

**Close Brothers
Venture Capital Trust PLC**



**Report & Financial Statements
for the year ended
31 March 2007**



The Weybridge Health Club, developed by The Weybridge Club Limited



37 Degrees Health Club in West Kensington, under development by Kensington Health Club Limited



The Crown Hotel in Harrogate acquired and refurbished by The Crown Hotel Harrogate Limited

The Picturehouse Cinema in Brixton, operated by CS (Brixton) Limited





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COMPANY INFORMATION

Company number	3142609
Directors	D J Watkins MBA (Harvard), Chairman (US citizen) R M Davidson J M B L Kerr ACMA J G T Thornton MBA, FCA
Investment manager	Close Ventures Limited 10 Crown Place London EC2A 4FT Tel: 020 7422 7830
Secretary and registered office	Close Ventures Limited 10 Crown Place London EC2A 4FT
Registrar	Capita Registrars Northern House Penistone Road Fenay Bridge Huddersfield, HD8 0LA
Shareholders' helpline	Tel: 0870 162 3124 Fax: 0870 162 3199 Email: shareholder.services@capitaregistrars.com
Auditors	Deloitte & Touche LLP London
Custodians	Capita Trust Company Ltd 7th Floor, Phoenix House 18 King William Street London EC4N 7HC

Close Brothers Venture Capital Trust PLC is a member of the Association of Investment Companies.

**INVESTMENT OBJECTIVES**

Close Brothers Venture Capital Trust PLC (“Close Brothers VCT” or the “Company”) is a venture capital trust which raised a total of £39.7 million through an issue of Ordinary Shares in the spring of 1996 and through an issue of “C” Shares in the following year. The Company offers tax-paying investors substantial tax benefits at the time of investment, on payment of dividends and on the ultimate disposal of the investment. Its investment strategy is to minimise the risk to investors whilst maintaining an attractive yield. This is achieved as follows:

- qualifying unquoted investments are predominantly in specially-formed companies which provide a high level of asset backing for the capital value of the investment;
- Close Brothers VCT PLC invests alongside selected partners with proven experience in the sectors concerned;
- investments are normally structured as a mixture of equity and loan stock. The loan stock represents the majority of the finance provided, and is secured on the assets of the investee company. Funds managed or advised by Close Ventures Limited typically own 50 per cent. of the equity of the investee company;
- other than the loan stock issued to funds managed or advised by Close Ventures Limited and, in certain circumstances, temporary bridging finance prior to further investment by funds managed or advised by Close Ventures Limited, investee companies do not normally have external borrowings; and
- a clear strategy for the realisation of each qualifying unquoted investment within five years or shortly thereafter is identified from the outset.

FINANCIAL CALENDAR

Annual General Meeting	6 August 2007
Announcement of interim results for the six months ended 30 September 2007	November 2007
Payment of second dividend	December 2007



FINANCIAL HIGHLIGHTS

	31 March 2007	31 March 2006
Dividends paid per share (pence)	10.00	11.75 ^(vii)
Net asset value per share (pence)	120.17	116.49
	Ordinary shares	'C' shares
	(Pence)	(Pence)
Shareholder value created per share since launch:		
Gross revenue dividends paid during the year ended 31 March 1997	2.00	–
Gross revenue dividends paid during the year ended 31 March 1998	5.20	2.00
Gross interim dividends and net final dividend paid during the year ended 31 March 1999	11.05	8.75
Net revenue and capital dividends paid during the year ended 31 March 2000	3.00	2.70
Net revenue and capital dividends paid during the year ended 31 March 2001	8.55	4.80
Net revenue dividends paid during the year ended 31 March 2002	7.60	7.60
Net revenue and capital dividends paid during the year ended 31 March 2003	7.70	7.70
Net revenue and capital dividends paid during the year ended 31 March 2004	8.20	8.20
Net revenue and capital dividends paid during the year ended 31 March 2005	9.75	9.75
Net revenue and capital dividends paid during the year ended 31 March 2006	11.75	11.75
Net revenue and capital dividends paid during the year ended 31 March 2007	10.00	10.00
Total dividends paid to 31 March 2007	<u>84.80</u>	<u>73.25</u>
Net asset value as at 31 March 2007	<u>120.17</u>	<u>120.17</u>
Total shareholder net asset value return to 31 March 2007	<u>204.97</u>	<u>193.42</u>

In addition to the above dividends, the Company has paid a first dividend of 5 pence per share (comprising 3.0 pence revenue and 2.0 pence realised capital profits) on 5 April 2007 to shareholders who were on the register as at 16 March 2007.

Notes:

- i) Dividends paid before 5 April 1999 were paid to qualifying shareholders inclusive of the associated tax credit. The dividends for the year to 31 March 1999 were maximised in order to take advantage of this tax credit.
- ii) A capital dividend of 2.55 pence in the year to 31 March 2000 enabled the Ordinary Shares and the 'C' Shares to merge on an equal basis.
- iii) Revenue dividends to date amount to 64.8 pence for holders of original Ordinary Shares and 55.8 pence for holders of original 'C' Shares.
- iv) Capital dividends to date amount to 20.0 pence for holders of original Ordinary Shares and 17.45 pence for holders of original 'C' Shares.
- v) All dividends paid by the Company are free of income tax. It is an Inland Revenue requirement that dividend vouchers indicate the tax element should dividends have been subject to income tax. Investors should ignore this figure on their dividend voucher and need not disclose any income they receive from a VCT on their tax return.
- vi) 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.
- vii) The apparent dividend reduction is due to the change in the accounting treatment of dividends, which was fully explained in last year's Report and Accounts.



CHAIRMAN'S STATEMENT

Introduction

The year has been a busy and successful one for your Company. The year end net asset value per Share rose to 120.17p while dividends paid from launch to 31 March 2007 amount to 84.8p per Ordinary Share and 73.25p per C Share. This results in a compound annual return of 8.4 per cent. per Ordinary Share and 8.2 per cent. per C Share over the period from 1996 and 1997 respectively. In addition, not only has this return been free of tax to all shareholders but original subscribers for the Shares would have benefited from both income tax relief and, where relevant, the deferral of capital gains tax.

Performance

A total of £5.34 million was invested in 16 new and existing investee companies during the year. Amongst the investments in new investee companies, it is worth mentioning £1 million invested and reserved for investment in Kensington Health Clubs Limited, which will develop a 29,000 square foot health and fitness club on a 999 year lease at Olympia in Kensington and £380,000 invested in Premier Leisure (Suffolk) which is developing and will operate a freehold leisure centre at Ipswich in Suffolk. Your Company disposed of the holding in Premier VCT Mailbox Limited, owner and operator of the 90-bedroom Ramada Hotel in the Mailbox development in Birmingham. This realised a capital profit of £3 million on the net cost of £4.6 million, in addition to the annual yield on investment of in excess of 10% per annum. In addition, as reported in last year's annual report and accounts, our two care homes at Romford and Dover were sold in April 2006 for a profit of just over £1 million.

Investment portfolio as a whole continues to perform well with particular strong performances from our investment in Kew Green VCT (Stansted) Limited, which owns the "Express by Holiday Inn" Hotel at Stansted Airport, and The Bold Pub Company Ltd, which owns and operates 30 pubs in the north west of England. We continue to review a variety of promising new investment opportunities in the hotel, leisure and healthcare sectors.

Results and dividends

As at 31 March 2007 the net asset value was £43.1 million or 120.17p per Share, which compares with the net asset value as at 31 March 2006 of £41.8 million or 116.49p per Share. The revenue return before taxation was £2.54 million compared to £2.68 million for the previous period. Following the disposal of Premier VCT (Mailbox), your board declared a dividend payable to shareholders on 5 April 2007 of 5p per Share, which constitutes the first dividend for the current financial year. The second dividend, which is expected to be of a similar amount, will be declared at the time of the announcement of the interim results.

Prospects

Overall, we continue to be confident about the prospects of the Company and its property backed investments. While the UK property market in general has risen to new highs, the investments that we make are in sound operating businesses, supported by long-term property assets. Our strategy remains to build up sufficient revenue and realised capital reserves to maintain a 10p per annum dividend, while seeking to continue to enhance net asset value per share over the medium term.

D J Watkins
Chairman

29 June 2007



THE BOARD OF DIRECTORS

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

David Watkins (62) MBA (Harvard), Chairman. From 1972 until 1991, he worked for Goldman Sachs, where he was head of Euromarkets Syndication and Head of European Real Estate. He subsequently joined Mountleigh Group PLC where he worked as a director on the restructuring of the business prior to it being placed into administration. Until late 1995, he worked at Baring Securities Limited as Head of Equity Capital Markets – London, before leaving ultimately to become Chief Financial Officer and one of the principal shareholders of his current company, The Distinguished Programs Group LLC, an insurance distribution and underwriting group. From 1986 to 1990 he was a member of the Council of the London Stock Exchange. He is currently a director of Close Income & Growth VCT PLC (which is also managed by Close Ventures Limited) and a number of private UK companies.

