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CONTENTS

DIRECTORS AND ADMINISTRATION

Directors	M A F Reeve FCA, Chairman R J Smith F K Malcolm S J Hazell-Smith
Investment Manager	Close Investment Limited 12 Appold Street London EC2A 2AW Tel: 020 7426 4000
Secretary and Registered Office	J M Gain 12 Appold Street London EC2A 2AW
Registrar	Capita IRG plc Balfour House 390/398 High Road Ilford Essex IG1 1NQ Tel: 020 8478 8241
Auditors	Deloitte & Touche Stonecutter Court 1 Stonecutter Street London EC4A 4TR
Safe Custodians	The Royal Bank of Scotland plc Retail Custody Unit 2 Festival Square Edinburgh EH3 9FU Capita Trust Company Ltd Phoenix House 18 King William Street London EC4N 7HE

FINANCIAL HIGHLIGHTS

	Ordinary Shares Year to 28 February 2001	C Shares Period to 28 February 2001
Total return per share (diluted)	(15.10) pence	0.52 pence
Net dividends per share	32.25 pence	1.25 pence
Net asset value per share (diluted)	113.06 pence	94.27 pence
Net assets	£11.57 million	£11.78 million

Shareholder value per share since launch:		
Gross dividends for the period to 28 February 1999 (see note)	3.75 pence	-
Net dividends for the year to 29 February 2000	12.25 pence	-
Net revenue dividend for the year/period to 28 February 2001	2.25 pence	1.25 pence
Net capital dividends for the year to 28 February 2001	30.00 pence	-
Net asset value at 28 February 2001 (diluted)	113.06 pence	94.27 pence
Total	161.31 pence	95.52 pence

Note: Dividends paid before 5 April 1999 were paid to qualifying shareholders inclusive of the associated tax credit.

FINANCIAL CALENDAR

Ex dividend date	20 June 2001
Record date for final dividends	22 June 2001
Annual General Meeting	11 July 2001
Posting of dividend cheques in respect of the final dividends	12 July 2001
Announcement of interim results for the six months ended 31 August 2001	November 2001
Payment of interim dividends	December 2001

CAPITAL STRUCTURE

On 24 August 2000 the company authorised the creation of a further 25 million shares at a par value of 50p ('C' shares), ranking pari-passu with the 'A' shares (Ordinary shares). The two classes of share will be merged on 31 May 2004 at a conversion ratio determined by the price mechanism set out in the prospectus. Until such time each class of share will be treated separately in calculating the return to investors.

As at 28 February 2001, 12,500,000 'C' shares were in issue, a further 7,500,000 'C' shares were allotted on 5 March 2001 in accordance with the price mechanism at £1 per share.

INVESTMENT STRATEGY

The investment strategy of Close Brothers AIM VCT remains unchanged since the issue of 'C' shares, that is to allocate approximately 80% of its funds to Qualifying Investments in companies quoted on AIM and the balance of 20% to Non-Qualifying Investments.

Qualifying Investments (circa 80%)

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

Funds allocated to Qualifying Investments by the Ordinary shares will be invested across a range of approximately 35 companies, with an average investment per company of approximately £250,000. The funds allocated to Qualifying Investments by the 'C' shares will be invested in a similarly broad portfolio. All business sectors on AIM are considered for investment by the Manager, subject to the requirement to undertake a qualifying trade.

Non-Qualifying Investments (circa 20%)

Once its qualifying target has been reached, the Company intends that approximately 20% of its funds will be invested in non-qualifying investments, principally comprising fixed and floating rate securities, financial instruments and money-market deposits with major banks and institutions, with a minimum Moody's long-term debt rating of 'A'.

CHAIRMAN'S STATEMENT

Our year-end last year coincided almost exactly with the peak of the new economy technological boom in the stock market, which was largely responsible for driving up the AIM Index. During that year we recorded a 74% increase in the basic net asset value per ordinary share. In the current year under review this bubble burst and the AIM Index recorded a drop of 51.4% largely but not entirely as a result. Against this background, the Company's net asset value fell by 48.8 pence. This, however, was after the payment of a 30 pence capital dividend, and therefore this reduction reflects a creditable performance.

By the end of the year under review your Company had invested in qualifying companies representing 76% of total investments in the Ordinary Shares portfolio. Although this was a little short of our target of 80% it was comfortably within the 70% required by legislation to preserve the tax advantages for our shareholders. A detail of the portfolio of investments is set out on pages 7 to 11 and the manager's review is set out on page 13.

Issue of "C" ordinary shares
Last August we announced a "C" Share issue to raise £20m. The issue was fully subscribed and in accordance with the terms of issue £12.5m was received last October and £7.5m in March of this year.

Total return and dividends
The overall negative total return for the year on a diluted basis and before the payment of the dividends referred to above amounted to £1.60m or a negative 14.6p per share, this may be compared with a total return for the year ended 29 February 2000 of £8.25m (74.3p per share). The total return on the ordinary shares for the year under review was a negative £1.7 million made up of a revenue return of £182,000 (1.6p per ordinary share), (2000: £211,000 or 1.9p per share) and a negative capital return of £1.8m (16.7p per ordinary share), (2000: £8 million gain or 72.4p per ordinary share). The total return for the period attributable to the "C" ordinary shares was £64,000 made up of a revenue return of £175,000 (1.4p per "C" ordinary share) and a negative capital return of £111,000 (0.9p per ordinary "C" share).

Your Board proposes a final revenue dividend of 1p per ordinary share, which together with the interim revenue dividend makes a total of 2.25p per ordinary share for the year (2000: 2.25p) and a revenue dividend of 1.25p per "C" ordinary share, to those holders of "C" shares issued last October. In addition and in accordance with your Board's policy of as far as possible distributing by way of capital dividends the net profit on realisations as they occur, your Board have declared a final capital dividend of 5p per ordinary share. It is proposed that all dividends be paid on 12 July 2001 to shareholders on the register on 22 June 2001.

The market quotation for your shares
Those of you who hold ordinary shares in the Company and who follow their market price will have noted that there have been very substantial swings in the market price which in the last year has varied between 141p and 75p per share and which bear no relation to the movement in the underlying net asset value. There is only one market maker in the Company's shares and largely because ordinary shareholders have to keep their shares for five years from the date of purchase in order to preserve their taxation benefits ("C" ordinary shares only three years from purchase) there is at present very little liquidity in the Company's shares. This will no doubt change in due course once shareholders are able to sell their shares without forgoing the income tax advantages which accrue to them. Until then the market in both ordinary and "C" shares is likely to be restricted and subject to perhaps large and irrational swings in market value. During the year the Company did buy back 25,000 ordinary shares at a substantial discount to net asset value. At the Annual General Meeting shareholders consent will be sought again to renew the Board's power to make such purchases should it deem it appropriate to do so.

Outlook
In my statement last year I referred to the emphasis the market place had put on "new economy" rather than "old economy" companies thus benefiting substantially AIM with its concentration on small companies, many of which are "new economy" companies. This has now largely been reversed with a consequential fall in the AIM Index. However, AIM is now firmly established and we continue to see a flow of new issues, if somewhat uneven at times, the pricing of which are somewhat more realistic than was the case a year ago. On the other hand in the last six months there has been a substantial increase in the amount of new finance raised by VCTs all of whom have quite a tight timetable within which those funds have to be invested if their taxation privileges are to be preserved. There is therefore likely to be a lot more money seeking to be invested in what could be a slower stream of new issues if there is a persistent downturn in the economy.

The Board is encouraged by the improved quality in the OFEX market and believes it could be in shareholders' interests to invest in new issues of companies traded under that dealing facility, although the great majority of investments will continue to be in companies quoted on AIM.

