

08

Gateway VCT plc

Interim Report

Six months ended 30 September 2008 (unaudited)



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Financial Highlights

Financial history

	Six months ended 30 September 2008	Six months ended 30 September 2007	Year ended 31 March 2008
Net assets	£4.4 million	£5.7 million	£4.8 million
Net Asset Value per share	32.3p	41.9p	35.5p
Revenue return for period	(0.1)p	(0.2)p	(0.8)p
Capital return for period	(2.4)p	(0.1)p	(1.1)p
Total return for period	(2.5)p	(0.3)p	(1.9)p
Share price ¹	15.0p	25.0p	23.0p
Discount to Net Asset Value	53.6%	40.3%	35.2%
Ordinary Shares in issue at period end	13,591,734	13,591,734	13,591,734

¹Source: Bloomberg.

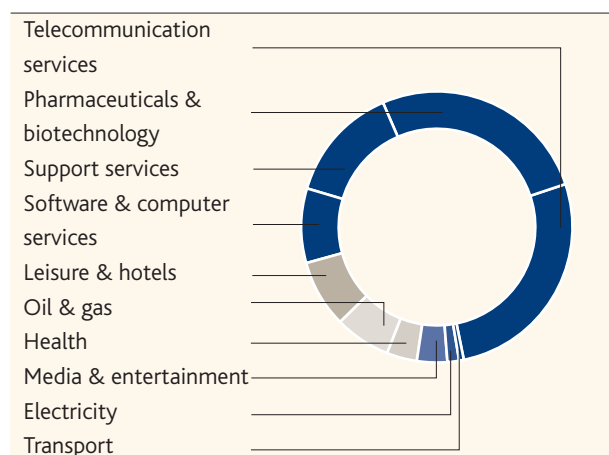
Analysis of Unlisted and AIM Portfolio

As at 30 September 2008

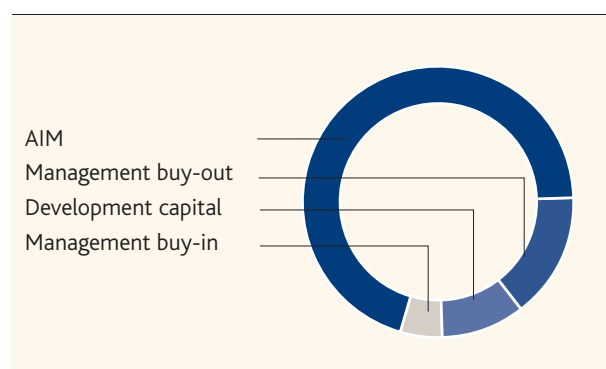
FT industrial sector	Unlisted valuation		AIM valuation		Total valuation	
	£'000	%	£'000	%	£'000	%
Telecommunication services	774	25.8	30	1.0	804	26.8
Pharmaceuticals & biotechnology	-	-	797	26.5	797	26.5
Support services	399	13.3	15	0.5	414	13.8
Software & computer services	-	-	269	8.9	269	8.9
Leisure & hotels	200	6.6	45	1.5	245	8.1
Oil & gas	199	6.6	-	-	199	6.6
Health	-	-	112	3.7	112	3.7
Media & entertainment	-	-	103	3.4	103	3.4
Electricity	-	-	42	1.4	42	1.4
Transport	-	-	23	0.8	23	0.8
Total	1,572	52.3	1,436	47.7	3,008	100.0

Deal type	Number of deals	Valuation	
		£'000	%
Unlisted			
Development capital	2	774	25.7
Management buy-out	3	598	19.9
Management buy-in	1	200	6.7
Total unlisted	6	1,572	52.3
AIM	14	1,436	47.7
Total unlisted and AIM	20	3,008	100.0

FT industrial sector by valuation



Deal type by number of deals



The charts illustrate only the invested portfolio, excluding cash.

Interim Management Report

For the six months ended 30 September 2008

This Interim Management Report covers a period of extreme volatility in economies and markets throughout the world, with equity values generally having seen a downward trend in the face of tighter credit conditions. Most commentators are predicting that negative growth in the UK economy will continue into 2009 and share prices are likely to remain unstable given the ongoing uncertainty over economic forecasts. Your Company still has a significant exposure to AIM, representing 32.7% of net assets at 30 September 2008, where there has been continued volatility that has had a material and adverse influence on the results for the period under review. However, following the appointment of Aberdeen Asset Managers as Manager on 31 March 2008, and the Company's related change to a more generalist investment policy as stated in the 2008 Annual Report, the portfolio is in the process of being reconstructed with a bias towards more robust private equity investments. These should offer a degree of protection from the sentiment of quoted markets and, as the portfolio matures, provide the basis for a recovery in the Company's Net Asset Value (NAV).