Roderick Davidson (69). He joined B S Stock & Co, stockbrokers in Bristol in 1960, becoming a partner in 1965 and managing director of Stock Beech & Co. Limited in 1985. In 1990 he joined Albert E Sharp where he managed investment portfolios on behalf of pension funds, charitable trusts and private investors. He retired in the spring of 1998. He is chairman of Close Brothers Development VCT PLC (which is also managed by Close Ventures Limited). Roderick Davidson will be retiring from the Board prior to the end of 2007 as he approaches his 70th birthday.

John Kerr (64) ACMA. John Kerr has worked as a venture capitalist and also in manufacturing and service industries. He held a number of finance and general management posts in the UK and USA, before joining SUMIT Equity Ventures, an independent Midlands based venture capital company, where he was managing director from 1985 to 1992. He then became chief executive of Price & Pierce Limited, which acted as the UK agent for overseas producers of forestry products, before leaving in 1997 to become finance director of Ambion Brick, a building material company bought out from Istock PLC. After retiring in 2002, he now works as a consultant. He is also a director of Close Income & Growth VCT PLC.

Jonathan Thornton (60) MBA, FCA. He retired as a director of Close Brothers Group plc in 1998. In 1984 he was responsible for establishing Close Brothers Private Equity. Prior to this he worked for both 3i plc and Cinven. He is a director of Close Brothers Development VCT PLC.

THE MANAGER

Close Ventures Limited, which is authorised and regulated by the Financial Services Authority, is the Manager of Close Brothers Venture Capital Trust PLC. In addition to Close Brothers Venture Capital Trust PLC, it manages a further six VCTs with total funds under management of £250 million. Close Ventures Limited won the ‘VCT Manager of the Year’ at the 2005 and 2006 Growth Company Awards and ‘Best VCT Provider’ category in the Professional Adviser Awards 2005 and 2006.

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

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

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



THE MANAGER (continued)

Isabel Dolan, (42), ACA, MBA, is Finance Director of Close Ventures Limited having previously been Finance Director for a number of unquoted companies. From 1993-1997 she was Head of Recoveries at the Specialised Lending Services of The Royal Bank of Scotland plc and from 1997-2001 she was a Portfolio Director at 3i plc. She joined Close Ventures Limited in July 2005.

Dr Andrew Elder (36), MA, FRCS, after qualifying as a surgeon he practiced for six years, specialising in neurosurgery before joining the Boston Consulting Group as a consultant in 2001 specialising in healthcare strategy. He joined Close Ventures Limited in 2005.

Will Fraser-Allen (36), BA (Hons), ACA, qualified as a chartered accountant with Cooper Lancaster Brewers in 1996 before specialising in corporate finance and investigation. He joined Close Ventures Limited in 2001.

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

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

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

Ed Lascelles, (31), BA (Hons), joined the corporate broking department of Charterhouse Securities in 1998 focusing on primary and secondary equity fundraisings. He then moved to the corporate finance department of ING Barings in 2000, retaining his focus on smaller UK companies. He joined Close Ventures Limited in 2004.

Henry Stanford, (42), MA, ACA. He qualified as a chartered accountant with Arthur Andersen before joining the corporate finance division of the Close Brothers Group plc in 1992. He became an assistant director in 1996 and transferred to Close Ventures Limited in 1998 to concentrate on VCT investment.

Mark Toomey, (30), BA (Hons), ACMA, after graduating from The London School of Economics with a degree in Geography and Economics, he joined Lee & Allen Consulting focusing on forensic accounting. He joined Close Ventures Limited in 2001.

Robert Whitby-Smith, (32), BA (Hons), MSI, ACA, qualified as a chartered accountant with KPMG in their corporate finance division. From 2000 to early 2005 he worked in the UK corporate finance departments of Credit Suisse First Boston and subsequently ING Barings, where he was a vice president. He joined Close Ventures Limited in 2005.



THE PORTFOLIO OF INVESTMENTS

The following is a summary of qualifying investments as at 31 March 2007:

Sector and investment	% voting rights	At 31 March 2007			At 31 March 2006		
		Investment at cost £'000	Cumulative movement in carrying/fair value(i) £'000	Total carrying/fair value £'000	Investment at cost £'000	Cumulative movement in carrying/fair value(i) £'000	Total carrying fair value £'000
Hotels							
Kew Green VCT (Stansted) Limited	28.2	5,000	4,031	9,031	4,000	1,549	5,549
The Bear Hungerford Limited	26.1	2,088	(473)	1,615	1,700	(491)	1,209
The Crown Hotel Harrogate Limited	13.3	2,000	(394)	1,606	1,000	(233)	767
The Place Sandwich VCT Limited	25.0	1,250	16	1,266	1,000	(83)	917
The Rutland Pub Company (Hotels) Limited	17.5	1,138	(65)	1,073	410	17	427
Premier VCT (Mailbox) Limited		–	–	–	4,643	2,332	6,975
Total investment in the hotel sector		11,476	3,115	14,591	12,753	3,091	15,844
Care Homes							
Applecroft Care Home Limited		–	–	–	1,925	450	2,375
Barleycroft Care Home Limited		–	–	–	2,275	624	2,899
Total investment in the care home sector		–	–	–	4,200	1,074	5,274
Leisure							
The Bold Pub Company Limited	11.1	1,390	332	1,722	1,390	230	1,620
City Screen (Cambridge) Limited	50.0	1,210	501	1,711	1,210	281	1,491
The Weybridge Club Limited	8.8	1,330	60	1,390	1,000	6	1,006
Kensington Health Clubs Limited	8.3	1,000	9	1,009	–	–	–
CS (Greenwich) Limited	18.3	1,005	(84)	921	900	(79)	821
Tower Bridge Health Club Limited	5.5	344	70	414	320	1	321
Premier Leisure (Suffolk) Limited	4.7	380	5	385	–	–	–
Churchill Taverns VCT Limited	7.5	325	23	348	260	24	284
City Screen (Liverpool) Limited	18.1	200	123	323	200	25	225
CS (Brixton) Limited	6.4	250	20	270	250	17	267
The Pelican Inn Limited (formerly The Independent Pub Company Limited)	12.1	359	(94)	265	290	(68)	222
GB Pub Company Limited	17.5	240	(29)	211	240	1	241
The Dunedin Pub Company VCT Limited	4.3	215	(30)	185	115	–	115
The Rutland Pub Company Limited	4.1	160	16	176	100	3	103
Novello Limited (formerly The Independent Beer Company Limited)	6.5	184	(63)	121	150	(11)	139
CS (Exeter) Limited	6.6	100	10	110	100	1	101
River Bourne Limited	3.5	70	1	71	–	–	–
Total investment in the leisure sector		8,762	870	9,632	6,525	431	6,956
Residential property development							
Country & Metropolitan VCT Limited	42.8	3,000	13	3,013	3,000	(4)	2,996
Prime VCT Limited	50.0	2,200	30	2,230	2,200	(46)	2,154
Chase Midland VCT Limited	38.1	1,600	(2)	1,598	1,600	(2)	1,598
Youngs VCT Limited	25.4	1,200	–	1,200	1,200	–	1,200
Total investment in the residential property development sector		8,000	41	8,041	8,000	(52)	7,948
Total qualifying investments		28,238	4,026	32,264	31,478	4,544	36,022

⁽ⁱ⁾ Included in this movement is capital appreciation of equity instruments amounting to £3,737,000 (2006: £4,449,000 appreciation) including £25,000 loan depreciation, and movement in carrying value of loans and receivables of £289,000 (2006: £95,000).



THE TOP TEN INVESTMENTS

Unquoted loan stock held by the following investments are classified as loans and receivables in accordance with FRS 26 and carried at amortised cost using the effective interest rate.

The top ten investments by value are as follows:

Kew Green VCT (Stansted) Limited

£'000

Value of the company:

9,031

The company was established to develop and operate a limited service hotel under the “Express by Holiday Inn” brand at Stansted Airport. The 183 bedroom hotel opened in January 2005. An extension which will take the hotel to 254 bedrooms is due to open at the end of June 2007.

Latest audited results - year to 31 August 2005

£'000

Turnover	4,285
Profit before Tax (PBT)	152
Profit after Tax (PAT)	(29)
Net assets	2,411
% of equity held	26.6%
Basis of valuation:	Average of two third party valuations
Website:	www.expressstanstedairport.co.uk

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

Country and Metropolitan VCT Limited

£'000

Value of the company:

3,013

The company is a residential property development company formed in 1996. It has undertaken a series of successful residential developments in the North of England. It recently completed the sale of a 12 apartment development in Nottingham. It recently completed a 13 unit development in Leeds.