At the date of this statement, taking into account any realisations and additions, we have invested 79% of the net funds raised in 1997 and 17% of the net funds raised by the "C" share issue in qualifying investments. We shall continue to invest on a stock specific basis with a view to long-term growth rather than on the basis of particular sectors, although in so doing we shall take account of our sector exposure. On the whole our existing investment portfolio is performing satisfactorily and we remain confident for the long-term future.

M Reeve

Michael Reeve

Chairman 13 June 2001

THE BOARD OF DIRECTORS

The following are the Directors of the Company, three of whom are independent of the Manager.

Michael Reeve (64) FCA is the chairman and senior independent Director of the Company. He is a chartered accountant and was formerly managing director of Greyhound Bank PLC from 1981-1987 and a director of Rea Brothers Group PLC. He is currently chairman of Finsbury Growth Trust PLC and is also a director of Finsbury Trust Plc.

Roger Smith (62) BSc (Hons). Roger Smith is chairman of Central Industrial Holdings Limited, a family owned investment company with interests in the retail motor industry, oil distribution, contract cleaning, property and farming. He is also a non-executive chairman of European Motor Holdings PLC, a director of Harpenden & District Building Society and Luton and Dunstable Hospital NHS Trust and is the chairman of the Central Finance Board of the Methodist Church. He has previously been deputy chairman of Tricentrol Plc and chairman of Trimoco Plc.

Francis Malcolm (57) BSc (Hons). Frank Malcolm joined the Inland Revenue as an Inspector of Taxes in 1967. He left in 1969 and then spent 3 years as an investment analyst with Edinburgh Investment Trust. He has since worked with Brewin Dolphin Securities and its predecessor companies. During that time he has been successively head of research and institutional sales and, latterly, a director in the corporate finance department.

Stephen Hazell-Smith (47) is the managing director of Close Investment Limited. Further details are given below.

THE MANAGER

Close Investment Limited (CIL) was formerly called Rutherford Asset Management Limited (RAML) prior to its purchase by the Close Brothers Group in 1997. Rutherford was established in June 1992 to specialise in investment in small and unquoted companies and played a leading role in the establishment of AIM. In addition to the Close Brothers AIM VCT, Close Investment Limited advise the Close Beacon Investment Fund (formerly Beacon Investment Trust), the Close Accelerated Taper Service and certain re-investment relief funds invested on AIM.

The senior executives of Close Investment Limited are as follows:

Stephen Hazell-Smith (47)

Stephen Hazell-Smith established RAML (as described above), gaining experience of investment in smaller companies at GT Investment Management where he was responsible for launching its first UK smaller companies portfolio known as the UK Equity Fund. He also worked at Mercury Asset Management from 1989 to 1992.

Andrew Buchanan (49)

Andrew Buchanan joined Barclays Bank to manage investment portfolios in 1973. After gaining an MBA from London Business School, he joined Performance Analysis Services in 1980 specialising in quantitative investment analysis. In 1985, he moved to Mercury Asset Management, where he managed UK equities for a range of pension funds. In 1988 he joined the research department of Hoare Govett before moving to Klesch & Company in 1992. He moved to RAML in 1993 and has been responsible for managing Beacon since its establishment in 1994. In addition, Andrew Buchanan manages the six series of Reinvestment Relief Portfolios which invest in AIM and OFEX companies.

Kate Tidbury (38)

Kate Tidbury joined Sheppards and Chase as a trainee investment analyst in 1986. From 1987 to 1991 she was a smaller company analyst at Panmure Gordon before moving into fund management in 1992. From 1993 to 2000 she managed specialist ethical and small and mid-cap funds, initially for the Co-operative Bank, and then for Colonial First State Investments after it acquired the Bank's investment division in 1996. She joined CIL in November 2000.

DETAILS OF PORTFOLIO OF INVESTMENTS

The following are the details of qualifying investments made by 28 February 2001.

Company and Description	Market Value £'000		Book Cost £'000		Holding (shares)		% of capital owned
	Ordinary Shares	'C' Shares	Ordinary Shares	'C' Shares	Ordinary Shares	'C' Shares	
InterLink Foods. Manufacturer of own label cakes for supermarket groups.	904	479	337	431	306,390	162,467	6.7
Metnor Group. Hot dip galvaniser of steel products.	950	-	358	-	357,865	-	2.3
Mears. Building maintenance contractor to local authorities, the MOD and the private sector.	915	-	200	-	1,538,462	-	2.8
Clipper Ventures. Organisers of the Clipper round the world sailing race and other sailing based leisure activities.	530	302	350	250	828,400	471,698	9.7
NMT Group. Development, manufacure and sale of medical devices.	747	-	350	-	2,333,333	-	0.9
comeleon. Provider of advance imaging technologies.	246	493	213	425	128,949	257,898	3.0
Conder Environmental. Manufacture and marketing of pollution control devices.	191	381	212	423	1,060,000	2,115,000	8.5
Bank Restaurant Group. Restaurant chain operator.	166	331	250	500	1,250,000	2,500,000	8.8
Honeycombe. Managed pub operator in North West England.	479	-	293	-	532,000	-	1.8
XKO. Suppliers of business enterprise and e-commerce software and systems integration services.	472	-	251	-	209,000	-	0.7
Warthog. Developer of computer games software.	143	285	142	282	329,303	655,814	2.3
Inventive Leisure. Bar and nightclub operator.	400	-	261	-	275,000	-	1.3
MacLellan. Contract cleaning, nuclear decommissioning and process engineering.	398	-	259	-	680,263	-	1.2
Adval. Design and delivery of bespoke training courses for human resources development for major corporations.	336	-	350	-	584,615	-	3.6

Company and Description	Market Value £'000 Ordinary Shares	Market Value £'000 'C' Shares	Book Cost £'000 Ordinary Shares	Book Cost £'000 'C' Shares	Holding (shares) Ordinary Shares	Holding (shares) 'C' Shares	% of capital owned
Landround. Organiser of travel promotions and incentives for corporate clients.	321	-	205	-	100,000	-	1.8
Jamies Bars. London based wine bar operator.	270	-	325	-	406,250	-	5.6
Tardis Transcommunications. The sale and manufacture of mobile data communications.	263	-	288	-	721,000	-	0.7
Blooms of Bressingham. Operator of garden centres and developer of patented new plant varieties.	250	-	340	-	267,582	-	1.9
Tandem. Manufacturer and distributor of bicycles.	238	-	250	-	5,000,000	-	2.4
AorTech. Manufacturer of mechanical heart valves and cardiac monitoring devices. Development of a new bio-materials for heart valves.	191	-	37	-	31,349	-	0.1
Zipcom. Provider of telecommunications services.	182	-	300	-	1,578,947	-	1.0
Giardino Group. Owner and operator of cafés and restaurants.	177	-	149	-	119,149	-	0.5
Maelor. Developer of off-patent medicines and medical devices.	141	-	139	-	102,777	-	0.4
Stenoak Associated Services. Supplier of industrial fencing and safety barriers to the road and rail networks.	134	-	93	-	77,718	-	0.4
Transport Systems. Supplier of traffic management systems.	118	-	160	-	640,000	-	7.1
Vianet. Provision of remote monitoring devices for the vending machine industry.	116	-	400	-	308,000	-	1.6
Ideal Shopping Direct. Sales organisation direct to consumer via catalogue and TV channel.	67	-	149	-	95,000	-	0.4
Topnotch Health Clubs. Health club operator.	61	-	130	-	76,705	-	0.4

Company and Description	Market Value £'000		Book Cost £'000		Holding (shares)		% of capital owned
	Ordinary Shares	'C' Shares	Ordinary Shares	'C' Shares	Ordinary Shares	'C' Shares	
TCT International. Developer of 3D imaging technologies.	48	-	250		454,545	-	1.4
Lady in Leisure. Ladies only health and fitness club operator.	43	-	354	-	317,417	-	2.5
Protec. Development and installation of electronic security and information systems.	38	-	56	-	563,883	-	0.4
RMR. Organisers of on-line conferences and seminars.	36	-	348	-	290,115	-	0.5
Systems Union. Provision of e-commerce web sites and software to smaller UK companies.	30	-	46	-	35,471	-	0.1
Total qualifying investments at 28 February 2001	**9,601**	**2,271**	**7,845**	**2,311**			

