

08

Gateway VCT plc

Annual Report
Year ended 31 March 2008



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Financial Highlights

	31 March 2008	31 March 2007
Net assets	£4,824,000	£6,444,000
Net Asset Value per share	35.5p	47.4p
Revenue return per share for year	(0.85)p	(0.49)p
Capital return per share for year	(1.08)p	(12.58)p
Total return per share for year	(1.93)p	(13.07)p
Share price	23.0p	30.0p
Discount to Net Asset Value	35.2%	36.7%
Ordinary Shares in issue at year end	13,591,734	13,591,734

Chairman's Statement

The Directors report our Company's annual results for the year ended 31 March 2008. The Company was originally launched in 2000 to invest in venture capital opportunities related to the technology sector, and to provide further exposure to the technology sector by also investing in listed technology markets.

Performance

The results for the year show a loss of £1,620,000 of realised and unrealised amounts (2007: £1,205,000). Of this amount £1,357,000 was represented by the net decrease in value of investments, the majority of which was attributable to an unrealised reduction in value within the holdings of AIM quoted companies. The net assets at the year end were £4,824,000 representing 35.5p per share (2007: £6,444,000 representing 47.4p). The decline in value within the AIM portfolio alone amounted to approximately 9p per share, and was greater in the second half of the year than in the first, and was particularly marked in the first quarter of 2008.

The reduction in the AIM quoted share prices was across the portfolio, but was particularly significant in the holdings in Sarantel Group, Vectura Group and Pilat Media Global. This is frustrating in that, in these three cases, the companies' share prices appear to have been reduced disproportionately relative to the progress and results of the businesses.

Future strategy

During the year, the Board conducted a strategic review of the alternatives open to the Company as a venture capital trust. The nature of the venture capital market and the limited resources available for the independent management of a VCT of the Company's size, together with the restrictive policy relating to qualifying technology investment, led the Board to conclude that it was not in the best interest of Shareholders for the Company to continue as a self-managed VCT, particularly with a commitment to new investment in small scale technology businesses.

As a result, a series of discussions took place with directors of other venture capital trust companies and VCT investment management groups, who expressed a potential interest in the merger of the Company with another VCT or being appointed as investment manager. The Board concluded that the potential merger transactions were not attractive since they would incur costs for the Company and not facilitate either significant liquidity in the Company's shares in the future or an exit for any Shareholder who wished to realise all, or a substantial part, of their holding in such a transaction.

The Board also determined that it would offer Shareholders an opportunity to obtain such liquidity and value as could be realised through the liquidation of the Company's investments within the VCT-in-liquidation rules.

After a protracted period of discussions with a number of parties, the Board entered into detailed negotiations with Aberdeen Asset Managers Limited (Aberdeen) with a view to a new investment management mandate incorporating a new investment strategy. Based on Aberdeen's established position and track record in the VCT market, the Board felt that, subject to Shareholder approval, it could put forward Aberdeen with confidence as a potential new investment manager with a new, generalist investment strategy.

The Board decided that Shareholders would be offered a choice; the appointment of Aberdeen as investment manager to take the Company forward as an ongoing venture capital trust based on a new investment strategy, or a realisation through the liquidation of the Company and its investments. To be implemented, both alternatives required Shareholder approval and, additionally, Aberdeen's agreement to put themselves forward for Shareholder approval.

A Circular, containing all the required and relevant information to enable Shareholders to consider the alternatives and express a preference, was produced and sent to all Shareholders. As this was a matter of Shareholder choice and subsequent approval in General Meeting, rather than the ratification of one course of action, the process of producing the document and obtaining the necessary approval to issue it was somewhat complex.

However, the Board was pleased that holders of more than 30% of the shares responded expressing their preference. The outcome was that a clear majority were in favour of the appointment of Aberdeen. The Resolution to appoint Aberdeen was put to a General Meeting held on 26 March 2008 and passed unanimously. Aberdeen was duly appointed as Manager on 31 March 2008.

As a result, you will note that the presentational format of the Annual Report has changed to that of the new Manager's house style, including the voluntary adoption of the SORP referred to in Note 1 to the Financial Statements on pages 28 and 29, and that forward-looking statements in the Investment Advisor's Report, the Directors' Report and the Statement of Corporate Governance reflect the change of investment policy and the Company's new control environment.

In accordance with agreements set out in the Circular, Graham Woolfman resigned as a Director on 31 March 2008. The Directors are grateful to Graham for his contribution to the Board over the years and for his efforts together with his colleague, Andrew Sherski, in dealing with the Circular and Shareholder approvals and in working with Aberdeen to integrate the Company's management within its operations.

Bill Nixon, who is head of the Growth Capital team at Aberdeen, joined the Board on 31 March 2008 as the representative of the new Manager. I welcome Bill to the Board and believe that the Company will benefit considerably from the involvement of Bill and his team going forward.

VCT qualifying status

The Board has continued to retain PricewaterhouseCoopers LLP to advise, monitor and report on the Company's progress in continuing to meet the qualifying investment requirements laid down in the VCT legislation. We are mindful of the responsibility to do our utmost to ensure that all the relevant conditions continue to be met on an ongoing basis.

Valuation Policy

Unlisted investments are valued in accordance with the accounting policy set out on page 28, which follows the International Private Equity and Venture Capital Valuation guidelines. As well as requiring appropriate downward adjustment to the fair value of an investment which is under performing significantly, the guidelines recommend that in situations where fair value cannot be reliably measured an investment should be reported at its carrying value, unless there is evidence of impairment. The guidelines also support the use of the price of recent investment valuation method in cases where a significant transaction involving an independent third party at arm's length occurs and which places a materially different value on the investment.

Portfolio developments

Since the year end, Aberdeen has made five new investments on the Company's behalf, totalling £780,000 out of the total amount deployed by Aberdeen clients of £7.5 million. There were unlisted investments in Nessco, a provider of communications services to the energy sector; Training For Travel Group, a leading provider of training services in the travel sector; and T C Communications Holdings, a marketing and communications services agency; plus in the AIM quoted companies: Essentially Group, a provider of sports marketing, media management and professional services; and OPG Power Ventures, an operator and developer of power plants in India. Also since the period end, the holdings in Jacobs Rimell were realised for a cash consideration of £724,000 when the "drag along" provisions of the investment agreement were invoked following the decision by all other shareholders to accept the offer for the company. More information in relation to the current portfolio and these new investments can be found in the Investment Advisor's and Manager's Report on pages 4 and 5.

The future

The Annual General Meeting of the Company is to be held at the Manager's offices in London at 10.30 am on Friday 12 September 2008 and the Notice convening the meeting is included on pages 38 to 42 of the Annual Report.

In addition to Bill Nixon replacing Graham Woolfman on the Board, as mentioned earlier, Shareholders will note that the Board has decided to appoint two new Directors, Neil Kennedy and Charles Scott, whose biographies appear on pages 10 and 11 respectively. These appointments are effective from 1 August 2008 and are part of an ongoing process to refresh the Board. After an appropriate hand-over period, and subject to the re-election of the new Directors at the Annual General Meeting, it is intended that Neil Metcalfe and I will both stand down from the Board. My successor as Chairman will be nominated from the remaining Board members and Shareholders will be advised when these changes have taken place. I am grateful to my Board colleagues for their support and commitment in working together, and I am hopeful that the Company is now well positioned to achieve growth and recovery in value in the future.

Michael Teacher

Chairman

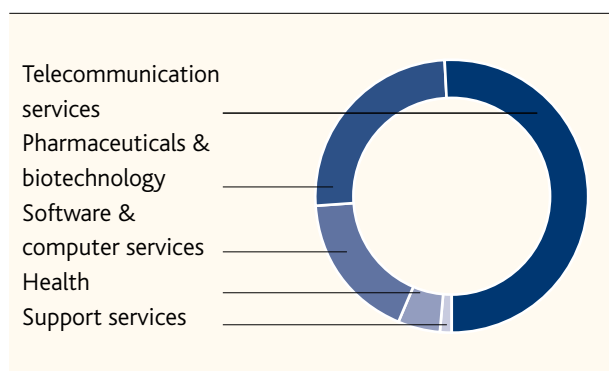
11 July 2008

Analysis of Unlisted and AIM Portfolio

As at 31 March 2008

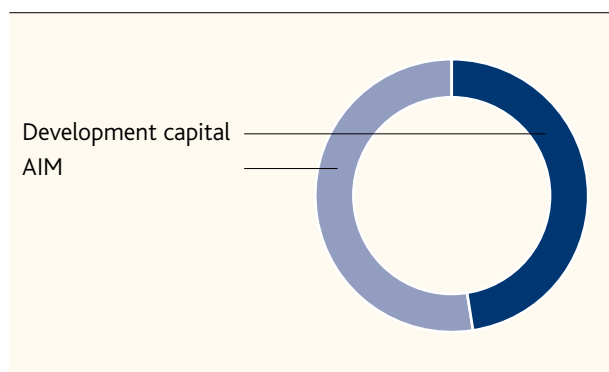
By FT industrial sector	Unlisted valuation		AIM valuation		Total valuation	
	£'000	%	£'000	%	£'000	%
Telecommunication services	1,424	47.5	106	3.6	1,530	51.1
Pharmaceuticals & biotechnology	–	–	752	25.1	752	25.1
Software & computer services	–	–	529	17.7	529	17.7
Health	–	–	148	4.9	148	4.9
Support services	–	–	37	1.2	37	1.2
Total	1,424	47.5	1,572	52.5	2,996	100.0

Valuation by sector

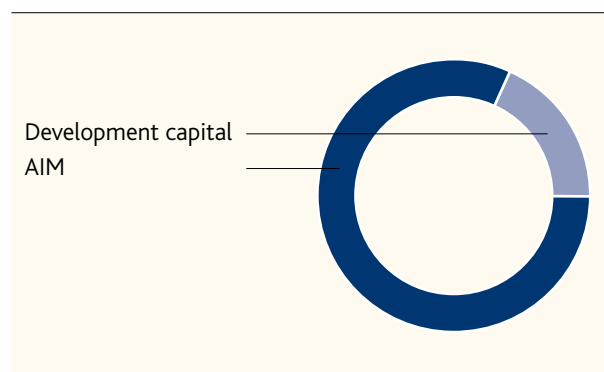


By deal type	Number of deals	Valuation	
		£'000	%
Unlisted			
Development capital	2	1,424	47.5
Total unlisted	2	1,424	47.5
AIM	9	1,572	52.5
Total unlisted and AIM	11	2,996	100.0

Deal type by valuation



Deal type by number of deals



Investment Advisor's and Manager's Report

Introduction

During the year, Gateway Advisory and Management LLP (GAM) advised the Board on the qualifying venture capital investments and managed the portfolio on a day-to-day basis. GAM reported to the Board of the Company which was responsible for directing and supervising GAM's activities. On 31 March 2008, the Investment Advisory Agreement between the Company and GAM was terminated by mutual consent and Aberdeen Asset Managers Limited (Aberdeen) was appointed as discretionary fund manager under the terms of a new investment management agreement.

Cavendish Asset Management Limited (CAM) managed the portfolio of non-qualifying listed and fixed interest investments in line with policies set by the Board. The Board instructed CAM to realise the listed investments during the early part of 2008. During the year, the policies were to realise the listed investments when appropriate, and to hold and monitor a fixed interest investment in order to mitigate volatility whilst producing an income yield.

The Company's strategy was to monitor and generate returns where possible from its portfolio of investments whilst maintaining ongoing VCT investment criteria, and exploring a number of alternative strategies for the future of the Company, in line with the Board's policy.