Latest audited results - year to 31 December 2005

£'000

Turnover	5,017
PBT	398
PAT	297
Net assets	1,633
% of equity held	42.8%
Basis of valuation:	Cost plus amortised cost movements

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



THE TOP TEN INVESTMENTS
(continued)

Prime VCT Limited

£'000

Value of the company: 2,230

The company is a residential development company formed in 1996 and currently developing a site for 10 apartments beside the River Avon in Bristol. Construction is expected to complete at the end of June 2007.

Latest audited results - year to 30 September 2005

£'000

Turnover	1,611
PBT	(82)
PAT	(82)
Net assets	710
% of equity held	50.0%
Basis of valuation:	Cost plus amortised cost movements

The Bold Pub Company Limited

£'000

Value of the company: 1,722

The company owns and operates 30 freehold and long leasehold pubs in the North West of England.

Latest audited results - year to 31 March 2006

As a small company, The Bold Pub Company is exempt from filing full accounts.

£'000

Net assets	1,994
% of equity held	4.4%
Basis of valuation:	Third party valuation

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

City Screen (Cambridge) Limited

£'000

Value of the company: 1,711

The company was formed to develop and operate a three screen "art house" cinema in the centre of Cambridge. The cinema opened in August 1999.

Latest audited results - year to 31 December 2006

As a small company, City Screen (Cambridge) is exempt from filing full accounts.

£'000

Net assets	(127)
% of equity held	11.1%
Basis of valuation:	Third party valuation
Website:	www.picturehouses.co.uk



THE TOP TEN INVESTMENTS
(continued)

The Bear Hungerford Limited

	£'000
Value of the company:	1,615

The company was formed to acquire the historic 41 room Bear Hotel in Hungerford. The hotel was acquired in 2005 and a refurbishment programme has taken place.

Latest audited results - year to 31 March 2006	£'000
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Turnover	691
PBT	(791)
PAT	(791)
Net assets	284
% of equity held	26.1%
Basis of valuation:	Third party valuation
Website:	www.thebearhotelhungerford.co.uk

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

The Crown Hotel Harrogate Limited

	£'000
Value of the company:	1,606

The company owns and operates the historic 110 bedroom Crown Hotel in Harrogate, Yorkshire. Substantial refurbishment has taken place.

Latest audited results - year to 2 April 2006

As a small company, The Crown Hotel Harrogate is exempt from filing full accounts.

	£'000
Net assets	1,304
% of equity held	8.9%
Basis of valuation:	Third party valuation
Website:	www.crownhotelharrogate.com

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



**THE TOP TEN INVESTMENTS
(continued)**

Chase Midland VCT Limited

£'000

Value of the company: 1,598

The company is a residential development company formed in 1997. It is currently marketing its eighth development, comprising seven apartments overlooking the Trent in Nottingham and is completing construction of 2 houses in Warwickshire which have been pre-sold.

Latest audited results - year to 30 June 2006 **£'000**

Turnover 1,819

PBT 70

PAT 49

Net assets 955

% of equity held 38.1%

Basis of valuation: Cost plus amortised cost movements

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

The Weybridge Club Limited

£'000

Value of the company: 1,390

The company has developed and operates a health and fitness club on a 30 acre freehold site near to the centre of Weybridge, Surrey. The club opened in May 2007.

Latest audited results - year to 31 August 2005 **£'000**

Turnover –

PBT (82)

PAT (82)

Net assets 484

% of equity held 9.7%

Basis of valuation: Third party valuation

Website: www.theweybridgeclub.com

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

The Place Sandwich VCT Limited

£'000

Value of the company: 1,266

The company owns the freehold of the 34 bedroom Bell Hotel at Sandwich in Kent. Most of the refurbishment has been completed and the hotel's reputation has increased significantly.

Latest audited results - year to 30 June 2006 **£'000**

Turnover 875

PBT (348)

PAT (348)

Net assets 565

% of equity held 25.0%

Basis of valuation: Third party valuation

Website: www.bellhotelsandwich.co.uk

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



REPORT OF THE DIRECTORS AND BUSINESS REVIEW

The Directors submit their Annual Report and audited Financial Statements on the affairs of the Company for the year ended 31 March 2007.

Principal activity and business review

The principal activity of the Company is that of a venture capital trust. It has been approved by H.M. Revenue & Customs as a venture capital trust in accordance with Section 842AA of the Income and Corporation Taxes Act 1988 and in the opinion of the Directors, the Company has subsequently conducted its affairs so as to enable it to continue to obtain such approval. Approval for the year ended 31 March 2007 is subject to review should there be any subsequent enquiry under corporation tax self assessment.

The Company is not a close company for taxation purposes.

The Company is no longer an investment company as defined in Section 266 of the Companies Act 1985. The Company revoked its investment trust status on 15 May 2000 in order for the Company to pay dividends from realised capital profits. The Company is listed on The London Stock Exchange.

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

The Company's investment strategy is to provide investors with a regular and predictable source of dividend income combined with the prospect of long term capital growth through allowing investors the opportunity to participate in a balanced portfolio of asset-backed businesses. The Company has delegated the investment management of the portfolio to Close Ventures Limited, a subsidiary of Close Brothers Group plc and which is authorised and regulated by the Financial Services Authority. Close Ventures Limited also provides company secretarial and other accounting and administrative support to the Company. Further details regarding the terms of engagement of the Manager are shown on page 15.

The Directors do not foresee any major changes in the activity undertaken by the Company in the current year, as the Company continues with its objective to invest in unquoted companies throughout the United Kingdom.

Details of the principal investments made by the Company are shown in the portfolio of investments on page 8. A detailed review of the Company's business during the year and future prospects is contained in the Chairman's Statement on page 5.

Results and dividends

	£'000
Revenue return for the year ended 31 March 2007 available for distribution	2,010
First revenue dividend of 2.5p per share paid on 14 July 2006	(897)
Second revenue dividend of 2.5p per share paid on 5 January 2007	(897)
Transferred to revenue reserve	216
	£'000
Realised capital return for the year ended 31 March 2007 available for distribution	3,611
Unrealised capital return for the year ended 31 March 2007	(712)
Total capital return for the year ended 31 March 2007	2,899
First capital dividend of 2.5p per share paid on 14 July 2006	(897)
Second capital dividend of 2.5p per share paid on 5 January 2007	(897)
Transferred to capital reserves	1,105

The Company has also paid a first dividend for the year ended 31 March 2008 of 5 pence per share on 5 April 2007 to shareholders on the register as at 16 March 2007.

As shown in the Company's Income Statement on page 26 of the financial statements, the Ordinary Shares investment income has decreased slightly to £2,997,000 (2006: £3,044,000) as a result of the sale of the high yielding Applecroft and Barleycroft investments. As a result, the revenue return to equity holders has reduced slightly to £2,010,000 (2006: £2,137,000).

The capital return for the year was a profit of £2,899,000 (2006: profit £562,000), reflecting the high level of realised gains, offset by a net unrealised capital depreciation on the portfolio for the year.

The total return per share was 13.68 pence per share (2006: 7.52 pence per share).

The Balance Sheet on page 27 of the financial statements shows that the net asset value per share has increased over the last year to 120.2 pence per share (2006: 116.5 pence per share) reflecting the offset of the payment of 10 pence per share dividends during the period and capitalisation of management fees against the uplift in realised gains within the portfolio.

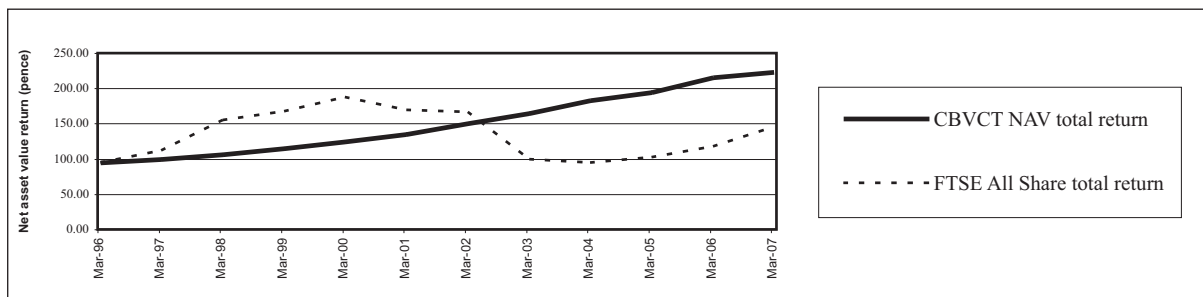
The cashflow for the business has been positive for the year, reflecting the disposal of three investments: Applecroft, Barleycroft and Premier Mailbox.