Qualifying investments made after the year end:

Company and Description	Market Value At 8 June 2001 £'000		Book Cost £'000		Holding (shares)	
	Ordinary Shares	'C' Shares	Ordinary Shares	'C' Shares	Ordinary Shares	'C' Shares
Protec. Development and installation of electronic security and information systems.	93	195	93	195	1,322,218	2,783,000
Adval. Design and delivery of bespoke training courses for human resources development for major corporations.	148	500	130	438	259,828	877,162
Blooms of Bressingham. Operator of garden centres and developer of patented new plant varieties.	-	252	-	190	-	200,000
Capcon Holdings. Provider of stocktaking and fraud investigation services.	122	330	135	365	135,000	365,000
Total investment since 28 February 2001	**363**	**1,277**	**358**	**1,188**		

The following are the details of non-qualifying investments made by 28 February 2001.

Holding	Market Value at 28 February 2001 £'000 Ordinary Shares	Market Value at 28 February 2001 £'000 'C' Shares	Cost £'000 Ordinary Shares	Cost £'000 'C' Shares
Royal Bank of Scotland FRN (due January 2003)	999	-	1,001	-
Bradford & Bingley FRN (due April 2003)	-	1,496	-	1,497
Alliance & Leicester FRN (due March 2004)	-	1,496	-	1,497
Dresdner Bank FRN (due January 2005)	-	1,498	-	1,498
Bayerische FRN (due April 2005)	-	1,499	-	1,498
Sunamerica FRN (due April 2005)	996	-	998	-
Deutsche Bank FRN (due June 2005)	-	1,497	-	1,497
Woolwich FRN (due April 2006)	-	1,497	-	1,497
Total as at 28 February 2001	**1,995**	**8,983**	**1,999**	**8,984**

Non-qualifying investments made after the year end:

Holding	Market Value at 11 June 2001 £'000 Ordinary Shares	Market Value at 11 June 2001 £'000 'C' Shares	Cost £'000 Ordinary Shares	Cost £'000 'C' Shares
Citicorp FRN (due March 2003)	-	1,496	-	1,496
Northern Rock FRN (due January 2004)	-	1,499	-	1,499
Nationwide FRN (due July 2004)	-	1,497	-	1,497
Yorkshire FRN (due October 2005)	-	1,498	-	1,498
Total as at 28 February 2001	**-**	**5,990**	**-**	**5,990**

It should be noted that although all investments were originally floated on the AIM, some may progress to a full listing. To date the only investments to do so are XKO and Aortech, the latter of which was subsequently disposed of. This does not affect in any way the qualifying status of the holding for the first five years after the move to full listing.

The non-qualifying holdings will consist primarily of floating rate note securities, all with a Moody's credit rating of at least A. In addition, any shares quoted on the AIM which are purchased in the secondary market, rank as a non-qualifying investment. Some of the original investments made by your company which were approved for VCT purposes as a qualifying trade at the time of investment by the Inland Revenue, may by the nature of their continuing business activities become a non-qualifying trade. To date the only such investment to do so was IFTE PLC. This investment was subsequently disposed of during the year.

Schedule of Disposals

During the year ended 28 February 2001

Ordinary Shares

Company	Qualifying investments Book Cost £'000	Qualifying investments Proceeds £'000	Non-qualifying investments Book Cost £'000	Non-qualifying investments Proceeds £'000	Gain/(loss) £'000
Sopheon	175	1,514	-	-	1,339
JSB Software Technologies	109	1,370	-	-	1,261
AorTech International	117	730	94	131	650
Stenoak Associated Services	120	188	-	-	68
IFTE	-	-	182	235	53
Focus Solutions	80	90	-	-	10
Woolwich FRN	-	-	999	1,000	1
Bradford & Bingley FRN	-	-	1,000	1,000	-
Alliance & Leicester FRN	-	-	998	998	-
Northern Rock FRN	-	-	499	499	-
Madisons Coffee	200	102	-	-	(98)
	801	**3,994**	**3,772**	**3,863**	**3,284**

Post year ended 28 February 2001

Ordinary Shares

Company	Qualifying investments Book Cost £'000	Qualifying investments Proceeds £'000	Non-qualifying investments Book Cost £'000	Non-qualifying investments Proceeds £'000	Gain/(loss) £'000
Aortech International	37	118	-	-	81
Mears Group	39	211	-	-	172
Lady in Leisure	90	10	-	-	(80)
Metnor Group	70	189	-	-	119
	236	**528**	**-**	**-**	**292**

'C' Shares

Company	Qualifying investments Book Cost £'000	Qualifying investments Proceeds £'000	Non-qualifying investments Book Cost £'000	Non-qualifying investments Proceeds £'000	Loss £'000
Bayerische FRN	-	-	1,499	1,498	(1)
	-	**-**	**1,499**	**1,498**	**(1)**

MANAGER'S REVIEW

Portfolio

The prime objective in the year to 28 February 2001 has been to achieve at least 70% of the funds raised in 1997. We therefore made 17 new investments during the year costing approximately £3.9m.

In total the book cost of the Ordinary Share portfolio at 28 February 2001 was £7.8m with an outstanding commitment to Protec taking the total then to £7.9m, which is in line with the original prospectus's intention to achieve an investment level of approximately £8.0m.

It is important to emphasise that the achievement of investing £8m has not necessitated sacrificing normal investment criteria. We have sold a number of entire holdings during the year and have taken further profits by partially selling holdings in other cases. At the beginning of the year under review, we fully disposed of your trust's holding in JSB Software (since renamed Surfcontrol) and Sopheon. We also during the year sold your trust's holdings in Madisons Coffee and Focus Solutions. As a result of a major overseas acquisition, IFTE was in danger of becoming a non-qualifying investment and that too was sold. Since then we have taken some profits in Stenoak Associated Services and Aortech during the year. Since the year-end we have sold the balance of the Aortech holding. There has therefore been some reasonable activity in the portfolio.

The "C" share portfolio is also shown on pages 7 to 11. At this stage, there is clearly a high degree of overlap between the two portfolios. This was anticipated due to the high element of co-investing. That will become less of a feature in the next few years as the "C" share portfolio builds its holdings from new flotations and capital raisings, while the initial portfolio holds its maturing investments. Deal flow was slow again in the first quarter, although there are signs that it will pick up over the summer. Some of the flotations now on the horizon, appear to have more potential than many we saw in the first quarter and we continue to look at existing holdings, which could usefully use new capital and would be VCTable.

The Alternative Investment Market

Your trust's previous year-end on 28 February 2000 almost exactly coincided with the peak of the FTSE AIM Index, which occurred on 3 March. Since then the market has, despite occasional rises, moved in a downward direction. From a level of 2745.8 on 28 February 2000 it fell to 1335.3 on 28 February 2001 – representing a 51.4% fall.

From your manager's perspective three points are noteworthy. For much of 2000, valuations of new issues remained at unrealistic levels and many completely failed to recognise the risk of the investment in the valuation of the company. It has been suggested that during the first half of 2000, many early stage companies managed to float, whereas previously they would have raised development capital privately. While it should be the case that AIM can raise new capital even for start up companies, such situations have to recognise the inherent risks. That situation has generally now been corrected. The result should be attractive valuations for new investors this year. Secondly, the quality of new issues should improve this year as investors generally become more discriminating. However, it is no coincidence that of the seven investments in the "C" portfolio to date three are existing AIM companies, which have raised additional capital. Lastly, despite the comments, particularly last year, linking AIM with high technology companies, it will be clear from the brief descriptions of your trust's holdings that technology is not dominant in terms of sector exposure. We believe that, while technology companies will continue to float on AIM and be invested in by your trust, many new issues in the next few months may be drawn from other industrial activities.