Aberdeen commenced its new investment strategy for the Company immediately following its appointment. The new strategy is to build a diversified portfolio of unlisted and AIM quoted investments which offer excellent growth prospects and, therefore, the opportunity for capital gains in the medium and longer term while maintaining VCT qualifying status. The companies in which investments will be made will be relatively mature businesses producing significant levels of profit and generating cash from their trading activities. A substantial proportion of the total amount invested in private companies will be in the form of loan stock on which a yield, typically up to 12%, will be payable. An extremely selective approach will be taken on investments in AIM quoted companies and an active management style will be applied to those investments with profit taken when it is available in the market. The Company does not currently utilise gearing in making its investments but, as the Company becomes more fully invested, it may be appropriate to take advantage, on a selective basis, of its ability to borrow up to 10% of Net Asset Value in pursuit of the investment strategy.

There is a continual need to re-invest following the realisation of investments, to maintain VCT qualifying status. This will be achieved from the strong deal flow which is available from Aberdeen's extensive network and local relationships throughout the UK from which investments can be sourced.

Gateway VCT will co-invest with the other VCTs managed by Aberdeen in some or all of the investments, the advantage being that the VCTs are able to underwrite a wider range and size of transaction than would be the case on a stand alone basis.

The investment and monitoring processes

As previously stated, during the year GAM provided services in executing and monitoring the venture capital investments, together with supervising the administration of Gateway VCT plc. GAM reported to the Board, which was responsible for supervising GAM's activities. Additional qualifying investments were considered if they arose as follow-on opportunities within the portfolio. New investments were also considered, in anticipation of realisations of funds for potential re-investment in qualifying companies.

Graham Woolfman was a partner within GAM throughout the year and was a Director of Gateway VCT plc. He was assisted by Andrew Sherski, who was a partner within GAM. The other members of the Board; Michael Teacher, David Svendsen and Neil Metcalfe, also provided significant input to the investment and ongoing monitoring processes as required.

Following Shareholder approval of a resolution in General Meeting to appoint Aberdeen with a new investment mandate and policy, and in accordance with the information contained in the Circular to Shareholders, Graham Woolfman resigned as a Director of the Company on 31 March 2008 and Bill Nixon of Aberdeen was appointed as a Director and as principal fund manager.

Aberdeen operates from seven regional offices throughout the UK, sourcing its investment opportunities from local relationships built up through that network. In addition, it has a regionally based portfolio management team which is responsible for the day to day monitoring of the performance of the whole portfolio and proposing the valuation of the unlisted holdings within each client's portfolio for ratification by the respective boards.

The following investments have been made by Aberdeen after the period end:

Investment	Date	Activity	Investment cost £'000
Unlisted			
Nessco	May 2008	Provider of communications services to the energy sector	199
TC Communications	May 2008	Provider of marketing, PR and advertising services	199
Training for Travel Group	April 2008	Provider of training services to companies in the travel sector	200
AIM			
Essentially Group	May 2008	Provider of sports marketing, media management and professional services	133
OPG Power Ventures	June 2008	Operator and developer of power plants in India	49
Total			780

Qualifying portfolio

The qualifying portfolio was unaltered throughout the year pending consideration of additional investments or adjustments to the portfolio in relation to possible realisations and the maintenance of VCT qualifying thresholds.

At 31 March 2008, the portfolio comprised nine companies at varying stages of development, from both the technology and health care sectors.

Non-qualifying portfolio

The value of the Company's non-qualifying portfolio fell by 3.2% over the year ended 31 March 2008. During the year, the majority of the non-qualifying portfolio was invested in cash and gilts; further details are provided under "Listed fixed income portfolio" and "Listed equity portfolio".

Listed fixed income portfolio

In order to provide a return to Shareholders on the funds not invested in qualifying and listed investments, the Company has invested in a listed fixed income security managed by CAM, which was transferred to the management of London and Capital plc on 8 February 2008.

Listed equity portfolio

The portion of the portfolio invested in listed equities fell by 24% over the year under review and this compared to a 23.8% fall in the FTSE small-cap index over the same period.

The listed equity section of the portfolio consisted of a selection of smaller quoted UK companies with a technology bias. These stocks had been retained by CAM as it had continued to hold a favourable view of their prospects as long term investments, despite market conditions for UK smaller company shares being poor. However in January, although CAM's view of the individual companies had not changed, it was considered prudent to liquidate this part of the portfolio in its entirety. This was in light of the increased volatility in equity markets and the decision to realise liquidity pending confirmation of the future strategy for the Company. For the nine months to 31 December 2007, prior to its liquidation, the listed equity portfolio had fallen by 12.0% compared to a reduction of 14.7% in the FTSE small-cap index over the same period.

Minor adjustments were made during the year until the portfolio was realised during January and early February 2008.

VCT qualifying status

The Company's continuing obligation to meet HM Revenue & Customs' condition of VCT approval was carefully monitored by the Directors and GAM until 31 March 2008, when Aberdeen became Manager. The Directors have also retained PricewaterhouseCoopers LLP to advise them in this matter. One of the principal requirements is that from the end of the Company's third accounting period, which was as at 31 March 2003, not less than 70% of the value of the Company's investments should comprise qualifying holdings. The Board is confident that the required level of qualifying investments throughout the year ended 31 March 2008 was achieved, and that this remains the case.

Future outlook

Aberdeen has a healthy pipeline of potential new private company investments in which it is considering making an investment on behalf of its VCT clients. Conversely, opportunities to invest in AIM are presently reduced; recent volatility has seen fewer new IPOs in the early part of 2008 and we expect this trend to continue for the immediate future. However, overall, the level of new investment activity remains very positive, with a significant number of new transactions in process across Aberdeen's network of UK offices.

Aberdeen Asset Managers Limited
Manager

11 July 2008

Summary of Investment Changes

For the year ended 31 March 2008

	Valuation 31 March 2007		Net investment/ (disinvestment) £'000	Appreciation/ (depreciation) £'000	Valuation 31 March 2008	
	£'000	%			£'000	%
Unlisted investments						
Equities	1,550	24.1	–	(126)	1,424	29.5
AIM investments						
Equities	3,305	51.3	(383)	(1,350)	1,572	32.6
Listed investments						
Fixed income	1,514	23.4	–	28	1,542	31.9
Total investments	6,369	98.8	(383)	(1,448)	4,538	94.0
Net current assets	75	1.2	211	–	286	6.0
Net assets	6,444	100.0	(172)	(1,448)	4,824	100.0

Investment Portfolio Summary

As at 31 March 2008

Investment	Nature of business	Valuation £'000	Cost £'000	% of net assets	% of equity held
Unlisted					
Jacobs Rimell	Provides telecommunications services	724	944	15.0	3.6
Networks by Wireless	Specialises in the design, installation and maintenance of fixed and mobile IP infrastructure and mobility solutions	700	700	14.5	14.5
		1,424	1,644	29.5	
AIM					
Vectura Group	Develops products to treat respiratory, neurological and other diseases	519	553	10.7	0.4
Pilat Media Global	Engages in the development, marketing and support of software for the global multi-channel broadcasting market	408	240	8.5	2.0
Medigene	Biopharmaceutical company which focuses on the research, development and commercialisation of innovative drugs	192	581	4.0	0.2
Deltex Medical Group	Manufactures and sells medical monitors used by doctors and nurses to help patients recover more fully and more quickly from the effects of major surgery	148	200	3.1	0.9
OMG	Provides image-understanding solutions for the entertainment, defence, life science and engineering industries	121	175	2.5	0.4
Sarantel Group	Develops and manufactures miniature filtering antennae for mobile, wireless and hand-held devices	98	810	2.0	3.2
Galapagos	Discovers medicines for the treatment of bone and joint diseases	41	127	0.8	–
ANGLE	Provides specialist management services in the technology industry	37	100	0.8	0.5
BNS Telecom Group	Provides telecommunications services and systems	8	27	0.2	0.1
		1,572	2,813	32.6	
Listed fixed income					
Treasury 5.75% December 2009		1,542	1,598	31.9	
Total		4,538	6,055	94.0	

No other clients of the Aberdeen Asset Management group are invested in the companies listed above.

Largest Unlisted and AIM Investments

As at 31 March 2008

Jacobs Rimell	London	www.jacobsrimell.com		
Cost (£'000)	944	Year ended 31 December	2007	2006
Valuation (£'000)	724		£'000	£'000
Basis of valuation	Exit proceeds	Sales	12,933	11,245
Equity held	3.6%	Profit/(loss) before tax	(461)	59
Income received (£'000)	Nil	Retained profit/(loss)	(467)	93
First invested	September 2000	Net assets	(1,864)	(1,549)
Provides telecommunications services.				
Networks by Wireless	Sheffield	www.networksbywireless.co.uk		
Cost (£'000)	700	Year ended 31 January	2007	2006
Valuation (£'000)	700		£'000	£'000
Basis of valuation	Cost	Sales	4,537	4,739
Equity held	14.5%	Profit/(loss) before tax	(5)	137
Income received (£'000)	Nil	Retained profit/(loss)	(14)	88
First invested	September 2000	Net assets	2,262	2,336
Specialises in the design, installation and maintenance of fixed and mobile IP infrastructure and mobility solutions.				
Vectura Group	Chippenham	www.vectura.co.uk		
Cost (£'000)	553	Year ended 31 March	2007	2006
Valuation (£'000)	519		£'000	£'000
Basis of valuation	Bid price	Sales	14,050	8,410
Equity held	0.4%	Profit/(loss) before tax	(8,690)	(7,440)
Income received (£'000)	Nil	Retained profit/(loss)	(6,830)	(6,460)
First invested	November 2002	Net assets	69,880	12,360
Develops products to treat respiratory, neurological and other diseases.				
Pilat Media Global	London	www.pilatmedia.com		
Cost (£'000)	240	Year ended 31 December	2007	2006
Valuation (£'000)	408		£'000	£'000
Basis of valuation	Bid price	Sales	18,430	19,440
Equity held	2.0%	Profit/(loss) before tax	1,280	3,400
Income received (£'000)	Nil	Retained profit/(loss)	2,320	2,590
First invested	February 2002	Net assets	12,250	12,040
Engages in the development, marketing and support of software for the global multi-channel broadcasting market.				
Medigene	Germany	www.medigene.de		
Cost (£'000)	581	Year ended 31 December	2007	2006
Valuation (£'000)	192		€'000	€'000
Basis of valuation	Bid price	Sales	23,900	31,200
Equity held	0.2%	Profit/(loss) before tax	(31,300)	(7,600)
Income received (£'000)	Nil	Retained profit/(loss)	(29,900)	(6,900)
First invested	August 2002	Net assets	114,929	124,136
Biopharmaceutical company which focuses on the research, development and commercialisation of innovative drugs.				

