.43
Net assets (£million)	**17.35**	26.29	**17.44**	20.09

Shareholder value per share since launch:

	Ordinary Shares pence per share	C Shares pence per share (subsequently converted to Ordinary shares)	D Shares pence per share
Total dividends paid during the period to 28 February 1999	1.88	–	–
Total dividends paid during the year to 29 February 2000	3.13	–	–
Total dividends paid during the year to 28 February 2001	37.25	–	–
Total dividends paid during the year to 28 February 2002	6.50	2.25	–
Total dividends paid during the year to 28 February 2003	3.50	1.50	–
Total dividends paid during the year to 29 February 2004	0.50	0.50	–
Total dividends paid during the year to 28 February 2005	0.50	0.50	0.50
Total dividends paid during the year to 28 February 2006	2.15	2.31*	2.25
Total dividends paid during the year to 28 February 2007	4.20	4.52*	3.30
Total dividends paid during the year to 29 February 2008	5.00	5.38*	5.00
Total dividends (capital and revenue)	64.61	16.96	11.05
Net asset value at 29 February 2008	60.06	64.65*	110.23
Total cumulative shareholder return at 29 February 2008	124.67	81.61	121.28

In addition to the above dividends, the Directors have declared a dividend of 2.50 pence per Ordinary share (0.60 pence revenue and 1.90 pence paid out of realised capital gains) and 2.50 pence per D share, (0.60 pence revenue and 1.90 pence paid out of realised capital gains) subject to approval by HM Revenue & Customs. The record date and payment date of this dividend will be announced on the London Stock Exchange RNS service.

* Net asset value and dividends adjusted for the conversion factor explained below.

Notes

- Dividends paid before 5 April 1999 were paid inclusive of the tax credit.
- The above table excludes the tax benefits investors received upon subscription.
- The Ordinary Shares were first listed on 17 March 1998.
- Dividends paid before 5 April 1999 were paid to qualifying shareholders inclusive of the associated tax credit.
- The D Shares were first listed on 17 March 2004.
- The C Shares were converted into Ordinary Shares on 31 May 2004, in accordance with the conversion factor of 1.0765 Ordinary Shares for each C Share. This adjustment is shown in the net asset value per C share above.
- New D Shares issued between 6 January 2005 and 8 April 2005, did not rank for the final dividend.
- 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.

FINANCIAL CALENDAR

Annual General Meeting	10 June 2008
Record date for first dividend*	May 2008
Payment of the first dividend*	June 2008
Conversion of Ordinary Shares into D shares	31 May 2008
Announcement of interim results for the six months ended 31 August 2008	October 2008

* Subject to HM Revenue & Customs approval.

CAPITAL STRUCTURE

Close Brothers AIM VCT PLC (the "Company" or the "Fund") was launched in the spring of 1998 and raised £10.1m from private investors through an issue of Ordinary Shares. Between October 2000 and March 2001 a further £20.01m was raised through an issue of C Shares. Furthermore, between 16 March 2004 and final closing on 5 April 2004 the company raised £3.3m by way of a D Share issue. The C Shares were merged and converted into Ordinary Shares on 31 May 2004 at a conversion ratio determined by a price mechanism related to the respective net assets per share of both the Ordinary Shares and C Shares at 29 February 2004*. A further £15.0m was raised between 6 January 2005 and 8 April 2005 through an issue of New D Shares. The Ordinary Shares will be converted into D Shares on 31 May 2008 at a conversion ratio of 0.5448 D Shares for each Ordinary Share. Until such time, each class of shares will be treated separately in calculating the return to investors.

* This resulted in C Shareholders receiving 1.0765 Ordinary Shares for each C Share held.

INVESTMENT STRATEGY

The investment strategy of Close Brothers AIM VCT PLC is to allocate approximately 80 per cent of its funds to Qualifying Investments in companies quoted on AIM or PLUS and the balance of 20 per cent to Non-Qualifying Investments.

Qualifying Investments

The policy adopted by the Investment Manager, Close Investments Limited, is to seek to achieve such capital appreciation as is consistent with a prudent approach to investment in companies traded on AIM or PLUS which qualify for venture capital trust purposes. It is the Investment Manager's intention to manage a broadly based portfolio of investments in companies which have traded for three years or more. Start-up companies will usually be avoided.

All business sectors on AIM and PLUS are considered for investment by the Investment Manager, subject to the requirement to undertake a qualifying trade.

Non-Qualifying Investments

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, principally comprising fixed and floating rate securities, financial instruments and money-market deposits with major banks and institutions, with a minimum Moody's long-term debt rating of triple 'A'.

CHAIRMAN'S STATEMENT

In my Half-yearly statement last October, I noted that shares in larger companies had recovered on the back of interest rate cuts in the US and the hope of UK rates following suit. It remained to be seen whether this trend trickled down to smaller companies. I am afraid not only has it not done so but the recovery in larger company shares was short lived and their decline contributed to an even larger decline in the value of smaller companies.

The second half of the year has continued in the same vein as that of the first, namely volatile stockmarkets which have particularly impacted the share prices of smaller companies as appetite for risk has diminished. As a result I have to report disappointing net asset value declines of 25.9 per cent and 8.1 per cent (after adding back dividends paid of 5.00 pence per each class of share) for the Ordinary and D shares respectively for the year to 29 February 2008. As at 29 February 2008 the total cumulative return in respect of the Ordinary and D Shares was 124.67 pence and 121.28 pence per share respectively. Although this decline is disappointing it does help demonstrate the importance of our dividend philosophy of attempting to maintain an annual dividend of at least 5.00 pence per Ordinary and D Share.

The above performance needs to be placed into context. Although there is not a perfect comparable index the two most similar indices are the FTSE AIM Index and the FTSE Small Cap (ex Investment Trusts). The former declined by 7.5 per cent, reflecting its significant bias (30 per cent) towards the oil and gas, and basic materials sectors which performed very well. The latter index, which does not have the same bias, declined by 25.3 per cent during the year.

During the second half, the D Share Portfolio met and exceeded its 70 per cent qualifying level for investments. On merging with the Ordinary Shares, the combined cover will be over 80 per cent giving some flexibility to take profits in holdings to safeguard future dividend payments.

The mid-market price of the Ordinary and D Shares declined by 35 per cent and 15 per cent respectively during the year. This was despite our ongoing commitment to manage as best we can the discount to net asset value at as close to a range of between 8 per cent to 10 per cent via the repurchase of shares.

Performance

The Investment Manager's report on page 6 gives further details of the market background and the reasons underlying the performance of the Portfolios. The graphs on page 29 show the total return of each class of share against the AIM Index since launch. The AIM Index includes companies in which we cannot invest and thus it is not a strictly comparable benchmark.

Dividends

Ordinary Shares

Dividends paid during the financial year to 29 February 2008 totalled 5.00 pence per Ordinary Share (2007: 4.20 pence per share). In addition, the Board has declared its first dividend of 2.50 pence per share (2007: 2.50 pence per share). 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.

D shares

Dividends paid during the financial year to 29 February 2008 totalled 5.00 pence per D Share (2007: 3.30 pence per share). In addition, the Board has declared a first dividend of 2.50 pence per share (2007: 2.50 pence per share). 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.

Management of the discount

Your Board continues to believe that it is in the best interest of all shareholders for it to manage the discount to net asset value at which the shares trade with a view to maintaining it as close to 8 per cent as possible. During the year under review your Board exercised its power to buy back shares. To this end we repurchased 432,825 Ordinary and 168,341 D Shares for cancellation and 638,813 Ordinary Shares and 28,047 D Shares into Treasury, giving your Board greater flexibility in regard to future re-issuance to meet potential demand. I would like again to remind shareholders who wish to sell to contact the Investment Manager at Close Investments Limited, in the interests of achieving a reasonable price.

CHAIRMAN'S STATEMENT
(continued)

Revised arrangements to merge the Ordinary Shares Fund and the D Shares Fund

I wrote to shareholders on 25 March 2008 explaining the reason for the convening of the Extraordinary General Meeting and the separate class meetings, and the Board's proposal to review the arrangements of the merger between the Ordinary Shares Fund and the D Shares Fund. The D Shares were issued in 2004 and 2005 on the basis that they would be merged and the D Shares would be converted into Ordinary Shares with effect from 31 May 2008 calculated by reference to the respective NAVs of the Ordinary Shares and the D Shares as at the close of business on 29 February 2008. The Directors believed that it would be more appropriate to effect the merging of the two share classes by converting the Ordinary Shares into D Shares and then redesignating all of the D Shares into new Ordinary Shares ("New Shares").

The necessary resolutions to approve your board's proposal were passed at the Extraordinary General Meeting and the separate class meetings on 22 April 2008. As a result, the Ordinary Shares will convert into D Shares at a ratio of 0.5448 D Shares for each Ordinary Share, with effect from 31 May 2008. All shares of the Company will be immediately renamed Ordinary Shares. Share certificates in respect of all shares are expected to be posted on or around 9 June 2008.

Risks and Uncertainties

As required under the new Listing Rules under which your Company operates, we are required to comment on the potential risks and uncertainties which could have a material impact over the Company's performance. The key risk derives from the need to maintain the HM Revenue & Customs regulations requiring 70 per cent of your Company to be invested in qualifying holdings. Although the UK economy may still be growing, it could be affected by the current unease in the financial and property markets. While this could give rise to additional investment opportunities at lower prices, a downturn could affect existing companies' trading prospects and share prices.

Proposed change to the Company's Articles of Association

I draw shareholders attention to the proposed resolution to change the Articles of Association, which is described in detail on page 34 of the Directors' Report and Business Review. The new provisions of the Companies Act 2006 include the requirement for Directors to avoid actual or potential conflicts of interest with effect from 1 October 2008. The Directors are proposing a resolution to allow Directors to approve actual or potential conflict situations, should it be in the Company's best interests to do so, and to allow conflicts of interest to be dealt with in a similar way to the current position.

Outlook

The year under review has been an exceptionally difficult time for financial assets and smaller companies in particular. Our Investment Manager's report on pages 6 to 10 goes into this in greater detail. There has been a collapse in confidence amongst financial institutions and until this is restored markets will remain fragile. Thus, despite the generally good trading results from many smaller companies, their share prices have been substantially de-rated compared with the FTSE 100 companies and with the high level of risk aversion now paramount in investment decisions, it is possible that small companies may stay out of favour for a while. However, many of the investments in both portfolios continue to make good underlying trading progress and this should augur well for the future once confidence returns to the market.

Michael Reeve
Chairman
29 April 2008

INVESTMENT MANAGER'S REPORT

Introduction

The focus of the year under review was the investment of the cash in the D Share portfolio in order to achieve qualifying status for the Company. The result is that, once the two portfolios are merged in May 2008, the combined cover will be over 80 per cent giving room to realise some investments without risking the VCT status of the Company.

Market Overview

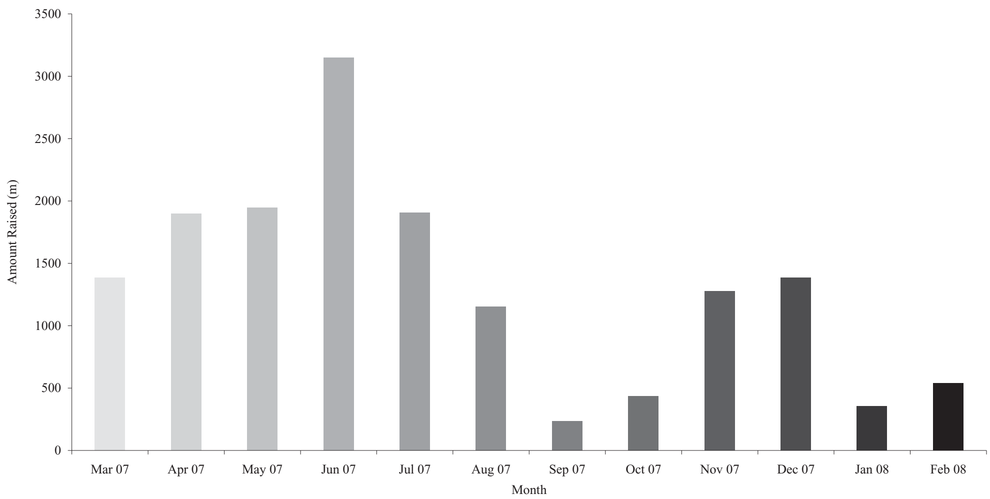
The AIM market has, like every equity market this past year, suffered several bouts of severe volatility in a general downward trend. The first part of 2007 was dominated by early signs of what we all now fully recognise, namely the credit crisis. In addition, markets began to worry about slowing global economic growth (particularly in the US) and UK economic concerns relating to property market weakness and inflation. These fears gathered momentum as 2007 progressed, fuelled by the near collapse of Northern Rock and worries over financial contagion in international markets. Against this backdrop market sentiment turned negative with the resulting "flight to quality" and quality, in such conditions, does not include small companies as they are seen as riskier assets. As trading volumes in smaller company shares became a casualty, smaller company shares lost their premium ratings relative to larger companies. This has continued to be the case since the end of February 2008 as concerns about the global economic environment have increased.

All of the above affected smaller companies generally, with the result that the Smaller Companies Index (ex Investment Trusts) fell by 25.3 per cent in the period. AIM fared much better because of its weighting in resource stocks which outperformed. Unfortunately your Company is unable to invest in resource stocks, and so the AIM Index has been a poor comparative in the period.

You will see from the charts below that these market conditions had a significant effect on the funds raised on AIM and the number of admissions to AIM in the second half of the year. There are still VCT qualifying opportunities out there, but there is less choice than there was a year ago.

Funds Raised (£m) on AIM

1 March 2007 to 29 February 2008

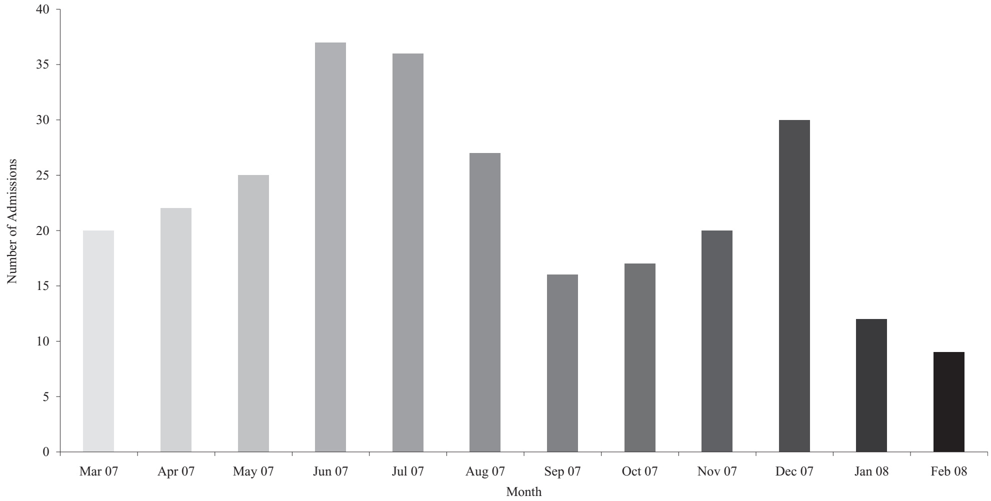


Source: Close Investments Limited

INVESTMENT MANAGER'S REPORT
(continued)

Admissions to AIM

1 March 2007 to 29 February 2008



Source: Close Investments Limited

Ordinary Share Portfolio

Performance

Despite many companies within the portfolio reporting positive trading updates, the performance of your Company's NAV has undoubtedly been negatively affected by the rapid change in market sentiment and falling smaller company valuations. It is fair to say that share prices at the moment generally bear little relation to companies' trading performance and are not directly related to supply and demand as liquidity has become poorer. During the year under review, your NAV fell by 25.9 per cent (after adding back the 5.00p dividends paid out in the year) against a 7.5 per cent fall in the AIM Index and a 25.3 per cent fall in the Smaller Companies (ex Investment Trust) Index. However, as highlighted earlier, the second half of the financial year has been particularly weak since the credit crisis hit the headlines in August. As a result, your company's NAV fell by 21.3 per cent (after adding back a 2.50p dividend) against an 7.4 per cent fall in the AIM Index on a total return basis in the second half of the year.

This out performance of AIM relative to the portfolio reflects the dominance of oil, gas and mining stocks, which represent nearly a third of AIM by value. Buoyancy in commodity markets and continued increases in the price of oil provided a boost to the share price performance of these stocks on AIM last year. It is worth noting that these stocks do not qualify for VCT investment, therefore your portfolio was unable to benefit from this uplift. However, we have been encouraged by the good trading results reported by various companies within the portfolio during the year under review.