REPORT OF THE DIRECTORS AND BUSINESS REVIEW
(continued)

Key Performance Indicators

The graphs below show Close Brothers Venture Capital Trust PLC's net asset values against the FTSE All-Share Index, in both instances with dividends reinvested, for the eleven years since the launch of the Ordinary Shares in April 1996.



Source: Close Ventures Limited

The total expense ratio for the year to 31 March 2007 was 2.6% including the performance incentive fee provision of £124,000 (2006: 2.2%).

The dividend paid during the year to 31 March 2007 was 10 pence per Ordinary share (2006: 11.75 pence per share).

Principal risks and uncertainties

The Board considers that the Company faces the following major risks and uncertainties:

1. Investment risk

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

To reduce this risk, the Board places reliance upon the skills and expertise of the Manager and its strong track record for investing in this segment of the market. The Company's policy is to lower investment risk by investing in property-backed businesses and taking a first charge over the relevant property asset. In addition, the Manager operates a formal and structured investment process, which includes an Investment Committee comprising investment professionals from the Manager and senior investment personnel from within the Close Brothers Group. Investments are actively and regularly monitored by the Manager (investment managers normally sit on investee company boards) and the Board receives detailed reports on each investment as part of the Manager's report at quarterly board meetings.

2. Venture Capital Trust approval risk

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

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

3. Compliance risk

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

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

4. Internal control risk

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

The Audit Committee meets with the Head of Internal Audit from Close Brothers Group plc at least once a year, receiving a report regarding the last formal internal audit performed on the Manager, and providing the opportunity for the Audit Committee to ask specific and detailed questions. The Manager has a comprehensive business continuity plan in place in the event that operational continuity is threatened. Further details regarding the Board's management and review of the Company's internal controls through the implementation of the Turnbull guidance are detailed on page 20.

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



REPORT OF THE DIRECTORS AND BUSINESS REVIEW (continued)

5. Reliance upon third parties risk

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

6. Financial risks

By its nature, as a venture capital trust, the Company is exposed to market price risk, foreign currency exposure risk, credit risk, liquidity risk and cash flow interest rate risk. The Company's policies for managing these risks and its financial instruments are outlined in full in note 20 to the financial statements.

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

Environment

The management and administration of Close Brothers Venture Capital Trust PLC is undertaken by the Manager. Close Ventures Limited recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by its activities. Initiatives designed to minimise the Company's impact on the environment include recycling and reducing energy consumption as shown in the financial statements of Close Ventures Limited.

Employees

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

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

Directors

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

	31 March 2007 Ordinary Shares held	31 March 2006 Ordinary Shares held
D J Watkins	10,000	10,000
R M Davidson	9,000*	9,000*
J M B L Kerr	13,109	13,109
J G T Thornton	41,218	41,218

* At the year end, 4,000 of the Ordinary Shares held by Mr Davidson were held as a non-beneficial trustee.

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

No Director has a service contract with the Company.

All Directors are members of the Audit Committee of which Mr Kerr is Chairman.

Directors' retirement and re-election is subject to the Articles of Association and the Combined Code on Corporate Governance.

Management agreement

The Company and Close Ventures Limited ("the Manager") entered into a management agreement for an initial fixed period to 3 April 2000 which may now be terminated by either party on 12 months' notice. Under this agreement, the Manager also provides secretarial and administrative services to the Company. The management agreement is subject to earlier termination in the event of certain breaches or on the insolvency of either party. The following fees are payable to the Manager by the Company under the terms of the agreement:

- **Non-Qualifying Investments:**
A fee equal to 0.50 per cent. of funds invested in non-qualifying investments.
- **Qualifying Investments:**
A fee equal to 1.8 per cent. of funds invested in qualifying investments.
- **Secretarial and administrative services:**
A fee of £34,509 per annum, plus VAT, rising annually in line with the Retail Prices Index.

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

Under the terms of the Circular issued to shareholders dated 29 June 2007, the Directors propose that the Management fee is changed to 2 per cent. of the net asset value. More detail is shown in the Circular to shareholders dated 29 June 2007 which accompanies this Annual Report & Financial Statements.



**REPORT OF THE DIRECTORS AND BUSINESS REVIEW
(continued)**

Management performance incentive

In order to provide the Manager with an incentive to maximise the return to investors, the Company has entered into a management performance fee agreement with the Manager. The incentive arrangement is an 8 per cent. share of the excess return above the hurdle rate, paid out annually in cash as an addition to the management fee. The hurdle rate is set at an annual return of 5 per cent. per annum, representing dividends paid and growth in share value, on the preceding year's share value. Share value is calculated as the average of:

- (i) the net asset value per Share at the end of the relevant financial year, and
- (ii) the average mid-market price of a Share, between the date of the preliminary announcement of the results for the relevant financial year and the AGM at which the accounts are presented to Shareholders.

The amounts payable under the performance incentive will be limited to the extent that, over any two year period, the aggregate total amount payable under the new incentive and the ongoing management fees may not exceed 5 per cent. of the Company's gross asset value at the relevant period end. Incentive fees will be paid out on an annual basis, following the Annual General Meeting. Both the total return and the hurdle rate will be cumulative from the inception of the new scheme, with any shortfall resulting in payments not being made until performance catches up.

Under the terms of the circular issued to shareholders dated 29 June 2007, the Directors propose two amendments. First, they propose that the second element of the formula to calculate share value, numbered (ii) above, relating to the average share price, be removed, as the share price is ultimately beyond the Manager's control. Second, they propose that the cap of 5 per cent. of the Company's gross Management fee is removed. These two changes, along with the change to the management fee, are contained in a supplemental management agreement. More detail is shown in the Circular to shareholders dated 29 June 2007 which accompanies this Annual Report and Financial Statements.

Auditors

A resolution to re-appoint Deloitte & Touche LLP as auditors will be proposed at the Annual General Meeting on 6 August 2007.

Substantial interests

As at 31 March 2007 and at the date of this report, the Company was aware that JM Finn Nominees Limited had a beneficial interest exceeding 3 per cent of the issued share capital.

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare such financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the total return for that period and comply with UK GAAP and the Companies Act 1985. In preparing these financial statements, the Directors are required to:

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

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

Disclosure of information to auditors

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

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

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

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

Supplier payment policy

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



REPORT OF THE DIRECTORS AND BUSINESS REVIEW (continued)

Annual General Meeting

The Annual General Meeting will be held at 10 Crown Place, London EC2A 4FT at 11.30am on 6 August 2007. The notice of the Annual General Meeting is at the end of this document.

The following information is important and requires your immediate attention. If you are in any doubt about the action you should take, you should consult an independent financial advisor authorised under the Financial Services and Markets Act 2000. If you have sold or transferred all of your shares in the Company, please forward this document with its accompanying form of proxy at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

Resolutions relating to the following items of special business will be proposed at the forthcoming Annual General Meeting for which shareholder approval is required in order to comply either with the Companies Act or the Listing Rules of the Financial Services Authority. Resolutions number 5 to 7 are explained in detail in the Circular to shareholders dated 29 June 2007 which is included with this Annual Report and Financial Statements.

Continuation as a venture capital trust

Under the terms of your Company's Articles of Association, members have the opportunity, every five years, to confirm that they wish the Company to continue as a venture capital trust. Otherwise the Board is required to make proposals for the reorganisation, reconstruction or the orderly liquidation and winding up of the Company. The last such vote took place in August 2002.

Since launch, Close Brothers Venture Capital Trust has provided a strong return to Shareholders. Given the unique nature of the Company, and in particular its asset-based investment policy focussed on the protection of capital, combined with the very strong tax free dividend stream that its investment portfolio generates, your Board recommends that Shareholders vote for the Company to continue as a VCT for a further five years. This is proposed under Resolution 5 to be considered at the Annual General Meeting.

Amendment to Management fee and Manager's incentive fee

Resolution number 6 will propose an amendment in the fees paid to the Manager under the Management Agreement

Under the Management Agreement entered into at the time of the launch of the Company in 1996, the management fees paid to Close Ventures Limited were set at 1.8 per cent of the value of qualifying unquoted investments and 0.5 per cent of the value of non qualifying investments such as cash deposits.

The Board considers that it is appropriate that the basis for charging the management fees should be amended to a level more in line with the general VCT and private equity market.

The Management Incentive Fee Agreement dated 26 July 2004, provides the payment of an incentive fee equivalent to 8 per cent. of the excess of the Company's total return above 5 per cent. per annum, as is detailed in paragraph 5.2 of Part 2 of the circular. In addition, however, there is a provision whereby the incentive fee, together with the ongoing management fee, should not exceed 5 per cent of the Company's gross asset value over any two year period.