Key information

- NAV of 32.3p per share (pps) at 30 September 2008; compared to 35.5pps at 31 March 2008 and 41.9pps at 30 September 2007.
- Decrease of 9.0% in NAV per share since 31 March 2008 and of 22.9% since 30 September 2007.
- Eight unlisted and AIM investments made during the period under review.
- Disposals of unlisted and AIM quoted investments generated net realised losses of £298,000 during the period under review.

Performance

The NAV at 30 September 2008 was 32.3pps, representing decreases of 9.0% and 22.9% over the equivalent figures at 31 March 2008 and 30 September 2007 respectively. There is no venture capital trust index with which to compare the overall performance of the Company. However, the FTSE AIM All-share index decreased by 35.2% over the reporting period and by 44.4% since September 2007.

Unlisted investments held by Gateway VCT are valued in accordance with the International Private Equity and Venture Capital Valuation Guidelines. Investments which are traded on the Alternative Investment Market (AIM) or a recognised stock exchange are valued at their bid price.

Dividends

The Board is not proposing that the Company should pay an interim dividend for the year ending 31 March 2009. The new Manager is in the process of restructuring the portfolio and the Company's cost base with a view to allowing distributions of revenue surpluses or from the realisation of investments above their cost, but it is uncertain when the Company will be in a position to pay a dividend.

VCT qualifying status

The VCT qualifying status of your Company is monitored on a continuous basis to ensure that all of the criteria required to maintain VCT status are being achieved.

Investment activity

During the six-month period ended 30 September 2008, eight new unlisted and AIM quoted investments were completed and a total of £1,078,000 was invested. At the period end, the portfolio stood at 20 unlisted and AIM quoted investments at a total cost of £5,959,000.

The following investments were completed during the period:

Investment	Date	Activity	Investment cost £'000	Website
Unlisted				
MoneyPlus Group	July 2008	Provider of debt management services to individuals	200	www.moneyplusgroup.co.uk
Nessco Group Holdings	June 2008	Telecommunication services provider	199	www.nessco.co.uk
TC Communications Holdings	May 2008	Marketing and communications services agency	199	www.tccommunications.co.uk
Training for Travel Group	April 2008	Provider of assessment, tuition and training in travel services	200	www.trainingfortravel.com
Total unlisted investment			798	

Interim Management Report continued

Investment	Date	Activity	Investment cost	
			£'000	Website
AIM				
Essentially Group	May 2008	Provider of sports marketing, media management and professional services	133	www.essentiallygroup.com
OPG Power Ventures	May 2008	Develops, owns and manages power generation plants in India	49	www.opgpower.org
Optare	July 2008	Bus manufacturer and low emission technology group	49	www.elcb.co.uk
Praesepe (formerly Aldgate Capital)	July 2008	Pursues acquisition and consolidation opportunities in the low-stake, high-volume gaming sector in the United Kingdom and Europe	49	www.aldgatecapital.com
Total AIM investment			280	
Total investment			1,078	

Co-investment

Gateway VCT has co-invested with Aberdeen Growth Opportunities VCT, Aberdeen Growth Opportunities VCT 2, Aberdeen Growth VCT I, Aberdeen Income and Growth VCT, Guinness Flight Venture Capital Trust and Talisman First Venture Capital Trust in some or all of the above transactions and is expected to continue to do so with these as well as other clients of the Manager. The advantage is that, together, the Manager's clients are able to underwrite a wider range and size of transaction than would be the case on a stand alone basis.

Portfolio developments

During the period under review, the unlisted investment in Jacobs Rimmell was sold generating a realised loss of £294,000 against cost, although it is anticipated that a small element of deferred consideration will be received in due course. The valuation at 31 March 2008 had anticipated this outcome and the Company's NAV was, therefore, unaffected by this sale.

Conditions on AIM continued to be volatile during the reporting period, which has, therefore, restricted opportunities to actively trade this element of the portfolio.