All of the shares in the portfolio were affected by market conditions, but there were some notable movements. In the first half of the year, the biggest effect was felt by the failure of Interlink Foods. In the second half, the biggest contributors to the poor performance were those perceived as cyclical, which made up quite a proportion of the investments. Examples include Colliers, the commercial estate agency which now languishes on a single digit p/e yielding 8 per cent despite having an un-geared balance sheet and a good base of valuation business, and Bond International Software, where beating market expectations counted for nothing in the face of fears about a slowdown in demand from its recruitment company customers. Other recruitment companies in the portfolio also suffered, led by Imprint which had its own difficulties but is now subject to three competing takeover bids. Vertu Motors has also seen its share price halve since it floated on fears about the effect of an economic slowdown on its business. It currently sits at a 30 per cent discount to net assets. Other casualties were Clapham House, Individual Restaurant Group and Food and Drink Group. All these share prices have suffered from sector fears and Clapham House and Food and Drink Group also suffered profit warnings. Clapham House Group now has Capricorn Ventures as a 26 per cent shareholder as a result of share buying on weakness.

INVESTMENT MANAGER'S REPORT
(continued)

Portfolio Activity

The portfolio is listed on pages 13 to 18 and consists of 46 qualifying holdings at a cost of £15.8m. At the end of February 2008, the Ordinary Shares portfolio was 90 per cent invested in qualifying holdings. Once the Ordinary and the D Shares merge, the combined cover would be over 80 per cent which is the internal target for the Company.

During the year, five qualifying investments were made at a cost of £1.4m. This was below the level of investment for the previous year and represented a progressive decline in the number of attractive VCT qualifying opportunities as the market turbulence increased. Four of the five were made alongside the D shares and the fifth, Spice Group, was acquired when Revenue Assurance was taken over for a mixture of cash and Spice stock. Although Spice has plans to move to the full list later this year its stock will remain qualifying for VCT purposes for three years. There is a short description of the other new investments in the New Investments section on page 19.

You will see from the schedule of disposals on page 20 that we sold investments totalling £1.9m in the year. The biggest disposal was of shares in Tanfield Group, which has been a very successful investment, and where we took profits throughout the year. It is now a company with a market capitalisation of several hundred millions with significant US operations as well as its UK based electric vehicle business. The other two main disposals were BBI and Revenue Assurance Group which were both taken over. In the latter, we took a mixture of cash and VCT qualifying Spice stock. Profits on these disposals have added £0.6m to the future dividend paying ability of the Company.

D share Portfolio

Performance

The NAV of the D shares fell by 12.1 per cent to 110.23p. If dividends paid out during the year are added back, the total negative return over the year was 8.1 per cent. This compares with a fall in the AIM Index of 7.5 per cent. The D shares were also affected by market conditions, particularly in the second half of the year when the NAV fell by 10.6 per cent (after adding back a 2.50p dividend) against a background of rapidly worsening sentiment and falling smaller company valuations. The decline was less severe than in the Ordinary shares because cash weightings were still higher as the portfolio was being invested.

Portfolio activity

The portfolio is listed on pages 13 to 18 and consists of 43 qualifying holdings at a cost of £11.8m. At the end of February 2008, the D share portfolio was 73 per cent invested in qualifying holdings.

During the year sixteen qualifying investments were made at a cost of £4.9m. This represented an increase in the rate of investment that had been achieved the previous year despite harder market conditions. Of these investments, eight were in existing AIM companies, allowing the valuation to be set by an existing share price in the marketplace reflecting market conditions at the time. Two of these were follow on investments in Claimar and Clerkenwell Ventures. The remainder were new flotations, where prices became more realistic as the year progressed.

You will see from the schedule of disposals on page 20 that we sold investments totalling £1.9m at an overall profit of £1m. As for the Ordinary portfolio, the largest disposal was of Tanfield shares where profits were taken throughout the year. The other two main ones were BBI and Computer Software Group which were both taken over. Profits on these disposals have added £1.4m to the future dividend paying ability of the Company.

Among the existing holdings, there was mainly good trading news. The disappointments have been Hatpin, Telephonetics, Twenty and BGlobal. Hatpin announced the suspension of its shares pending the clarification of the company's financial position on 8 February 2008. It has since announced the sale of one of its businesses and the appointment of a new chairman. It is expected to come back from suspension on the announcement of its financial results to December 2007. Telephonetics and Twenty have suffered from a sharp rise in costs resulting in lower profit margins. However, both companies have announced several contract wins over the last few months which is encouraging. BGlobal has been affected by the Government's consultation on smart metering which caused a delay in large scale installations by a major energy supplier. However, we believe the company is still well placed to benefit from future market growth. The company recently announced that it is to supply end to end smart metering solutions to Scottish & Southern Energy's largest electricity business customers.

Claimar Care Group continues to trade well despite continued local authority budget constraints. The company has made several acquisitions over the last year and the pipeline of acquisition opportunities remains strong. Hexagon Human Capital is now the largest senior interim management provider in Europe following its last acquisition. The company's interim results showed continued improvement in the core interim management business. The company's share price fall over the last few months, though

INVESTMENT MANAGER'S REPORT (continued)

in line with the recruitment sector in general, poorly reflects the visibility of its income relative to its sector peers.

Neuropharm trials for autism appear to be on track and since float the company has signed two major collaborative agreements in the US. IDOX has fully integrated CAPS Solution which it acquired in June 2007. The trading performance of both IDOX and CAPS Solution has been strong and the installed base of its systems continues to grow.

Both Vertu Motors and Individual Restaurant Company have issued positive trading statements despite concerns about the UK consumer which has had a negative impact on their share prices.

New Investments in the Ordinary and D Share portfolios

Animalcare (£300,000 invested in the D Portfolio)
Animalcare is a provider of pharmaceutical products and services to vets and vet wholesalers.

B Global (£150,000 invested for the D Portfolio)
B Global installs smart meters for the utilities market.

Freshwater UK (£304,000 invested for the D Portfolio)
Freshwater is based in Cardiff and provides public relations and other media services to regional and national clients.

IDOX (£362,000 invested for the D Portfolio)
IDOX is a software company that develops document, content and information management systems for the public sector.

Invu (£200,000 invested for the D Portfolio)
Invu is a software company that develops documents and information management software programmes.

Melorio (£326,000 invested for the Ordinary Portfolio, £490,000 invested for the D Portfolio)
Melorio floated on AIM in October 2007 and is a newly formed vehicle aimed at consolidating the UK vocational training market.

Mount Engineering (£431,000 invested for the D Portfolio)
Mount Engineering manufacturers and supplies thread conversion adaptors mainly for the oil industry.

Neuropharm Group (£400,000 invested in each of the Ordinary and D Portfolios)
Neuropharm is a pharmaceutical company specialising in the development of treatment for autism and other disorders of the central nervous system.

Optimisa (£239,000 invested for the Ordinary Portfolio and £443,000 for the D Portfolio)
Optimisa is a media consultancy and market research company specialising in interpreting market data and forecasting business models for new and existing product lines.

Plastics Capital (£400,000 invested for the D Portfolio)
Plastics Capital is a manufacturer and supplier of high margin plastic mouldings and extrusions to the industrial sector.

Pressure Technologies (£300,000 invested for the D Portfolio)
Pressure Technologies designs, manufacturers and tests high pressure seamless steel cylinders used in the global energy and defence markets.

Tasty (£149,000 invested for the D Portfolio)
Tasty operates restaurants specialising in oriental food.

INVESTMENT MANAGER'S REPORT
(continued)

Outlook

We have moved from a benign economic background to a rather more hostile one as far as small companies are concerned. Fears about the UK consumer retreating further in the face of falling house prices, rising energy and food prices and financial sector woes have resulted in downward revisions to UK GDP growth in 2008. Despite cuts in base rates to the current 5 per cent level, inflationary pressures remain high on the Bank of England's list of concerns leaving limited further room for manoeuvre.

Against this background it should not really be a surprise that smaller company share prices have been de-rated to the extent that they have. However, the crucial question for investors now is whether the problems, which lie ahead, are already fully reflected in smaller company share prices. To answer that question we have to make the assumption that companies will continue to trade and, although they may not be as profitable as current estimates suggest, that they will still be profitable. Thus while it is possible to find companies on a Price Earnings Ratio of 1, which might turn out to be 3 or 4 at the end of the year, the question is whether the share price falls further as profit expectations are reduced. We would argue strongly that in general, share prices now reflect the macro concerns of investors and that cash generative companies, representing minimal risk to banks, will be able to trade and borrow relatively normally. Thus for such companies, share prices which reflect a general mark down by market makers are probably too cheap, because, as usual in the first phase of a market adjustment, the stock market fails to discriminate between companies. It requires specific information about companies over time to begin to be able to value them correctly.

Following the merger of the two portfolios, it is reassuring that all but two of the top ten holdings are profitable companies, and four of them are dividend paying, despite some being relatively young investments. Trading statements have also, on balance, been encouraging. While it is undoubtedly true that there are some major economic issues that have to be resolved and, no doubt too, some further shocks perhaps involving another major bank's solvency, it seems to us that, as regards small companies, the worst that is likely to befall their share prices has largely occurred. What we cannot yet predict is the length of time that the economy takes to recover some degree of positive growth and therefore the time during which small company share prices might stagnate. However, even a period in which share prices hardly move may be sufficient to rekindle some new issue activity and that will begin to attract attention to value that small companies represent.

Close Investments Limited
29 April 2008

THE BOARD OF DIRECTORS

The Board comprises three Directors, all of whom are independent of the Investment Manager. The Directors operate in a non-executive capacity and are responsible for overseeing the investment strategy of the Company. The Board has wide experience of investment in both smaller growing companies and larger quoted companies.

Michael Reeve (71) MA, FCA
Michael Reeve is the Chairman of the Company. He is a chartered accountant and was formerly managing director of Greyhound Bank PLC from 1981-1987 and a director of Rea Brothers Plc from 1977-80. He was the chairman and director of Finsbury Growth & Income Trust PLC from 1991-2008. He is currently a director of a number of unquoted companies. Michael Reeve became Director and Chairman of the Company on 2 February 1998.

Roger Smith (69) BSc (Hons)
Roger Smith is chairman of a family owned investment company with a wide range of interests and investments. He was deputy chairman of Tricentrol plc, and chairman of European Motor Holdings PLC from 1992 to 2007. He is chairman of Harpenden Building Society and of the Central Finance Board of the Methodist Church. Roger Smith became a Director of the Company on 2 February 1998.

Stephen Hazell-Smith (54)
Stephen Hazell-Smith was, until September 2001 the managing director of Close Investment Limited. Prior to this he gained experience of investment in smaller companies at GT Investment Management where he was responsible for launching its first UK smaller companies portfolio known as the UK Equity Fund. He also worked at Mercury Asset Management from 1989 to 1992. He is currently chairman of Conduit PR Limited, chairman of Phoenix VCT PLC and chairman of PLUS Markets Group PLC. Stephen Hazell-Smith became a Director of the Company on 2 February 1998.

The Board announced on 12 March 2007 the sad news of the passing of Frank Malcolm on 10 March 2007. Frank had been a Director of the Company since its launch in 1998.

THE INVESTMENT MANAGER

With effect from 30 September 2006, the business activities of Close Investment Limited (formerly Rutherford Asset Management Limited ("RAML")), were transferred to a fellow subsidiary of Close Brothers Group plc, Close Investments Limited. RAML was established in June 1992 to specialise in investment in small and unquoted companies. In August 1994, RAML was appointed as the investment manager to the newly formed Beacon Investment Trust plc ("Beacon"), one of the first investment vehicles to specialise in what was then the Rule 4.2 trading facility (where bargains in unquoted securities were matched) of the London Stock Exchange. Beacon was converted into an open ended investment company ("OEIC"), Close Beacon Investment Fund, in December 1999.

RAML played a leading role in the establishment of AIM. In May 1997, RAML was acquired by Close Brothers Group plc and changed its name to Close Investment Limited subsequently becoming Close Investments Limited.

In addition to Close Brothers AIM VCT PLC, Close Investments Limited also provides investment advice to a number of funds which specialise in investment in small unquoted companies including two Venture Capital Trusts, Close IHT AIM VCT PLC and Close Second AIM VCT PLC. It also advises a range of portfolios which seek to achieve benefits for their investors such as accelerated taper relief, inheritance tax business property relief and capital gains tax deferral. Close Investments Limited therefore has the necessary experience to manage the share portfolio and continues to be a prominent manager of specialist AIM portfolios. It has three experienced AIM and PLUS specialist managers.

The AIM investment team of Close Investments Limited is as follows;

Andrew Buchanan (56)
Andrew Buchanan joined Barclays Bank to manage investment portfolios in 1973. After gaining an MBA from London Business School, he joined Performance Analysis Services in 1980, specialising in quantitative investment analysis. In 1985, he moved to Mercury Asset Management, where he managed UK equities for a range of pension funds. After a period at Hoare Govett he joined RAML in 1993 and has been responsible for managing Beacon since its establishment in 1994. Andrew is also involved in the management of all of the AIM portfolios, particularly the capital gains tax deferral portfolios referred to above, which invest in AIM and PLUS companies.

Kate Tidbury (44)
Kate Tidbury joined Close Investments Limited in November 2000 after a career which has included experience both as an investment analyst and as a fund manager, including periods as an analyst with Sheppards and Chase and Panmure Gordon. From 1993 to 2000 she managed funds totalling £180m including specialist ethical and small and mid-cap funds, initially for the Co-operative Bank, and then for Colonial First State Investments. Kate is involved in the management of all of the AIM portfolios, particularly the inheritance tax portfolios.

Stephen Wood (25)
Stephen Wood joined Close Investments Limited at the beginning of 2007 initially working for the specialist technology team and latterly with the AIM team. Stephen holds a Masters degree in Electronic Engineering from University College London.

PORTFOLIO OF INVESTMENTS

The following are the details of qualifying investments at 29 February 2008:

Company and description	Fair value at 29 February 2008 Ordinary Shares £'000	D Shares £'000	Book cost at 29 February 2008 Ordinary Shares £'000	D Shares £'000	Shareholding at 29 February 2008 Ordinary Shares	D Shares	Voting equity owned %	Voting equity owned by CIL* managed funds %
Adept Telecom Ord GBP0.10 Provider of fixed-line, line rental and broadband services in the UK.	–	201	–	600	–	428,571	2.0	4.6
Adventis Group Ord GBP0.0025 Multi media marketing and advertising agency.	–	261	–	165	–	578,947	1.4	1.4
Animalcare Group Ord GBP0.20 Provider of pharmaceutical products and services to vet and vet wholesalers.	–	316	–	300	–	545,456	2.8	12.7
Armour Group Ord GBP0.10 Producer of smart leads and assemblies for in-car and home entertainment.	153	–	200	–	444,444	–	0.6	0.6
B Global Ord GBP0.01 Provider of smart meters for the utilities market.	–	117	–	150	–	300,000	0.5	1.6
Bond International Software Ord GBP0.01 Provider of business software and support solutions to the recruitment and human resources industry.	773	–	269	–	672,500	–	2.0	2.4
Brooks MacDonald Group Ord GBP0.01 Provider of asset management and financial consulting services.	447	194	230	100	164,282	71,429	2.4	3.1
Brulines (Hldgs) Ord GBP0.10 Provider of quality revenue protection systems mainly for pub chains.	195	195	169	169	137,255	137,255	1.1	2.9
Cains Beer Company Ord GBP0.01 Managed pub operator in North West England.	53	–	293	–	532,000	–	0.4	0.4
Capcon Holdings Ord GBP0.01 Provider of audit, stock taking and commercial investigation services.	3	–	76	–	94,692	–	0.9	0.9
Cello Group Ord GBP0.10 Marketing services group.	546	214	510	200	510,000	200,000	1.8	2.2
Claimar Care Group Ord GBP0.01 Provider of domicilliary care services in the UK.	576	776	395	595	548,600	739,078	2.6	4.3
Clapham House Group (The) Ord GBP0.10 Acquirer and developer of restaurants across the UK.	346	–	216	–	177,623	–	0.5	0.6
Clarity Commerce Ord GBP0.25 Supplier of electronic point of sale software and membership software solutions to the leisure sector.	129	–	386	–	514,522	–	1.6	1.6

PORTFOLIO OF INVESTMENTS
(continued)