Deltex Medical Group		Chichester	www.deltexmedical.com	
Cost (£'000)	200	Year ended 31 December	2006	2005
Valuation (£'000)	148		£'000	£'000
Basis of valuation	Bid price	Sales	3,510	3,040
Equity held	0.9%	Profit/(loss) before tax	(2,020)	(1,510)
Income received (£'000)	Nil	Retained profit/(loss)	(1,990)	(1,490)
First invested	November 2001	Net assets	580	1,030
Manufactures and sells medical monitors used by doctors and nurses to help patients recover more fully and more quickly from the effects of major surgery.				
OMG		Oxford	www.omg3d.com	
Cost (£'000)	175	Year ended 30 September	2007	2006
Valuation (£'000)	121		£'000	£'000
Basis of valuation	Bid price	Sales	19,620	16,270
Equity held	0.4%	Profit/(loss) before tax	1,840	1,740
Income received (£'000)	Nil	Retained profit/(loss)	1,570	1,560
First invested	April 2001	Net assets	15,250	10,650
Provides image-understanding solutions for the entertainment, defence, life science and engineering industries.				
Sarantel Group		Wellingborough	www.sarantel.com	
Cost (£'000)	810	Year ended 30 September	2007	2006
Valuation (£'000)	98		£'000	£'000
Basis of valuation	Bid price	Sales	2,020	4,020
Equity held	3.2%	Profit/(loss) before tax	(5,820)	(6,900)
Income received (£'000)	Nil	Retained profit/(loss)	(5,630)	(6,730)
First invested	February 2003	Net assets	7,040	10,570
Develops and manufactures advanced miniature filtering antennas for mobile, wireless and hand-held devices.				
Galapagos		Belgium	www.glp.com	
Cost (£'000)	127	Year ended 31 December	2007	2006
Valuation (£'000)	41		€'000	€'000
Basis of valuation	Bid price	Sales	65,940	35,150
Equity held	Nil	Profit/(loss) before tax	(22,510)	(12,490)
Income received (£'000)	Nil	Retained profit/(loss)	(21,950)	(11,340)
First invested	August 2000	Net assets	38,270	50,590
Discovers medicines for the treatment of bone and joint diseases.				
ANGLE		Guildford	www.angletechnology.com	
Cost (£'000)	100	Year ended 30 April	2007	2006
Valuation (£'000)	37		£'000	£'000
Basis of valuation	Bid price	Sales	3,380	4,090
Equity held	0.5%	Profit/(loss) before tax	(9,310)	(2,670)
Income received (£'000)	Nil	Retained profit/(loss)	(9,110)	(2,530)
First invested	March 2006	Net assets	3,290	12,720
Provides specialist management services in the technology industry.				

No other clients of the Aberdeen Asset Management group are invested in the companies listed on pages 8 and 9.

Your Board

The Board of Directors, all of whom are non-executive and the majority of whom are considered by the Board to be independent of the Manager, supervises the management of Gateway VCT plc and looks after the interests of its Shareholders.

Michael Teacher

Chairman and Independent Non-executive Director

Relevant experience and other directorships: Michael is chief executive of Ontex, a manufacturer of hygienic disposables with a turnover of €1 billion, and non-executive chairman of Networks By Wireless Limited. Until recently he was executive chairman of Peek Traffic, a leading traffic management business in the UK, Holland and other parts of Europe. Michael was also executive chairman of Unipoly Holdings, a diversified industrial group with a turnover of approximately £400 million, and chief executive of Hillside Holdings PLC, a £3 billion turnover company listed on the London Stock Exchange and with in excess of 20,000 employees working at over 100 sites throughout the UK and Europe. He had five years venture capital experience as chief executive, founder and minority shareholder of Hillside Investment Trust, the venture capital arm of Hillside Holdings PLC.

Length of service: He was appointed as a Director and as Chairman on 15 March 2000.

Last re-elected to the Board: 13 September 2005

Age: 61

Employment by the Manager: None

Other connections with the Manager: None.

Shared directorships with other Directors: Chairman of Networks By Wireless Limited, where Neil Metcalfe serves as managing director.

Shareholding in Company: 30,000 Ordinary Shares

Neil Kennedy

Independent Non-executive Director

Relevant experience and other directorships: Neil has a BSc in Technology and Business Studies from the University of Strathclyde and is a Member of the Institute of Chartered Accountants of Scotland. He currently provides corporate finance advice to private companies across the UK. From 1996 to 1998, he was director in charge of private equity investment activities at British Linen Bank and from 1988 to 1996 he was the executive responsible for deal sourcing and investment management and then director in charge of private equity investment activities at Clydesdale Bank PLC. Neil also has experience in specialist planning, corporate restructuring and corporate finance and previously served as financial controller at Poldrait Holdings, a privately owned engineering group. He is a director of Kennedy Corporate Development Limited.

Length of service: Appointed as a Director with effect from 1 August 2008.

Age: 48

Employment by the Manager: None

Other connections with the Manager: None

Shared directorships with other Directors: None

Shareholding in Company: None

Neil Metcalfe

Independent Non-executive Director

Relevant experience and other directorships: Neil has been involved in e-commerce since the early days of the internet. He is an expert in the issues surrounding the technologies of ADSL, WAP, video-conferencing, interactive digital television, intranet and supply chain developments. He was business systems manager for John Brown Engineering between 1989 and 1994 and group IT manager for Hillside Holdings PLC from 1994 to 1999. Neil is a director of PAN Wireless LLC in the Ukraine and is currently managing director of Data Information Advisory Services Limited. He has also been managing director of Networks by Wireless Limited since 2000.

Length of service: He was appointed as a Director on 15 March 2000.

Last re-elected to the Board: 13 September 2006

Age: 45

Employment by the Manager: None

Other connections with the Manager: None

Shared directorships with other Directors: Managing director of Networks by Wireless Limited, where Michael Teacher is non-executive chairman.

Shareholding in Company: 10,000 Ordinary Shares

William Nixon

Non-executive Director

Relevant experience and other directorships: Bill is head of the Growth Capital team at Aberdeen Asset Management Private Equity (AAMPE) and a member of the executive management committee of AAMPE. He has led more than 40 completed private equity transactions throughout the UK since commencing his career in private equity in 1991. He is a Fellow of the Chartered Institute of Bankers in Scotland and obtained a Masters of Business Administration degree from Strathclyde University in 1996. Before joining Aberdeen Asset Managers Limited in 1999, he was head of the private equity business at Clydesdale Bank PLC, a subsidiary of National Australia Bank. He is a director of Talisman First Venture Capital Trust PLC and an alternate director of Aberdeen Growth VCT I PLC, Aberdeen Growth Opportunities VCT PLC and Aberdeen Growth Opportunities VCT 2 PLC and is also a director of a number of private companies.

Length of service: He was appointed as a Director on 31 March 2008.

Age: 45

Employment by the Manager: Since 1999

Other connections with the Manager: None

Shared directorships with other Directors: None

Shareholding in Company: None

Charles Scott

Independent Non-executive Director

Relevant experience and other directorships: Charles is a Member of the Institute of Directors and of the Institute of Chartered Accountants of Scotland. He was a partner of Ernst & Young from 1975 to 1993 where he co-ordinated financial services to a number of entrepreneurial, owner-managed companies across a wide range of industrial sectors in the UK, as well as major Japanese and US engineering and manufacturing companies, before specialising in financial services. Significant transactions in which he was involved included the demutualisation of FS Assurance into the Britannia Life plc, the reorganisation of British Shipbuilders and a number of high-profile flotations. Charles is a director of Aberdeen Development Capital PLC and EZD Limited and a senior business counsellor within the company development team at Glasgow Development Agency. Since September 2000, he has been a senior business development advisor (innovation and electronic markets) at Targeting Innovation Limited, where he has a portfolio of spin-out or new-start advanced engineering and software clients. He was chairman of Langside F E College until 2006 and now chairs the property group, overseeing the £46 million rebuild of the facility. Charles was also previously non-executive vice-chairman of Greater Glasgow Primary Care NHS Trust and has been a business advisor for Speirs Gumley, Chartered Surveyors, and served as a director of a number of private companies.

Length of service: Appointed as a Director with effect from 1 August 2008.

Age: 63

Employment by the Manager: None

Other connections with the Manager: None

Shared directorships with other Directors: None

Shareholding in Company: None

David Svendsen

Senior Independent Non-executive Director

Relevant experience and other directorships: David was managing director of Microsoft Ltd from 1987 to 1998 and chairman until his retirement in February 2000. During this time he developed the business in the UK and Ireland from a small start up company to be a leader in its sector today. He has over 25 years of business management experience in a wide range of companies in both the UK and Australia. He is a director of a number of private companies and was formerly chairman of 121 Media Inc and a member of the investment committee and advisory board of E-Tec India.

Length of service: He was appointed as a Director on 15 March 2000.

Last re-elected to the Board: 13 September 2006

Age: 59

Employment by the Manager: None

Other connections with the Manager: None

Shared directorships with other Directors: None

Shareholding in Company: 25,000 Ordinary Shares

Directors' Report

The Directors submit their Annual Report together with the Financial Statements of the Company for the year ended 31 March 2008.

This report has been prepared by the Directors in accordance with the requirements of Section 234(ZZB) of the Companies Act 1985.

Principal activity and status

The Company was an investment company as defined by Section 266 of the Companies Act 1985 until 14 November 2005 when it elected to revoke this status.

The Company's affairs have been conducted, and will continue to be conducted in a manner to satisfy the conditions to enable it to continue to obtain approval as a venture capital trust under Section 274 of the Income Tax Act 2007. HM Revenue & Customs will grant Section 274 status, if requested, provided that the Company's affairs have been conducted in such a manner as to satisfy the conditions of that Section.

The Directors consider that the Company was not at any time up to the date of this report a close company within the meaning of Section 414 of the Income and Corporation Taxes Act 1988.

Business review

A full review of the Company's operations is given in the Chairman's Statement on pages 1 and 2 and in the Investment Advisor's and Manager's Report on pages 4 and 5. The Directors' Report includes a summary of the business objectives, the Board's strategy for achieving them, the key performance indicators and the principal risks faced by the Company.

Results and dividends

The total loss on ordinary activities after taxation, for the year ended 31 March 2008, was £263,000 (2007: £1,778,000). The Directors do not recommend the payment of a final dividend (2007: nil). The Net Asset Value per Ordinary Share at 31 March 2008 was 35.5p (2007: 47.4p). The Net Asset Value per Ordinary Share has been calculated using the number of shares in issue at 31 March 2008 of 13,591,734 (2007: 13,591,734).

Manager and Company Secretary

As highlighted in the Annual Report for the year ended 31 March 2007, Gateway Advisory and Management LLP (GAM) became investment advisor to the Company on 29 September 2006. During the year ended 31 March 2008, GAM was entitled to receive an annual fee of up to 2.5% (net of VAT) of the net assets of the Company payable quarterly in advance until termination and subject to reduction to meet the Company's total cost cap on expenses of 3.5% per annum. On termination, GAM became entitled to a termination fee of £75,000.

The effects of these arrangements for the year ended 31 March 2008 are detailed in Notes 3 and 4 to the Financial Statements on pages 29 and 30.

As highlighted in the Chairman's Statement on page 1, a Resolution to appoint Aberdeen Asset Managers as Manager was put to a General Meeting held on 26 March 2008 and passed unanimously. Therefore, with effect from 31 March 2008, investment management, accounting and administrative services will be provided to the Company by Aberdeen Asset Managers Limited and company secretarial services will be supplied by Aberdeen Asset Management PLC. The key features of the Management and Administration Deed include:

- an annual investment management fee identical to the previous arrangements, i.e. 2.5% per annum (plus VAT if applicable) of Net Asset Value, subject to a reduction to meet the annual total cost cap of 3.5% of net asset value;
- the existing performance fee structure set out in the Company's original prospectus launched in 2000 has been withdrawn and the Board has indicated that it would be willing to consider implementing an appropriate new performance fee structure to commence during the second twelve month period following the appointment of the Manager and which would, if required, be put to Shareholders to approve at that time;
- the investment management agreement is terminable by either party on six months notice, such notice not to be given before 31 December 2009; and
- Mr Woolfman, who resigned as a Director on 31 March 2008, has executed a consultancy agreement with the Manager. Subject to notice periods by either party, the term of this consultancy agreement is for a period of three years.

The Board considers that the appointment of Aberdeen Asset Managers Limited as Manager, on the agreed terms, is in the best interests of the Company and its Shareholders taken as a whole.

The Chancellor of the Exchequer announced in the Budget of March 2008 that the Finance Bill 2008 would contain draft legislation that would exempt VCTs from VAT on management fees with effect from 1 October 2008.