Realisations

The table below gives details of all realisations from the unlisted and AIM portfolios during the reporting period:

Investments realised

Investment	Date first invested	Complete/partial exit	Cost of shares disposed of £'000	Sales proceeds £'000	Realised gain/(loss) £'000
Unlisted					
Jacobs Rimmell	2000	Complete	944	650	(294)
AIM					
Medigene	2006	Partial	5	2	(3)
Optare	2008	Partial	2	1	(1)
Total AIM disposals			7	3	(4)
Total disposals			951	653	(298)

Principal risks and uncertainties

The Board has reviewed the principal risks and uncertainties facing the Company in the second half of its financial year; these are unchanged from those it faced at the start of the year, being the risks involved in investment in small and unquoted companies. In order to reduce the exposure to investment risk, the Company is now invested in a more broadly-based portfolio of investments in unlisted and AIM quoted companies in the United Kingdom. The Company remains compliant with the regulations governing venture capital trusts and the Manager closely monitors the position of the Company to ensure that it complies with the various tests at all times.

Constitution of the Board

On 15 July 2008, the Company announced the appointment of Neil Kennedy and Charles Scott as Directors with effect from 1 August 2008 and that, subject to their re-election at the Annual General Meeting, it was intended that Michael Teacher and Neil Metcalfe would stand down as Directors after a suitable handover period. Following the re-election of Neil Kennedy and Charles Scott at the Annual General Meeting on 12 September 2008, the Company confirmed the resignations of Michael Teacher and Neil Metcalfe as Directors of the Company, both being effective from 30 September 2008.

Mr Teacher had served as Chairman of the Company and, in the Annual Report for the year ended 31 March 2008, he had stated that his successor would be nominated from the remaining Board members. On 10 October 2008, the Board announced that Charles Scott had accepted the nomination of his fellow Directors and had been appointed Chairman of the Company with immediate effect. The Board wishes to record its thanks to Michael Teacher and Neil Metcalfe for their assistance in ensuring an orderly handover of their responsibilities.

Outlook

The performance of the quoted markets generally during the period has been volatile and events affecting the banking sector have caused further uncertainty since the period end. Although there has been some stimulus from the support provided to banks by central government, it would appear that the uncertain conditions may prevail for some time given the continuing speculation over the future of the economy. Opportunities to invest in companies seeking to achieve an IPO on AIM have, therefore, been limited and little change in this situation is anticipated in the short

term. Whilst the Company's AIM quoted investments have obviously suffered as a result of the extended period of volatility which continues to affect the equity markets, most of the underlying businesses in which that portfolio is invested are performing in line with the Manager's expectations and the Directors anticipate that this should be demonstrated by increasing share prices when market conditions improve, although the timing and extent of any recovery is uncertain.

Shareholders will note the change in composition of the portfolio. The new Manager intends to continue its strategy of investing across a more diverse range of industrial sectors and in an increasing number of mature and profitable private companies, the values of which are not directly affected by the short term fluctuations of the quoted markets. It is anticipated that these investments will pay a regular yield, which will help the Company to meet its recurring expenses, demonstrate reasonable growth potential, and develop to an extent where successful realisations may be possible in due course. This will result in an ongoing requirement to re-invest the proceeds in accordance with the VCT regulations and the Manager will continue to invest selectively from its flow of introductions sourced by its regional network of offices.

On behalf of the Board
Aberdeen Asset Management PLC
Secretary
27 November 2008

Summary of Portfolio Performance

For the six months ended 30 September 2008

	Opening value 31 March 2008 £'000	Purchases £'000	Sales £'000	Realised gain/(loss) over opening value £'000	Unrealised gain/(loss) over opening value £'000	Closing value 30 September 2008 £'000	Total gain/(loss) £'000
Legacy portfolio							
Unlisted	1,424	–	(650)	–	–	774	–
AIM	1,572	–	(2)	(3)	(344)	1,223	(347)
Listed fixed income	1,542	–	(369)	(15)	26	1,184	11
Total legacy portfolio	4,538	–	(1,021)	(18)	(318)	3,181	(336)
Investment made after the appointment of Aberdeen Asset Managers							
Unlisted	–	798	–	–	–	798	–
AIM	–	280	(1)	(1)	(65)	213	(66)
Total new portfolio	–	1,078	(1)	(1)	(65)	1,011	(66)
Total portfolio	4,538	1,078	(1,022)	(19)	(383)	4,192	(402)