Company and description	Fair value at 29 February 2008 Ordinary Shares £'000	D Shares £'000	Book cost at 29 February 2008 Ordinary Shares £'000	D Shares £'000	Shareholding at 29 February 2008 Ordinary Shares	D Shares	Voting equity owned %	Voting equity owned by CIL* managed funds %
Clerkenwell Ventures Ord GBP0.05 Currently a cash shell with a focus on acquiring UK restaurant groups.	180	360	250	500	666,666	1,333,333	3.7	8.0
Clipper Ventures Ord GBP0.01 Owner and organiser of the Clipper and Around Alone round the world yacht races.	191	–	297	–	1,593,762	–	4.1	4.1
Colliers Cre Ord GBP0.10 Provider of real estate solutions to the UK and international property sectors.	423	–	619	–	586,957	–	1.3	1.3
Concateno Ord GBP0.10 Provider of drug and alcohol testing services.	269	162	192	115	192,307	115,385	0.3	0.3
Conder Environment Ord GBP0.10 Manufacturer of oil spill recovery and pollution control equipment, sewage treatment and underground storage tanks.	42	–	281	–	1,402,751	–	2.5	2.5
Craneware Ord GBP0.01 Developer of billing software to the US healthcare industry.	–	215	–	174	–	136,328	0.5	1.6
Datong Electronics Ord GBP0.005 Developer and manufacturer of high performance surveillance products.	197	197	250	250	195,312	195,313	2.8	3.4
Dowlis Corp Sols Ord GBP0.004 Distributor of promotional products to large corporate entities.	162	162	300	300	833,333	833,333	4.4	5.1
Focus Solutions Group Ord GBP0.10 Provider of software solutions and e-commerce tools to the financial services industry.	320	–	237	–	969,170	–	3.3	3.3
Food & Drink Group Ord GBP0.01 London based restaurant and bar operator.	95	–	325	–	111,663	–	2.0	2.0
Freshwater UK Plc Ord GBP0.10 Provider of public relations and other media services.	–	279	–	304	–	357,647	3.0	3.0
Hartest Holdings Ord GBP0.01 Manufacturer and distributor of specialist instruments and medical equipment.	331	–	598	–	637,195	–	7.4	7.4
Hatpin Ord GBP0.025 Provider of recruitment services.	–	115	–	246	–	341,880	1.1	3.6

PORTFOLIO OF INVESTMENTS
(continued)

Company and description	Fair value at 29 February 2008 Ordinary Shares £'000	Fair value at 29 February 2008 D Shares £'000	Book cost at 29 February 2008 Ordinary Shares £'000	Book cost at 29 February 2008 D Shares £'000	Shareholding at 29 February 2008 Ordinary Shares	Shareholding at 29 February 2008 D Shares	Voting equity owned %	Voting equity owned by CIL* managed funds %
Hexagon Human Capital Ord GBP0.10 Provider of recruitment services.	–	334	–	421	–	255,201	1.4	5.2
Huveaux Ord GBP0.10 Parliamentary and educational publishing group.	121	–	202	–	807,500	–	0.5	0.5
IDOX Ord GBP0.01 Developer of document, content and information management systems for the public sector.	–	519	–	362	–	4,830,000	1.4	3.1
Imprint Ord GBP0.01 Provider of recruitment services.	358	160	472	224	329,225	147,407	1.2	1.5
Independent Media Support Ord GBP0.025 Supplier of media access services.	82	25	493	150	858,090	260,000	4.3	5.3
Individual Restaurant Group Ord GBP0.35 Operator of a chain of restaurants.	189	116	821	144	224,672	137,530	1.0	2.1
Invu Plc Ord GBP0.01 Developer of documents and information management software programs.	–	160	–	200	–	666,667	0.6	0.6
Jelf Group Ord GBP0.01 Corporate intermediary providing general insurance, commercial finance, healthcare and financial services.	–	272	–	120	–	113,200	0.2	0.6
Landround Ord GBP0.05 Organiser of travel promotions and incentives for corporate clients.	78	–	305	–	600,000	–	4.3	4.3
Landround Warrants GBP0.20 12/12/09 Organiser of travel promotions and incentives for corporate clients.	–	–	–	–	166,666	–		–
Maelor Ord GBP0.10 Developer of off-patent medicines and medical devices.	169	–	447	–	1,404,296	–	1.1	1.1
Mattioli Woods Ord GBP0.01 Provider of pensions consultancy and administration services.	707	707	325	325	246,393	246,393	2.9	3.1

PORTFOLIO OF INVESTMENTS
(continued)

Company and description	Fair value at 29 February 2008 Ordinary Shares £'000	D Shares £'000	Book cost at 29 February 2008 Ordinary Shares £'000	D Shares £'000	Shareholding at 29 February 2008 Ordinary Shares	D Shares	Voting equity owned %	Voting equity owned by CIL* managed funds %
Mears Group Ord GBP0.01 Building maintenance contractor to local authorities, the MOD and the private sector.	875	155	41	130	314,062	55,826	0.5	0.6
Media Square Ord GBP0.05 Provider of marketing and communication services.	158	68	334	143	1,856,634	796,272	0.8	1.0
Melorio Ord GBP0.10 Acquirer and consolidator of UK vocational training businesses.	365	549	326	490	326,000	490,000	2.6	6.4
Mount Engineering Ord GBP0.01 Manufacturer and supplier of thread conversion adaptors mainly for the oil industry.	–	418	–	431	–	615,429	2.5	8.2
Neuropharm Group Ord GBP0.10 Pharmaceutical company specialising in the development of treatment for autism and other disorders of the central nervous systems.	535	535	400	400	314,959	314,959	2.0	4.3
Optimisa Ord GBP0.25 Media service provider.	176	327	239	443	110,040	204,360	3.5	8.8
Pilat Media Global Ord GBP0.05 Software provider for the global multi-channel broadcasting market.	600	71	324	105	1,621,750	190,561	3.1	3.3
Pipex Communications Ord GBP0.01 Provider of telecommunications services.	589	–	479	–	8,071,947	–	0.3	0.4
Plastics Capital Plc Ord GBP0.01 Manufacture of plastic products, focused on proprietry products for niche markets.	–	352	–	400	–	400,000	1.5	5.2
Playgolf (Holdings) Ord GBP0.002 Owner and operator of golfing facilities.	108	36	450	150	2,700,000	900,000	4.6	5.8
Portrait Software Ord GBP0.025 Provider of CRM software for the financial services sector.	184	–	876	–	1,835,715	–	1.6	1.6
Pressure Technologies Ord GBP0.05 Designer, manufacturer and tester of high pressure, seamless steel cylinders.	–	440	–	300	–	200,000	1.8	5.6
Quadnetics Group Ord GBP0.20 Designer and installer of CCTV systems.	190	–	344	–	108,583	–	1.6	1.6
Research Now Ord GBP0.10 European-wide online fieldwork and panel specialist company.	371	438	182	257	140,167	165,167	1.9	4.8
Spice Ord GBP0.10 Provider of outsourced support services to the commercial and public utilities sectors.	229	–	169	–	49,162	–	0.1	0.1

PORTFOLIO OF INVESTMENTS
(continued)

Company and description	Fair value at 29 February 2008 Ordinary Shares £'000	D Shares £'000	Book cost at 29 February 2008 Ordinary Shares £'000	D Shares £'000	Shareholding at 29 February 2008 Ordinary Shares	D Shares	Voting equity owned %	Voting equity owned by CIL* managed funds %
Strategic Thought Group Ord GBP0.01 Owner and licencee of risk management software.	34	34	136	136	113,194	113,194	0.9	1.0
Tanfield Group Ord GBP0.01 Engineering and electrical vehicle production.	531	449	256	42	514,430	434,800	0.3	0.3
Tasty Ord GBP0.10 Operator of restaurants specialising in oriental food.	–	74	–	149	–	135,000	0.4	0.4
Telephonetics Ord GBP0.01 Provider of advanced speech recognition products and services.	177	141	456	364	2,280,000	1,820,000	3.8	7.5
Twenty Ord GBP0.10 Marketing services group.	–	200	–	500	–	2,500,000	5.2	18.1
Vertu Motors Ord GBP0.10 Acquirer and consolidator of UK based motor retail businesses.	342	342	500	500	833,333	833,333	1.8	4.5
Win Ord GBP0.10 Provider of service that enables business customers to send and receive text messages to and from a large number of users.	316	93	440	129	218,000	64,000	2.8	3.2
Work Group Ord GBP0.02 Provider of recruitment services.	369	369	471	472	585,620	585,620	4.1	7.2
Zetar Ord GBP0.10 Acquirer of companies and businesses in the confectionery, snack food and related markets within the UK.	647	405	259	162	129,460	80,913	1.8	2.1
Total qualifying investments at 29 February 2008	13,931	11,553	15,840	11,817				

It should be noted that although all investments were originally floated on AIM or PLUS, some may progress to a full listing.

* CIL: Close Investments Limited, the Investment Manager.

PORTFOLIO OF INVESTMENTS
(continued)

Non-qualifying holdings consist primarily of floating rate note securities, all with a triple 'A' Moody's credit rating. In addition, any shares quoted on AIM, which are purchased in the secondary market, rank as a non-qualifying investment. Some of the original investments made by your Company which were approved for VCT purposes as a qualifying trade at the time of investment by the HM Revenue & Customs, may by the nature of their continuing business activities become a non-qualifying trade.

The following are the details of non-qualifying investments held at 29 February 2008:

Holding	Fair Value at 29 February 2008		Book Cost at 29 February 2008	
	Ordinary Shares £'000	D Shares £'000	Ordinary Shares £'000	D Shares £'000
Listed Investments				
Citigroup Floating Rate Note 26/03/09	1,901	1,267	1,919	1,279
National Bank of Canada Floating Rate Note 14/04/09	-	2,997	-	3,006
AIM Quoted Investments				
Bond International Software Ord GBP0.01	1	-	2	-
Brooks MacDonald Group Ord GBP0.01	3	-	3	-
Clapham House Group (The) Ord GBP0.10	2	-	3	-
Clerkenwell Ventures Ord GBP0.05	222	56	288	72
Colliers Cre Ord GBP0.10	1	-	2	-
Concateno Ord GBP0.10	1	1	1	1
Huveaux Ord GBP 0.10	-	-	1	-
Imprint Ord GBP0.01	1	1	3	3
Individual Restaurant Group Ord GBP0.35	1	1	2	2
Mattioli Woods Ord GBP0.01	3	3	2	3
Pilat Media Global Ord GBP0.05	-	-	1	-
Pipex Communications Ord GBP0.01	-	-	-	-
Research Now Ord GBP0.10	3	69	5	80
Tanfield Group Ord GBP0.01	1	2	2	3
Total non – qualifying investments at 29 February 2008	**2,140**	**4,397**	**2,234**	**4,449**

SCHEDULE OF ACQUISITIONS

The following investments were acquired during the year ended 29 February 2008:

Ordinary Shares

Company	Qualifying investments		Non-qualifying investments	
	Number of shares	Book cost £'000	Number of shares	Book cost £'000
Clerkenwell Ventures	666,666	250	–	–
Melorio	326,000	326	–	–
Neuropharm Group	314,959	400	–	–
Optimisa	110,040	239	–	–
Spice	49,162	169	–	–
Tanfield Group	–	–	1,000	2
Total		**1,384**		**2**

D Shares

Company	Qualifying investments		Non-qualifying investments	
	Number of shares	Book cost £'000	Number of shares	Book cost £'000
Animalcare Group	545,456	300	–	–
B Global	300,000	150	–	–
Careforce Group	(122,642)	(130)	–	–
Claimar Care Group	190,478	200	–	–
Clerkenwell Ventures	1,333,333	500	–	–
Craneware	136,328	174	–	–
Freshwater UK	357,647	304	–	–
IDOX	4,830,000	362	–	–
Invu	666,667	200	–	–
Mears Group	55,826	130	–	–
Melorio	490,000	490	–	–
Mount Engineering	615,429	431	–	–
Neuropharm Group	314,959	400	–	–
Optimisa	204,360	443	–	–
Plastics Capital	400,000	400	–	–
Pressure Technologies	200,000	300	–	–
Research Now	25,000	75	25,000	75
Tanfield Group	–	–	1,000	2
Tasty	135,000	149	–	–
Total		**4,878**		**77**

SCHEDULE OF DISPOSALS

The following investments were disposed of during the year ended 29 February 2008:

Ordinary Shares

Company	Qualifying Investments		Non-qualifying Investments		
	Book cost £'000	Proceeds £'000	Book cost £'000	Proceeds £'000	Gain/(loss) £'000
Accuma Group	250	37	–	–	(213)
Adval Group	1,118	–	–	–	(1,118)
Barclays Bank FRN	–	–	2,001	2,001	–
BBI Holdings	78	173	–	–	95
Clapham House Group (The)	81	143	–	–	62
Clerkenwell Ventures	–	–	6	5	(1)
Individual Restaurant Group	73	18	–	–	(55)
Interlink Foods	453	2	4	–	(455)
Petards Group	212	98	–	–	(114)
Revenue Assurance	251	308	–	–	57
Tanfield Group	608	1,032	–	–	424
Torex Retail	140	–	–	–	(140)
Zenith Hygiene	222	93	–	–	(129)
Total	**3,486**	**1,904**	**2,011**	**2,006**	**(1,587)**

D Shares

Company	Qualifying Investments		Non-qualifying Investments		
	Book cost £'000	Proceeds £'000	Book cost £'000	Proceeds £'000	Gain/(loss) £'000
Accuma Group	250	37	–	–	(213)
BBI Holdings	200	458	–	–	258
Clerkenwell Ventures	–	–	1	1	–
Computer Software	150	424	2	2	274
Nationwide Floating Rate Note	–	–	2,721	2,717	(4)
Petards Group	71	33	–	–	(38)
Tanfield Group	67	887	–	–	820
Torex Retail	62	–	–	–	(62)
Zenith Hygiene	89	37	–	–	(52)
Total	**889**	**1,876**	**2,724**	**2,720**	**983**

TOP TEN INVESTMENTS

MATTIOLI WOODS PLC

Provider of pension consultancy and administration services.

Latest audited results - year to 31 May 2007

	£'000
Turnover	8,997
Profit before tax	3,145
Profit after tax	2,193
Net assets	14,311
% voting rights	2.9%
Basis of valuation:	Bid price
Website:	www.mattioli-woods.com

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

CLAIMAR CARE GROUP PLC

Provider of domicilliary care services in the UK.

Latest audited results - year to 30 September 2007

	£'000
Turnover	22,318
Profit before tax	1,195
Profit after tax	733
Net assets	13,525
% voting rights	2.6%
Basis of valuation:	Bid price
Website:	www.claimar.co.uk

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

NEUROPHARM GROUP PLC

Pharmaceutical company specialising in the development of treatment for autism and other disorders of the central nervous systems.

Latest audited results - six months to 31 December 2007

	£'000
Turnover	–
Profit before tax	(1,828)
Profit after tax	(1,653)
Net assets	15,166
% voting rights	2.0%
Basis of valuation:	Bid price
Website:	www.neuropharm.co.uk

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

TOP TEN INVESTMENTS
(continued)

ZETAR PLC

Acquirer of companies and businesses in the confectionary, snack food and related markets within the UK.

Latest audited results - year to 30 April 2007

	£'000
Turnover	74,005
Profit before tax	4,984
Profit after tax	3,182
Net assets	31,794
% voting rights	1.8%
Basis of valuation:	Bid price
Website:	www.zetarplc.com

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

MEARS GROUP PLC

Building maintenance contractor to local authorities, the Ministry of Defence and the private sector.

Latest audited results - year to 31 December 2007

	£'000
Turnover	304,620
Profit before tax	15,453
Profit after tax	10,934
Net assets	144,870
% voting rights	0.5%
Basis of valuation:	Bid price
Website:	www.mearsgroup.co.uk

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

TANFIELD GROUP PLC

The company is an engineering and electrical vehicle production company.

Latest audited results - year to 31 December 2007

	£'000
Turnover	123,288
Profit before tax	12,437
Profit after tax	11,877
Net assets	165,214
% voting rights	0.3%
Basis of valuation:	Bid price
Website:	www.tanfieldgroup.co.uk

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

TOP TEN INVESTMENTS
(continued)

MELORIO PLC

Acquirer and consolidator of UK vocational training businesses.

Company admitted to AIM in October 2007, therefore there are no accounts available to date

% voting rights	2.6%
Basis of valuation:	Bid price
Website:	www.melorio.com

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

RESEARCH NOW PLC

The company is a European-wide online fieldwork and panel specialist company.