Investment objective

When the Company was originally launched in 2000, its objective was to invest in venture capital opportunities related to the technology sector, and to provide further exposure to the technology sector by also investing in listed technology markets, although this part of the portfolio had been realised over recent years as the venture capital portfolio had become mostly fully invested.

Following the appointment of Aberdeen Asset Managers (the Manager) on 31 March 2008, the Company's objective has been amended and it now aims to achieve long term capital appreciation and generate maintainable levels of income for Shareholders.

Statement of investment policy

Through the authority delegated to the new Manager, the Company intends to achieve its objective by:

- investing at least 95% by cost of the Company's portfolio in a diversified selection of shares and securities in private, AIM or PLUS quoted UK companies with strong growth potential;
- ensuring that, at all times, the portfolio complies with the criteria for the Company's qualification as a VCT;
- where appropriate, arranging for the Company to utilise its borrowing facilities in accordance with its Articles of Association, to borrow up to an amount equivalent to 10% of its total assets; and
- deploying the breadth and depth of its resources to the management of the Company's assets.

The Manager will seek to manage and minimise investment risk by:

- diversifying investment across a large number of companies, with the amount invested in any one company not normally exceeding 7.5%, and in any event not exceeding 15%, by cost of the Company's total assets;
- diversifying investment across a range of economic sectors;
- actively and closely monitoring the progress of investee companies;
- seeking to appoint a non-executive director or observer to the board of each private investee company, provided from the investment manager's investment management team or from its pool of experienced independent directors;
- co-investing with other client funds of the Manager in larger deals, which tend to carry less risk; and
- not investing in hostile public to private transactions.

The Manager will seek to manage other risks by:

- deploying its resources to manage VCT qualifying risk based on its experience of the management of other VCT funds, and procuring sufficient flow of investment opportunities;
- providing integrated administrative and management systems to ensure continuing compliance with regulations;
- monitoring risks of political change, exchange controls, taxation or other regulations that might affect investee companies and should be taken account of before investments are made; and
- recommending to Directors the valuations of unlisted investments.

In order to retain its status as a VCT, the Company is subject to various conditions which currently include the following:

- at least 70% by value of the Company's investments must be represented by shares or securities in qualifying holdings, of which at least 30% by value must be represented by holdings of ordinary shares carrying no preferential rights;
- additionally at least 10% by value of investments in single companies or groups must be in ordinary shares which carry no preferential rights;
- not more than 15% by value of the Company's investments can be held in a single company or group (other than a VCT) and the Company must not control the companies in which it invests in such a way as to render them subsidiary undertakings; and
- the Company is limited to investing up to £1 million per income tax year per qualifying holding.

Statement of compliance with investment policy

The Company intends that its adherence to its stated investment policy and its management of the risks arising from it should be demonstrated in the various tables and charts throughout the Annual Report and from information provided in the Chairman's Statement on pages 1 and 2 and in the Investment Advisor's and Manager's Report on pages 4 and 5.

The management of the investment portfolio has been delegated to Aberdeen Asset Managers Limited, which also provides administrative and financial management services and, through its parent company, company secretarial services to the Company. The Board is satisfied with the depth and breadth of the Manager's resources and its network of offices, which both supply new deals and enable Aberdeen to monitor the geographically widespread portfolio companies effectively.

The Investment Portfolio Summary on page 7 shows the number of investments in the portfolio and the degree of co-investing with other clients of the Manager. The tabular analyses of unlisted and AIM portfolio by FTSE industrial sector and deal type on page 3 show that the portfolio is diversified across a variety of economic sectors and deal types. The level of qualifying investments is monitored by the Manager on a daily basis and reported to the Board quarterly.

Key performance indicators

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in achieving its objectives. The key performance indicator is Net Asset Value per share and a record of the Company's financial performance is shown in the Financial Highlights on the contents page.

In addition, the Board considers peer group comparative performance.

Principal risks and uncertainties

The principal risks facing the Company relate to its investment activities and include market price, interest rate, credit and liquidity risk. An explanation of these risks and how they are managed is contained on page 43 and in Note 17 to the Financial Statements on page 34 and 35. Additional risks faced by the Company, and the mitigation approach adopted by the Board, are as follows:

- investment objective: the Board's aim is to maximise absolute returns to Shareholders while managing risk by ensuring an appropriate diversification of investments;
- investment policy: inappropriate stock selection leading to underperformance in absolute and relative terms is a risk which the Manager mitigates by operating within investment guidelines and regularly monitoring performance against the peer group. The regulations affecting Venture Capital Trusts (see page 36) are central to the Company's investment policy;
- discount volatility: due to lack of liquidity in the secondary market, venture capital trust shares tend to trade at discounts to their net asset values which the Board could seek to manage, through the Manager, by making purchases of shares in the market from time to time and within established guidelines.
- regulatory risk: the Company operates in a complex regulatory environment and faces a number of related risks. A breach of Section 274 of the Income Tax Act 2007 could result in the Company being subject to capital gains tax on the sale of its investments. A breach of the VCT Regulations could result in the loss of VCT status and a consequent loss of tax reliefs currently available to Shareholders.

A serious breach of other regulations, such as the UKLA Listing Rules or the Companies Act, could lead to suspension from the Stock Exchange and reputational damage. The Board receives quarterly reports from the Manager in order to monitor compliance with regulations. At least twice each year the Board will consider all of the above risks and the measures in place to manage them.

Directors

Biographies of the Directors who held office at 31 March 2008 are shown on pages 10 and 11 along with their interests in the shares of the Company, which are also shown below. No contract or arrangement significant to the Company's business and in which any of the Directors is interested has subsisted during the year.

Mr Teacher, whose biography appears on page 10, retires by rotation at the Annual General Meeting and, being eligible, offers himself for re-election. Resolution 3 will be put to Shareholders in respect of Mr Teacher's proposed re-election.

On 31 March 2008, Mr Woolfman resigned as a Director and was replaced by Mr Nixon. Mr Kennedy and Mr Scott will both be appointed as Directors with effect from 1 August 2008. Biographical details of all of the new Directors can be found on pages 10 and 11. Mr Kennedy, Mr Nixon and Mr Scott retire at the Annual General Meeting, being the first following their appointment, and, being eligible, offer themselves for re-election. In respect of these re-elections, Resolutions 4 to 6 respectively will be proposed at the Annual General Meeting.

The interests of the Directors in the share capital of the Company are as follows:

	31 March 2008 Ordinary Shares of 5p	31 March 2007 Ordinary Shares of 5p
M J Teacher (Chairman)	30,000	30,000
N J Kennedy (appointed 1 August 2008)	–	–
N M Metcalfe	10,000	10,000
W R Nixon (appointed 31 March 2008)	–	–
C M Scott (appointed 1 August 2008)	–	–
D E Svendsen	25,000	25,000
G J Woolfman (resigned 31 March 2008)	10,000	10,000

There have been no further changes to any of the above share interests since the end of the financial year. All of the interests shown above are beneficial.

Purchase of Ordinary Shares

The Company does not currently have the authority to make market purchases of its own shares and no such transactions have been effected during the year ended 31 March 2008. A Special Resolution, numbered 9 in the Notice of Meeting, will be put to Shareholders at the Annual General Meeting for their authority for the Company to purchase in the market a maximum of 500,000 Ordinary Shares, representing 3.7% of Ordinary Shares in issue at 31 March 2008. Such authority will expire on the date of the next Annual General Meeting or after a period of 15 months from the date of passing of the Resolution, whichever is the earlier. This means, in effect, that the authority will have to be renewed at the Annual General Meeting of the Company to be held in 2009.

Purchases of Ordinary 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 be made in the market for cash only at prices below the prevailing Net Asset Value per Ordinary Share. Under the Listing Rules of the UK Listing Authority, the maximum price that may be paid on the exercise of this authority must not exceed 105 per cent of the average of the middle market quotations for the shares over the five business days immediately preceding the date of purchase. The minimum price that may be paid is 5p per share. In making purchases, the Company will deal only with member firms of the London Stock Exchange. Shares which are purchased will be cancelled.

Purchases of Ordinary Shares by the Company will be made from available reserves and the purchase cost will normally be paid out of cash balances held by the Company from time to time. The purchase of Ordinary Shares by the Company is intended to provide liquidity in the shares and enhance the Net Asset Value for the remaining Shareholders. 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 Ordinary Shares in issue should increase as a result of any such purchase.

Shares will not be purchased by the Company in the period of two months immediately preceding the notification of the Company's interim results and the two months immediately preceding the announcement of the annual results or, if shorter, the period from the end of the Company's relevant financial period up to and including the time of the relevant announcement.

Issue of new Ordinary Shares

Resolution numbered 10 in the Notice of Meeting will be put to Shareholders at the Annual General Meeting for their approval for the Company to issue up to an aggregate nominal amount of £60,000 (equivalent to 1,200,000

Ordinary Shares or 8.8% of the total issued share capital at 31 March 2008). However, any such share allotment under this authority would be limited to 5% of the nominal value of the current issued Ordinary Share capital, as recommended by the Association of British Insurers.

Further issues of new Ordinary Shares may only be made at a premium to Net Asset Value per share, thus ensuring existing investors will not be disadvantaged by such issues. The proceeds of any issue may be used to purchase the Company's Ordinary Shares in the market or to fund further investments in accordance with the Company's investment policy. This authority shall expire either at the conclusion of the next Annual General Meeting of the Company or on the expiry of 15 months from the passing of the relevant Resolution, whichever is the first to occur. This means, in effect, that the authority will have to be renewed at the Annual General Meeting of the Company to be held in 2009.

When shares are to be allotted for cash, Section 89(1) of the Companies Act 1985 provides that existing Shareholders have pre-emption rights and that the new shares are offered first to such Shareholders in proportion to their existing shareholdings. However, Shareholders can, by special resolution, authorise the Directors to allot shares otherwise than by a pro-rata issue to existing Shareholders. Resolution 11 will, if passed, give the Directors power to allot for cash, Ordinary Shares up to an aggregate nominal amount of £60,000 (equivalent to 1,200,000 Ordinary Shares or 8.8% of the total issued share capital at 31 March 2008) as if Section 89(1) does not apply. This is the same amount of share capital that the Directors are seeking the authority to allot pursuant to Resolution 10. The authority will also expire either at the conclusion of the next Annual General Meeting of the Company or on the expiry of 15 months from the passing of the relevant Resolution, whichever is the first to occur. The Company will not use this authority in connection with a rights issue.

Share capital

As at 31 March 2008, the Ordinary Share capital of the Company amounted to 13,591,734 Ordinary Shares of 5p each. Further details of the capital structure are included in Note 12 to the Financial Statements on page 32 and the related rights are detailed on page 43.

Share interests

At 11 July 2008, as far as the Directors have been made aware and in addition to the interests of the Directors as noted on page 14, the following have aggregate interests in the Company's issued share capital:

	Ordinary Shares of 5p	% of ordinary capital
Mr M Moss	441,151	3.3

Articles of Association

Shareholders rights are enshrined within the Articles of Association, which also provide the Directors with specific powers in relation to the management of the Company. These include rights attached to dividends payable on the shares and restrictions on their transfer as well as related voting entitlements.

At the Annual General Meeting of the Company, a Special Resolution numbered 12 in the Notice of Meeting will be put to Shareholders to approve a number of amendments to the Company's Articles of Association. These amendments are primarily to reflect the provisions of the Companies Act 2006 and an explanation of the main changes between the proposed and the existing Articles of Association is set out in the Appendix to the Notice of Meeting on pages 41 and 42. Other changes to the Articles of Association, which are of a minor, technical or clarifying nature, and some more minor changes which also reflect changes made by the Companies Act 2006 have not been noted in the Appendix.

As the Resolution is proposed as Special Resolution, to be passed, at least three quarters of the votes cast must be in favour of the Resolution.