Investment Portfolio Summary

As at 30 September 2008

Investment	Valuation £'000	Cost £'000	% of total assets	% of equity held	% of equity held by other clients ¹
Unlisted²					
Networks by Wireless	700	700	15.9	14.6	–
Training For Travel Group	200	200	4.6	2.3	27.7
MoneyPlus Group	200	200	4.6	23.3	51.7
TC Communications Holdings	199	199	4.5	4.1	31.2
Nessco Group Holdings	199	199	4.5	2.6	35.2
Other unlisted investments	74	1,350	1.7		
Total unlisted investments	1,572	2,848	35.8		
AIM³					
Vectura Group	533	553	12.1	0.4	–
Medigene	231	576	5.3	0.2	–
Pilat Media Global	180	240	4.1	2.0	–
Deltex Medical Group	112	200	2.6	0.8	–
Essentially Group	103	133	2.3	0.7	2.3
OMG	89	175	2.0	0.4	–
Praesepe (formerly Aldgate Capital)	45	49	1.0	1.2	10.6
OPG Power Ventures	42	49	1.0	0.1	0.4
Galapagos	33	127	0.8	–	–
Sarantel Group	24	810	0.5	3.2	–
Optare	24	47	0.5	0.1	1.6
Other AIM investments	20	152	0.5		
Total AIM investments	1,436	3,111	32.7		
Listed fixed income					
Treasury 5.75% 31/12/09	1,184	1,213	26.9		
Total investments	4,192	7,172	95.4		

¹Other clients of the Aberdeen Asset Management Group.

²Unlisted investments include assets with a total impairment value of £1,350,000.

³AIM investments include assets with a total impairment value of £25,000.

Income Statement

For the six months ended 30 September 2008

	Six months ended 30 September 2008 (unaudited)			Six months ended 30 September 2007 (unaudited)			Year ended 31 March 2008 (audited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Loss on realisation of investments	–	(313)	(313)	–	–	–	–	(91)	(91)
Income	49	–	49	59	–	59	110	–	110
Investment management fee	(17)	(11)	(28)	(32)	(21)	(53)	(40)	(27)	(67)
GAM investment adviser termination fees	–	–	–	–	–	–	(45)	(30)	(75)
Other expenses	(51)	–	(51)	(48)	–	(48)	(140)	–	(140)
Loss on ordinary activities before taxation	(19)	(324)	(343)	(21)	(21)	(42)	(115)	(148)	(263)
Tax on ordinary activities	–	–	–	–	–	–	–	–	–
Loss on ordinary activities after taxation	(19)	(324)	(343)	(21)	(21)	(42)	(115)	(148)	(263)
Earnings per share (pence)	(0.1)	(2.4)	(2.5)	(0.2)	(0.1)	(0.3)	(0.8)	(1.1)	(1.9)

All items in the above statement are derived from continuing operations. The Company has only one class of business and derives its income from investments made in shares, securities and bank deposits.

The total column of this statement is the Profit and Loss Account of the Company.

Statement of Total Recognised Gains and Losses

For the six months ended 30 September 2008

	Six months ended 30 September 2008 (unaudited)			Six months ended 30 September 2007 (unaudited)			Year ended 31 March 2008 (audited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Loss on ordinary activities after taxation	(19)	(324)	(343)	(21)	(21)	(42)	(115)	(148)	(263)
Loss on revaluation of investments	–	(89)	(89)	–	(713)	(713)	–	(1,357)	(1,357)
Total losses recognised during the period	(19)	(413)	(432)	(21)	(734)	(755)	(115)	(1,505)	(1,620)

Reconciliation of Movements in Shareholders' Funds

For the six months ended 30 September 2008

	Six months ended 30 September 2008 (unaudited) £'000	Six months ended 30 September 2007 (unaudited) £'000	Year ended 31 March 2008 (audited) £'000
Opening Shareholders' funds	4,824	6,444	6,444
Loss attributable to equity Shareholders	(432)	(755)	(1,620)
Closing Shareholders' funds	4,392	5,689	4,824

The accompanying Notes are an integral part of the Financial Statements.