Latest audited results - year to 31 October 2007

	£'000
Turnover	25,807
Profit before tax	343
Loss after tax	(445)
Net assets	12,334
% voting rights	1.9%
Basis of valuation:	Bid price
Website:	www.researchnow.co.uk

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

CLERKENWELL VENTURES PLC

Currently a cash shell with a focus on acquiring UK restaurant groups.

Latest audited results - year to 30 September 2007

	£'000
Turnover	nil
Loss before tax	(78)
Loss after tax	(78)
Net assets	29,055
% voting rights	3.7%
Basis of valuation:	Bid price
Website:	www.clerkenwellventures.com

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

TOP TEN INVESTMENTS
(continued)

BOND INTERNATIONAL SOFTWARE PLC

Provider of business software and support solutions to the recruitment and human resources industry.

Latest audited results - year to 31 December 2007

	£'000
Turnover	17,209
Profit before tax	3,656
Profit after tax	3,018
Net assets	16,394
% voting rights	2.0%
Basis of valuation:	Bid price
Website:	www.bondinternationalsoftware.com

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

REPORT OF THE DIRECTORS AND BUSINESS REVIEW

The Directors submit the Report and Financial Statements on the affairs of Close Brothers AIM VCT PLC (the "Company") for the year ended 29 February 2008.

Business review

Principal activity and status

The principal activity of the Company is that of a venture capital trust. It has been granted approval by HM Revenue & Customs as a venture capital trust in accordance with Part 6 of the Income Taxes Act 2007. 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 29 February 2008 may be subject to review should there be any subsequent enquiry under corporation tax self assessment.

The Company is not a close company for taxation purposes.

The Company is no longer an investment company as defined by section 266 of the Companies Act 1985. The Company revoked its investment trust status on 3 March 2000 in order for the Company to pay dividends from realised capital profits. The Company is listed on the London Stock Exchange.

The share capital of the Company comprises two classes of shares, Ordinary Shares (including shares arising from the earlier conversion of C Shares in May 2004) and D Shares (which were created and issued in 2004 and 2005). The D Shares were issued on the basis that the share classes would be merged and that the D Shares would be converted into Ordinary Shares with effect from 31 May 2008 calculated by reference to the respective audited Net Asset Value ("NAV") of the Ordinary Shares and the D Shares as at the close of business on 29 February 2008.

Circular and Conversion

In accordance with the terms of the Circular to shareholders issued in March 2008 and the resolutions agreed at the Extraordinary General Meeting and separate class meetings on 22 April 2008, on 31 May 2008 the Ordinary shares will be converted to D shares at a ratio of 0.5448 D shares for each Ordinary share. The D shares will then be redesignated into New Ordinary shares.

All shares rank pari passu for dividend and voting rights, save in respect of specific resolutions impacting their class, such as in the case of a merger. Each Ordinary and D share is currently entitled to one vote. There are no restrictions on the transfer of securities or on voting rights known to the Company. Currently the Ordinary shares represent 65 per cent of the total share capital and D shares represent 35 per cent of the total share capital.

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.

Investment policy

Qualifying investments

The Directors do not foresee any major changes in activity or in the investment policy adopted by the Investment Manager, Close Investments Limited, ("CIL") which is to seek to achieve such capital appreciation as is consistent with a prudent approach to investment in companies traded on AIM or PLUS which qualify for venture capital trust purposes. It is the Investment Manager's intention to manage a broadly based portfolio of investments in companies which have traded for three years or more. Start-up companies will usually be avoided.

All business sectors on AIM and PLUS are considered for investment by the Investment Manager, subject to the requirement to undertake a qualifying trade.

REPORT OF THE DIRECTORS AND BUSINESS REVIEW (continued)

Investment policy (continued)

Non-qualifying investments

After attaining the minimum 70 per cent qualifying investment portfolio, the Company intends that approximately 20 per cent of its funds will be invested in non-qualifying investments, principally comprising fixed and floating rate securities, financial instruments and money market deposits with major banks and institutions, with a minimum Moody's long-term debt rating of triple 'A'. The Directors have invested in floating rate notes and cash for liquidity purposes.

Venture capital trust status

In order to maintain status under venture capital trust legislation, the following tests must be met:

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

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

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

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

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

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

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

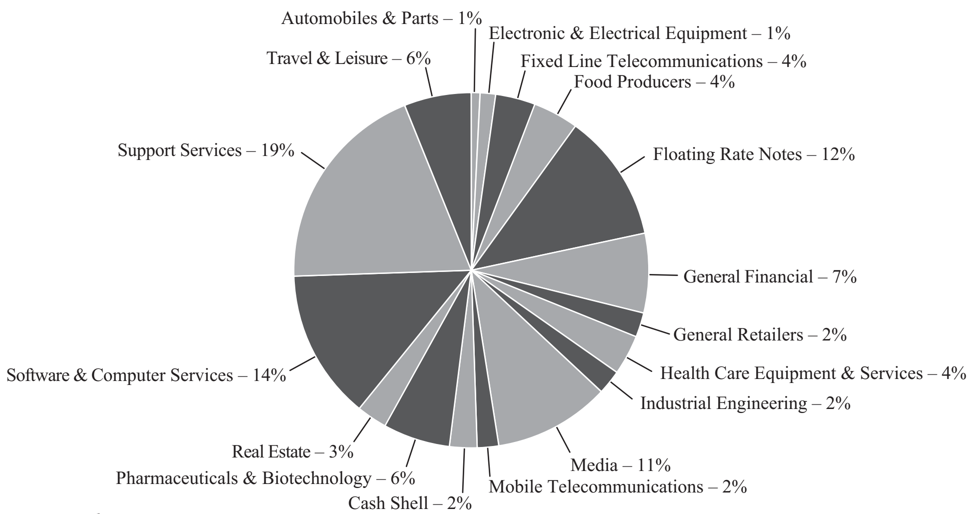
'Qualifying holdings', for Close Brothers AIM VCT PLC include shares or securities in AIM or PLUS quoted companies which operate a 'qualifying trade' wholly or mainly in the United Kingdom. 'Qualifying trade' excludes amongst other sectors, dealing in property or shares and securities, insurance, banking, agriculture and operating or managing hotels or residential care homes.

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

These tests have been carried out and independently reviewed for the year ended 29 February 2008. The Company continues to comply with all tests and continues to do so as at the date of this Report and Financial Statements.

As defined under the Articles of Association, the Company's maximum exposure in relation to gearing is restricted to 10 per cent of the adjusted share capital and reserves. As at 29 February 2008, this maximum exposure could have been up to £3,478,308. As at 29 February 2008 the Company had no gearing. The Directors do not currently have any intention to utilise long term gearing.

Ordinary Share portfolio valuation by sector as at 29 February 2008

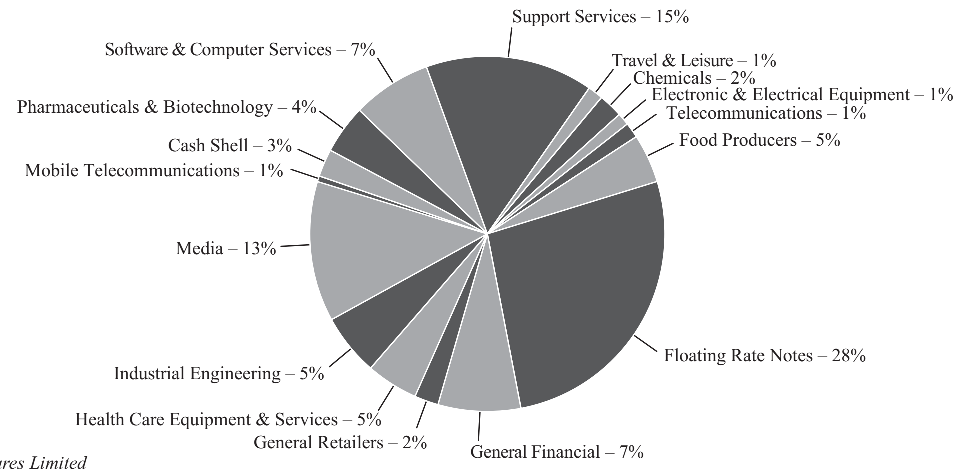


Source: Close Ventures Limited

REPORT OF THE DIRECTORS AND BUSINESS REVIEW (continued)

Investment policy (continued)

D Share portfolio valuation by sector as at 29 February 2008



Source: Close Ventures Limited

As at 29 February 2008 the Ordinary and D share portfolios were 90 per cent and 73 per cent invested for HM Revenue & Customs purposes respectively. The investments held are diversified to ensure a spread of risk across the portfolio.

Details of the principal investments made by the Company are shown in the portfolio of investments on pages 13 to 18. A detailed review of the Company's business during the year and future prospects is contained in the Chairman's Statement on page 4 and 5. Details of significant events which have occurred since the end of the financial year are listed in note 23.

The Company has delegated the investment management of the portfolio to Close Investments Limited ("CIL"), a subsidiary of Close Brothers Group plc which is authorised and regulated by the Financial Services Authority. Close Investments Limited provides administrative support to the Company. Close Ventures Limited, a subsidiary of Close Brothers Group plc, is the Company Secretary. Further details regarding the terms of engagement of the Investment Manager are shown on page 32.

REPORT OF THE DIRECTORS AND BUSINESS REVIEW (continued)

Results, dividends and performance

	Year ended 29 February 2008		
	Ordinary Shares £'000	D Shares £'000	Total £'000
Net revenue return for the year	125	246	371
Revenue Dividends paid	–	(278)	(278)
Transferred to revenue reserves	125	(32)	93
Realised capital (loss)/gain for the year transferred to reserves	(1,985)	698	(1,287)
Unrealised capital loss for the year transferred to reserves	(4,849)	(2,569)	(7,418)
Capital dividends paid	(1,468)	(516)	(1,984)
Transferred to realised and unrealised capital reserves	(8,302)	(2,387)	(10,689)
Net assets at the year end	17,346	17,437	34,783
Net asset value per share at the year end (pence)	60.06	110.23	

Dividends

The dividend paid during the year to 29 February 2008 was 5.00 pence per Ordinary share (2007: 4.20 pence per share) and 5.00 pence per D share (2007: 3.30 pence per share).

In addition to the above dividends, the Board has declared a dividend of 2.50 pence per Ordinary share (0.60 pence revenue and 1.90 pence paid out of realised capital gains) and 2.50 pence per D share (0.60 pence revenue and 1.90 pence paid out of realised capital gains) subject to HM Revenue & Customs approval. The record and payment date of these dividends will be announced on the London Stock Exchange RNS service. In accordance with FRS 21, the dividends have not been accrued as a liability in these financial statements and will be accounted for when paid.

As shown in the Company's Income Statement on page 46 of the financial statements, the Company's investment income for the year ended 29 February 2008 has decreased to £369,000 (2007: £387,000) which is mainly due to a decrease in the interest received from floating rate notes following the scale down of these investments to fund increased levels of qualifying equity investment. The D shares' income has remained at a similar level to the previous year of £494,000 (2007: £493,000).

Ordinary Shares revenue return to equity holders has increased to £125,000 (2007: £116,000) and for the D Shares increased to £246,000 (2007: £231,000) primarily as a result of a reduction in the management fees due to a reduction in Net Asset Values.

The Ordinary Shares' capital return for the year was a loss of £6,834,000 (2007: profit £1,380,000) and the D Shares' capital return for the year was a loss of £1,871,000 (2007: profit £1,051,000) because of a decrease in the unrealised appreciation due to the prevailing economic conditions resulting in a devaluation in some of the holdings in the portfolios.

REPORT OF THE DIRECTORS AND BUSINESS REVIEW
(continued)

The Ordinary Share total return per share was a loss of 22.8 pence per share (2007: profit 4.9 pence per share) and the D Share total return per share was a loss of 10.2 pence per share (2007: profit 8.0 pence per share).

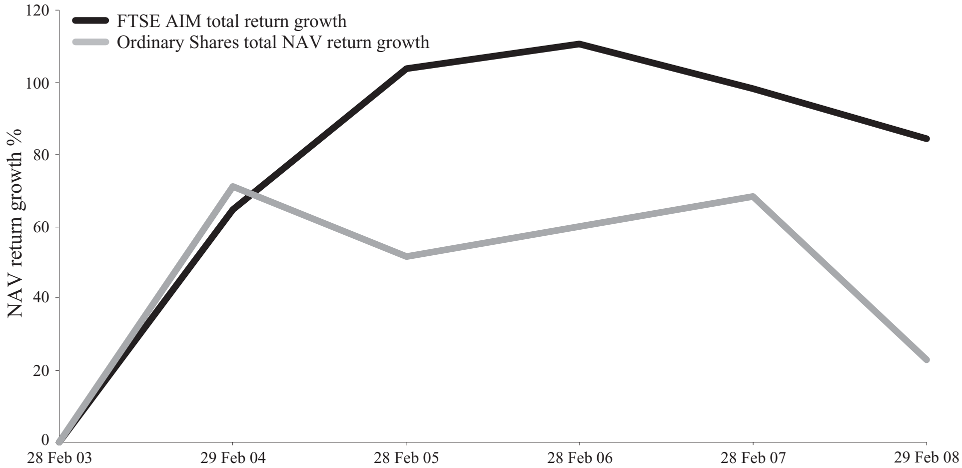
The Balance Sheet on page 48 of the financial statements shows that the Ordinary Shares' net asset per share has decreased over the last year to 60.1 pence per share (2007: 87.8 pence per share) and that of the D Shares has decreased to 110.2 pence per share (2007: 125.4 pence per share), reflecting the decrease in the valuation of some of the quoted investments in the year.

Ordinary Share cash flow has been neutral for the year and D Share cash flow has been negative for the year reflecting the offset of cash generated through the realisation of investments against new investments made, dividends paid and the buy-back of shares.

Details of the principal investments made by the Company are shown in the portfolio of investments on pages 13 to 18. A detailed review of the Company's business during the year and future prospects is contained in the Chairman's Statement on page 4 and in the Investment Manager's report on page 6.

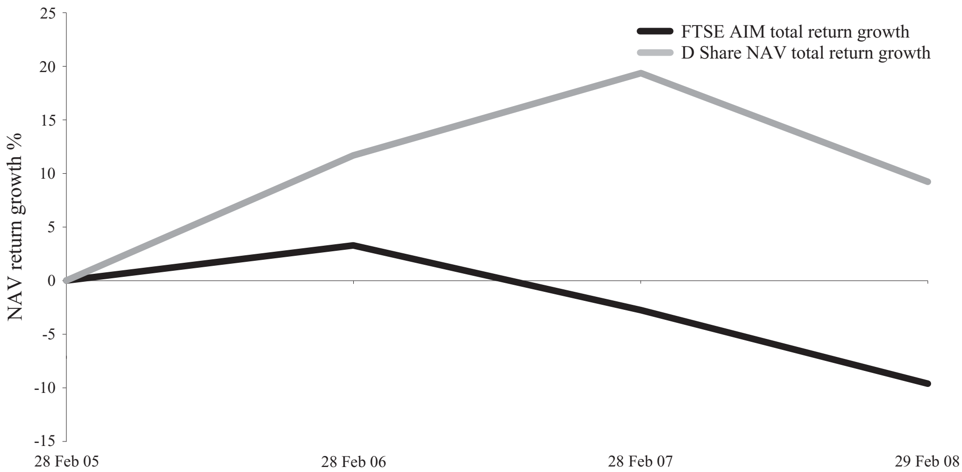
Key performance indicators
The graphs below show the performance of the growth of the Company's Ordinary and D Share cumulative net asset value total return over the past five years, or since launch (where applicable), compared with the cumulative growth in the FTSE AIM Index (in both cases with dividends invested).

Ordinary Shares Net Asset Value return growth relative to FTSE AIM Index (in both cases with dividends reinvested)



Source : Close Investments Limited

D Shares Net Asset Value return growth relative to FTSE AIM Index (in both cases with dividends reinvested)



Source : Close Investments Limited

REPORT OF THE DIRECTORS AND BUSINESS REVIEW (continued)

The total expense ratio for the Company for the year to 29 February 2008 was 3.4 per cent (2007: 2.7 per cent).

The Company operates a policy of buying back shares either for cancellation or for holding in Treasury. The Investment Manager has an objective of maintaining the discount of the share price to net asset value at below 8 per cent. This is designed to improve the marketability of the shares and to encourage the shares to trade at a narrower discount to the underlying net asset value.