Despite the fall in the FTSE AIM Index, AIM itself has behaved well in 2000. New companies have floated and in the year to 28 February 2001 £2.8 billion of additional capital was raised. Though some companies have become worthless, there have continued to be outstanding successes. A growing number of companies have continued to have their shares traded on AIM, resisting the lure of any other market, as they recognise the commercial advantages to themselves and the taxation advantages to their shareholders.

Outlook

There continues to be a steady flow of potential new issues to AIM. Although the volume is gentler than it was in January, it is more active now than it was in April. That is encouraging and provided it continues, we believe that we will find attractive investments for both portfolios. We will continue to add new holdings to the initial portfolio as we realise profits there and, of course, we will invest the cash in the "C" share portfolio.

The market itself seems set for a period of considerable volatility therefore the monthly NAV, which is published, will be more likely to reflect market sentiment than specific company fundamentals. However, we believe that over the next two years many of the companies in which the initial portfolio is invested should continue to grow and develop and will therefore create value of shareholders, which will be recognised over time. The same should be true of the "C" share portfolio, irrespective of the undoubted slowdown occurring in the UK economy, because these holdings will be in small companies whose growth will be a function of product innovation and specific market growth.

We are therefore optimistic that, over the next year and more, the NAV can increase and that there will be profits from which to pay capital tax-free dividends.

REPORT OF THE DIRECTORS

The Directors submit their third report and accounts of the Company for the year ended 28 February 2001.

Principal Activity and Status

The principal activity of the Company is that of a venture capital trust. Details of the principal investments made by the Company are given above in the review of the portfolio of investments. A review of the Company's business during the period is contained in the Chairman's Statement.

Results and Dividends

	Ordinary Shares £'000	'C' Shares £'000
Revenue return attributable to shareholders for the year ended 28 February 2001	182	175
Net interim revenue dividend of 1.25p per share, paid on 1 December 2000	(126)	-
Net final revenue dividend of 1.00p per share, payable on 12 July 2001	(100)	-
Net final revenue dividend of 1.25p per share, payable on 12 July 2001	-	(156)
Revenue transferred (from)/to reserves	**(44)**	**19**
Realised capital return attributable to shareholders	3,081	(70)
Net special dividend of 25.00p per share, paid on 29 September 2000	(2,519)	-
Net final capital dividend of 5.00p per share, payable on 12 July 2001	(503)	-
Unrealised capital return attributable to shareholders	(4,931)	(41)
Capital transferred from reserves	**(4,872)**	**(111)**
Total transferred from reserves	**(4,916)**	**(92)**

Directors

The Directors who held office throughout the year and their interests in the shares of the Company (together with those of their immediate family) at 28 February 2001 and at the date of this Report were:

	Ordinary Shares	'C' Shares
M A F Reeve	5,000	-
R J Smith	20,000	10,000
F K Malcolm	5,000	50,000
S J Hazell-Smith	100,000	25,000

No Director has a service contract with the Company. The Company does not have any employees.

Mr S J Hazell-Smith is a Director of Close Investment Limited and is deemed to have an interest in the management contract and management performance incentive to which the Company is a party.

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

All Directors, except Mr S J Hazell-Smith, are members of the Audit Committee of which Mr R J Smith is the chairman.

Management Agreement

The Company and Close Investment Limited ("the Manager") have entered into a management agreement for a further fixed term of three years to 16 March 2004, which may be terminated by either party on 12 months' notice, given at any time thereafter. The management agreement is subject to earlier termination in the event of certain breaches or upon the insolvency of either party. Under this agreement, the Manager also provides secretarial and administrative services to the Company. The Manager is entitled to an annual fee equal to 2.0% (plus VAT) of the value of funds invested by the Company in both VCT qualifying and non-qualifying investments. This fee covers the provision of investment management services as well as all secretarial, accounting and administrative services provided by the Manager and annual commission payable to authorised financial intermediaries.

Management Performance Incentive

In order to provide the Manager with an incentive to maximise the return to investors, the Manager has entered into agreements with the Company whereby it has been granted options to subscribe for new ordinary shares pursuant to a resolution passed on 24 August 2000, at a price in accordance with the price mechanism.

The options attached to the ordinary shares allow the Manager to subscribe for the equivalent of 10% of the issued ordinary shares of the Company, pursuant to the Prospectus dated 3 February 1998. The options may be exercised in whole or in part during the period 2003 to 2006 (or earlier in certain limited circumstances).

The options attached to the 'C' shares allow the Manager to subscribe for the equivalent of 10% of the issued 'C' shares of the Company, pursuant to the Prospectus dated 20 September 2000. The options may be exercised in whole or in part during the period 2005 to 2008 (or earlier in certain limited circumstances).

Auditors

Deloitte & Touche are the appointed auditors during the period. They have expressed their willingness to continue in office as auditors and a resolution for their re-appointment will be proposed at the Annual General Meeting.

Substantial Interests

As at 13 June 2001 the Company was not aware of any beneficial interest exceeding 3 per cent. of the issued ordinary share capital.

Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

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

The auditors are required to form an independent opinion on the financial statements presented by the Directors, based on their audit, and to report their opinion to the members. The Companies Act 1985 also requires the auditors to report to the members if the following requirements are not met:

- that the Company has maintained proper accounting records;
- that the financial statements are in agreement with the accounting records;
- that the Directors' emoluments and other transactions with Directors are properly disclosed in the financial statements; and
- that the auditors have obtained all the information and explanations which, to the best of their knowledge and belief, are necessary for the purpose of their audit.

Annual General Meeting

The Annual General Meeting will be held at 12 Appold Street, London EC2A 2AW at 12.15 pm on 11 July 2001. The notice convening the Annual General Meeting is set out at the end of this document. A Resolution will be proposed as special business at the Annual General Meeting for the following purpose:

Purchase of own shares

A special resolution, number 4 in the notice of meeting, will authorise the purchase in the market and the cancellation of up to 1,007,500 ordinary shares and 1,250,000 'C' shares, being equivalent to 10% of the share capital currently in issue.

Purchases of shares will be made within guidelines established from time to time by the Board, but only if it is considered that such purchases would be to the advantage of the Company and its shareholders taken as a whole. Purchases will only be made in the market for cash at prices below the prevailing net asset value per ordinary share. Under the rules of the London Stock Exchange, the maximum price which can be paid by the Company is 5% above the average of the relevant market value of the shares for the five business days preceding the purchase. Shares which are purchased will be cancelled. In making purchases the Company will deal only with member firms of the London Stock Exchange. Purchases of shares will be funded from distributable reserves.

The purchase of shares by the Company is intended to reduce the discount at which shares trade in the market because the Company will be a new source of demand for shares. Since it is anticipated that any purchases will be made at a discount to net asset value at the time of purchase, the net asset value of the remaining shares in issue should increase.

Suppliers Payment Policy

The Company's policy is to pay all supplier invoices within 30 days of the invoice date, or as otherwise agreed.

By Order of the Board,

J M Gain
Secretary
12 Appold Street
London EC2A 2AW

13 June 2001

STATEMENT OF CORPORATE GOVERNANCE

Background

The UK Listing Authority requires all listed companies to disclose how they have applied the principals and complied with the provisions of the Combined Code ("the Code").

Application of the Principals of the Code

The Board attaches importance to matters set out in the Code and applies its principals. 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. Mr Reeve is the Chairman and senior independent Director. All Directors are able to take independent professional advice in furtherance of their duties if necessary.