The Board considers that this could limit any performance incentive fee to a material extent, and would therefore significantly reduce its effectiveness as an important tool in rewarding the Manager for achieving strong returns on behalf of Shareholders. The Board therefore proposes that this restriction should be removed from the Management Incentive Fee Agreement.

Resolution 6 to be proposed at the AGM, as special business, therefore proposes that, with effect from 1st April 2007, the Management Agreement be amended such that annual management fees going forward will amount to 2 per cent of the Company's net asset value and that the cap on the combined management fee and incentive fee be removed.

Increase in Directors' remuneration

Resolution 7 to be proposed as special business at the AGM increases the limit for the overall level of Directors' remuneration under the Company's Articles of Association from £70,000 to £100,000 with effect from 1 April 2007. The Directors are currently each paid director's fees of £17,500 per annum. In view of the continuing and increasing regulatory and corporate governance obligations that fall upon the boards of public company directors, it is intended that these fees be increased to £20,000 per annum for each Director. The new level proposed under the Articles of Association accommodates this increase and also provides extra flexibility in the case, for example, of an additional Board member being appointed prior to the retirement of an existing Director.

Power to allot shares

Ordinary resolution number 8 in the notice of the meeting will request the authority to allot up to a maximum aggregate nominal amount of £1,793,911 representing 10% of the issued share capital of the Company as at 31 March 2007. This authority will expire on 5 February 2009. The Directors have no present intention to exercise such authority.

Dis-application of pre-emption rights

Special resolution number 9 will request the authority to disapply pre-emption rights in circumstances of a rights or other pre-emptive issue, the allotment of shares with an aggregate nominal value of up to £896,956, representing up to 5% of the issued capital.

Purchase of own shares

Special resolution number 10 will request the authority to purchase an aggregate of 14.99% 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. Shares bought back under this authority may be cancelled and up to 10% can be held in Treasury.

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



**REPORT OF THE DIRECTORS AND BUSINESS REVIEW
(continued)**

This resolution would renew the 2006 authority, which was in similar terms. During the financial year under review the Company did not purchase any shares for cancellation. The Company holds no shares in Treasury.

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

Treasury shares

Under the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003, shares purchased by the Company out of distributable profits can be held as Treasury shares, which may then be cancelled or sold for cash. The authority sought by this special resolution number 8 is intended to apply equally to shares to be held by the Company as Treasury shares in accordance with the Regulations.

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

Recommendation

The Board believes that these Resolutions are, in its opinion, in the best interest of Shareholders as a whole and on that basis recommends that Shareholders vote in favour of these Resolutions as proposed at the Annual General Meeting. The Board intends to vote in favour of the special business Resolutions 5, 6, 8, 9 and 10 in respect of their own holdings of Ordinary Shares amounting to 73,327 Ordinary Shares representing 0.2 per cent of the Company's issued share capital, but will be abstaining from voting in respect of Resolution 7.

By Order of the Board

Close Ventures Limited

Company Secretary
10 Crown Place
London EC2A 4FT

29 June 2007



STATEMENT OF CORPORATE GOVERNANCE

Background

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

Application of the Principles of the Code

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

Board of Directors

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

Mr D Watkins is the Chairman and Senior Independent Director. Messrs Kerr, Davidson and Thornton are also considered 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 6. Directors are provided with key information on the Company’s activities, including regulatory and statutory requirements, and internal controls, by the Manager. The Board has direct access to secretarial advice and compliance services by the Manager, who is responsible for ensuring that Board procedures are followed and applicable procedures complied with. All Directors are able to take independent professional advice in furtherance of their duties if necessary. In accordance with the Combined Code, the Company has in place Directors’ & Officers’ Liability Insurance.

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

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

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

Directors’ performance evaluation

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

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

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 Director who will retire and be subject to re-election at the Annual General Meeting is David Watkins. As a result of the process of performance evaluation, he is considered to be effective and demonstrates strong commitment to the role; on this basis, the Directors (excluding David Watkins) believe it to be in the best interest of the Company to re-appoint him at the forthcoming Annual General Meeting.



STATEMENT OF CORPORATE GOVERNANCE (continued)

Remuneration committee

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

Audit Committee

The Audit Committee consists of all Directors. Mr Kerr is Chairman of the Audit Committee. In accordance with the Code, the members of the Audit Committee have recent and relevant financial experience. The Committee met twice during the year ended 31 March 2007; all members attended the meetings.

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

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

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

- formally reviewing the final report and accounts, the interim report, and the associated announcements, with particular focus on the main areas requiring judgement and on critical accounting policies;
- reviewing the effectiveness of the internal controls system and examination of the Internal Controls Report produced by the Manager;
- meeting with the Head of Internal Audit of Close Brothers Group plc;
- meeting with the external auditors and reviewing their findings; and
- reviewing the performance of the Manager and making recommendations regarding their re-appointment to the Board.

Nomination Committee

A nomination committee has not been formed as the size of the Board does not warrant its formation. In the event of a position becoming available, the Board as a whole will act as the Nomination Committee.

Internal Control

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

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



**STATEMENT OF CORPORATE GOVERNANCE
(continued)**

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

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

Going concern

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

Relationships with shareholders

The Company's Annual General Meeting on 6 August 2007 will be used as an opportunity to communicate with private investors. The Board and the Chairman of the Audit Committee will be available to answer questions at the Annual General Meeting. At the Annual General Meeting the level of proxies lodged on each resolution, the balance for and against the resolution, and the number of votes withheld, are announced after the resolution has been voted on by a show of hands.

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

Statement of compliance

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



DIRECTORS' REMUNERATION REPORT

Introduction

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

Unaudited information

Remuneration Committee

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

Directors' remuneration policy

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

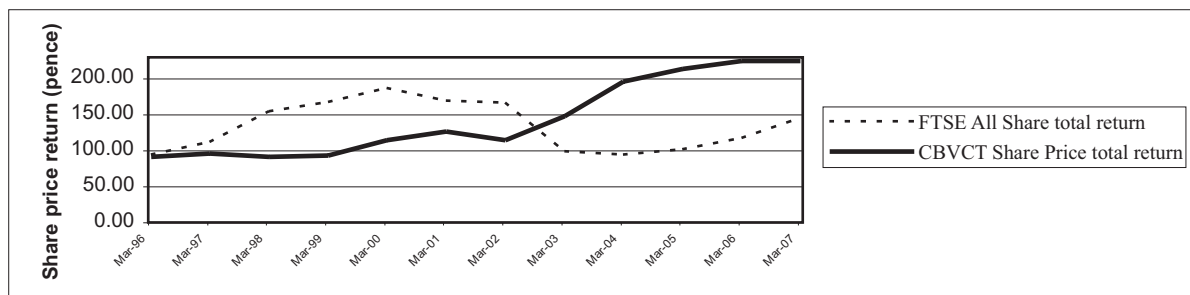
The maximum level of non-executive directors' remuneration is fixed by the Company's Articles of Association, not to exceed £70,000 per annum; amendment to this is by way of a special resolution subject to ratification by shareholders.

In view of the continuing and increasing regulatory and corporate governance obligations that fall upon the boards of public company directors, it is intended that the level of non-executive directors' remuneration is increased so as not to exceed £100,000 per annum with effect from 1 April 2007. This will be proposed as a special resolution at the forthcoming Annual General Meeting. Details regarding this proposed change can be seen on page 17 of the Directors' Report and Business Review, and in the Circular dated 29 June 2007 which accompanies this Annual Report and Financial Statements.

Performance graph

The graphs below show Close Brothers Venture Capital Trust PLC's share price against the FTSE All-Share Index, in both instances with dividends reinvested, for the eleven years since the launch of the Company. The Directors consider this to be the most appropriate benchmark. Investors should however be reminded that shares in VCTs generally trade at a discount to the actual net asset value of the Company.

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



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 6 August 2007 Mr David Watkins will retire by rotation and be proposed for re-election by shareholders.



DIRECTORS' REMUNERATION REPORT (continued)

Audited information

Directors' remuneration

The following items have been audited.

The following table shows an analysis of the remuneration of individual directors.

	Year ended 31 March 2007			Year ended 31 March 2006		
	Fees	Expenses	Total	Fees	Expenses	Total
	£'000	£'000	£'000	£'000	£'000	£'000
David Watkins	17,500	–	17,500	17,500	–	17,500
Roderick Davidson	17,500	–	17,500	17,500	–	17,500
John Kerr	17,500	–	17,500	17,500	–	17,500
Jonathan Thornton	17,500	–	17,500	17,500	–	17,500
	70,000	–	70,000	70,000	–	70,000

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

Each Director of the Company is remunerated personally, save for Mr Thornton, who is remunerated through J Thornton Limited.