Principal risks and uncertainties

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

1. *Investment risk*

This is the risk of investment in poor quality assets which reduces the capital and income returns to shareholders and negatively impacts on the Company's reputation. The AIM and PLUS markets are designed primarily for emerging or smaller companies and these businesses are more fragile than larger, long established businesses. Additionally, the tax status of the Company may restrict its ability to make investment decisions in order to maintain its venture capital trust status.

To reduce this risk, the Board places reliance upon the skills and expertise of the Investment Manager and their strong track record for investing in this segment of the market. In addition, the Investment Manager operates a formal and structured investment process, which includes due diligence and an Investment Committee. Investments are actively and regularly monitored by the Investment Manager and the Board receives detailed reports on each investment at the time of investment and as part of the Investment 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 an Investment Manager who has significant experience in venture capital trust management, and is used to operating within the requirements of the venture capital trust legislation. In addition, to provide further formal reassurance, the Board has appointed Ernst & Young LLP as its taxation advisers. Ernst & Young LLP independently report quarterly to the Board to confirm compliance with the venture capital trust legislation, to highlight areas of risk and to inform on changes in legislation.

3. *Reliance upon third parties risk*

The Company is reliant upon the services of Close Investments Limited for the provision of management and administrative functions. There are provisions within the Investment Management Agreement for the change of Investment Manager under certain circumstances (for more detail, see Investment Management Agreement paragraph on page 32). In addition, the Investment Manager has demonstrated to the Board that there is no undue reliance placed upon one individual within Close Investments Limited, or its parent Close Brothers Group plc.

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

REPORT OF THE DIRECTORS AND BUSINESS REVIEW (continued)

Principal risks and uncertainties (continued)

5. *Internal control risk*

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

The Audit Committee meets with the Head of Internal Audit from Close Brothers Group plc at least once a year, receiving a report regarding the last formal internal audit performed on the Investment Manager, and providing the opportunity for the Audit Committee to ask specific and detailed questions. The Investment Manager has a comprehensive business disruption 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 39.

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

6. *Financial risks*

By its nature, as a venture capital trust, the Company is exposed to market price risk, credit risk and liquidity risks.. The Company's policies for managing these risks and its financial instruments are outlined in full in note 20 to the financial statements. All of the Company's income and expenditure is denominated in sterling and hence the Company has no foreign currency risk. The Company is financed through equity and does not have any borrowings. The Company does not use derivative financial instruments.

Environment

Management and administration of Close Brothers AIM VCT PLC is undertaken by the Investment Manager. Close Investments 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 are shown in the financial statements of Close Investments Limited.

Employees

The Company is managed by Close Investments Limited and hence has no employees

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

Directors

The biographies of Directors are shown on page 11.

The Directors who held office during the year and their interests in the shares of the Company (including beneficial and family interests) as at the date of this report are shown below:

	29 February 2008		28 February 2007	
	Ordinary shares held	D shares held	Ordinary shares held	D ` shares held
M A F Reeve	5,000	4,235	5,000	4,235
R J Smith	–	–	–	–
S J Hazell-Smith	126,913	10,000	126,913	10,000
F M Malcolm (deceased)*	–	–	65,077	–

* The 65,077 shares previously held in the name of F M Malcolm were disposed of following his death on 10 March 2007.

There have been no changes in the holdings of the Directors between 29 February 2008 and the date of this Report.

REPORT OF THE DIRECTORS AND BUSINESS REVIEW (continued)

Each Director is remunerated personally and further details regarding Directors' remuneration are shown in the Directors' Remuneration section of this Report and Financial Statements.

No Director has a service contract with the Company and there are no agreements with Directors providing compensation in the event of a takeover bid.

The Company does not have any employees.

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

All Directors are members of the Audit Committee, of which Mr Roger Smith is Chairman.

Directors' retirement and re-election is subject to the Articles of Association and the Combined Code of Corporate Governance. In accordance with the recommendations of the Combined Code of Corporate Governance, the Directors having been appointed since February 1998, will at the forthcoming Annual General Meeting all retire and offer themselves for re-election.

Investment Management Agreement

The Company, following ratification at an Extraordinary General Meeting on 12 February 2004, has extended its management agreement with Close Investments Limited for a fixed term, which expires in June 2008, and which may be terminated by either party on 12 months notice thereafter. The management agreement is subject to earlier termination in the event of certain breaches or upon the insolvency of either party. Under this agreement, the Investment Manager also provides secretarial and administrative services to the Company. The Investment Manager is entitled to an annual fee equal to 2.0 per cent (plus VAT) of the value of funds invested by the Company in both VCT qualifying and non-qualifying investments. This fee covers the provision of investment management services as well as all secretarial, accounting and administrative services provided by the Investment Manager and annual commission payable to authorised financial intermediaries.

Investment Management Performance Incentive

Following shareholder approval at an Extraordinary General Meeting on 26 November 2004, a new management incentive scheme became operative with effect from 1 March 2005.

The scheme requires the Net Asset Value as at 28/29 February, being the end of each financial period to have grown over that financial period by more than an amount equal to the average base rate of The Royal Bank of Scotland plc plus 2 per cent. during the relevant financial period.

If the Net Asset Value exceeds this target, then 5 per cent. of the excess will be payable to the Investment Manager (in cash or shares at the discretion of the Board), subject to a maximum payment in respect of any financial period of 1 per cent. of the aggregate Net Asset Value as at the Accounting Date. The Net Asset Value will be adjusted to take into account capital (but not revenue) dividends paid during the relevant financial period.

If that target is not achieved in any financial period then the deficit must be made up prior to any subsequent performance incentive payment to the Investment Manager. Similarly, if the payment to the Investment Manager would have exceeded the maximum permitted payment in any one financial period then that sum would be carried forward to be paid in future years or offset against subsequent shortfalls of the target return. A separate calculation of the performance incentive will be made in respect of each class of share in the capital of the Company (including any further classes of shares issued in the future).

Evaluation of the Investment Manager

The Board, through the Audit Committee, has evaluated the performance and remuneration of the Investment Manager, and compared this to the key targets set in the original prospectus to shareholders issued in February 2004. Both portfolios have achieved the minimum HM Revenue & Customs 70 per cent qualifying target required to maintain VCT status. The Board has also reviewed the long term prospects of the current investments, the management contract and the services provided therein, and has benchmarked the performance of the Investment Manager to other service providers. The Board believes that it is in the shareholders' interest as a whole, and of the Company, to continue the appointment of the Investment Manager for the forthcoming year.

REPORT OF THE DIRECTORS AND BUSINESS REVIEW (continued)

Investment and co-investment

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

Auditors

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

In view of the proposed change in Auditors, Deloitte and Touche LLP who are the Auditors for the financial year ended 29 February 2008, have informed the Company of their intention not to seek reappointment at the forthcoming Annual General Meeting.

Substantial interests

As at 29 February 2008 and the date of this report, the Company has not been notified of any substantial interests in excess of 3 per cent of the issued share capital of the Company. There have been no disclosures in accordance with Disclosure and Transparency Rules made to the Company during the year ended 29 February 2008. There are no persons who hold securities carrying special rights with regard to the control of the Company.

Suppliers payment policy

The Company's policy is to pay all supplier invoices within 30 days of the invoice date, or as otherwise agreed. There were no overdue trade creditors at 29 February 2008 (2007: nil).

Annual General Meeting

The Annual General Meeting will be held at 10 Crown Place, London EC2A 4FT on 10 June 2008 at 12.00 noon. The notice of the Annual General Meeting is at the end of this document. The proxy form enclosed with this 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 calculation of 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 within the 'Our Funds' section by clicking on Close Brothers AIM 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 with either the Companies Act or the Listing Rules of the Financial Services Authority.

Power to allot shares

Ordinary resolution number 7 in the notice of the meeting will request the authority to allot up to a maximum aggregate nominal amount of £2,235,130 representing 10 per cent of the issued share capital of the Company. This authority will expire on 30 September 2009.

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

Disapplication of pre-emption rights

Special resolution number 8 will request the authority to disapply pre-emption rights in circumstances of a rights or other pre-emptive issue, the allotment of Shares with an aggregate nominal value of up to £1,117,565 representing up to 5 per cent of the issue share capital.

REPORT OF THE DIRECTORS AND BUSINESS REVIEW (continued)

Purchase of own shares

Special resolution number 9 will request the authority to purchase an aggregate of 10 per cent of the Ordinary Shares in issue subject to the provisions shown in the notice to the meeting attached to the back of the financial statements.

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 432,825 of its Ordinary Shares and 168,341 of its D Shares for cancellation.)

Treasury shares

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

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

Powers to authorise Directors' conflicts of interest

At the Annual General Meeting, special resolution number 10 will be proposed to insert a new Article into the Company's Articles of Association with effect from 1 October 2008.

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

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

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

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

REPORT OF THE DIRECTORS AND BUSINESS REVIEW (continued)

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the Income Statement of the Company for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company 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 Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

We confirm to the best of our knowledge:

- The financial statements, prepared in accordance with UK GAAP, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company: and
- the Directors' report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties they face.

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

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

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

This disclosure is given and should be interpreted in accordance with the provisions of S234ZA of the Companies Act 1985.

By Order of the Board

Close Ventures Limited
Company Secretary

10 Crown Place
London EC2A 4FT

29 April 2008

CORPORATE GOVERNANCE STATEMENT

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 and updated in June 2006 ("the Code").

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

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

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

Application of the Principles of the Code

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

Board of Directors

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

Michael Reeve is the senior Independent Director and Chairman. Roger Smith and Stephen Hazell-Smith are also independent Directors. The Directors have a range of business and financial skills which are extremely relevant to the Company; these are described in the Board of Directors section of this Report, on page 11. Directors are provided with key information on the Company's activities, including regulatory and statutory requirements, and internal controls, by the Investment Manager. The Board has direct access to company secretarial advice and compliance services by the Investment Manager, who is responsible for ensuring that Board procedures are followed and applicable regulations complied with. All Directors are able to take independent professional advice in furtherance of their duties if necessary. In accordance with the Combined Code, the Company has in place Directors' & Officers' Liability Insurance.

The Board met five times during the year ended 29 February 2008. All Directors attended each meeting.

The Chairman ensures that all Directors receive in a timely manner all relevant management, regulatory and financial information. The Board receives and considers reports regularly from the Investment 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 Investment Manager sets out the matters over which the Investment Manager has authority and limits beyond which Board approval must be sought.

CORPORATE GOVERNANCE STATEMENT
(continued)

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

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

Performance evaluation is conducted by the Board as a peer group and is monitored on a continuous ongoing basis.

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 when necessary. The Board therefore recommends for re-election all Directors at the forthcoming Annual General Meeting. Each Director is considered to be independent, effective and demonstrates a strong commitment to his role.

Directors are offered training, both at the time of joining the Board and on other occasions where required. The Board also undertakes a proper and thorough evaluation of its committees on an annual basis.

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

CORPORATE GOVERNANCE STATEMENT
(continued)

Audit Committee

The Audit Committee consists of all Directors. Roger Smith is Chairman of the Audit Committee. In accordance with the Code, the members of the Audit Committee have recent and relevant financial experience. The Committee met twice during the year ended 29 February 2008 and all members attended.

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

- providing an overview of the Company's accounting policies and financial reporting;
- considering and reviewing the effectiveness of the Company's internal controls and risk management systems;
- monitoring the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them;
- meeting the Company's external auditors annually, approving their appointment, reappointment, remuneration, terms of engagement and providing an ongoing review of auditor independence and objectivity;
- monitoring and reviewing the external auditors' independence and objectivity and the effectiveness of the audit process;
- developing and implementing a policy for the supply of non-audit services by the external auditors;
- meeting with the Head of Internal Audit of Close Brothers Group plc when appropriate;
- meeting external auditors at least once a year without the presence of the Investment Manager;
- ensuring that all Directors of the Company, and staff of Investment Manager who provide services to the Company feel able to raise matters of serious concern with the Chairman of the Audit Committee and that these issues, where raised, are subject to proportionate and independent investigation, and appropriate action;
- reporting to the Board, identifying any matters in respect of which action or improvement is needed and recommending appropriate steps to be taken; and
- undertaking the duties of the Engagement Committee, and therefore reviewing the performance of the Investment 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 Report and the associated announcements, with particular focus on the main areas requiring judgement and on critical accounting policies;
- reviewing the effectiveness of internal control systems by examining the Internal Controls Report produced by the Investment Manager;
- meeting with the Head of Internal Audit of Close Brothers Group plc;
- meeting with the external auditors and reviewing their findings; and
- undertaking a tender process for the provision of audit services to the Company, evaluating the tenders, and recommending the appointment of PKF (UK) LLP to the Board with a view to their appointment at the Annual General Meeting.

In addition, the Board, through the Audit Committee, reviewed the performance of the Investment Manager and made recommendations regarding their re-appointment to the Board.

Nomination Committee

The function of the nomination committee is carried out by the Board as a whole. It is the policy of the Company that Directors are nominated for re-election on rotation every three years. In accordance with the recommendation of the Combined Code of Corporate Governance, after nine years the rotation should be reduced to one year. At the forthcoming Annual General Meeting all three Directors are subject to re-election. The terms and conditions of Directors' appointment are available for inspection at the Annual General Meeting.

CORPORATE GOVERNANCE STATEMENT
(continued)

Internal Control

In accordance with the principle C.2 of the Combined Code, the Board has established an ongoing process for identifying, evaluating and managing those significant risks faced by the Company. This process 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 October 2005 (the "Turnbull guidance"). The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board's monitoring covers all controls, including financial, operational and compliance controls and risk management. The Board receives each year from the Investment 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 Investment 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 Investment Manager's and the Board's attention.

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

As the Company has delegated the investment management and administration to Close Investments 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 Investments Limited, and ensures that any recommendations to implement improvements in controls are carried out. The internal audit department of Close Brothers Group plc reports formally to the Board on an annual basis. The Board will continue to monitor its system of internal control in order to provide assurance that it operates as intended.

Going Concern

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

Relationships with Shareholders

The Company's Annual General Meeting on 10 June 2008 will be used as an opportunity to communicate with private investors. The Board, including the Chairman of the Audit Committee, will be available to answer questions at the Annual General Meeting. At the Annual General Meeting, the level of proxies lodged on each resolution, the balance for and against the resolution, and the number of votes withheld, are announced after the resolution has been voted on by a show of hands. A summary of proxies lodged at the Annual General Meeting will be published on the Close Ventures Limited website: www.closeventures.co.uk within the 'Our Funds' section by clicking on Close Brothers AIM VCT PLC.

The Annual General Meeting will also include a presentation from the Investment Manager on the portfolio.

Shareholders are able to access the latest information on the Company via the Close Ventures Limited website (www.closeventures.co.uk).

CORPORATE GOVERNANCE STATEMENT (continued)

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

Tel: 0871 664 0300 (calls cost 10 pence per minute plus network extras)
E-mail: ssd@capitaregistrars.com

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

Tel: 020 7426 4000
E-mail: enquiries@closeventures.co.uk

The Company's share buy back programme operates in the market through brokers. In order to sell shares, as they are quoted on the London Stock Exchange, it is recommended that shareholders contact the Investment Manager, Close Investments Limited (telephone number 0207 426 4139).

Statement of Compliance
With the exception of the requirement to have a Remuneration Committee, the Directors consider that the Company has complied throughout the year ended 29 February 2008 with all the relevant provisions set out in Section 1 of the Code on Corporate Governance issued by the Financial Services Authority and with the AIC Code of Corporate Governance. The Company continues to comply with the Code as at the date of this report.

DIRECTORS' REMUNERATION REPORT

Introduction

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

Unaudited Information

Remuneration Committee

As at 29 February 2008, the Board comprised three non-executive Directors. The Board as a whole considers the Directors' remuneration. Under the Listing Rules of the UK Listing Authority, where a venture capital trust has no executive directors, it is not required to appoint a remuneration committee.