The Board has a formal schedule of matters reserved to it and meets quarterly or as may be neccessary. The management agreement between the Company and its Manager sets out the matters over which the Manager has authority and the limits beyond which Board approval must be sought. These include the management of the investment portfolio, the organisation of custodial services, accounting, secretarial and administrative services. All other matters are reserved for the approval of the Board of Directors.

The Articles of Association require that all Directors are subject to re-election procedures by rotation at the Annual General Meeting.

Directors Remuneration

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.3, B1.1 to B1.10, B2.1 to B2.6 and B3.1 to B3.5 are not relevant.

Audit Committee

The Audit Committee consists of all Directors excluding Mr Hazell-Smith. Written terms of reference have been constituted for the Audit Committee. It meets as required throughout the period. The Committee overviews the Company's accounting policies and financial reporting and provides a forum through which the Company's external auditors report to the Board. The Audit Committee also undertakes the duties of the Engagement Committee, and therefore also reviews all matters arising under the management agreement.

Nomination Committee

A Nomination Committee has not been formed as the size of the Board does not warrant its formulation.

Internal Control

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process is subject to regular review by the Board and accords with the Internal Control Guidance for Directors on the Combined Code published in September 1999 ("the Turnbull guidance"). The process is now fully in place. 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, assisted by the Manager, undertook a full review of the Company's business risks. The Board receives each year from the Manager a formal report which details the steps taken to monitor the areas of risk, including those that are not directly the responsibility of the Manager, and which reports the details of any known internal control failures. Steps will continue to be taken to embed the system of internal control and risk management into the operations and culture of the Company and its key suppliers, and to deal with areas of improvement which comes to management's and the Board's attention.

The Company does not have an internal audit function but it does have access to the internal audit department of Close Brothers Group which reports on the Manager's activities. 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.

Statement of Compliance

The Directors consider that the Company has complied throughout the year ended 28 February 2001 with all the relevant provisions set out in Section 1 of the Code, except that full compliance with the Turnbull guidance was not achieved until 11 May 2000. The Company continues to comply with the Code as at the date of this report.

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

We have audited the financial statements on pages 20 to 35 which have been prepared under the accounting policies set out on page 24.

Respective responsibilities of Directors and auditors

The Directors are responsible for preparing the Annual Report, including, as described on pages 15 and 16, the preparation of the financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the UK Listing Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 or the Listing Rules regarding directors' remuneration and transactions with the company is not disclosed.

We review whether the corporate governance statement on pages 17 and 18 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the UK Listing 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 corporate governance procedures or risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards 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. 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 circumstances of the Company, 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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 28 February 2001 and of the capital return, revenue return and the total return of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants
and Registered Auditors

13 June 2001
Stonecutter Court
1 Stonecutter Street
London EC4A 4TR

Close Brothers AIM VCT PLC
Statement of Total Return (incorporating the revenue account)
for the year ended 28 February 2001

		Ordinary Shares 28 February 2001			C Shares 28 February 2001			Total 28 February 2001		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on investments	2	-	(1,646)	(1,646)	-	(41)	(41)	-	(1,687)	(1,687)
Investment income	3	379	-	379	254	-	254	633	-	633
Investment management fee	4	(84)	(254)	(338)	(17)	(88)	(105)	(101)	(342)	(443)
Other expenses	5	(63)	-	(63)	(18)	-	(18)	(81)	-	(81)
Return on ordinary activities before tax		232	(1,900)	(1,668)	219	(129)	90	451	(2,029)	(1,578)
Tax on ordinary activities	7	(50)	50	-	(44)	18	(26)	(94)	68	(26)
Return attributable to shareholders		182	(1,850)	(1,668)	175	(111)	64	357	(1,961)	(1,604)
Dividends	8	(226)	(3,022)	(3,248)	(156)	-	(156)	(382)	(3,022)	(3,404)
Transfer (from)/to reserves		(44)	(4,872)	(4,916)	19	(111)	(92)	(25)	(4,983)	(5,008)
Basic return/(loss) per share (pence)	9	1.8	(18.3)	(16.5)	1.4	(0.9)	0.5	3.2	(19.2)	(16.0)
Diluted return/(loss) per share (pence)	9	1.6	(16.7)	(15.1)	1.4	(0.9)	0.5	3.0	(17.6)	(14.6)

All revenue and capital items in the above statement derive from continuing operations.
No operations were acquired or discontinued in the year.
The accompanying notes are an integral part of this statement.

Close Brothers AIM VCT PLC

Statement of Total Return (incorporating the revenue account) for the prior year ended 29 February 2000

	Note	Ordinary Shares 29 February 2000 Revenue £'000	Capital £'000	Total £'000	C Shares 29 February 2000 Revenue £'000	Capital £'000	Total £'000	Total 29 February 2000 Revenue £'000	Capital £'000	Total £'000
Gains on investments	2	-	8,207	8,207	-	-	-	-	8,207	8,207
Investment income	3	386	-	386	-	-	-	386	-	386
Investment management fee	4	(68)	(205)	(273)	-	-	-	(68)	(205)	(273)
Other expenses	5	(65)	-	(65)	-	-	-	(65)	-	(65)
Return on ordinary activities before tax		253	8,002	8,255	-	-	-	253	8,002	8,255
Tax on ordinary activities	7	(42)	42	-	-	-	-	(42)	42	-
Return attributable to shareholders		211	8,044	8,255	-	-	-	211	8,044	8,255
Dividends	8	(227)	(1,010)	(1,237)	-	-	-	(227)	(1,010)	(1,237)
Transfer (from)/to reserves		(16)	7,034	7,018	-	-	-	(16)	7,034	7,018
Basic return per share (pence)	9	2.1	79.6	81.7	-	-	-	2.1	79.6	81.7
Diluted return per share (pence)	9	1.9	72.4	74.3	-	-	-	1.9	72.4	74.3

All revenue and capital items in the above statement derive from continuing operations.
No operations were acquired or discontinued in the year.
The accompanying notes are an integral part of this statement.

Close Brothers AIM VCT PLC
Balance Sheet as at 28 February 2001

	Note	Ordinary Shares 28 February 2001 £'000	C Shares 28 February 2001 £'000	Total 28 February 2001 £'000	Prior Year 29 February 2000 £'000
Fixed asset investments					
Qualifying investments		9,601	2,271	11,872	11,607
Non-qualifying investments		1,995	8,983	10,978	4,620
Total fixed asset investments	10	11,596	11,254	22,850	16,227
Current assets					
Debtors	11	165	82	247	136
Cash at bank and in hand		502	687	1,189	1,398
		667	769	1,436	1,534
Creditors: amounts falling due within one year	12	(690)	(240)	(930)	(1,235)
Net current (liabilities)/assets		(23)	529	506	299
Net assets		11,573	11,783	23,356	16,526
Capital and reserves					
Called up share capital	13	5,038	6,250	11,288	5,050
Share premium account	14	-	5,625	5,625	4,545
Special reserve	14	4,508	-	4,508	-
Capital redemption reserve	14	12	-	12	-
Realised reserve	14	248	(70)	178	190
Unrealised reserve	14	1,752	(41)	1,711	6,682
Revenue Reserve	14	15	19	34	59
Total shareholders' funds	16	11,573	11,783	23,356	16,526
Basic net asset value per share (pence)	15	114.8	94.3		163.6
Diluted net asset value per share (pence)	15	113.0	94.3		157.7

There is no prior year comparison for the 'C' shares, thus the prior year comparison is wholly related to the ordinary class of shares.