In addition to Directors' remuneration, the Company pays annual premiums of £15,435 in respect of Directors' & Officers' Liability Insurance.

By Order of the Board

Close Ventures Limited

Company Secretary
10 Crown Place
London EC2A 4FT

29 June 2007



**INDEPENDENT AUDITORS' REPORT
to the members of Close Brothers Venture Capital Trust PLC**

We have audited the financial statements of Close Brothers Venture Capital Trust PLC for the year ended 31 March 2007 which comprise the income statement, the balance sheet, the reconciliation of movement in shareholders' funds, the cash flow statement and the related notes 1 to 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 Directors' report is consistent with the financial statements.

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

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

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

Basis of audit opinion

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

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

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.



**INDEPENDENT AUDITORS' REPORT
to the members of Close Brothers Venture Capital Trust 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 31 March 2007 and its total return for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London, United Kingdom

29 June 2007



INCOME STATEMENT

	Note	Year ended 31 March 2007			Year ended 31 March 2006		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	3	–	3,374	3,374	–	939	939
Investment income	4	2,997	–	2,997	3,044	–	3,044
Investment management fees	5	(232)	(678)	(910)	(180)	(539)	(719)
Other expenses	6	(220)	–	(220)	(183)	–	(183)
Return on ordinary activities before tax		2,545	2,696	5,241	2,681	400	3,081
Tax (charge)/credit on ordinary activities	9	(535)	203	(332)	(544)	162	(382)
Return attributable to shareholders		2,010	2,899	4,909	2,137	562	2,699
Basic and diluted return per share (pence)	11	5.60	8.08	13.68	5.96	1.56	7.52

The accompanying notes on pages 30 to 39 form an integral part of these financial statements.

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

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

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



BALANCE SHEET

	Note	31 March 2007 £'000	31 March 2006 £'000
Fixed asset investments			
Qualifying investments		32,264	36,022
Non-qualifying investments		—	262
Total fixed asset investments	12	32,264	36,284
Current assets			
Debtors	14	180	18
Cash at bank	18	11,066	5,842
		11,246	5,860
Creditors: amounts falling due within one year	15	(394)	(349)
Net current assets		10,852	5,511
Total assets less current liabilities		43,116	41,795
Capital and reserves			
Called up share capital	16	17,939	17,939
Special reserve		14,110	14,110
Capital redemption reserve		1,914	1,914
Realised capital reserve		4,021	2,204
Unrealised capital reserve		3,737	4,449
Revenue reserve		1,395	1,179
Total equity shareholders' funds	17	43,116	41,795
Net asset value per share (pence)	17	120.17	116.49

The accompanying notes on pages 30 to 39 form an integral part of these financial statements.

The financial statements on pages 26 to 39 were approved by the Board of Directors on 29 June 2007.

Signed on behalf of the Board of Directors

David Watkins
Chairman



RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Called up share capital £'000	Special reserve £'000	Capital redemption reserve £'000	Realised capital reserve £'000	Unrealised capital reserve £'000	Revenue reserve £'000	Total £'000
As at 1 April 2005	17,939	14,110	1,914	4,124	3,510	1,715	43,312
Net realised gains on investments in the year	–	–	–	–	–	–	–
Capitalised investment management and performance fees	–	–	–	(539)	–	–	(539)
Tax relief on costs charged to capital	–	–	–	162	–	–	162
Movement in unrealised appreciation	–	–	–	–	939	–	939
Revenue return attributable to shareholders	–	–	–	–	–	2,137	2,137
Dividends	–	–	–	(1,543)	–	(2,673)	(4,216)
As at 31 March 2006	17,939	14,110	1,914	2,204	4,449	1,179	41,795
Net realised gains on investments in the year	–	–	–	4,086	–	–	4,086
Capitalised investment management and performance fees	–	–	–	(678)	–	–	(678)
Tax relief on costs charged to capital	–	–	–	203	–	–	203
Movement in unrealised depreciation	–	–	–	–	(712)	–	(712)
Revenue return attributable to shareholders	–	–	–	–	–	2,010	2,010
Dividends	–	–	–	(1,794)	–	(1,794)	(3,588)
As at 31 March 2007	17,939	14,110	1,914	4,021	3,737	1,395	43,116



CASH FLOW STATEMENT

	Note	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Operating activities			
Investment income		2,410	2,706
Dividend income		4	21
Deposit interest		302	427
Other income		–	2
Investment management fees paid		(798)	(1,006)
Administrative expenses paid		(235)	(216)
Net cash inflow from operating activities	19	1,683	1,934
Taxation			
UK corporation tax paid		(447)	(517)
VAT repaid/(paid)		–	22
Capital expenditure and financial investment			
Purchase of investments		(5,343)	(6,173)
Disposal of investments		12,919	55
Net cash inflow/(outflow) from investing activities		7,576	(6,118)
Equity dividends paid			
Dividends paid on ordinary shares	10	(3,588)	(4,216)
Net cash inflow/(outflow) before financing		5,224	(8,895)
Increase/(decrease) in cash	18	5,224	(8,895)



NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2007

1. Accounting convention

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

True and fair override

The Company is no longer an investment company within the meaning of s266, of the Companies Act 1985. However, it conducts its affairs as a venture capital trust for taxation purposes under s842AA of the Income and Corporation Taxes Act 1988.

The absence of Section 266 status does not preclude the Company from presenting its accounts in accordance with the AITC’s SORP and furthermore the Directors consider it appropriate to continue to present the accounts in accordance with the SORP. Under the SORP, the financial performance of the Company is presented in an Income Statement in which the total column is the profit and loss account of the Company. Since the Company is no longer an investment company, the revenue column excludes certain capital items which the Companies Act 1985 would ordinarily require to be included in the profit and loss account: net profits on disposal of investments, calculated by reference to their previous carrying amount, permanent diminution in value of investments, management expenses charged to capital less tax relief thereon and the distribution of capital profits.

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

2. Accounting policies

Investments

In accordance with FRS 26 “Financial Instruments Measurement”, equity investments are designated as fair value through profit or loss (“FVTPL”). The total column of the Income Statement represents the Company’s profit and loss account. Investments listed on recognised exchanges are valued at the closing bid prices at the end of the accounting period. Unquoted investments’ fair value is determined by the Directors in accordance with the International Private Equity and Venture Capital Valuation Guidelines. Fair value movements on equity investments and gains and losses arising on the disposal of investments are reflected in the capital column of the Income Statement in accordance with the AITC SORP.

Unquoted loan stock is classified as loans and receivables in accordance with FRS 26 and carried at amortised cost using the Effective Interest Rate method (“EIR”). Movements in the amortised cost relating to interest income are reflected in the revenue column of the Income Statement and movements in respect of capital provisions are reflected in the capital column of the Statement of Total Return. Loan stock accrued interest is recognised in the Balance Sheet as part of the carrying value of the loans and receivables at the end of each reporting period.

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

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

Investment income

Dividends receivable on equity investments are taken to revenue on an ex-dividend basis. Fixed returns on debt securities are recognised on a time apportionment basis using an effective interest rate over the life of the financial instrument. Interest income on bank deposits are accounted for on an accrual basis.



NOTES TO THE FINANCIAL STATEMENTS (continued)

Investment management fees and other expenses

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

- 75 per cent. of Management fees and performance fees, net of corporation tax is allocated to the capital account, to the extent that these relate to an enhancement in the value of the investments and in line with the Board's expectation that over the long term 75 per cent. of the Company's investment returns will be in the form of capital gains; and
- expenses which are incidental to the purchase or disposal of an investment are charged through the realised capital reserve.

Debtors and creditors

- Debtors do not carry any interest and are short term in nature and are accordingly stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. The Directors consider that the carrying amount of debtors approximates their fair value.
- Creditors are non-interest bearing and are stated at their nominal value. The Directors consider that the carrying amount of creditors approximates their fair value.

Issue costs

Issue costs associated with the allotment of share capital have been deducted from the share premium account in accordance with FRS 25.

Taxation

Taxation is applied on a current basis in accordance with FRS 16. Taxation associated with capital expenses is applied in accordance with the SORP. In accordance with FRS 19, deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. The specific nature of taxation of venture capital trusts mean that it is unlikely that any deferred tax will arise. The Directors have considered the requirements of FRS19 and do not believe that any provision should be made.

Reserves

Realised capital reserves:

The following are disclosed in this reserve:

- (i) gains and losses on the realisation of investments; and
- (ii) expenses, together with the related taxation effect, charged in accordance with the above policies;

Unrealised capital reserves:

The following are disclosed in this reserve:

Increases and decreases in the valuation of investments held at the period end.