Directors' Remuneration Policy

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

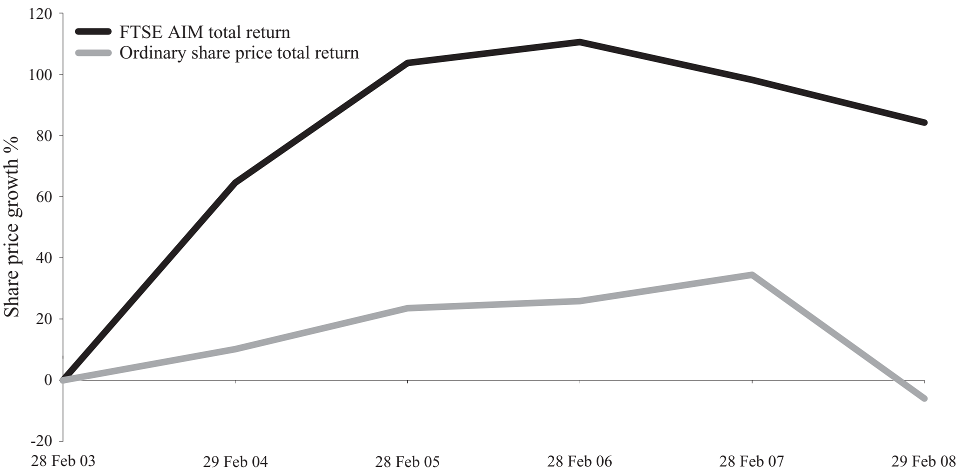
The maximum level of non-executive Directors' remuneration is fixed by the Company's Articles of Association, not to exceed £125,000 per annum; amendment to this is by way of a special resolution subject to ratification by shareholders. No change in the level of fees is expected in the near future.

Performance Graph

The graphs below show Close Brothers AIM VCT PLC's Ordinary and D share price growth against the FTSE AIM Index growth, in both instances with dividends reinvested. The Directors consider this to be the most appropriate benchmark but would remind investors that approximately 30 per cent of the FTSE AIM Index is attributable to resources or property sector stocks which venture capital trusts cannot invest in. The graph does not take into account the initial tax benefits on subscription received by shareholders. Investors should be reminded that shares in venture capital trusts generally continue to trade at a discount to the net asset value of the Company.

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

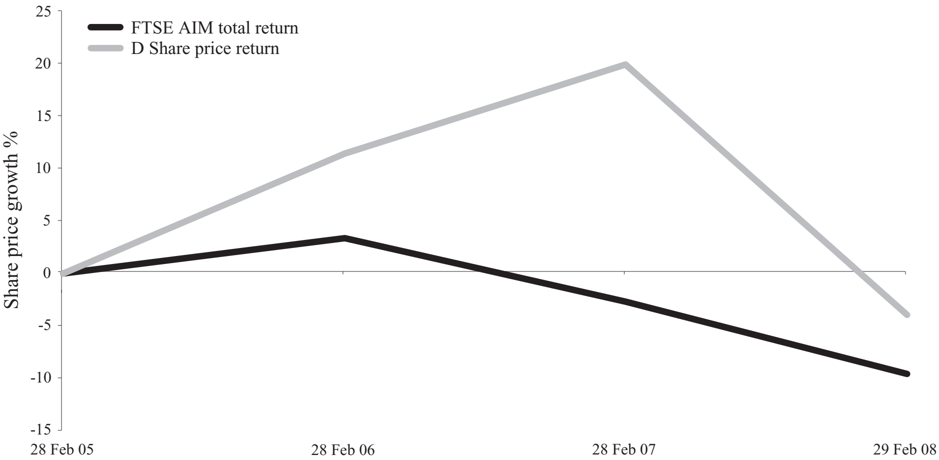
Ordinary Shares share price return relative to FTSE AIM Index (in both cases with dividends reinvested)



Source : Close Investments Limited

DIRECTORS' REMUNERATION REPORT
(continued)

D share share price growth relative to FTSE AIM Index (in both cases with dividends reinvested)



Source : Close Ventures Limited

Service Contracts

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

The Company's Articles of Association provide for the resignation and, if approved, re-election of one third of the Directors at each Annual General Meeting. At the forthcoming Annual General Meeting all Directors will retire by rotation and be proposed for re-election by shareholders.

Audited Information

Directors' Remuneration

The following items have been audited:

The following table shows a breakdown of the remuneration of individual Directors, exclusive of National Insurance or VAT:

	Year ended 29 February 2008			**Year ended 28 February 2007**		
	Fees £	**Expenses £**	**Total £**	**Fees £**	**Expenses £**	**Total £**
Michael Reeve	**24,450**	–	**24,450**	24,450	–	24,450
Frank Malcolm (deceased)*	**4,585**	–	**4,585**	18,340	2,596	20,936
Roger Smith	**18,340**	–	**18,340**	18,340	–	18,340
Stephen Hazell-Smith	**18,340**	–	**18,340**	18,340	–	18,340
	65,715	–	**65,715**	79,470	2,596	82,066

*Frank Malcolm died on 10 March 2007 and his estate was paid to 30 June 2007.

DIRECTORS' REMUNERATION REPORT (continued)

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.

No Director has received any taxable expenses, compensation for loss of office or non-cash benefits for the year ended 29 February 2008.

Each Director of the Company is remunerated personally.

In addition to Director's remuneration the Company paid annual premiums of £13,125 in respect of Directors' & Officers' Liability Insurance.

This report was approved by the Board of Directors on 29 April 2008.

By Order of the Board

Close Ventures Limited
Company Secretary

10 Crown Place
London EC2A 4FT

29 April 2008

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CLOSE BROTHERS AIM VCT PLC

We have audited the financial statements of Close Brothers AIM VCT PLC for the year ended 29 February 2008 which comprise the Income Statement, the Balance Sheet, the Reconciliation of Movement in Shareholders' Funds, the Cash Flow Statement, and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

Respective Responsibilities of Directors and Auditors
The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

The information given in the Report of the Directors and Business Review includes that specific information presented in other sections of the Report and Financial Statements, that is cross referred from the Report of the Directors and Business Review.

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

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

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

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 judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CLOSE BROTHERS AIM VCT PLC
(continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 29 February 2008 and of its loss for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London, United Kingdom

29 April 2008

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

INCOME STATEMENT
for the year ended 29 February 2008

		Ordinary Shares 29 February 2008			D Shares 29 February 2008			Total 29 February 2008		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on investments	11	–	(6,436)	(6,436)	–	(1,586)	(1,586)	–	(8,022)	(8,022)
Investment income	3	369	–	369	494	–	494	863	–	863
Investment management fees	4	(133)	(398)	(531)	(114)	(341)	(455)	(247)	(739)	(986)
Other expenses	5	(114)	–	(114)	(75)	–	(75)	(189)	–	(189)
Return/(loss) on ordinary activities before tax		122	(6,834)	(6,712)	305	(1,927)	(1,622)	427	(8,761)	(8,334)
Tax credit/(charge) on ordinary activities	7	3	–	3	(59)	56	(3)	(56)	56	–
Return/(loss) attributable to equity shareholders		125	(6,834)	(6,709)	246	(1,871)	(1,625)	371	(8,705)	(8,334)
Basic and diluted return per share (pence)	9	0.42	(23.22)	(22.80)	1.55	(11.78)	(10.23)			

The notes on pages 54 to 68 form an integral part of these financial statements.

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

The Company has no recognised gains or losses other than the results for the year as set out above, accordingly a Statement of Total Recognised Gains or Losses is not required.

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

INCOME STATEMENT
for the year ended 28 February 2007

	Note	Ordinary Shares 28 February 2007 Revenue £'000	Ordinary Shares Capital £'000	Ordinary Shares Total £'000	D Shares 28 February 2007 Revenue £'000	D Shares Capital £'000	D Shares Total £'000	Total 28 February 2007 Revenue £'000	Total Capital £'000	Total Total £'000
Gains on investments	11	–	1,828	1,828	–	1,335	1,335	–	3,163	3,163
Investment income	3	387	–	387	493	–	493	880	–	880
Investment management fee	4	(149)	(448)	(597)	(113)	(338)	(451)	(262)	(786)	(1,048)
Other expenses	5	(128)	–	(128)	(89)	–	(89)	(217)	–	(217)
Return on ordinary activities before tax		110	1,380	1,490	291	997	1,288	401	2,377	2,778
Tax credit/(charge) on ordinary activities	7	6	–	6	(60)	54	(6)	(54)	54	–
Return attributable to equity shareholders		116	1,380	1,496	231	1,051	1,282	347	2,431	2,778
Basic and diluted return per share (pence)	9	0.38	4.50	4.88	1.44	6.55	7.99			

The notes on pages 54 to 68 form an integral part of these financial statements.

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

The Company has no recognised gains or losses other than the results for the year as set out above, accordingly a Statement of Total Recognised Gains or Losses is not required.

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

BALANCE SHEET
as at 29 February 2008

	Note	Ordinary Shares As at 29 February 2008 £'000	D Shares As at 29 February 2008 £'000	Total As at 29 February 2008 £'000
Fixed asset investments				
Investments at fair value through profit or loss	10	**16,071**	**15,950**	**32,021**
Current assets				
Debtors	13	**127**	**115**	**242**
Cash at bank	18	**1,211**	**1,432**	**2,643**
		1,338	**1,547**	**2,885**
Creditors: amounts falling due within one year	14	**(63)**	**(60)**	**(123)**
Net current assets		**1,275**	**1,487**	**2,762**
Net assets		**17,346**	**17,437**	**34,783**
Capital and reserves				
Called up share capital	15	**14,762**	**7,923**	**22,685**
Share premium		**1,450**	**39**	**1,489**
Special reserve		**7,311**	**9,100**	**16,411**
Capital redemption reserve		**3,569**	**159**	**3,728**
Realised capital reserve		**(7,508)**	**459**	**(7,049)**
Unrealised capital reserve		**(2,003)**	**(316)**	**(2,319)**
Own shares held in treasury		**(411)**	**(28)**	**(439)**
Revenue reserve		**176**	**101**	**277**
Shareholders' funds		**17,346**	**17,437**	**34,783**
Net asset value per share (pence)	17	**60.06**	**110.23**	

The notes on pages 54 to 68 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 29 April 2008 and were signed on its behalf by

M. A. F. Reeve
Chairman

BALANCE SHEET
as at 28 February 2007

	Note	Ordinary Shares As at 28 February 2007 £'000	D Shares As at 28 February 2007 £'000	Total As at 28 February 2007 £'000
Fixed asset investments				
Investment at fair value through profit or loss	10	25,031	17,177	42,208
Current assets				
Debtors	13	95	81	176
Cash at bank	18	1,211	2,895	4,106
		1,306	2,976	4,282
Creditors: amounts falling due within one year	14	(49)	(65)	(114)
Net current assets		1,257	2,911	4,168
Net assets		26,288	20,088	46,376
Capital and reserves				
Called up share capital	15	14,978	8,008	22,986
Share premium		1,450	39	1,489
Special reserve		7,665	9,304	16,969
Capital redemption reserve		3,353	74	3,427
Realised capital reserve		(4,055)	277	(3,778)
Unrealised capital reserve		2,846	2,253	5,099
Revenue reserve		51	133	184
Shareholders' funds		26,288	20,088	46,376
Net asset value per share (pence)	17	87.76	125.43	

The notes on pages 54 to 68 form an integral part of these financial statements.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
for the year ended 29 February 2008
Ordinary Shares

	Called up share capital £'000	Share premium £'000	Special reserve £'000	Capital redemption reserve £'000	Realised capital reserve £'000	Unrealised capital reserve £'000	Own shares held in Treasury £'000	Revenue reserve £'000	Total £'000
As at 28 February 2007	**14,978**	**1,450**	**7,665**	**3,353**	**(4,055)**	**2,846**	**–**	**51**	**26,288**
Net return after taxation	–	–	–	–	**(1,985)**	**(4,849)**	–	**125**	**(6,709)**
Dividends paid to equity holders	–	–	–	–	**(1,468)**	–	–	–	**(1,468)**
Shares purchased for cancellation	**(216)**	–	**(354)**	**216**	–	–	–	–	**(354)**
Shares purchased to be held in Treasury	–	–	–	–	–	–	**(411)**	–	**(411)**
As at 29 February 2008	**14,762**	**1,450**	**7,311**	**3,569**	**(7,508)**	**(2,003)**	**(411)**	**176**	**17,346**
As at 28 February 2006	15,561	1,450	8,547	2,770	(3,231)	1,806	–	57	26,960
Net return after taxation	–	–	–	–	340	1,040	–	116	1,496
Dividends paid to equity holders	–	–	–	–	(1,164)	–	–	(122)	(1,286)
Shares purchased for cancellation	(583)	–	(882)	583	–	–	–	–	(882)
As at 28 February 2007	14,978	1,450	7,665	3,353	(4,055)	2,846	–	51	26,288

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
for the year ended 29 February 2008
D Shares

	Called up share capital £'000	Share premium £'000	Special reserve £'000	Capital redemption reserve £'000	Realised capital reserve £'000	Unrealised capital reserve £'000	Own shares held in Treasury £'000	Revenue reserve £'000	Total £'000
As at 28 February 2007	**8,008**	**39**	**9,304**	**74**	**277**	**2,253**	**–**	**133**	**20,088**
Net return after taxation	–	–	–	–	**698**	**(2,569)**	–	**246**	**(1,625)**
Dividends paid to equity holders	–	–	–	–	**(516)**	–	–	**(278)**	**(794)**
Shares purchased for cancellation	**(85)**	–	**(204)**	**85**	–	–	–	–	**(204)**
Shares purchased to be held in Treasury	–	–	–	–	–	–	**(28)**	–	**(28)**
As at 29 February 2008	**7,923**	**39**	**9,100**	**159**	**459**	**(316)**	**(28)**	**101**	**17,437**
As at 28 February 2006	8,040	39	9,373	42	(277)	1,965	–	223	19,405
Net return after taxation	–	–	–	–	763	288	–	231	1,282
Dividends paid to equity holders	–	–	–	–	(209)	–	–	(321)	(530)
Shares purchased for cancellation	(32)	–	(69)	32	–	–	–	–	(69)
As at 28 February 2007	8,008	39	9,304	74	277	2,253	–	133	20,088

CASH FLOW STATEMENT
for the year ended 29 February 2008

	Note	Ordinary Shares 29 February 2008 £'000	D Shares 29 February 2008 £'000	Total 29 February 2008 £'000
Operating activities				
Dividend income received		**145**	**58**	**203**
Investment income received		**175**	**347**	**522**
Deposit income received		**67**	**109**	**176**
Investment management fees paid		**(535)**	**(438)**	**(973)**
Other cash payments		**(99)**	**(68)**	**(167)**
Intercompany account movement		**17**	**(17)**	**–**
Net cash outflow from operating activities	19	**(230)**	**(9)**	**(239)**
Capital expenditure and financial investment				
Purchase of qualifying investments		**(1,384)**	**(4,878)**	**(6,262)**
Purchase of non-qualifying investments		**(5)**	**(92)**	**(97)**
Disposals of qualifying investments		**1,841**	**1,823**	**3,664**
Disposals of non-qualifying investments		**2,006**	**2,720**	**4,726**
Net cash inflow/(outflow) from capital expenditure and financial investment		**2,458**	**(427)**	**2,031**
Equity dividends paid	8			
Revenue dividends paid		**–**	**(278)**	**(278)**
Capital dividends paid		**(1,468)**	**(516)**	**(1,984)**
		(1,468)	**(794)**	**(2,262)**
Net cash inflow/(outflow) before financing		**760**	**(1,230)**	**(470)**
Financing				
Cancellation of shares		**(355)**	**(205)**	**(560)**
Own shares held in Treasury		**(405)**	**(28)**	**(433)**
Net cash outflow from financing		**(760)**	**(233)**	**(993)**
Decrease in cash in the year	18	**–**	**(1,463)**	**(1,463)**

CASH FLOW STATEMENT
for the year ended 28 February 2007

	Note	Ordinary Shares 28 February 2007 £'000	D Shares 28 February 2007 £'000	Total 28 February 2007 £'000
Operating activities				
Dividend income received		126	27	153
Investment income received		200	340	540
Other income received		7	–	7
Deposit income received		47	92	139
Investment management fees paid		(598)	(496)	(1,094)
Other cash payments		(131)	(89)	(220)
Intercompany account movement		997	(997)	–
Net cash inflow/(outflow) from operating activities	19	648	(1,123)	(475)
Capital expenditure and financial investment				
Purchase of qualifying investments		(2,228)	(3,322)	(5,550)
Purchase of non-qualifying investments		(102)	–	(102)
Disposals of qualifying investments		4,460	7,793	12,253
Disposals of non-qualifying investments		181	–	181
Net cash inflow from capital expenditure and financial investment		2,311	4,471	6,782
Equity dividends paid	8			
Revenue dividends paid		(122)	(321)	(443)
Capital dividends paid		(1,164)	(209)	(1,373)
		(1,286)	(530)	(1,816)
Net cash inflow before financing		1,673	2,818	4,491
Financing				
Cancellation of shares		(1,186)	(69)	(1,255)
Net cash outflow from financing		(1,186)	(69)	(1,255)
Increase in cash in the year	18	487	2,749	3,236

NOTES TO THE FINANCIAL STATEMENTS
for the year to 29 February 2008

1 Accounting convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial instruments, 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 the current and prior years.