The financial statements on pages 20 to 35 were approved by the Board of Directors on 13 June 2001 and were signed on its behalf by

Michael Reeve

Michael Reeve
Chairman

Close Brothers AIM VCT PLC
Cash Flow Statement
for the year to 28 February 2001

	Note	Ordinary Shares Year to 28 February 2001 £'000	C Shares Period to 28 February 2001 £'000	Total Year to 28 February 2001 £'000	Prior Year Year to 29 February 2000 £'000
Operating activities					
Dividend income received		67	-	67	38
Investment income received		201	83	284	269
Deposit interest received		66	61	127	166
Other income received		7	1	8	4
Investment management fees paid		(363)	(32)	(395)	(232)
Other cash payments		(67)	(7)	(74)	(79)
Net cash (outflow)/inflow from operating activities	18	(89)	106	17	166
Taxation					
UK corporation tax paid		-	-	-	(93)
Capital expenditure and financial investment					
Purchase of qualifying investments		(3,873)	(2,311)	(6,184)	(7,367)
Purchase of non-qualifying investments		(999)	(8,983)	(9,982)	-
Disposals of qualifying investments		4,228	-	4,228	4,870
Disposals of non-qualifying investments		3,629	-	3,629	-
Net cash inflow/(outflow) from investing activities		2,985	(11,294)	(8,309)	(2,497)
Equity dividends paid					
Revenue dividends paid on ordinary shares		(227)	-	(227)	(278)
Capital dividends paid on ordinary shares		(3,528)	-	(3,528)	-
Net cash outflow before financing		(859)	(11,188)	(12,047)	(2,702)
Financing					
Issue of equity net of expenses		-	11,875	11,875	-
Redemption of shares net of expenses		(31)	-	(31)	-
Cancellation of share premium		(6)	-	(6)	-
Net cash (outflow)/inflow from financing		(37)	11,875	11,838	-
(Decrease)/increase in cash and cash equivalents	17	(896)	687	(209)	(2,702)

There is no prior year comparison for the 'C' shares, thus the prior year comparison is wholly related to the ordinary class of shares.

The accompanying notes are an integral part of this cash flow statement.

Close Brothers AIM VCT PLC
Notes to the financial statements
for the year to 28 February 2001

1. ACCOUNTING POLICIES

True and fair override
The Company is no longer an investment company within the meaning of s266, 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 financial statements are prepared in accordance with applicable Accounting Standards and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" (SORP). Ordinarily, the absence of Section 266 status would require the Company to adopt a different presentation of the accounts than that recommended by the Association of Investment Trust Companies. However, the Directors consider it appropriate to continue to present the accounts in accordance with the SORP. Under the SORP, the financial performance of the trust is presented in a statement of total return in which the revenue column is the profit and loss account of the Company. The revenue column excludes certain capital items, which since the Company is no longer an investment company, 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 of permanent diminution in value of investments, management expenses charged to capital of less tax relief thereon and the distribution of capital profits .

In the opinion of the Directors the presentation adopted enabled 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 accounting standards are necessary to give a true and fair view. The departures have no effect on the total return or balance sheet. The particular accounting policies adopted are described below.

Capital reserves

<u>Realised reserves</u>
The following are accounted for in this reserve;

- gains and losses on the realisation of investments, and
- expenses and finance costs, together with the related taxation effect

<u>Unrealised reserve</u>
The following are accounted for in this reserve;

- increases and decreases in the valuation of investments held at the year end

<u>Special reserve</u>
This reserve is distributable and is primarily used for the cancellation of the Company's share capital

Financial period
The financial statements of the ordinary shares are for the year to 28 February 2001. The financial statements of the 'C' shares are for the period 20 October 2000 to 28 February 2001. Accordingly prior year figures relate wholly to the ordinary class of share.

Close Brothers AIM VCT PLC
Notes to the financial statements (continued)

Investments
Listed investments and investments quoted on AIM are stated at market value based upon middle market prices at the end of the accounting period. The unrealised depreciation or appreciation on the valuation of investments are dealt with in the unrealised capital reserve, whilst gains and losses arising on the disposal of investments are dealt with in the realised capital reserve.

It is not the Company's policy to exercise controlling or significant influences over investee companies. Therefore the results of these companies are not incorporated into the revenue account except to the extent of any income accrued.

Income and expenses
All income and expenses are treated on the accruals basis and dividend income is included in revenue when the investment is quoted ex-dividend. Income received is treated in accordance with Financial Reporting Standard No. 16.

Issue costs
Issue costs are deducted from the share premium account in accordance with Financial Reporting Standard No. 4.

Taxation
Taxation is applied on the current basis in accordance with Financial Reporting Standard No.16.

Management Expenses
75 per cent. of management fees attributable to the ordinary shares and 83.75 per cent. of management fees attributable to 'C' shares, representing the proportion of fees attributable to the enhancement of the value of the investments of the Company, are charged to capital net of corporation tax. The balance of all other expenses is charged to the revenue account.

Close Brothers AIM VCT PLC
Notes to the financial statements (continued)

2. Gains/(losses) on investments

	Year and period to 28 February 2001 £'000			Year to 29 February 2000 £'000		
	Ordinary Shares £'000	C Shares £'000	Total £'000	Ordinary Shares £'000	C Shares £'000	Total £'000
Realised gains on disposal	3,285	-	3,285	1,519	-	1,519
(Decrease)/increase in unrealised appreciation	(4,931)	(41)	(4,972)	6,688	-	6,688
Closing unrealised appreciation	(1,646)	(41)	(1,687)	8,207	-	8,207

3. Investment income

	Ordinary Shares	C Shares	Total	Prior Year
	Year to 28 February 2001 £'000	Period to 28 February 2001 £'000	Year to 28 February 2001 £'000	Year to 29 February 2000 £'000
Income from investments				
UK franked investment income	66	-	66	47
UK unfranked investment income	239	191	430	246
	305	191	496	293
Other income				
Deposit interest	67	62	129	89
Commission	7	1	8	4
Total income	379	254	633	386
Total income comprises				
Dividends	66	-	66	47
Interest	306	253	559	335
Commission	7	1	8	4
	379	254	633	386
Income from investments				
Listed	305	191	496	293
Unlisted	-	-	-	-
	305	191	496	293

4. Investment management fee

	Year and period to 28 February 2001 £'000			Year to 29 February 2000 £'000		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee						
- Ordinary shares	84	254	338	68	205	273
- C shares	17	88	105	-	-	-
	101	342	443	68	205	273

Further details of the Management Agreement under which the investment management fee is paid are given in the Report of the Directors.

Close Brothers AIM VCT PLC
Notes to the financial statements (continued)

5. Other expenses

	Year and period to 28 February 2001 £'000			Year to 29 February 2000 £'000		
	Ordinary Shares £'000	C Shares £'000	Total £'000	Ordinary Shares £'000	C Shares £'000	Total £'000
Directors' fees	26	9	35	27	-	27
Auditors' remuneration						
– audit fees	11	2	13	10	-	10
Other	26	7	33	28	-	28
Total	63	18	81	65	-	65

6. Directors' fees

Exclusive of statutory deductions the remuneration of the chairman was £12,760 (2000: £10,000). The remuneration of the other Directors, was £9,583 (2000: £7,500) each, save in respect of Mr S J Hazell-Smith. Close Investment Limited, of which Mr S J Hazell-Smith is a director receives a management fee on his behalf.

7. Tax on ordinary activities

	Ordinary Shares year to 28 February 2001 £'000			C Shares period to 28 February 2001 £'000		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
UK corporation tax at 20%	-	-	-	26	-	26
Tax attributable to capital expenses	(50)	50	-	(18)	(18)	-
	(50)	50	-	44	(18)	26

	Ordinary Shares year to 29 February 2000 £'000			C Shares period to 29 February 2000 £'000		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Tax attributable to capital expenses	42	(41)	1	-	-	-
ACT write back	-	(1)	(1)	-	-	-
	42	(42)	-	-	-	-

Corporation tax has been provided at 20% (2000: 20%).