A copy of the proposed new Articles of Association of the Company, and a copy of the existing Articles of Association marked to show the changes being proposed in the Resolution will be available for inspection at the Registered Office of the Company, the office of Aberdeen Asset Management PLC at Sutherland House, 149 St Vincent Street, Glasgow G2 5NW and at the office of Biggart Baillie LLP, Solicitors, Dalmore House, 310 St Vincent Street, Glasgow, G2 5QR from 11 July 2008 until the time of the Annual General Meeting and at the Registered Office of the Company from 15 minutes before the Annual General Meeting until it closes.

The Directors consider that the Resolution to be put to the Meeting is in the best interests of the Company and its Shareholders as a whole. Your Directors will be voting their aggregate Shareholding of 65,000 Ordinary Shares of 5p each in favour of the Resolution and unanimously recommend that Shareholders do so as well.

Financial instruments

The Company's financial instruments comprise its investment portfolio, cash balances and debtors and creditors that arise directly from its operations, including accrued income and purchases and sales awaiting settlement. The main risks that the Company faces arising from its financial instruments are disclosed in Note 17 to the Financial Statements on pages 34 and 35.

Creditor payment policy

The Company's creditor payment policy is to agree terms of payment before business is transacted, to ensure suppliers are aware of these terms and to settle bills in accordance with them. The Company did not have any material trade creditors at the year end.

Corporate governance

The Statement of Corporate Governance is shown on pages 19 to 22.

Going concern

The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Financial Statements, as the Company has adequate financial resources to enable it to continue in operational existence for the foreseeable future.

Auditor

The Directors who held office at the date of approval of the Director's Report confirm that, so far as they are individually aware, there is no relevant audit information of which the Company's Auditor is unaware and that each Director has taken all the steps that he should have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

The Company's Auditor is required by law to report on whether the information given in the Directors' Report is consistent with the Financial Statements. The Auditor's opinion is included in their report on page 24.

The Auditor, Grant Thornton UK LLP, has expressed its willingness to continue in office and Resolution 7, to re-appoint Grant Thornton UK LLP as the Company's Auditor, will be put to the forthcoming Annual General Meeting, along with Resolution 8 to authorise the Directors to fix their remuneration.

True and fair view

In accordance with the Statement of Directors' Responsibilities on page 23, the Directors believe that, to the best of their knowledge:

- the Financial Statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 March 2008 and for the year to that date; and
- the Directors' Report includes a fair review of the development and performance of the Company, together with a description of the principal risks and uncertainties that it faces.

Annual General Meeting

The notice of the Annual General Meeting, which will be held on 12 September 2008, is contained on pages 38 to 42.

149 St Vincent Street
Glasgow G2 5NW
11 July 2008

By order of the Board
Aberdeen Asset Management PLC
Secretary

Directors' Remuneration Report

The Board has prepared this report in accordance with the requirements of Schedule 7A to the Companies Act 1985. An Ordinary Resolution for the approval of this report will be put to the Members of the Company at the forthcoming Annual General Meeting.

The law requires the Company's Auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in its report on page 24.

At 31 March 2008, the Company had four non-executive Directors and, although there is no separate Remuneration Committee, the three independent Directors fulfil the required function of such a Committee.

The Company has no employees other than its Directors. The names of the Directors who served during the year are shown on page 18, together with the fees paid during the year. During the year under review, the Board has not been provided with advice and services in respect of its consideration of the Directors' remuneration. The Directors expect, from time to time, to review the fees paid to the boards of directors of other venture capital trust companies.

Policy on Directors' remuneration

The Board's policy is that the remuneration of the Directors should reflect the experience of the Board as a whole and be fair and comparable to that of other venture capital trusts with a similar capital structure and similar investment objectives. It is intended that this policy will continue for the year ended 31 March 2009 and for subsequent years.

The Company's policy is for the Directors to be remunerated in the form of fees, payable quarterly in arrears, to the Director personally or to a third party specified by him. Fees are determined by the Company's Articles of Association and a policy that fees payable to the Directors should reflect the performance of the Company and the time spent by the Directors on the Company's affairs, and should be sufficient to enable candidates of a high quality to be recruited. Non-executive Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

Directors' and Officers' liability insurance

The Company purchases and maintains liability insurance covering the Directors and Officers of the Company in accordance with Section 309A of the Companies Act 2006. This insurance is not a benefit in kind, nor does it form part of the Directors' remuneration.

Directors' service contracts

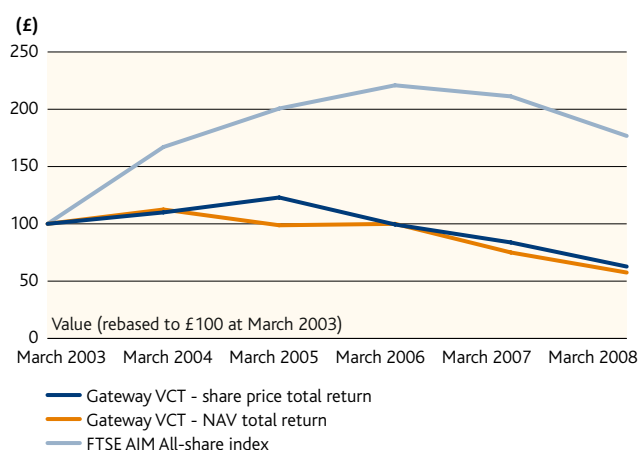
None of the Directors has a contract of service or contract for services. However, all of the independent Directors have letters of appointment, which are not for specific terms, and are all subject to 3 months' notice.

The Articles of Association provide that Directors shall be subject to retirement by rotation. Directors, therefore, shall retire and be subject to re-election at the first Annual General Meeting following their appointment and, thereafter, shall be obliged to retire by rotation, and offer themselves for re-election, at least every three years. No compensation is payable for loss of office, save any arrears of fees which may be due.

Company performance

The graph below compares the total return on an investment of £100 in the Ordinary Shares of the Company, for each annual accounting period for the five years to 31 March 2008, assuming any dividends are reinvested, with the total shareholder return on a notional investment of £100 made up of shares of the same kinds and number as those by reference to which the FTSE AIM All-Share Index is calculated. This index was chosen for comparison purposes as it is the most relevant to the Company's investment portfolio.

Total return



Source: Aberdeen Asset Managers Limited/Factset

Please note that past performance is not necessarily a guide to future performance.

Directors' Remuneration Report continued

Directors' emoluments for the year (audited)

The Directors who served during the year ended 31 March 2008 received the following emoluments in the form of fees:

	Year ended 31 March 2008 £	Year ended 31 March 2007 £
M J Teacher (Chairman)	10,000	10,000
N M Metcalfe	10,000	10,000
W R Nixon ^A (appointed 31 March 2008)	–	–
D E Svendsen	10,000	10,000
G J Woolfman (resigned 31 March 2008)	10,000	10,000
Total	40,000	40,000

^A With effect from 1 April 2008, Mr Nixon's fees will be paid to Aberdeen Asset Management PLC.

Mr N J Kennedy and Mr C M Scott will both be appointed as Directors with effect from 1 August 2008.

No performance fees, other remuneration, benefit or pension retirement benefits were paid during the year. No Director has received any taxable expenses, compensation for loss of office or non-cash benefit for the year ended 31 March 2008 (2007: nil).

Approval

The Directors' Remuneration Report on pages 17 and 18 was approved by the Board of Directors and signed on its behalf by:

Michael Teacher
Director
11 July 2008

Statement of Corporate Governance

The Company is committed to a high standard of corporate governance. The Board has put in place a framework for corporate governance that it believes is appropriate for a venture capital trust and which enables it to comply with the Combined Code published in July 2006. The Listing Rules of the UK Listing Authority require the Board to report on compliance with the provisions of the Combined Code throughout the year ended 31 March 2008. The exceptions to Compliance with the Combined Code were as follows:

- a senior non-executive Director has not been appointed (Code requirement A3.3) as the Board considers that each of the Directors has different qualities and areas of expertise on which they may lead. Consequently, no individual has unfettered powers of decision;
- as provided for in their appointment letters, after their first year in office, the independent non-executive Directors' are on three months rolling notice, whereas the Combined Code provision is for fixed term renewable contracts (A.7.2.). In the Directors' opinion, this does not make a substantive difference to the circumstances of the Company as all Directors are required to submit themselves for re-election at least once in every three years;
- until recently, there has been no formal procedure for the appointment of non-executive Directors (A.4.1.) as the four Directors at the start of the year under review were each appointed at the time of the original share issue. However, as changes to the Board have been implemented, the Directors have adopted formal procedures as appropriate;
- appraisal and performance evaluation processes have not been put in place due to the size of the Board and the nature of the Company's business (A.1.3 and A.6.1); and
- as all Directors are non-executive, it is not considered appropriate to appoint a Remuneration Committee (B.2.1).

The Board

The Board currently consists of six Directors who, with the exception of Mr Nixon, are considered to be independent of the investment manager (Aberdeen Asset Managers Limited or the Manager) and free of any relationship which could materially interfere with the exercise of their independent judgement.

However, the following points should be noted:

- Mr Nixon is an employee of Aberdeen Asset Management PLC, the parent company of the Manager;
- Mr Scott is a Director of Aberdeen Development Capital PLC, a client of the Manager;
- Mr Teacher and Mr Metcalfe worked together previously at Hillside Holdings PLC; and

- the Board is of the view that all of the independent Directors are independent in respect of the Company's investments, other than Mr Teacher and Mr Metcalfe in relation to Networks by Wireless Limited and their interests in that company are set out in Note 18 of the Financial Statements on page 35.

The biographies of the Directors appear on pages 10 and 11 of this Report and indicate their high level and range of investment, industrial, commercial and professional experience.

Subject to the provisions of the Companies Acts, the Company's Articles of Association and any other authority conferred upon them by Shareholders, the Directors may exercise all the powers of the Company.

The Board sets the Company's values and objectives and ensures that its obligations to Shareholders are met. It has formally adopted a schedule of matters which are required to be brought to it for decision, thus ensuring that it maintains full and effective control over appropriate strategic, financial, operational and compliance issues. These matters include:

- the appointment and removal of the Manager and the terms and conditions of the management and administration deed;
- the maintenance of clear investment objectives and risk management policies;
- the monitoring of the business activities of the Company;
- Companies Act requirements such as the approval of the Interim and Annual Financial Statements and recommendation of any interim and final dividends;
- major changes relating to the Company's structure, including share buy-backs and share issues;
- Board appointments and related matters;
- terms of reference for, and membership of, Board Committees; and
- Stock Exchange, UK Listing Authority and Financial Services Authority matters, such as approval of all circulars, listing particulars and releases concerning matters decided by the Board.

There is an agreed procedure for Directors to take independent professional advice, if necessary, at the Company's expense.

The Directors have access to the advice and services of the corporate Company Secretary through its appointed representatives who are responsible to the Board for:

- ensuring that Board procedures are complied with;

- under the direction of the Chairman, ensuring good information flows within the Board and its Committees; and
- advising on corporate governance matters.

An induction meeting will be arranged by the Manager on the appointment of any new Director, covering details about the Company, the Manager, legal responsibilities and venture capital trust industry matters. Directors are provided, on a regular basis, with key information on the Company's policies, regulatory and statutory requirements and internal controls. Changes affecting Directors' responsibilities are advised to the Board as they arise.

The Chairman of the Company is a non-executive Director. The Chairman is Chairman of the Audit Committee as the Board considers that he has the skills and experience relevant to that role. The Directors have not established either a Nomination or a Remuneration Committee as it considers the Board to be small. The re-election of retiring Directors, the appointment of new Directors and the review of Directors' remuneration are matters which are considered by the full Board.