True and fair overide

The Company is no longer an Investment Company within the meaning of S266 of the Companies Act 1985. However it conducts its affairs as a Venture Capital Trust for taxation purposes under Part 6 of the Income Taxes Act 2007. The absence of S266 status does not preclude the Company from presenting its accounts in accordance with the AITC's SORP, and furthermore the Directors consider it appropriate to continue to present the accounts in this manner as it is consistent with the sector within which it operates. The Directors therefore consider that the departures from accounting standards and the specific provisions of Schedule 4 of the Companies Act relating to the form and content of accounts for companies other than investment companies, are necessary to give a true and fair view. The departures have no effect on the return for the year.

2 Accounting policies

Investments

In accordance with Financial Reporting Standard ("FRS") 26 "Financial Instruments: Measurement", equity investments and debt securities are designated as fair value through profit or loss.

Qualifying investments, non-qualifying AIM investments and non-qualifying listed investments are valued at either 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 are 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 is 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 or last traded prices as the most objective and appropriate method of valuation.

Investment income

Dividends receivable on quoted equity shares are taken to revenue on an ex-dividend basis. Returns on listed debt securities and cash on deposit are recognised on an accruals basis using the interest rate applicable to the instrument or deposit at the time.

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 per cent has been allocated to the realised capital reserve and 25 per cent to revenue in the Income Statement.

Performance incentive

In the event that a performance fee crystallises, 100 per cent of the fee will be allocated to the realised capital reserve, in order to reflect the Directors' expected long-term view of the nature of the investments return of the Company.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

Taxation

Taxation is applied on a current basis in accordance with FRS 16 “Current Tax”, and is based on the return before taxation for the year. Taxation associated with capital expenses is applied in accordance with the SORP. In accordance with FRS 19 “Deferred Tax”, deferred taxation is provided in full on timing differences that result in an obligation at the Balance Sheet date to pay more tax or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those 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 any provision should be made.

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 year end. The special reserve is distributable and is primarily used for the cancellation of the Company’s share capital. The capital redemption reserve accounts for amounts by which the issued share capital is diminished through the repurchase of the Company’s own shares.

Dividends

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

D shares

Until such time that Ordinary shares are converted into D shares in May 2008, all investments and returns attributable to this class of share will be seperately indentifiable from the existing Ordinary shares. All residual expenses will be allocated on the basis of total funds raised for each class of share.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

3 Investment income

	Year to 29 February 2008			Year to 28 February 2007		
	Ordinary Shares £'000	D Shares £'000	Total £'000	Ordinary Shares £'000	D Shares £'000	Total £'000
Income from investments						
UK franked investment dividend income	**135**	**62**	**197**	136	30	166
UK unfranked investment income	**158**	**330**	**488**	197	349	546
	293	**392**	**685**	333	379	712
Other income						
Bank deposit interest	**76**	**102**	**178**	47	114	161
Other income	–	–	–	7	–	7
Total income	**369**	**494**	**863**	387	493	880

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

4 Investment management fees

	Year to 29 February 2008			Year to 28 February 2007		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee						
– Ordinary Shares	**133**	**398**	**531**	149	448	597
– D Shares	**114**	**341**	**455**	113	338	451
	247	**739**	**986**	262	786	1,048

No performance fee is payable for the year ended 29 February 2008 (2007: Nil).

Further details of the Investment Management agreement under which the investment management fee and performance fee are paid are given in the Report of the Directors.

5 Other expenses

	Year to 29 February 2008			Year to 28 February 2007		
	Ordinary Shares £'000	D Shares £'000	Total £'000	Ordinary Shares £'000	D Shares £'000	Total £'000
Directors' fees (including VAT or NIC)	**44**	**29**	**73**	55	36	91
Auditors' remuneration – audit fees	**9**	**6**	**15**	15	10	25
– other services	–	–	–	1	1	2
Other administrative expenses	**61**	**40**	**101**	57	42	99
	114	**75**	**189**	128	89	217

NOTES TO THE FINANCIAL STATEMENTS
(continued)

6 Directors' fees

	Year to 29 February 2008			Year to 28 February 2007		
	Ordinary Shares £'000	**D Shares £'000**	**Total £'000**	**Ordinary Shares £'000**	**D Shares £'000**	**Total £'000**
Directors' fees	**40**	**26**	**66**	48	32	80
National insurance	**4**	**3**	**7**	5	3	8
Expenses	**–**	**–**	**–**	2	1	3
	44	**29**	**73**	55	36	91

Expenses charged relate to travel expenses in furtherance of their duties as Directors.

Further information regarding Directors' remuneration can be found in the Directors' Remuneration Report on pages 41 and 42.

The Company had no employees during the year (2007: nil).

7 Tax (credit)/charge on ordinary activities

	Ordinary Shares Year to 29 February 2008			D Shares Year to 29 February 2008		
	Revenue £'000	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**
UK corporation tax	**(3)**	**–**	**(3)**	**59**	**–**	**59**
Tax attributable to capital expenses	**–**	**–**	**–**	**–**	**(56)**	**(56)**
	(3)	**–**	**(3)**	**59**	**(56)**	**3**

	Ordinary Shares Year to 28 February 2007			D Shares Year to 28 February 2007		
	Revenue £'000	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**
UK corporation tax	(6)	–	(6)	60	–	60
Tax attributable to capital expenses	–	–	–	–	(54)	(54)
	(6)	–	(6)	60	(54)	6

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30 per cent (2007: 30 per cent). The actual tax charge for the current and previous year differs from the amount resulting from applying the standard rate for the reasons set out in the following reconciliation.

	Ordinary Shares Year to 29 February 2008			D Shares Year to 29 February 2008		
	Revenue £'000	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**
Return on ordinary activities before taxation	**122**	**(6,834)**	**(6,712)**	**305**	**(1,928)**	**(1,623)**
Tax on profit at the standard rate of 30%	**37**	**(2,050)**	**(2,013)**	**91**	**(578)**	**(487)**
Factors affecting the charge						
Non-taxable income	**(41)**	**–**	**(41)**	**(19)**	**–**	**(19)**
Marginal relief adjustment	**1**	**–**	**1**	**(13)**	**–**	**(13)**
Excess management expenses	**–**	**119**	**119**	**–**	**46**	**46**
Non-taxable losses on investments	**–**	**1,931**	**1,931**	**–**	**476**	**476**
Total	**(3)**	**–**	**(3)**	**59**	**(56)**	**3**

NOTES TO THE FINANCIAL STATEMENTS
(continued)

7 Tax (credit)/charge on ordinary activities (continued)

	Ordinary Shares			D Shares		
	Year to 28 February 2007			Year to 28 February 2007		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Return on ordinary activities before taxation	110	1,380	1,490	291	997	1,288
Tax on profit at the standard rate of 30%	33	414	447	87	299	386
Factors affecting the charge						
Non-taxable income	(41)	–	(41)	(9)	–	(9)
Marginal relief adjustment	2	–	2	(18)	47	29
Excess management expenses	–	134	134	–	–	–
Non-taxable gains on investments	–	(548)	(548)	–	(400)	(400)
Total	(6)	–	(6)	60	(54)	6

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

(ii) Tax relief on expenses charged to capital has been determined by allocating tax relief to all expenses proportionately by reference to the applicable corporation tax rate of 30 per cent (2007: 30 per cent) and allocating the relief in accordance with the SORP.

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

(iv) The Company has not recognised a deferred tax asset on timing differences relating to the management expenses going forward due to the uncertainty surrounding its recovery. The amount of this unrecognised asset is £561,000 (2007: £439,000). The asset would be recovered if the Company made sufficient taxable gains in the future to utilise these losses.

8 Dividends

	Year to 29 February 2008			Year to 28 February 2007		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Dividends paid on equity shares:						
– Dividends of 5.00 pence per Ordinary Share (2007: 4.20 pence) paid August and December 2007	**–**	**1,468**	**1,468**	122	1,164	1,286
– Dividend of 5.00 pence per D Share (2007: 3.30 pence) paid August and December 2007	**278**	**516**	**794**	321	209	530
	278	**1,984**	**2,262**	443	1,373	1,816

In addition to the above dividends the Board has declared the following first dividend for the year ending 28 February 2009:

– 2.50 pence per Ordinary Share (comprising 0.60 pence to be paid out of revenue and 1.90 pence to be paid out of realised capital gains)

– 2.50 pence per D Share (comprising 0.60 pence to be paid out of revenue and 1.90 pence to be paid out of realised capital gains).

In accordance with FRS 21 these dividends have not been accrued as a liability in these financial statements.

The dividends are subject to HM Revenue & Customs' approval.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

9 Return per share

	Year to 29 February 2008		Year to 28 February 2007	
	Revenue	Capital	Revenue	Capital
Basic (pence per share)				
– Ordinary Shares	**0.42**	**(23.22)**	0.38	4.50
– D Shares	**1.55**	**(11.78)**	1.44	6.55

Ordinary Shares

The revenue return per Ordinary Share is based on the revenue return on ordinary activities after taxation of £125,000 (2007: £116,000), whilst the capital return is based on the capital loss on ordinary activities after taxation of £(6,834,000) (2007: profit £1,380,000). This is in respect of 29,426,743 Ordinary Shares (2007: 30,655,972 shares), being the weighted average number of Ordinary shares in issue during the year.

There are no dilutive elements and hence the basic return per share is the same as the diluted return per share.

D Shares

The revenue return per D Share is based on the revenue return on ordinary activities after taxation of £246,000 (2007: £231,000), whilst the capital return is based on the capital loss on ordinary activities after taxation of £(1,872,000) (2007: profit £1,051,000). This is in respect of 15,882,684 D Shares (2007: 16,051,466 shares), being the weighted average number of D shares in issue during the year.

There are no dilutive elements and hence the basic return per share is the same as the diluted return per share.

10 Fixed asset investments

	Year to 29 February 2008			Year to 28 February 2007		
	Ordinary Shares £'000	D Shares £'000	Total £'000	Ordinary Shares £'000	D Shares £'000	Total £'000
Qualifying investments	**13,931**	**11,553**	**25,484**	20,875	10,100	30,975
Non-qualifying AIM investments	**239**	**133**	**372**	236	67	303
Non-qualifying listed investments	**1,901**	**4,264**	**6,165**	3,920	7,010	10,930
Total	**16,071**	**15,950**	**32,021**	25,031	17,177	42,208

	Ordinary Shares				
	Qualifying AIM £'000	Qualifying Loan Notes £'000	Non–qualifying AIM £'000	Non–qualifying listed FRNs* £'000	Total investment £'000
Valuation basis					
Opening valuation at 1 March 2007	**20,180**	**695**	**236**	**3,920**	**25,031**
Stock conversion	**695**	**(695)**	**–**	**–**	**–**
Purchases at cost	**1,384**	**–**	**2**	**–**	**1,386**
Sales – proceeds	**(1,904)**	**–**	**(5)**	**(2,001)**	**(3,910)**
– realised losses on disposal	**(1,582)**	**–**	**(5)**	**–**	**(1,587)**
(Decrease)/increase in unrealised appreciation	**(4,842)**	**–**	**11**	**(18)**	**(4,849)**
Closing valuation at 29 February 2008	**13,931**	**–**	**239**	**1,901**	**16,071**

*FRN denotes Floating Rate Notes.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

10 Fixed asset investments (continued)

	Ordinary Shares				
	Qualifying AIM £'000	Qualifying Loan Notes £'000	Non–qualifying AIM £'000	Non–qualifying listed FRNs* £'000	Total investment £'000
Historic cost basis					
Opening book cost at 1 March 2007	17,867	75	323	3,920	22,185
Stock conversion	75	(75)	–	–	–
Purchases at cost	1,384	–	2	–	1,386
Disposals at cost	(3,486)	–	(10)	(2,001)	(5,497)
Closing book cost at 29 February 2008	15,840	–	315	1,919	18,074
Opening unrealised gains/(losses)	2,313	620	(87)	–	2,846
Stock conversion	620	(620)	–	–	–
(Decrease)/increase in unrealised appreciation	(4,842)	–	11	(18)	(4,849)
Closing unrealised losses	(1,909)	–	(76)	(18)	(2,003)

	D Shares				
	Qualifying AIM £'000	Qualifying Loan Notes £'000	Non–qualifying AIM £'000	Non–qualifying listed FRNs* £'000	Total investment £'000
Valuation basis					
Opening valuation at 1 March 2007	10,100	–	67	7,010	17,177
Purchases at cost	4,878	–	77	–	4,955
Sales – proceeds	(1,876)	–	(3)	(2,717)	(4,596)
– realised gains/(losses) on disposal	987	–	–	(4)	983
(Decrease) in unrealised appreciation	(2,536)	–	(8)	(25)	(2,569)
Closing valuation at 29 February 2008	11,553	–	133	4,264	15,950
Historic cost basis					
Opening book cost at 1 March 2007	7,828	–	89	7,007	14,924
Purchases at cost	4,878	–	77	–	4,955
Disposals at cost	(889)	–	(3)	(2,721)	(3,613)
Closing book cost at 29 February 2008	11,817	–	163	4,286	16,266
Opening unrealised gains/(losses)	2,272	–	(22)	3	2,253
Decrease in unrealised appreciation	(2,536)	–	(8)	(25)	(2,569)
Closing unrealised losses	(264)	–	(30)	(22)	(316)

* FRN denotes Floating Rate Notes.

All fixed asset investments are held at fair value through profit or loss account.

A full list of the portfolio holdings by their aggregate market values is set out on pages 13 to 18 of this report.

Transaction costs incidental to the acquisitions and disposals of investments totalled £12,000 in the year.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

11 (Losses)/gains on investments

	Year to 29 February 2008			Year to 28 February 2007		
	Ordinary Shares £'000	D Shares £'000	Total £'000	Ordinary Shares £'000	D Shares £'000	Total £'000
Realised (losses)/gains on disposals	**(1,587)**	**983**	**(604)**	788	1,047	1,835
(Decrease)/increase in unrealised revaluation	**(4,849)**	**(2,569)**	**(7,418)**	1,040	288	1,328
Total (losses)/gains for the year	**(6,436)**	**(1,586)**	**(8,022)**	1,828	1,335	3,163

12 Significant shareholdings

As at 29 February 2008 the Company has a holding of 3 per cent or more of the voting rights in the following investments (which are all incorporated in Great Britain):

	Share class	% Held
Hartest Holdings plc	Ordinary	7.4%
Twenty plc	Ordinary	5.2%
Playgolf plc	Ordinary	4.6%
Dowlis Corp plc	Ordinary	4.4%
Independent Media Support Group plc	Ordinary	4.3%
Landround plc	Ordinary	4.3%
Work Group plc	Ordinary	4.1%
Clipper Ventures plc	Ordinary	4.1%
Telephonetics plc	Ordinary	3.8%
Clerkenwell Ventures plc	Ordinary	3.7%
Optimisa plc	Ordinary	3.5%
Focus Solutions plc	Ordinary	3.3%
Pilat Media Global plc	Ordinary	3.1%
Freshwater UK plc	Ordinary	3.0%

The principle activities of these Companies are described on pages 13 to 18.

13 Debtors

	Year to 29 February 2008			Year to 28 February 2007		
	Ordinary Shares £'000	D Shares £'000	Total £'000	Ordinary Shares £'000	D Shares £'000	Total £'000
Other debtors	**11**	**–**	**11**	11	–	11
Inter class debtor	**3**	**–**	**3**	17	–	17
Prepayments and accrued income	**50**	**62**	**112**	67	81	148
Sales awaiting settlement	**63**	**53**	**116**	–	–	–
Total	**127**	**115**	**242**	95	81	176

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 Creditors: amounts falling due within one year

	Year to 29 February 2008			Year to 28 February 2007		
	Ordinary Shares £'000	D Shares £'000	Total £'000	Ordinary Shares £'000	D Shares £'000	Total £'000
Accruals	**57**	**57**	**114**	46	33	79
Inter class creditor	**–**	**3**	**3**	–	17	17
Purchases awaiting settlement	**6**	**–**	**6**	3	15	18
Total	**63**	**60**	**123**	49	65	114

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

15 Called up share capital

	29 February 2008 £'000	28 February 2007 £'000
Authorised:		
45,000,000 (2007: 45,000,000) Ordinary Shares of 50 pence each	**22,500**	22,500
25,000,000 (2007: 25,000,000) D Shares of 50 pence each	**12,500**	12,500
	35,000	35,000
Allotted, called up and fully paid (including Treasury shares):		
29,522,615 (2007: 29,955,440) Ordinary Shares of 50 pence each	**14,762**	14,978
15,846,847 (2007: 16,015,188) D Shares of 50 pence each	**7,923**	8,008
	22,685	22,986

All classes of shares rank *pari passu* as to rights to attend and vote at any general meeting of the Company.