Balance Sheet

As at 30 September 2008

	Notes	30 September 2008 (unaudited) £'000	30 September 2007 (unaudited) £'000	31 March 2008 (audited) £'000
Fixed assets				
Investments available for sale		4,192	5,656	4,538
Current assets				
Debtors		54	37	45
Cash and overnight deposits		202	107	316
		256	144	361
Creditors				
Amounts falling due within one year		56	111	75
Net current assets		200	33	286
Net assets		4,392	5,689	4,824
Capital and reserves				
Called up share capital		679	679	679
Special distributable reserve	2	12,110	12,110	12,110
Capital redemption reserve	2	1	1	1
Capital reserve - realised	2	(6,158)	(5,832)	(5,834)
Capital reserve - unrealised	2	(1,606)	(748)	(1,517)
Revenue reserve	2	(634)	(521)	(615)
Net assets attributable to Ordinary Shareholders		4,392	5,689	4,824
Net Asset Value per Ordinary Share (pence)		32.3	41.9	35.5

The accompanying Notes are an integral part of the Financial Statements.

Cash Flow Statement

For the six months ended 30 September 2008

	Six months ended 30 September 2008 (unaudited) £'000	Six months ended 30 September 2007 (unaudited) £'000	Year ended 31 March 2008 (audited) £'000
Operating activities			
Investment income received	57	55	102
Deposit interest received	4	3	5
Investment management fee paid	(10)	(30)	(121)
GAM investment adviser termination fee	–	–	(75)
Other cash payments	(85)	(41)	(96)
Net cash outflow from operating activities	(34)	(13)	(185)
Taxation			
Corporation tax	–	–	–
Financial investment			
Purchase of investments	(1,078)	–	–
Sale of investments	998	–	382
Net cash (outflow)/inflow from financial investment	(80)	–	382
Equity dividends paid	–	–	–
(Decrease)/increase in cash	(114)	(13)	197

The accompanying Notes are an integral part of the Financial Statements.

Notes to the Financial Statements

For the six months ended 30 September 2008

1 Accounting policies

The financial information for the six months ended 30 September 2008 and the six months ended 30 September 2007 comprises non-statutory accounts within the meaning of Section 240 of the Companies Act 1985. The financial information contained in this report has been prepared on the basis of the accounting policies set out in the Annual Report and Financial Statements for the year ended 31 March 2008.

The results for the year ended 31 March 2008 are extracted from the full accounts for that year, which received an unqualified report from the Auditors and have been filed with the Registrar of Companies.

	Special distributable reserve £'000	Capital redemption reserve £'000	Capital reserve - realised £'000	Capital reserve - unrealised £'000	Revenue reserve £'000
2 Movement in reserves					
At 31 March 2008	12,110	1	(5,834)	(1,517)	(615)
Losses on realisation of investments	–	–	(313)	–	–
Net decrease in value of investments	–	–	–	(89)	–
Investment management fee	–	–	(11)	–	–
Loss on ordinary activities after taxation	–	–	–	–	(19)
As at 30 September 2008	12,110	1	(6,158)	(1,606)	(634)

	Six months ended 30 September 2008 £'000
3 Return per Ordinary Share	
Weighted average number of Ordinary Shares	13,591,734
Revenue return	(£19,000)
Capital return	(£324,000)

The NAV per Ordinary Share has been calculated using the number of Ordinary Shares in issue at 30 September 2008 of 13,591,734.

Directors' Responsibility Statement

The Directors confirm that, to the best of their knowledge:

- the Financial Statements for the six months ended 30 September 2008 have been prepared in accordance with applicable accounting standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' (the SORP) issued in December 2005;
- the Interim Management Report includes a fair review of the information required by DTR 4.2.7R in relation to the indication of important events during the first six months, and of the principal risks and uncertainties facing the Company during the second six months, of the year ending 31 March 2009; and
- the Interim Management Report includes adequate disclosure of the information required by DTR 4.2.8R in relation to related party transactions and any changes therein.

By order of the Board
Aberdeen Asset Management PLC
Secretary
27 November 2008

Corporate Information

Directors

C M Scott (Chairman)
N J Kennedy
W R Nixon
D E Svendsen

Manager

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Secretary

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(calls cost 10p per minute plus network extras)

Auditors

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Custodian Bankers

J P Morgan Chase Bank

Solicitors

Howard Kennedy

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