The Board meets at least four times a year and, between these meetings, will maintain contact with the Manager. The primary focus of quarterly Board meetings is a review of investment performance and related matters including asset allocation, peer group information and industry issues. During the year ended 31 March 2008, the Directors held six full Board Meetings and a further 2 meetings were held by telephone.

Directors have attended Board meetings during the year ended 31 March 2008 as follows:

Director	Board meetings
M J Teacher (Chairman)	5
N M Metcalfe	7
W R Nixon (appointed 31 March 2008)	1
D E Svendsen	7
G J Woolfman (resigned 31 March 2008)	8

Mr N J Kennedy and Mr C M Scott will both be appointed with effect from 1 August 2008.

To enable the Board to function effectively and allow Directors to discharge their responsibilities, full and timely access is given to all relevant information. In the case of Board meetings, this consists of a comprehensive set of papers, including the Manager's review and discussion documents regarding specific matters. The Directors make further enquiries where necessary.

The Board intends to undertake a process for their annual performance evaluation to ensure that Directors have devoted sufficient time and contribute adequately to the work of the Board and any Committees. As part of this process, the Chairman will be subject to evaluation by his fellow Directors.

Directors' terms of appointment

The independent non-executive Directors are not appointed for specific terms as, under appointment letters between the Directors and the Company, each of the Directors was appointed for a initial term of one year and thereafter until determined by either party on three months notice. However, all non-executive Directors are subject to Companies Act provisions and, in accordance with the Articles of Association, stand for election at the first Annual General Meeting following their appointment and at least once every three years thereafter.

Policy on tenure

The Board's policy on tenure is that Directors need not serve on the Board for a limited period of time only. The Board does not consider that the length of service of a Director is as important as the contribution he has to make and, therefore, the length of service will be determined on a case by case basis.

Audit Committee

The Board has established an Audit Committee, which comprises the independent Directors and the Board is satisfied that at least one member of the Committee has recent and relevant financial experience. The Committee is chaired by the Chairman of the Company as the other Directors consider that his knowledge and experience are relevant to the position. The Committee has documented terms of reference which are available on request from the Registered Office of the Company and which are reviewed and re-assessed for their adequacy at each meeting. One meeting of the Committee was held during the year ended 31 March 2008.

The Audit Committee discharges its responsibilities through:

- the review of the effectiveness of the internal control environment of the Company by receiving reports from internal and external auditors on a regular basis;
- the review of the Interim and Annual Reports and Financial Statements;
- the review of the terms of appointment of the Auditor, together with its remuneration, as well as any non-audit services provided by the Auditor;
- the review of the scope and results of the audit and the independence and objectivity of the Auditor;

- the review of the Auditor's Board Report and any required response;
- reviewing the requirement for an internal audit function;
- meetings with representatives of the Manager; and
- making appropriate recommendations to the Board.

The Company has in place a policy governing and controlling the provision of non-audit services by the external Auditor, so as to safeguard their independence and objectivity. Shareholders are asked to approve the re-appointment, and the Directors' responsibility for the remuneration, of the Auditor at each Annual General Meeting. Any non-audit work, other than interim reviews, would require the specific approval of the Audit Committee in each case.

Details of the amounts paid to the Auditor during the year are set out in Note 5 to the Financial Statements on page 30. No non-audit services are provided by the Company's external Auditor.

Internal control

The Board of Directors of Gateway VCT plc has overall responsibility for the Company's system of internal control and for reviewing its effectiveness.

The Audit Committee has considered the need for an internal audit function annually. In respect of the year ended 31 March 2008, the Board has considered the effectiveness of the system of internal control and, in particular, it has reviewed the process for identifying and evaluating the significant risks affecting the Company and the policies and procedures by which those risks are managed. It has reviewed the operational systems and controls relevant to the Company during the year ended 31 March 2008 and considered that internal audit would not be an appropriate control for a VCT of the Company's size.

With effect from 31 March 2008, the Directors have delegated the investment management of the Company to Aberdeen Asset Managers Limited, a subsidiary of Aberdeen Asset Management PLC which provides company secretarial and administrative services to the Company. Therefore, the Board now considers that it is appropriate for the Company's internal controls to be monitored by the internal audit team of Aberdeen Asset Management PLC, rather than by the Company itself. The Directors confirm that there is now an ongoing process for identifying, evaluating and managing the significant risks faced by the Company, which has been in place for the year ending 31 March 2009. This process will be regularly reviewed by the Board and accords with the guidance for directors on internal control in the context of the Financial Reporting Council guidelines.

The Board has reviewed the effectiveness of the system of internal control and, in particular, it has reviewed the process for identifying and evaluating the significant risks affecting the Company and the policies and procedures by which these risks are managed. The Directors have now delegated the investment management of the Company to the Manager and, with effect from 1 April 2008, this will embrace the implementation of the system of internal control, including financial, operational and compliance controls and risk management. Internal control systems will be monitored and supported by the internal audit function of Aberdeen Asset Management PLC, which will undertake periodic examination of business processes, including compliance with the terms of the management agreement, and ensure that recommendations to improve controls are implemented.

Risks will be identified through a risk management framework by each function within the Manager's and Secretary's activities. Risk will be considered in the context of the Financial Reporting Council guidelines for internal control and includes financial, regulatory, market, operational and reputational risk. This will help the internal audit risk model identify which functions to review. Any errors or weaknesses identified will be reported to the Company and timetables will be agreed for implementing improvements to systems. The implementation of any remedial action required will be monitored and feedback provided to the Board.

The key components designed to provide effective internal control are:

- the Manager will prepare forecasts and management accounts which will allow the Board to assess the Company's activities and review its investment performance;
- the Board and the Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, will be regularly submitted to the Board.
- the Manager's evaluation procedure and financial analysis of the companies concerned will include detailed appraisal and due diligence;
- as a matter of course, the compliance department of Aberdeen Asset Management PLC will continually review the operations of the Manager and Secretary;
- written agreements are in place which specifically define the roles and responsibilities of the Manager and other third party service providers; and
- the Board will carry out an annual assessment of internal controls by considering reports from the Manager, including its internal audit and compliance functions.

In addition, the Manager will ensure that clearly documented contractual arrangements exist in respect of any activities that have been delegated to external professional organisations.

The internal control systems are designed to meet the Company's particular needs and the risks to which it is exposed. Accordingly, the internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve business goals and, by their nature, can provide reasonable, but not absolute, assurance against material misstatement of loss.

The Internal Audit Committee of Aberdeen Asset Management PLC will report six monthly to the Audit Committee of the Company and have direct access to the Directors at any time. The Company's Audit Committee agenda will include an item for the consideration for risks and controls and the Committee will receive reports thereon from Aberdeen Management PLC.

External agencies

The Board has contractually delegated to external agencies, including the Manager, certain services: the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the registration services and the day to day accounting and company secretarial requirements. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered. The Board receives and considers reports from the Manager on a regular basis. In addition, ad hoc reports and information are supplied to the Board as requested.

Accountability and audit

The Directors' Statement of Responsibilities in relation to the Financial Statements is on page 23 and the Statement of Going Concern is included in the Directors' Report on page 16. The Independent Auditor's Report is on page 24. It should be noted that the Auditor, Grant Thornton UK LLP, rotates the partner responsible for the Company's audit every five years.

Exercise of voting powers

The Directors believe that the exercise of voting rights lies at the heart of regulation and promotion of corporate governance and, in respect of the Company's investments, the Board has given discretionary voting powers to the Manager.

Socially responsible investment policy

The Directors are aware of their duty to act in the interests of the Company. They acknowledge that there are risks associated with investment in companies which fail to conduct business in a socially responsible manner and the Directors, therefore, ensure that they take regular account of the social environment and ethical factors that may affect the performance or value of the Company's investments.

Communication with Shareholders

The Company places a great deal of importance on communication with its Shareholders. The Annual General Meeting is an event which all Shareholders are welcome to attend. The Notice of Meeting on pages 38 to 42 sets out the business of the Annual General Meeting and the Resolutions are explained more fully in the Directors' Report on pages 12 to 16 and in the Directors' Remuneration Report on pages 17 and 18. Separate Resolutions are proposed for each substantive issue and Shareholders have the opportunity to put questions to the Board and to the Manager. The results of proxy voting are relayed to Shareholders after each Resolution has been voted on by a show of hands. It is in the nature of a venture capital trust that it generally has no major Shareholders. Nominated persons, often the beneficial owners of shares held for them by nominee companies, may attend Shareholder Meetings and are invited to contact the registered Shareholder, the nominee company, in the first instance in order to be nominated to attend the Meeting and to vote in respect of the shares held for them.

As required under the Combined Code, the Annual Report is posted to Shareholders at least twenty business days before the Annual General Meeting. Annual and Interim Reports and Financial Statements are distributed to Shareholders and other parties who have an interest in the Company's performance. Shareholders and investors may obtain up-to-date information on the Company through the Manager. Shareholders also have direct access to the Company via the free Shareholder information telephone service run by the Manager, and the Company and the Manager respond to letters from Shareholders on a wide range of issues. In order to ensure that the Directors develop an understanding of the views of Shareholders, correspondence between the Manager or the Chairman and Shareholders is copied to the Board. The Company's web pages are hosted on Aberdeen's website, and can be visited at www.aberdeen-asset.com/gatewayvct from where Annual and Interim Reports, Stock Exchange Announcements and other information can be viewed, printed or downloaded. Access to further information about the Manager can be gained from www.aberdeenasset.com/privateequity.

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and of the net return of the Company for that period.

In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; 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 confirm that, to the best of their knowledge, the Financial Statements for the year ended 31 March 2008 comply with the requirements set out above and that suitable accounting policies, consistently applied and supported by reasonable and prudent judgement, have been used in their preparation. They also confirm that the Annual Report includes a fair review of the development and performance of the Company together with a description of the principal risks and uncertainties that it faces.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulation, the Directors are also responsible for preparing the Directors' Report, the Directors' Remuneration Report and the Corporate Governance Statement to comply with that law and those regulations.

The Company's Financial Statements are published on web pages hosted on the Aberdeen Asset Management website. The maintenance and integrity of these web pages are the responsibility of the Manager and not of the Company. The work carried out by Grant Thornton UK LLP as an independent Auditor of the Company does not extend to the maintenance and integrity of the web pages and, accordingly, the Auditor accepts no responsibility for any changes that have occurred to the Financial Statements since they were initially presented on the web pages. Visitors to the web pages should be aware that legislation in the United Kingdom governing the preparation and dissemination of the Financial Statements may differ from legislation in their own jurisdiction.

On behalf of the Board

Michael Teacher

Director

11 July 2008

Report of the Independent Auditor to the Members of Gateway VCT plc

We have audited the Financial Statements of Gateway VCT plc for the year ended 31 March 2008 which comprise the Income Statement, Statement of Total Recognised Gains and Losses, Reconciliation of Movements in Shareholders' Funds, Balance Sheet and Cash Flow Statement and Notes 1 to 18.

These Financial Statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

Respective responsibilities of Directors and Auditors

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

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

We report to you our opinion as to whether the Financial Statements give a true and fair view and whether the Financial Statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the Financial Statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement and the Investment Advisor's and Manager's Report that is cross referred from the Business Review section of the Directors' Report.

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

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

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited Financial Statements. This other information comprises only the Financial Highlights, Chairman's Statement, Analysis of Unlisted and AIM Portfolio, Investment Advisor's and Manager's Report, Summary of Investment Changes, Investment Portfolio Summary, Largest Unlisted and AIM Investments, Your Board, Directors' Report, Directors' Remuneration Report, Statement of Corporate Governance and Statement of Directors' Responsibilities. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of Audit Opinion

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

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

Opinion

In our opinion:

- the Financial Statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2008 and of its return for the year then ended;
- the Financial Statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the Financial Statements.