The rights of members to receive dividends is derived from the net income attributable to the net assets of each class of share.

The capital and assets of the Company shall on a winding up, prior to the conversion of each class of share, be divided amongst the holders of each class of share pro rata according to their shareholding.

During the year the Company purchased for cancellation 432,825 Ordinary Shares and 168,341 D Shares at a cost of £353,878 and £204,767 respectively. This represented 1.44 per cent of the Ordinary Shares and 1.05 per cent of the D Shares in issue at 28 February 2007.

16 Own shares held in Treasury

	29 February 2008 £'000	28 February 2007 £'000
638,813 (2007: Nil) Ordinary Shares	**411**	–
28,047 (2007: Nil) D Shares	**28**	–
	439	–

During the year the Company purchased to be held in Treasury 638,813 Ordinary Shares and 28,047 D Shares at a cost of £411,163 and £27,881 respectively. This represented 2.13 per cent of the Ordinary Shares and 0.18 per cent of the D Shares in issue at 28 February 2007.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

17 Net asset value per share

Ordinary Shares

Net asset value per share is based on the net assets attributable to Ordinary shareholders of £17,346,000 (2007: £26,288,000) and 28,883,802 (2007: 29,955,440) Ordinary Shares in issue, excluding shares held in Treasury, at the year end.

D Shares

Net asset value per share is based on the net assets attributable to D shareholders of £17,437,000 (2007: £20,088,000) and 15,818,800 (2007: 16,015,188) D Shares in issue, excluding shares held in Treasury, at the year end.

18 Reconciliation of net cash flow to net funds

	29 February 2008			28 February 2007		
	Ordinary Shares £'000	D Shares £'000	Total £'000	Ordinary Shares £'000	D Shares £'000	Total £'000
Opening net funds	**1,211**	**2,895**	**4,106**	724	146	870
Net cash (outflow)/inflow	**–**	**(1,463)**	**(1,463)**	487	2,749	3,236
Closing net funds	**1,211**	**1,432**	**2,643**	1,211	2,895	4,106

19 Reconciliation of cash (outflow)/inflow from operating activities

	29 February 2008			28 February 2007		
	Ordinary Shares £'000	D Shares £'000	Total £'000	Ordinary Shares £'000	D Shares £'000	Total £'000
Net revenue before finance costs and taxation	**122**	**305**	**427**	110	291	401
Investment management fee charged to capital	**(398)**	**(341)**	**(739)**	(448)	(338)	(786)
Decrease/(increase) in operating debtors	**16**	**19**	**35**	(9)	(33)	(42)
Increase/(decrease) in operating creditors	**13**	**25**	**38**	(2)	(46)	(48)
Intercompany account movement	**17**	**(17)**	**–**	997	(997)	–
Net cash (outflow)/inflow from operating activities	**(230)**	**(9)**	**(239)**	648	(1,123)	(475)

20 Financial instruments and risk management

Financial assets and liabilities

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

The principal risks the Company faces in its portfolio management activities are:

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

NOTES TO THE FINANCIAL STATEMENTS
(continued)

20 Financial instruments and risk management (continued)

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

Investment risk

As a venture capital trust, it is the Company's specific nature to evaluate and control the investment risk of its portfolio, details of which are shown on pages 13 to 18. Investment risk is the exposure of the Company to the revaluation and devaluation of investments. The main driver of investment risk is the operational and financial performance of the investee company. The Investment Manager receives financial information from investee companies, this enables the close identification, monitoring and management of investment risk.

The Investment Manager and the Board formally review investment risk both at the time of initial investment and at quarterly Board meetings.

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

The maximum investment risk as at the Balance Sheet date is the value of the fixed asset investment portfolio which is £16,071,000 for Ordinary Shares (2007: £25,031,000) and £15,950,000 for D shares (2007: £17,177,000). Fixed asset investments form 93 per cent of the Ordinary Share net asset value as at 29 February 2008 (2007: 95 per cent) and 91 per cent of the D Share net asset value as at 29 February 2008 (2007: 86 per cent).

More details regarding the classification of fixed asset investments are shown in Note 10.

Investment price risk

Investment price risk is the risk that the fair value of future investment cashflows will fluctuate due to factors specific to an investment instrument or to a market in similar instruments.

The Company's investment risk primarily comprises the equity value of its AIM and PLUS quoted investments.

The investments the Company holds are, in the main, thinly traded and as such the prices are more volatile than those of more widely traded securities. In addition, the ability of the Company to realise the investments at their carrying value may at times not be possible if there are no willing purchasers. The ability of the Company to purchase or sell investments is also constrained by the requirements set down for Venture Capital Trusts.

The Investment Manager considers each investment purchase to ensure that an acquisition will enable the Company to continue to have an appropriate spread of investment price risk and that an appropriate risk reward profile is maintained.

It is not the Company's policy to use derivative instruments to mitigate investment price risk, as the Board believes that the effectiveness of such instruments does not justify the costs involved.

The Ordinary Shares' sensitivity to a 1 per cent increase or decrease in the equity valuations (keeping all other variables constant) would be an increase or decrease in net asset value of £160,710 (2007: £250,310) and for the D Shares, would be an increase or decrease of £159,500 (2007: £171,770).

NOTES TO THE FINANCIAL STATEMENTS
(continued)

20 Financial instruments and risk management (continued)

Cash flow interest rate risk
It is the Company's policy to accept a degree of interest rate risk on its financial assets through the effect of interest rate changes. On the basis of the Company's analysis, it is estimated that a fall of one percentage point in all interest rates would have reduced the profit before tax for the year by approximately £113,000 (2007: £108,000)

The company does not have any interest bearing liabilities.

The Company holds floating rate note securities and money on deposit, which earn interest at variable rates and the income may rise or fall depending on changes to interest rates. It is not the Board's policy to hedge against interest rate movements.

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

Floating rate note investments are made in notes issued by banks with a Moody's credit rating of at least triple 'A'. In this way the Investment Manager seeks to limit credit risk to the Company.

The Board formally reviews credit risk as part of its overall review of investment and other risks at quarterly Board meetings.

The Ordinary Shares total gross credit risk as at 29 February 2008 is limited to £1,901,000 (2007: £3,920,000) of floating rate notes and £1,211,000 (2007: £1,211,000) cash deposits with banks.

The D Share total gross credit risk as at 29 February 2008 is limited to £1,919,000 (2007: £3,920,000) of floating rate notes and £1,432,000 (2007: £2,895,000) cash deposits with banks.

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

Liquidity risk
Liquid assets are held as cash on current account, cash on deposit or short term money market account.

The Company has no committed borrowing facilities as at 29 February 2008 (2007: £nil) and had Ordinary Share cash balances of £1,211,000 and D Share cash balances of £1,432,000. The main cash outflows are for new investments, which are within the control of the Company. The Investment Manager formally reviews the cash requirements of the Company on a monthly basis, and the Board on a quarterly basis as part of its review of management accounts and forecasts. All the Company's financial liabilities are short term in nature and are £63,000 (2007: £49,000) in respect of the Ordinary Shares and £60,000 (2007: £65,000) in respect of the D Shares as at 29 February 2008.

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

Financial instruments
All of the the Company's financial assets and liabilities as at 29 February 2008 are stated at fair value as determined by the Directors. The Company's financial liabilities are all non-interest bearing. It is the Directors' opinion that the fair value of the financial liabilities approximates the book value and all are payable within one year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

20 Financial instruments and risk management (continued)

The interest rate profile of the Company's financial assets and liabilities at 29 February 2008 was as follows:

Ordinary Shares	Floating rate £'000	Non-interest bearing £'000	Total £'000
Equity shares	–	14,170	14,170
Floating rate interest securities	1,901	–	1,901
Cash	1,211	–	1,211
Other net current assets*	–	57	57
Total Assets	3,112	14,227	17,339

D Shares	Floating rate £'000	Non-interest bearing £'000	Total £'000
Equity shares	–	11,686	11,686
Floating rate interest securities	4,264	–	4,264
Cash	1,432	–	1,432
Other net current assets*	–	55	55
Total Assets	5,696	11,741	17,437

The interest rate profile of the Company's financial assets and liabilities at 28 February 2007 was as follows:

Ordinary Shares	Fixed Rate £'000	Floating Rate £'000	Non-interest Bearing £'000	Total £'000
Equity shares	–	–	20,416	20,416
Floating rate note and loan stock investments	695	3,920	–	4,615
Cash	–	1,211	–	1,211
Other net current assets*	–	–	43	43
Total Assets	695	5,131	20,459	26,285

NOTES TO THE FINANCIAL STATEMENTS
(continued)

20 Financial instruments and risk management (continued)

The interest rate profile of the Company's financial assets and liabilities at 28 February 2007 was as follows (continued):

D Shares	**Fixed Rate £'000**	**Floating Rate £'000**	**Non-interest Bearing £'000**	**Total £'000**
Equity shares	–	–	10,167	10,167
Floating rate note and loan stock investments	–	7,010	–	7,010
Cash	–	2,895	–	2,895
Other net current assets*	–	–	14	14
Total Assets	–	9,905	10,181	20,086

* Other net current assets exclude prepayments which under FRS29 are not classified as financial assets.

The cash at bank interest rate is currently based on the Royal Bank Scotland plc base rate less 0.05 per cent.

The maturity value of the floating rate note investments held at fair value is as follows:

	29 February 2008		**28 February 2007**	
	Ordinary Shares £'000	**D Shares £'000**	**Ordinary Shares £'000**	**D Shares £'000**
Less than one year	–	**–**	2,693	–
1-2 years	**1,901**	**4,264**	–	–
2-3 years	–	**–**	1,922	7,010
3-5 years	–	**–**	–	–
Total	**1,901**	**4,264**	4,615	7,010

The contractual re-pricing of the floating rate notes held in the portfolio will occur within one year (2007: within one year)

Floating rate assets predominantly bear interest at rates based on quarterly LIBOR.

Other net current assets are all non-interest bearing. It is the Directors' opinion that the fair value of other net current assets approximates to the book value and all are payable within one year.

Financial liabilities

Primarily the Company finances its operations through its issued capital and existing reserves. The only financial liabilities of the Company are creditors which are due within one year. No interest is paid on these liabilities and they are all denominated in sterling.

Currency exposure

As at 29 February 2008, the Company has no foreign currency exposure.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

21 Contingencies, guarantees and financial commitments

There are no contingencies, guarantees and financial commitments of the Company as at 29 February 2008 (2007: nil) which have been accrued for, except those funds scheduled for investment.

22 Related party transactions

Close Investments Limited as Investment Manager of the Company is considered to be a related party by virtue of its management contract with the Company (details are disclosed on page 32 of this report). During the year, services with a total value of £986,000 were purchased by the Company from Close Investments Limited. At the financial year end, the amount due to Close Investments Limited disclosed as creditors was £35,000. Details of their remuneration can be found in note 4 of these financial statements.

As at the year end and the date of this report, Close Investments Limited held 7,050 Ordinary Shares and 8,264 D Shares in the Company.

Buybacks of shares for cancellation during the year were transacted through Winterflood Securities Limited, a subsidiary of Close Brothers Group plc, the ultimate parent company of the Investment Manager, Close Investments Limited. A total of 331,189 Ordinary shares and 164,754 D shares were purchased at a cost of £270,421 and £199,286 respectively. The average price paid was 82 pence per Ordinary share and 121 pence per D share.

Buybacks of shares to be held in Treasury were also transacted through Winterflood Securities Limited. A total of 508,512 Ordinary shares and 28,047 D shares were purchased at a cost of £331,815 and £27,741 respectively. The average price paid was 65 pence per Ordinary share and 99 pence per D share.

23 Post balance sheet events

Conversion of Ordinary shares into D shares

At an Extraordinary General Meeting and separate class meetings held on 22 April 2008, shareholders approved extraordinary resolutions to revise the merger arrangement. The revised arrangements made to the Articles of Association will merge the two share classes by converting the Ordinary Shares into D Shares ("the Conversion") at a ratio of 0.5448 D Shares for each Ordinary Share and then redesignating all of the D Shares into new Ordinary Shares (“New Shares”) on 31 May 2008.

Since 29 February 2008 the Company has completed the following investments:

- Invested £2,000 in Pressure Technologies plc

Since 29 February 2008 the Company has completed the following disposals:

- Tanfield Group plc for proceeds of £413,000
- Freedom4 Communications plc for proceeds of £486,000

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of Close Brothers AIM VCT PLC will be held at 12 noon on 10 June 2008 at 10 Crown Place, London EC2A 4FT for the purpose of dealing with the following business, of which items 7 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 29 February 2008.
2. To appoint PKF (UK) LLP as Auditors for the ensuing year and to authorise the Directors to fix their remuneration.
3. To re-appoint Michael Reeve as a Director of the Company.
4. To re-appoint Roger Smith as a Director of the Company.
5. To re-appoint Stephen Hazell-Smith as a Director of the Company.
6. To approve the Directors' remuneration report for the year ended 29 February 2008.

Special Business

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

   That the Directors be generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (the "Act") to allot relevant securities (within the meaning of Section 80(2) of the Act) up to a maximum aggregate nominal amount of £2,235,130 which, before conversion of Ordinary shares, would comprise 10 per cent of the Ordinary Share capital excluding Treasury shares (equal to £1,444,190) and 10 per cent of the D Share capital (equal to £790,940), such authority to expire on 30 September 2009, but so that the Company may, before the expiry of such period, make an offer or agreement which would or might require relevant securities to be allotted after the expiry of such period and the directors may allot relevant securities pursuant to such an offer or agreement as if the authority had not expired.

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

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

   (a) in connection with an offer of such securities by way of rights issue, bonus issue, open offer or other offer of securities in favour of the holders of Ordinary or D 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 Ordinary or D shareholders are proportionate (as nearly may be) to the respective numbers of the Ordinary and D Shares held by them on any such record date, subject to such exclusions or other arrangements as the Directors may deem necessary, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange by virtue of shares being represented by depository receipts or any other matter whatever; and

   b) otherwise than pursuant to sub-paragraph above up to an aggregate nominal amount of £722,095 equal to 5 per cent of the Ordinary Share capital and £395,470 equal to 5 per cent of the D Share capital, or following the conversation of the D Shares into Ordinary Shares, an aggregate nominal amount of £1,117,565 equal to 5 per cent of the Ordinary shares.

   and shall expire on 30 September 2009, save that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement as if the power had not expired.

   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 7" were omitted.

NOTICE OF MEETING
(continued)

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

   That the Company be generally and unconditionally authorised to make one or more market purchases (within the meaning of Section 163(3) of the Companies Act 1985), of Ordinary Shares of 50p each and D Shares of 50p each in the capital of the Company provided that:

   (a) the maximum aggregate number of shares authorised to be purchased is 2,888,380 Ordinary Shares and 1,581,880 D Shares (or following the conversion of the Ordinary Shares to D Shares, such number of new Ordinary Shares representing 10 per cent of the current issued share capital of the Company);

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

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

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

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

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

    That (with effect from 1 October 2008) the Articles of Association be amended by the insertion of the following new Article number 118.1:

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

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

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

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

NOTICE OF MEETING
(continued)

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

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

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

By Order of the Board

Close Ventures Limited
Company secretary

Registered Office
10 Crown Place,
London EC2A 4FT

29 April 2008

NOTES

1. A shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote in his stead. Such proxy need not be a member of the Company.
2. A form of proxy is enclosed and to be valid must be lodged with the Registrars of the Company not less than forty-eight hours before the time fixed for the meeting.
3. The register of interests of directors kept by the Company in accordance with Section 325 of the Companies Act 1985 will be open for inspection at the meeting.
4. No Director has a service contract or contract for services with the Company.
5. The Company pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995 specifies that only those shareholders registered in the register of members of the Company as at 12 noon on 8 June 2008 or, in the event that this meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting, shall be entitled to attend or vote at this meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of members after 12 noon on 8 June 2008 or, in the event that this meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.
6. Copies of the Company's existing Articles of Association are available for inspection at the Company's registered office during normal business hours on any weekday (excluding Saturdays and public holidays) from the date of this notice until close of business on 8 June 2008 and will also be available for inspection at the place of the meeting for at least 15 minutes before, and during the meeting until the close of, the meeting.

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