Special reserve

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

Dividends

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



NOTES TO THE FINANCIAL STATEMENTS
(continued)

3. Gains on investments

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Realised gains	4,111	–
Unrealised (losses)/gains	(712)	939
Cost of disposal	(25)	–
Total	3,374	939

4. Investment income

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Income from qualifying shares and securities		
UK dividend income	5	20
Return on investments	2,546	2,577
	2,551	2,597
Non-qualifying income		
Bank deposit interest	318	416
Other income	128	31
Total income	2,997	3,044

5. Investment management fees

	Year ended 31 March 2007			Year ended 31 March 2006		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	201	585	786	189	564	753
Performance incentive fee provision/(prior year overaccrual)	31	93	124	(9)	(25)	(34)
	232	678	910	180	539	719

Total management fees for the year ended 31 March 2007 include VAT of approximately £135,000 (2006: £126,000). Further details of the Management Agreement under which the investment management fee is paid are given in the Report of the Directors on page 15.

6. Other expenses

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Directors' fees (including National insurance contributions)	76	76
Auditors' remuneration – audit fees	21	26
Other expenses	123	81
Total expenses	220	183



NOTES TO THE FINANCIAL STATEMENTS
(continued)

7. Directors' fees

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Directors' fees	70	70
National insurance	6	6
Total	76	76

Further information regarding Directors' remuneration can be found on the Directors' Remuneration Report on page 23.

8. Employees

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

9. Tax on ordinary activities

	Year ended 31 March 2007			Year ended 31 March 2006		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Return before taxation	2,545	2,696	5,241	2,681	400	3,081
UK corporation tax at 30 per cent.	763	808	1,571	797	120	917
<i>Factors affecting the tax charge:</i>						
Non-taxable gain/(loss) on investments	–	(1,011)	(1,011)	–	(282)	(282)
Tax attributable to capitalised expenses	203	(203)	–	162	(162)	–
Expenses charged to capital	(203)	203	–	(162)	162	–
Non-taxable income	(1)	–	(1)	(7)	–	(7)
Consortium relief	(230)	–	(230)	(246)	–	(246)
Prior year adjustment	3	–	3	–	–	–
Tax charge for the year	535	(203)	332	544	(162)	382

The tax charge for the period is lower than the standard rate of corporation tax of 30 per cent.. The differences are explained above.

Notes

- (i) Venture Capital Trusts are not subject to corporation tax on capital gains.
- (ii) Tax relief on expenses charged to capital has been determined by allocating tax relief to expenses by reference to the applicable corporation tax rate of 30 per cent. and allocating the relief between revenue and capital in accordance with the SORP.
- (iii) No deferred tax asset or liability has arisen in the year.



NOTES TO THE FINANCIAL STATEMENTS
(continued)

10. Dividends

	Year ended 31 March 2007			Year ended 31 March 2006		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Final Dividend – year ended 31 March 2005 of 4.75p per share (revenue: 2.95p and capital: 1.8p)				1,058	646	1,704
First Interim Dividend – year ended 31 March 2006 of 4.5p per share (revenue: 3p and capital: 1.5p)				1,076	538	1,614
Second Interim Dividend – year ended 31 March 2006 of 2.5p per share (revenue: 1.5p and capital: 1p)				539	359	898
First Dividend – year ended 31 March 2007 of 5p per share (revenue: 2.5p and capital: 2.5p)	897	897	1,794			
Second Dividend – year ended 31 March 2007 of 5p per share (revenue: 2.5p and capital: 2.5p)	897	897	1,794			
	<u>1,794</u>	<u>1,794</u>	<u>3,588</u>	<u>2,673</u>	<u>1,543</u>	<u>4,216</u>

In addition to the above dividends, the Company has paid a first dividend of 5 pence per share (comprising 3.0 pence revenue and 2.0 pence realised capital profits) on 5 April 2007 to shareholders who were on the register as at 16 March 2007.

11. Basic and diluted return per share

	Year ended 31 March 2007			Year ended 31 March 2006		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Return attributable to equity shares	2,010,000	2,899,000	4,909,000	2,137,000	562,000	2,699,000
Weighted average shares in issue	35,878,229	35,878,229	35,878,229	35,878,228	35,878,228	35,878,228
Return attributable per equity share (pence)	<u>5.60</u>	<u>8.08</u>	<u>13.68</u>	<u>5.96</u>	<u>1.56</u>	<u>7.52</u>

There are no convertible instruments, derivatives or contingent share agreements in issue on Close Brothers Venture Capital Trust PLC and hence no dilution affecting the return per share. The basic return per share is therefore the same as the diluted return per share.



NOTES TO THE FINANCIAL STATEMENTS
(continued)

12. Fixed assets investments

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000	
Qualifying equity investments	13,232	14,219	
Qualifying loan stock investments	19,032	21,803	
Non-qualifying equity investments	–	2	
Non-qualifying loan stock investments	–	260	
	32,264	36,284	
	Qualifying £'000	Non- Qualifying £'000	Total £'000
Opening book cost	31,478	262	31,740
Opening accrued amortised loan stock interest	95	–	95
Opening unrealised gain	4,449	–	4,449
Opening valuation	36,022	262	36,284
Net purchases at cost	5,342	–	5,342
Reclassification from non-qualifying to qualifying	260	(260)	–
Sales proceeds	(12,955)	–	(12,955)
Gross realised gain for the year	4,113	(2)	4,111
Movement in loan stock carrying value	194	–	194
Unrealised gain for the year	(712)	–	(712)
Closing valuation	32,264	–	32,264
Closing book cost	28,238	–	28,238
Accrued amortised loan stock interest	289	–	289
Closing unrealised gain	3,737	–	3,737
Closing valuation	32,264	–	32,264

13. Significant interests

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

Company	Country of incorporation	Principal activity	% class and share type	% total voting rights
Prime VCT Limited	Great Britain	Residential property development	50% Ordinary shares	50.0%
City Screen (Cambridge) Limited	Great Britain	Art House Cinema	50% Ordinary shares	50.0%
Country & Metropolitan VCT Limited	Great Britain	Residential property development	42.8% Ordinary shares	42.8%
Chase Midland VCT Limited	Great Britain	Residential property development	38.1% Ordinary shares	38.1%
Kew Green VCT (Stansted) Limited	Great Britain	Ownership and operation of Express by Holiday Inn, Stansted Airport	28.2% Ordinary shares	28.2%
The Bear Hungerford Limited	Great Britain	Ownership and operation of The Bear Hotel, Hungerford	26.1% Ordinary shares	26.1%
The Place Sandwich VCT Limited	Great Britain	Ownership and operation of The Bell Hotel, Sandwich	25.0% Ordinary shares	25.0%
Youngs VCT Limited	Great Britain	Residential property development	25.4% Ordinary shares	25.4%

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



NOTES TO THE FINANCIAL STATEMENTS
(continued)

14. Debtors

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
UK corporation tax recoverable	66	–
Prepayment and accrued income	24	11
Other debtors	90	7
Total	180	18

15. Creditors: amounts falling due within one year

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
UK corporation tax payable	–	49
VAT	17	6
Other creditors	377	294
Total	394	349

16. Called up share capital

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Authorised 68,000,000 shares of 50p each (2006: 68,000,000)	34,000	34,000
Allotted, called up and fully paid 35,878,229 shares of 50p each (2006: 35,878,228)	17,939	17,939

Note: there has been an adjustment in the number of shares called up and fully paid, previously under stated.

17. Net asset value per share

	31 March 2007	31 March 2006
Net asset value as at the year end	43,116,000	41,975,000
Share in issue as at the year end	35,878,229	35,878,228
Net asset value per share (pence)	120.17	116.49



NOTES TO THE FINANCIAL STATEMENTS
(continued)

18. Analysis of changes in cash during the year

	31 March	31 March
	2007	2006
	£'000	£'000
Opening cash balances	5,842	14,737
Net cash inflow/(outflow)	5,224	(8,895)
Closing cash balances	11,066	5,842

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

	31 March	31 March
	2007	2006
	£'000	£'000
Net revenue before finance costs and taxation	2,545	2,681
Investment management fees charged to capital	(585)	(564)
Performance incentive fees charged to capital	(93)	25
(Increase)/decrease in operating debtors	(278)	83
Increase/(decrease) in operating creditors	94	(291)
Net cash inflow from operating activities	1,683	1,934

20. Financial instruments and risk management

The Company's financial assets comprise equity and loan stock investments in predominantly unquoted companies, cash balances and short term debtors 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. The Company does not use any derivatives.