Grant Thornton UK LLP
Registered Auditor
Chartered Accountants
Oxford

11 July 2008

Income Statement

For the year ended 31 March 2008

	Notes	Year ended 31 March 2008			Year ended 31 March 2007 (restated)		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Loss)/gain on realisation of investments	9	–	(91)	(91)	–	20	20
Impairment of investments		–	–	–	–	(1,669)	(1,669)
Income	2	110	–	110	105	–	105
Investment advisor fees	3	(40)	(27)	(67)	(94)	(62)	(156)
GAM investment advisor termination fee	4	(45)	(30)	(75)	–	–	–
Other expenses	5	(140)	–	(140)	(78)	–	(78)
Loss on ordinary activities before taxation		(115)	(148)	(263)	(67)	(1,711)	(1,778)
Tax on ordinary activities	6	–	–	–	–	–	–
Loss on ordinary activities after taxation		(115)	(148)	(263)	(67)	(1,711)	(1,778)
Basic and diluted earnings per share (pence)	8	(0.85)	(1.08)	(1.93)	(0.49)	(12.58)	(13.07)

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 year ended 31 March 2008

	Year ended 31 March 2008			Year ended 31 March 2007		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Loss on ordinary activities after taxation	(115)	(148)	(263)	(67)	(1,711)	(1,778)
Unrealised (loss)/gain on revaluation of investments	–	(1,357)	(1,357)	–	573	573
Total losses recognised during the year	(115)	(1,505)	(1,620)	(67)	(1,138)	(1,205)

Reconciliation of Movements in Shareholders' Funds

For the year ended 31 March 2008

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Opening Shareholders' funds	6,444	7,649
Total loss for year	(1,620)	(1,205)
Closing Shareholders' funds	4,824	6,444

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

Balance Sheet

As at 31 March 2008

		31 March 2008		31 March 2007	
	Notes	£'000	£'000	£'000	£'000
Investments	9		4,538		6,369
Current assets					
Debtors	10	45		41	
Cash and overnight deposits	16	316		119	
		361		160	
Creditors					
Amounts falling due within one year	11	75		85	
Net current assets			286		75
Net assets			4,824		6,444
Capital and reserves					
Called up share capital	12		679		679
Special distributable reserve	13		12,110		12,110
Capital redemption reserve	13		1		1
Capital reserve – realised	13		(5,834)		(5,811)
Capital reserve – unrealised	13		(1,517)		(35)
Revenue reserve	13		(615)		(500)
Net assets attributable to Ordinary Shareholders			4,824		6,444
Net Asset Value per Ordinary Share (pence)	14		35.5		47.4

The Financial Statements were approved and authorised for issue by the Board of Directors and were signed on its behalf by:

11 July 2008

Michael Teacher
Director

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

Cash Flow Statement

For the year ended 31 March 2008

	Notes	Year ended 31 March 2008		Year ended 31 March 2007	
		£'000	£'000	£'000	£'000
Operating activities					
Investment income received		102		102	
Deposit interest received		5		3	
Investment advisor fees paid		(121)		(156)	
GAM investment advisor termination fee		(75)		–	
Other cash payments		(96)		(112)	
Net cash outflow from operating activities	15		(185)		(163)
Taxation					
Corporation tax			–		–
Financial investment					
Purchase of investments		–		(7)	
Sale of investments		382		95	
Net cash inflow from financial investment			382		88
Equity dividends paid			–		–
Net cash inflow/(outflow) from financing			197		(75)
Increase/(decrease) in cash	16		197		(75)

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

Notes to the Financial Statements

For the year ended 31 March 2008

1 Principal accounting policies

(a) Basis of accounting

The Financial Statements have been prepared under the historical cost convention, modified to include the revaluation of investments, and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' (the SORP) issued in January 2003 and revised in December 2005.

(b) Change in presentation

Although the Company is no longer an investment company, as defined by S266 of the Companies Act 1985, as investment company status was revoked on 14 November 2005 in order to permit the distribution of capital profits, the Income Statement has been restated to show the returns attributable to revenue and capital. In this respect, the investment advisor fee has been allocated 60% to revenue and 40% to capital which reflected the Company's investment policy and prospective income and capital growth prior to the withdrawal of investment trust status. Comparative figures have also been restated and disclosed on this basis.

In the Balance Sheet, the profit and loss reserve has been split to show the realised capital reserve and revenue reserve of the Company. The revaluation reserve has now been disclosed as capital reserves unrealised. Comparative figures have also been restated and disclosed on this basis.

The investments are classified as available for sale despite the SORP recommending treatment as fair value through profit or loss as this designation was made on initial recognition of the investments. Re-classification is not permitted in accordance with FRS26: 'Financial Instruments: Recognition and Measurement'.

(c) Consistency of application

The principal accounting policies have been applied consistently and remain unchanged from those set out in the Company's 2007 Annual Report, with the exception of adopting the presentational aspects of the SORP as detailed above.

(d) Investments

On initial recognition investments are valued at fair value on inception using trade date accounting. Subsequently investments are stated at fair value and are measured as follows:

- the Company's investments have been designated by the Directors as available for sale for the purpose of FRS 26: 'Financial Instruments: Recognition and Measurement' and are carried at fair value as determined by the Directors. This is in accordance with the Company's stated investment policy and information has been provided on that basis to the Board. In the case of investments quoted on a recognised exchange, fair value is established by reference to the closing bid price on the relevant date. In the case of unquoted investments, fair value is established by using measurements of value such as price of recent investment, earnings multiple and net assets; where no reliable fair value can be estimated using such techniques, unquoted investments are carried at cost subject to provision for impairment where necessary. This policy is in accordance with the valuation principles detailed in the International Private Equity and Venture Capital Valuations (IPEVC) Guidelines;
- realised surpluses and deficits on disposal of investments are recycled through the total column of the Income Statement which represents the Company's profit and loss account. Unrealised surpluses and deficits on the revaluation of investments are taken through the Statement of Total Recognised Gains and Losses to the unrealised capital reserve. When an investment is sold any balance already in the capital unrealised reserve is transferred to the Income Statement. If the carrying value of an investment is deemed to be impaired the cumulative loss (i.e. loss below historical cost) already held in the unrealised capital reserve is transferred to the Income Statement;
- where there is objective evidence of an impairment of an investment, the cumulative loss recognised to date through the Statement of Total Recognised Gains and Losses is removed from the unrealised capital reserve and recognised within the Income Statement. Such impairment losses represent the difference between acquisition cost and the current fair value of the investment, less any impairment loss previously recognised within the Income Statement; and
- all unlisted investments were valued individually by the Gateway Advisory Management Team. The resultant valuations are subject to scrutiny and approval by the Directors of the Company.

(e) Income

Investment income includes interest estimated on bank balances and also income tax withheld at source. Dividend income is shown net of any related tax credits. Dividends receivable on equity securities are brought into account on the ex-dividend date. Fixed returns on non-equity shares and on debt securities are accounted for under the effective interest method. Interest receivable from cash and short term deposits are accrued to the end of the year.

(f) Expenses

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

- expenses which are incidental to the acquisition and disposal of an investment are charged to capital; and
- expenses are charged to realised capital reserves where a connection with the maintenance or enhancement of the value of investments can be demonstrated. In this respect, the investment advisor fee has been allocated 60% to revenue 40% to realised capital reserves to reflect the Company's investment policy and prospective income and capital growth.

The compensation payment to Gateway Advisory and Management LLP for termination of their investment advisor contract has been allocated on the same basis as the investment advisor fee.

(g) Revenue and capital

The revenue column of the Income Statement includes all income and revenue expenses of the Company. The capital column includes realised and unrealised gains and losses on investments and that part of the investment management fee which is allocated to capital return. Gains and losses arising from changes in fair value are considered to be realised only to the extent that they are readily convertible to cash in full at the balance sheet date.

(h) Taxation

UK Corporation Tax payable is provided for on taxable profits at the current rate. The tax charge for the year is allocated between revenue and capital return on the Marginal Basis as recommended in the SORP. Deferred tax is recognised on all timing differences where the transaction or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date. Deferred tax balances are not discounted.

(i) Financial instruments

The Company's principal financial assets are its investments and the policies in relation to those assets are set out above. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities. Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

(j) Cash and liquid resources

Cash, for the purposes of the cash flow statement, comprises cash in hand.

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
2 Income		
Income from investments:		
Dividends received	16	16
Interest on government debt securities	86	86
	102	102
Other income:		
Deposit interest	8	3
Total income	110	105

	Year ended 31 March 2008			Year ended 31 March 2007 (restated)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
3 Investment advisor fees						
Investment advisor fees	40	27	67	94	62	156
	40	27	67	94	62	156

Details of the fee basis are contained in the Directors' Report on page 12.

In calculating the investment advisor fees, all professional, advising and other costs in relation to the proposals set out in the Circular to Shareholders dated 28 February 2008 were disregarded for the purposes of applying the annual expenses cap of 3.5%.

Notes to the Financial Statements continued

4 GAM investment advisor termination fee	Year ended 31 March 2008			Year ended 31 March 2007		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Termination fees	45	30	75	–	–	–
	45	30	75	–	–	–

Details of the GAM investment advisor termination fee are contained in the Directors' Report on page 12.

5 Other expenses	Year ended 31 March 2008			Year ended 31 March 2007 (restated)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Directors' remuneration	40	–	40	40	–	40
Auditor's remuneration - audit services	13	–	13	13	–	13
Legal and professional services	47	–	47	4	–	4
Other expenses	40	–	40	21	–	21
	140	–	140	78	–	78

The above expenses include VAT where applicable.

6 Tax on return on ordinary activities	Year ended 31 March 2008			Year ended 31 March 2007		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Corporation tax	–	–	–	–	–	–
Charge for year	–	–	–	–	–	–

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 30% (2007: 30%). The differences are explained below:

	Year ended 31 March 2008			Year ended 31 March 2007		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Loss on ordinary activities before taxation	(115)	(148)	(263)	(67)	(1,711)	(1,778)
Revenue return on ordinary activities multiplied by standard rate of corporation tax	(35)	(44)	(79)	(20)	(513)	(533)
Effect of income not subject to taxation	(5)	–	(5)	(5)	–	(5)
Non taxable losses/(gains) on investments	–	27	27	–	(6)	(6)
Impairment of investments	–	–	–	–	501	501
Movement in excess management expenses	40	17	57	25	18	43
	–	–	–	–	–	–

The Company has not recognised a deferred tax asset of £357,000 (2007: £300,000) arising as a result of having unutilised management expenses. It is unlikely that the Company will obtain relief for these in the future, so no deferred tax asset has been recognised.

Approved venture capital trusts are exempt from tax on capital gains within the Company. As the Directors intend that the Company will continue to conduct its affairs so as to maintain its approval as a venture capital trust, no current or deferred tax has been provided for in respect of any capital gains or losses arising on the revaluation or disposal of investments.

7 Dividends

The Directors propose no dividends for the year ended 31 March 2008 (2007: nil).