Close Brothers AIM VCT PLC
Notes to the financial statements (continued)

8. Dividends and other appropriations	Ordinary Shares	C Shares	Total	Prior Year
	Year to 28 February 2001 £'000	Period to 28 February 2001 £'000	Year to 28 February 2001 £'000	Year to 29 February 2000 £'000
Dividends on equity shares:				
- interim revenue dividend of 1.25p per ordinary share (2000: 1.25p)	126	-	126	126
- special capital dividend of 25.00p per ordinary share (2000: nil)	2,519	-	2,519	-
- final revenue dividend of 1.00p per ordinary share and 1.25p per C share (2000: 1.00p per share ordinary and nil per C share)	100	156	256	101
- final capital dividend of 5.00p per ordinary share (2000: 10.00p per share)	503	-	503	1,010
	3,248	156	3,404	1,237

9. Return/(loss) per share	Year and period to 28 February 2001			Year to 29 February 2000		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Basic						
- ordinary shares	1.8p	(18.3)p	(16.5)p	2.1p	79.6p	81.7p
- C shares	1.4p	(0.9)p	0.5p	-	-	-
	3.2p	(19.2)p	(16.0)p	2.1p	79.6p	81.7p
Diluted						
- ordinary shares	1.6p	(16.7)p	(15.1)p	1.9p	72.4p	74.3p
- C shares	1.4p	(0.9)p	0.5p	-	-	-
	3.0p	(17.6)p	(14.6)p	1.9p	72.4p	74.3p

Ordinary Shares

The basic revenue return per ordinary share is based on the profit on ordinary activities after taxation, but before deduction of dividends of £182,000, (2000: £211,000), whilst the capital (loss)/return is based on the loss on ordinary activities after taxation, but before deduction of dividends of £1,850,000 (2000: profit of £8,004,000). This is in respect of 10,081,694 ordinary shares (2000: 10,100,000 shares), being the weighted average number of ordinary shares in issue during the year.

The diluted earnings/(losses) are based upon the exercise of the option in full, mentioned in the Director's Report and note 12, thus assuming 11,091,694 ordinary shares were in issue throughout the year, (2000: 11,110,000 shares).

'C' Shares

The basic revenue return per 'C' share is based on the return on ordinary activities after taxation but before deduction of dividends of £175,000 (2000: nil), whilst the capital loss is based on the loss on ordinary activities after taxation, but before deduction of dividends of £111,000 (2000: nil). This is in respect of 12,500,000 ordinary shares (2000: nil shares), being the weighted average number of 'C' shares in issue during the period.

The diluted (loss)/earnings is not based upon the exercise of the option in full, mentioned in the Director's Report and note 12, thus assuming 12,500,000 'C' Shares were in issue throughout the period.

Close Brothers AIM VCT PLC
Notes to the financial statements (continued)

10. Fixed asset investments

	Ordinary Shares	C Shares	Total	Prior Year
	Year to 28 February 2001	Period to 28 February 2001	Year to 28 February 2001	Year to 29 February 2000
	£'000	£'000	£'000	£'000
Qualifying AIM investments	9,601	2,271	11,872	11,606
Non qualifying listed investments	1,995	8,983	10,978	4,493
Non qualifying AIM investments	-	-	-	128
Total	11,596	11,254	22,850	16,227

	Ordinary Shares			
	Qualifying AIM	Non-qualifying AIM	Non-qualifying listed	Total investments
	£'000	£'000	£'000	£'000
Valuation basis				
Opening valuation: 1 March 2000	11,607	128	4,492	16,227
Reclassification of investment	(182)	182	-	-
Purchases at cost	3,873	-	999	4,872
Sales - proceeds	(3,995)	(365)	(3,496)	(7,856)
- realised gains/(losses) on disposal	1,233	(126)	-	1,107
Realisation of revaluation gains from previous years	1,962	215	-	2,177
Decrease in unrealised appreciation	(4,897)	(34)	-	(4,931)
Closing valuation : 28 February 2001	9,601	-	1,995	11,596
Historic cost basis				
Opening book cost	4,954	94	4,497	9,545
Purchases at cost	3,873	-	999	4,872
Reclassification of investment	(182)	182	-	-
Disposals at cost	(800)	(276)	(3,497)	(4,573)
Closing book cost	7,845	-	1,999	9,844
Opening unrealised gains/(losses)	6,653	34	(4)	6,683
Closing unrealised gains/(losses)	1,756	-	(4)	1,752

Close Brothers AIM VCT PLC
Notes to the financial statements (continued)

10. Fixed asset investments (continued)

	C Shares			
	Qualifying AIM	**Non-qualifying AIM**	**Non-qualifying Listed**	**Total Investments**
	£'000	**£'000**	**£'000**	**£'000**
Valuation basis				
Opening valuation: 1 March 2000	-	-	-	-
Purchases at cost	2,311	-	8,984	11,295
Decrease in unrealised appreciation	(40)	-	(1)	(41)
Closing valuation : 28 February 2001	2,271	-	8,893	11,254
Historic cost basis				
Opening book cost	-	-	-	-
Purchases at cost	2,311	-	8,984	11,295
Closing book cost	2,311	-	8,984	11,295
Opening unrealised gains/(losses)	-	-	-	-
Closing unrealised gains/(losses)	(40)	-	(1)	(41)

11. Debtors

	Ordinary Shares	**C Shares**	**Total**	**Prior Year**
	Year to 28 February 2001 £'000	**Period to 28 February 2001 £'000**	**Year to 28 February 2001 £'000**	**Year to 29 February 2000 £'000**
Other debtors	139	2	141	-
Prepayments and accrued income	26	80	106	98
Recoverable ACT	-	-	-	1
ACT on dividends	-	-	-	37
	165	82	247	136

12. Creditors: amounts falling due within one year

	Ordinary Shares	**C Shares**	**Total**	**Prior Year**
	Year to 28 February 2001 £'000	**Period to 28 February 2001 £'000**	**Year to 28 February 2001 £'000**	**Year to 29 February 2000 £'000**
Other creditors	85	84	169	124
Proposed dividend	605	156	761	1,111
	690	240	930	1,235

Close Brothers AIM VCT PLC
Notes to the financial statements (continued)

13. Called up share capital	Year to 28 February 2001 £'000	Year to 29 February 2000 £'000
Authorised:		
20,000,000 Ordinary Shares of 50p each (2000: 20,000,000 Ordinary shares)	10,000	10,000
25,000,000 C Shares of 50p each (2000: nil C Shares)	12,500	-
	22,500	10,000
Allotted, called up and fully paid:		
10,075,000 Ordinary Shares of 50p each(2000: 10,100,000 shares)	5,038	5,050
12,500,000 C shares of 50p each(2000: nil C Shares)	6,250	5,050
	11,288	5,050

The Company repurchased 25,000 Ordinary shares for cancellation on 20 June 2000 at 120 pence per share.

On 20 October 2000 the Company issued 12,500,000 C Shares at 100 pence per share. Issue costs totalling £625,000 were deducted from total funds raised of £12,500,000.

The manager has the option to subscribe for a maximum of 10% of the issued share capital, at an exercise price in accordance with the option price mechanism.