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

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

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

Market price risk

As a venture capital trust, it is the Company's specific nature to evaluate and control the investment risk of its portfolio in unquoted investments, details of which are shown on pages 8 to 12. The Manager monitors this risk on an ongoing basis, and the Board reviews these risks on a formal basis when investments are made and at Board meetings.

Fair value interest rate risk

The majority of the Company's assets comprise equity and loan stock investments and bank balances. The equity shares neither pay interest nor carry a maturity date. Returns from loan stock are fixed at the time of purchase as are final redemption proceeds. This means that if a loan stock is held until its redemption date, the total return achieved is unaltered from its purchase date.

Credit risk

The Manager evaluates credit risk on loan stock instruments prior to investment, and as part of its ongoing monitoring of investments. Typically all loan stock instruments have a first charge over the assets of the investee company.



NOTES TO THE FINANCIAL STATEMENTS
(continued)

20. Financial instruments and risk management (continued)

Investment price risk

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

Liquidity risk

The Company had no committed borrowing facilities as at 31 March 2007 (2006: nil) and had cash balances of £11,000,000. The main cash outflows are for investments, which are within the control of the Company.

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

Cash flow interest rate risk

It is the Company's policy to accept a degree of interest rate risk on its financial assets through the effect of interest rate changes. On the basis of the Company's analysis, it is estimated that a fall of one percentage point in all interest rates would have reduced profits before tax for the year by approximately 2 per cent.

The weighted average interest rate applied to the Company's fixed rate assets during the year was approximately 16 per cent. (2006: 14 per cent.). The weighted average period to maturity for the fixed rate assets is approximately 2 years (2006: 2 years).

Fair values of financial assets and financial liabilities

All the Company's financial assets and liabilities as at 31 March 2007 are stated at fair value as determined by the Directors, with the exception of loans and receivables, which are carried at amortised cost, in accordance with FRS 26. See note 2 of the financial statements for the relevant accounting policies.

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

	31 March 2007				31 March 2006			
	Fixed rate £'000	Floating rate £'000	Non-interest bearing £'000	Total £'000	Fixed rate £'000	Floating rate £'000	Non-interest bearing £'000	Total £'000
Equity	–	–	13,233	13,233	–	–	14,221	14,221
Loan stock	19,031	–	–	19,031	21,803	–	–	21,803
Non qualifying loan	–	–	–	–	260	–	–	260
Debtors	–	–	180	180	–	–	18	18
Liabilities	–	–	(394)	(394)	–	–	(349)	(349)
Cash	–	9,066	2,000	11,066	–	5,842	–	5,842
	19,031	9,066	15,019	43,116	22,063	5,842	13,890	41,795

It is the Directors' opinion that the fair value of the financial liabilities approximates the book value and are all payable within one year.

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

	£'000
Less than one year	6,308
1-2 years	899
2-3 years	3,559
3-5 years	8,265
Total	19,031
	£'000
Less than six months	5,607



NOTES TO THE FINANCIAL STATEMENTS (continued)

21. Post balance sheet events

Since 31 March 2007 the Company has completed the following transactions:

- Invested a further £900,000 in The Crown Hotel Harrogate Limited
- Invested a further £450,000 in The Bold Pub Company II Limited
- Invested a further £4,736 in Churchill Taverns VCT Limited
- Invested £850,000 in Churchill Taverns VCT (Hotels) Limited

22. Contingencies, guarantees and financial commitments

The Company has given a number of guarantees to The Royal Bank of Scotland plc in respect of the borrowings of investee companies. As at 31 March 2007, the maximum exposure under these guarantees amounted to £600,000. These guarantees are secured by third party charges of deposit granted to The Royal Bank of Scotland plc over specific bank accounts with balances of £600,000.

23. Related party transactions

The Manager, Close Ventures Limited, is considered to be a related party by virtue of the fact that it is party to a management contract with the Company (details disclosed on page 15 of this report). During the year, services of a total value of £910,000 were purchased by the Company from Close Ventures Limited. At the financial year end, the amount due to Close Ventures Limited disclosed as other creditors was £310,000.



NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of Close Brothers Venture Capital Trust PLC will be held at 11.30 a.m. on 6 August 2007 at 10 Crown Place, London EC2A 4FT for the purpose of dealing with the following business, of which items 5 to 10 are special business.

Ordinary Business

- 1 To receive and adopt the accounts and the reports of the Directors and Auditors for the year ended 31 March 2007.
- 2 To approve the Directors' remuneration report.
- 3 To re-appoint Deloitte & Touche LLP as auditors for the ensuing year and to authorise the Directors to fix their remuneration.
- 4 To re-elect David Watkins as Director of the Company.

Special Business

- 5 To consider and, if thought fit, pass the following resolution as an ordinary resolution:
That the Company should continue as a venture capital trust until the Annual General Meeting of the Company in 2012 at which time a further resolution regarding the continuation of the Company shall be proposed.
- 6 To consider and, if thought fit, pass the following resolution as an ordinary resolution:
That a supplementary management agreement between the Company and Close Ventures Limited, in the form produced to the meeting and initialled by the Chairman for the purposes of identification, to amend certain arrangements relating to the remuneration payable to Close Ventures Limited as described in a circular to the shareholders of the Company dated 29 June 2007, be and is hereby approved.
- 7 To consider and, if thought fit, pass the following resolution as an ordinary resolution:
That under Article 106 of the Articles of the Company the aggregate amount of the ordinary remuneration of the Directors be increased to an amount not exceeding £100,000 per year.
- 8 To consider and, if thought fit, pass the following resolution as an ordinary resolution:
That the Directors be generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (the "Act") to allot relevant securities (within the meaning of section 80(2) of the Act) up to a maximum aggregate nominal amount of £1,793,911 which comprises 10 per cent. of the share capital, such authority to expire on 5 February 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 pursuant to such an offer or agreement which would or might require relevant securities pursuant to such an offer or agreement as if the authority had not expired; and all unexercised authorities previously granted to the Directors to allot relevant securities be, and are hereby, revoked.
- 9 To consider and, if thought fit, pass the following resolution as a special resolution:
That subject to and conditional on the passing of resolution number 8, the Directors be empowered, pursuant to section 95 of the Act, to allot equity securities (within the meaning of section 94 (2) to section 94 (3A) of the Act) for cash pursuant to the authority conferred by resolution number 8 as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:
 - (a) in connection with an offer of such securities by way of rights issue, open offer or other offer of securities in favour of the holders of Ordinary Shares on the register of members at such records date as the Directors shall determine where the equity securities respectively attributable to the interest of the Ordinary shareholder are proportionate (as nearly as may be) to the respective numbers of Ordinary Shares held by them on any such record date, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange by virtue of shares being represented by depository receipts or any other matter whatever; and



NOTICE OF MEETING
(continued)

- (b) otherwise than pursuant to sub-paragraph above up to an aggregate nominal amount of £896,956 equal to 5 per cent. of the share capital (equal to £896,956); and shall expire on 5 February 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 4" were omitted.

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

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

- (a) the maximum aggregate number of shares authorised to be purchased is 5,378,146 Ordinary Shares (representing 14.99 per cent. of the current issued share capital);
- (b) the minimum price which may be paid for a Share is 50p;
- (c) the maximum price that may be paid on the exercise of this authority will not exceed the higher of (a) 105 per cent. of the average of the middle market quotations as derived from the London Stock Exchange Daily Official List for the shares over the five business days immediately preceding the date on which the shares are contracted to be purchased; and (b) the higher of the price of the last independent trade and the highest independent bid on the London Stock Exchange;
- (d) this authority expires at the conclusion of the next Annual General Meeting of the Company or eighteen months from the date of the passing of this resolution whichever is earlier; and
- (e) the Company may make a contract or contracts to purchase Ordinary Shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.

BY ORDER OF THE BOARD

Close Ventures Limited
Company Secretary
Registered Office
10 Crown Place, London EC2A 4FT
29 June 2007



NOTICE OF MEETING
(continued)

NOTES

1. A shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote in his stead. Such proxy need not be a member of the Company.
2. A form of proxy is enclosed and to be valid must be lodged with the Registrars of the Company not less than forty-eight hours before the time fixed for the meeting.
3. The register of interests of directors kept by the Company in accordance with Section 325 of the Companies Act 1985 will be open for inspection at the meeting.
4. No director has a service contract or contract for services with the Company.
5. The Company pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995 specifies that only those shareholders registered in the register of members of the Company as at 11.30 a.m. on 4 August 2007 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 11.30 a.m. on 4 August 2007 or, in the event that this meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.
6. Copies of the Company's existing Articles of Association are available for inspection at the Company's registered office during normal business hours on any weekday (excluding Saturdays and public holidays) from the date of this notice until close of business on 2 August 2007 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.



Close Brothers Venture Capital Trust PLC