14. Reserves

	Ordinary shares					
	Capital redemption reserve £'000	Share Premium account £'000	Special reserve £'000	Unrealised capital reserve £'000	Realised capital reserve £'000	Revenue reserve £'000
Opening balances	-	4,545	-	6,682	190	59
Cancellation of share premium	-	(4,545)	4,545	-	-	-
Cost of cancellation	-	-	(7)	-	-	-
Capital redemption	12	-	(30)	-	-	-
Capitalised expenses net of taxation	-	-	-	-	(204)	-
Capital dividends paid	-	-	-	-	(3,022)	
Realised gains	-	-	-	-	1,107	-
Realised gains from previous years	-	-	-	(2,177)	2,177	-
Decrease in unrealised appreciation	-	-	-	(2,753)	-	-
Retained loss for the year	-	-	-	-	-	(44)
Closing balances	12	-	4,508	1,752	248	15

Close Brothers AIM VCT PLC
Notes to the financial statements (continued)

	C shares					
	Capital redemption reserve £'000	Share Premium account £'000	Special reserve £'000	Unrealised capital reserve £'000	Realised capital reserve £'000	Revenue reserve £'000
Opening balances	-	-	-	-	-	-
Issue of capital net of expenses	-	5,625	-	-	-	-
Decrease in unrealised appreciation	-	-	-	(41)	-	-
Capitalised expenses net of taxation	-	-	-	-	(70)	-
Retained net revenue for the year	-	-	-	-	-	19
Closing balances	-	5,625	-	(41)	(70)	19

15. Net asset value per share

The net asset value per share and the net asset values at the period end calculated in accordance with the Articles of Association were as follows:

	Ordinary Shares Year to 28 February 2001	C Shares Period to 28 February 2001	Ordinary Shares Year to 29 February 2000	C Shares Year to 29 February 2000
Basic per ordinary shares	114.8 pence	94.3 pence	163.6 pence	nil
Diluted per ordinary share	113.0 pence	94.3 pence	157.7 pence	nil

The movement in the assets during the period attributable to shares were as follows:-

	Ordinary Shares Year to 28 February 2001 £'000	C Shares Period to 28 February 2001 £'000	Ordinary Shares Year to 29 February 2000 £'000	C Shares Year to 29 February 2000 £'000
Total net assets at beginning of the year	16,526	-	9,508	-
(Decrease)/increase in share capital	(12)	6,250	-	-
Increase in capital redemption	12	-	-	-
(Decrease)/increase in share premium	(4,545)	6,250	-	-
Issue costs of new capital subscribed	-	(625)	-	-
Creation of special reserve	4,545	-	-	-
Cost of share redemption	(30)	-	-	-
Cost of cancellation of share premium account	(7)	-	-	-
Total (loss)/return for the year/period	(1,668)	64	8,255	-
Dividends appropriated in the year/period	(3,248)	(156)	(1,237)	-
Total net assets at end of the year/period	11,573	11,783	16,526	-

15. Net asset value per share (continued)

The basic net asset value per share is based on net assets at the year end, and on 10,075,000 ordinary shares and 12,500,000 C shares, being the respective number of shares in issue at the year end.

Ordinary shares

The diluted net asset value per ordinary share is based upon the exercise of the manager's option in full. Thus creating the equivalent of 1,010,000 shares, and total shares in issue of 11,085,000. Further details of the option can be found in the Report of the Directors.

'C' Shares

Dilution of the 'C' shares in accordance with the managers option is not applicable as at the date of this report.

16. Reconciliation of movements in shareholders' funds

	Ordinary Shares	C Shares	Ordinary Shares	C Shares
	Year to 28 February 2001 £'000	Period to 28 February 2001 £'000	Year to 29 February 2000 £'000	Period to 29 February 2000 £'000
Total net assets at beginning of the year	16,526	-	9,508	-
(Decrease)/increase in share capital	(12)	6,250	-	-
Increase in capital redemption	12	-	-	-
(Decrease)/increase in share premium	(4,545)	6,250	-	-
Issue cost of new capital subscribed	-	(625)	-	-
Creation of special reserve	4,545	-	-	-
Cost of share redemption	(30)	-	-	-
Cost of cancellation of share premium	(7)	-	-	-
Total (loss)/return for the year/period	(1,668)	64	8,255	-
Dividends appropriated in the year/period	(3,248)	(156)	(1,237)	-
Total net assets at end of the year	11,573	11,783	16,526	-

17. Analysis of changes in cash during the year

	Ordinary Shares	C Shares	Total	Prior Year
	Year to 28 February 2001 £'000	Period to 28 February 2001 £'000	Year to 29 February 2000 £'000	Year to 29 February 2000 £'000
Beginning of year	1,398	-	1,398	4,100
Net cash (outflow)/inflow	(896)	687	(209)	(2,702)
End of year/period	502	687	1,189	1,398

Close Brothers AIM VCT PLC
Notes to the financial statements (continued)

18. Reconciliation of net revenue before finance costs and taxation to net cash inflow/(outflow) from operating activities

	Ordinary Shares	C Shares	Total	Prior Year
	Year to 28 February 2001 £'000	Period to 28 February 2001 £'000	Year to 29 February 2000 £'000	Year to 29 February 2000 £'000
Net revenue before finance costs and taxation	232	219	453	255
Investment management fee charged to capital	(254)	(88)	(340)	(205)
Decrease/(increase) in accrued income	17	(80)	(66)	139
(Decrease)/increase in other creditors	(38)	83	44	39
Tax on investment income	(46)	(28)	(74)	(62)
Net cash (outflow)/inflow from operating activities	(89)	106	17	166

19. Interest rate risk profile of financial assets and financial liabilities

Financial assets

The Company's financial assets, other than equity investments traded on the AIM, are floating rate and vary depending on prevailing interest rates.

	Year to 28 February 2001				Year to 29 February 2000			
	Fixed Rate £'000		Floating Rate £'000		Fixed Rate £'000		Floating Rate £'000	
Currency	Ordinary Shares	C Shares	Ordinary Shares	C Shares	Ordinary Shares	C Shares	Ordinary Shares	C Shares
Sterling	Nil	Nil	1,995	8,983	Nil	Nil	4,493	Nil

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

Financial liabilities

As at 28 February 2001 the Company has no financial liabilities other than short term creditors, (2000: £nil).

Currency exposure

As at 28 February 2001, the Company had no foreign currency exposures (2000: £nil).

Borrowing facilities

The Company had no committed borrowing facilities as at 28 February 2001, (2000: £nil).

Fair values of financial assets and financial liabilities

All the Company's financial assets and liabilities at 28 February 2001 are stated at fair value. See note 1 of the financial statements.

Close Brothers AIM VCT PLC
Notes to the financial statements (continued)

19. Interest rate risk profile of financial assets and financial liabilities (continued)

Investment risk

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

The Company's policy is to accept a degree of interest rate risk on non qualifying investments. On the basis of the Company's analysis, it is estimated that a fall of one percentage point in interest rates would have reduced the revenue return before tax to 28 February 2001 of the ordinary shares and 'C' shares by approximately 14% per cent and 17% per cent respectively, (2000: 25% ordinary shares, nil 'C' shares).

20. Contingencies, guarantees and financial commitments

At the year end the Company had entered into a financial commitment to purchase 4,105,218 Shares in Protec at a total cost of £287,326, £92,516 attributable to the ordinary shares and £194,810 attributable to the 'C' shares.

21. Post balance sheet events

On 5 March 2001, the Company allotted a further 7,510,000 'C' shares in accordance with the price mechanism at £1 per share, with a par value of 50p.

On 17 March 2001 the management agreement was extended for a further three year term.

The Company applied to the High Court in May 2001 to cancel the amounts standing on the share premium account of the 'C' shares, thus creating a special reserve.

Details of the investment activity, post balance sheet, can be found in the portfolio of investments set out on pages 9 and 10.

22. Related party transaction

Under the terms of an agreement dated 19 September 2000, the Company has appointed Close Investment Limited, a wholly owned subsidiary of Close Brothers Group plc, to provide investment management, accounting, secretarial and administrative services. Details of the arrangements are given in the Report of the Directors. The total investment management fees at the year end, in respect of both class of share, amounted to £441,000 (2000: £273,000), of which £143,000 (2000: £97,000) was accrued at that date.

The Company appointed Close Brothers Investment Limited, a subsidiary of Close Brothers Group as sponsor to the 'C' Share offer. Close Brothers Investment Limited received £1,000,500, equivalent to 5 per cent. of the funds raised under the offer from which they paid all legal, marketing and administration expenses associated with the offer.