8 Return per Ordinary Share	Year ended 31 March 2008	Year ended 31 March 2007
The returns per share have been based on the following figures:		
Weighted average number of Ordinary Shares in issue	13,591,734	13,591,734
Revenue return	(£115,000)	(£67,000)
Capital return	(£148,000)	(£1,711,000)
Total return	(£263,000)	(£1,778,000)

9 Investments available for sale - financial assets	Year ended 31 March 2008		
	Unlisted and AIM £'000	Listed £'000	Total £'000
Movements during the year:			
Valuation at 1 April 2007	4,855	1,514	6,369
Purchases at cost	–	–	–
Disposals:			
Sales proceeds	(383)	–	(383)
Realised losses	(91)	–	(91)
Change in fair value of investments	(1,385)	28	(1,357)
Valuation at 31 March 2008	2,996	1,542	4,538
Book cost at 31 March 2008	4,458	1,597	6,055
Fair value adjustment at 31 March 2008	(1,462)	(55)	(1,517)
	2,996	1,542	4,538

	31 March 2008 £'000	31 March 2007 £'000
The portfolio valuation		
Investments available for sale:		
AIM Investments	1,572	3,305
Listed investments - debt securities	1,542	1,514
	3,114	4,819
Unlisted at Directors' valuation:		
Unquoted equities	1,424	1,550
	1,424	1,550
Total	4,538	6,369

Notes to the Financial Statements continued

The overall loss on investments for the year shown in the Income Statement and Statement of Recognised Gains and Losses is analysed as follows:

	31 March 2008	31 March 2007
	£'000	£'000
Realised (losses)/gains on disposals	(91)	20
Previous unrealised losses realised in year	169	35
Fair value adjustment	(1,357)	573
Movement on impairment	294	(1,669)
Total return	(985)	(1,041)

All investments are designated as available for sale at the time of acquisition and all capital gains and losses arise on investments so designated. Given the nature of the Company's venture capital investments, the changes in fair value of such investments recognised in the Financial Statements are not considered to be readily convertible to cash in full at the balance sheet date and, accordingly, are treated as unrealised. Changes in fair value of listed fixed income investments are treated as realised as these holdings are considered to be readily convertible into cash.

At 31 March 2008 there were commitments totalling £731,000 (2007: £nil) in respect of investments approved by the Manager but not yet completed.

	31 March 2008	31 March 2007
	£'000	£'000
10 Debtors		
Sundry debtors	5	2
Accrued income and prepayments	40	39
	45	41

	31 March 2008	31 March 2007
	£'000	£'000
11 Creditors		
Amounts falling due within one year:		
Accruals	75	85
	75	85

	31 March 2008		31 March 2007	
	Number	£'000	Number	£'000
12 Share capital				
At 31 March 2008, the authorised share capital comprised:				
allotted, issued and fully paid:				
Ordinary Shares of 5p (2007: 5p) each				
Balance brought forward	13,591,734	679	13,591,734	679
Unissued unclassified shares of 5p each	2,408,266	121	2,408,266	121
	16,000,000	800	16,000,000	800

The capital of the Company is managed in accordance with its investment policy with a view to the achievement of its investment objective, as set out on page 13. The Company is not subject to any externally imposed capital requirements.

13 Reserves	Special distributable reserve £'000	Capital redemption reserve £'000	Capital reserve - realised £'000	Capital reserve - unrealised £'000	Revenue reserve £'000	Revaluation reserve £'000
At 31 March 2007	8,102	1	–	–	(2,303)	(35)
Restatement in line with SORP (Note 1b on page 28)	4,008	–	(5,811)	(35)	1,803	35
	12,110	1	(5,811)	(35)	(500)	–
Losses on realisation of investments	–	–	(91)	–	–	–
Previous year losses now realised	–	–	(169)	–	–	–
Movement on impairment	–	–	294	–	–	–
Net decrease in value of investments	–	–	–	(1,482)	–	–
Investment advisor fees	–	–	(27)	–	–	–
GAM investment advisor termination fee	–	–	(30)	–	–	–
Loss on ordinary activities after taxation	–	–	–	–	(115)	–
At 31 March 2008	12,110	1	(5,834)	(1,517)	(615)	–

14 Net Asset Value per share	Net Asset Value per share p	Net Asset Value attributable £'000	Net Asset Value per share p	Net Asset Value attributable £'000
Ordinary Shares	35.5	4,824	47.4	6,444

The number of Ordinary Shares used in this calculation is set out in Note 12 on page 32.

15 Reconciliation of revenue return before taxation to net cash outflow from operating activities	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Return on ordinary activities before taxation	(263)	(1,778)
Losses on investments	91	(20)
Impairment losses	–	1,669
Increase in debtors	(4)	(4)
Decrease in creditors	(9)	(30)
Net cash outflow from operating activities	(185)	(163)

16 Analysis of changes in net funds	At 31 March 2007 £'000	Cash flows £'000	At 31 March 2008 £'000
Cash and overnight deposits	119	197	316

16 Analysis of changes in net funds	At 31 March 2006 £'000	Cash flows £'000	At 31 March 2007 £'000
Cash and overnight deposits	194	(75)	119

17 Derivatives and other financial instruments

Objectives, policies and strategies

As a venture capital trust, the Company's objective is to provide Shareholders with an attractive income and capital return by investing its funds in a broad spread of listed and unlisted UK companies which meet the relevant criteria for venture capital trusts. The Company holds financial assets in accordance with its investment policy of investing mainly into a portfolio of VCT qualifying unlisted or AIM/PLUS quoted securities whilst holding a proportion of its assets in cash or near-cash investments in order to provide a resource of liquidity.

The Company's financial instruments comprise:

- shares in listed companies and shares and loan notes in unlisted companies;
- Government debt securities; and
- cash, liquid resources and short-term debtors and creditors that arise directly from the Company's operations.

For quoted investments, valuation is at bid price at the Balance Sheet date. Unquoted investments are carried at fair value or determined by the Directors in accordance with current venture capital industry guidelines. The fair value of all other financial assets and liabilities are represented by their carrying value in the Balance Sheet. The Company has no derivative financial instruments and has no financial assets or liabilities for which hedge accounting has been used. Fixed asset investments are valued at fair value as determined by the Directors.

In carrying out its investment activities, the Company is exposed to various types of risk associated with the financial instruments and markets in which it invests. The most significant types of financial risk facing the Company are market risk, interest rate risk, credit risk and liquidity risk. The Company's approach to managing these risks is set out below together with a description of the nature and amount of the financial instruments held at the Balance Sheet date.

Market price risk

The Company's strategy for managing investment risk is determined with regard to the Company's investment objective, as outlined in the Directors' Report on pages 12 to 16. The management of market risk is part of the investment management process and is a central feature of venture capital investment. The Company's portfolio is managed in accordance with the policies and procedures described in the Statement of Corporate Governance on pages 19 to 22, having regard to the possible side effects of adverse price movements, with the objective of maximising overall return to Shareholders. Investments in unlisted companies, by their nature, usually involve a higher degree of risk than companies quoted on a recognised stock exchange, though the risk can be mitigated by diversifying the portfolio across business sectors and asset classes. The overall disposition of the Company's assets is monitored by the Board on a quarterly basis.

Details of the Company's investment portfolio and an analysis of the unlisted and AIM quoted securities, at the Balance Sheet date, are set out on pages 7 to 9.

At 31 March 2008, 32.6% by value of the Company's net assets (2007: 51.3%) comprised equity investments quoted on AIM. A 10% increase in the bid price of these securities as at 31 March 2008 would have increased net assets and the total return for the year by £157,000 (2007: £331,000); a corresponding fall would have reduced net assets and the total return for the year by the same amount.

At 31 March 2008, 29.5% by value of the Company's net assets (2007: 24.1%) comprised investments in unquoted companies held at fair value. The valuation methods used by the Company include cost and realisable value. Therefore, it is not considered meaningful to provide a sensitivity analysis of effects on the net asset position and total return for the year due to the fact that any such movements would be immaterial to users of the Financial Statements. This is due to the fact that the investment in Jacobs Rimell Limited was disposed of immediately following the year end and is carried at its realised value.

Interest rate risk

Some of the Company's financial assets are interest bearing, all of which are at fixed rates. As a result, the Company is not considered to be exposed to significant fair value interest rate risk arising from changes in the prevailing levels of market interest rates. The fixed interest investments bear interest at an annual rate of 5.75% (2007: 5.75%).

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Manager and the Board carry out a regular review of counterparty risk. The carrying value of financial assets represent the maximum credit risk exposure at the Balance Sheet date.

At 31 March, the Company's financial assets exposed to credit risk comprised:

	31 March 2008	31 March 2007
	£'000	£'000
Listed fixed investments	1,542	1,514
Interest bearing deposit accounts	302	12
Accrued dividends and interest receivable	30	30
	1,874	1,556

Credit risk relating to listed fixed interest investments is mitigated by investing in high credit quality investment instruments, comprising securities issued by the UK government. Those assets of the Company which are traded on recognised stock exchanges are held on the Company's behalf by third party custodians, London and Capital. Bankruptcy or insolvency of a custodian could cause the Company's rights with respect to securities held by the custodian to be delayed or limited.

Credit risk arising on transactions with brokers relates to transactions in quoted securities awaiting settlement. Risk relating to unsettled transactions is considered to be low due to the short settlement period involved and the high credit quality of the brokers used. The Board further mitigates the risk by monitoring the quality of service provided by the brokers.

The Company's interest bearing deposit accounts are held with major UK clearing banks.

There were no significant concentrations of credit risk to counterparties at 31 March 2008 or 31 March 2007. No individual investment exceeded 31.9% of the Company's net assets at 31 March 2008 (2007: 23.4%).

Liquidity risk

The Company's financial assets include investments in unquoted equity securities which are not traded on a recognised stock exchange and which may generally be illiquid. As a result, the Company may not be able to realise some of its investments in these instruments quickly at an amount close to fair value in order to meet its liquid requirements, or to respond to specific events such as deterioration in the creditworthiness of any particular issuer.

The Company's listed fixed interest investments are considered to be readily realisable as they are of high credit quality as outlined above.

The Company's liquidity risk is managed on a continuing basis by the Manager in accordance with policies and procedures laid down by the Board. The Company's overall liquidity risks are monitored on a quarterly basis by the Board.

The Company maintains sufficient investments in cash or readily realisable securities to pay accounts payable and accrued expenses. At 31 March 2008 these instruments were valued at £1,542,000 (2007: £1,514,000).

18 Related party interests

Mr Teacher and Mr Metcalfe are directors of Networks by Wireless Limited. Mr Teacher holds 150,000 shares (3.03% of the share capital, undiluted) and 662,500 options; Mr Metcalfe holds 300,000 options.

Venture Capital Trusts

Venture Capital Trusts (VCTs) are companies broadly similar to investment trusts and need to have been approved by HM Revenue & Customs. The conditions for approval are:

- a VCT's income must be derived wholly or mainly from shares or securities;
- a VCT must retain not more than 15% of its income derived from shares or securities;
- no holding in any company can represent more than 15% by value of a VCT's investments; and
- the shares making up a VCT's ordinary share capital must be traded on the London Stock Exchange and listed on the Official List of the UK Listing Authority.

Within the accounting period beginning not more than three years after the initial listing of shares by a VCT, the following requirements must be met:

- at least 70% by value of a VCT's investments must be in shares, or loans of at least five years' duration, in "qualifying holdings"; and
- at least 30% by value of a VCT's qualifying holdings must be in ordinary shares.

Qualifying holdings

Qualifying holdings are defined as holdings of shares or securities (including loans of terms of at least five years' duration) in unlisted companies (including companies whose shares are traded on the Alternative Investment Market), which exist wholly for the purpose of carrying on one or more qualifying trades wholly or mainly in the United Kingdom. The holding must consist of shares or securities which were first issued to, and have been ever since continuously held by, the VCT.

A qualifying trade is any other than:

- dealing in land, commodities, futures, shares or other financial instruments;

- dealing in goods other than in the course of an ordinary trade of wholesale or retail distribution;
- banking, insurance or other financial activities;
- leasing or receiving royalties or license fees with certain exceptions;
- providing legal or accountancy services;
- property development;
- farming or market gardening;
- holding, managing or occupying woodlands, any other forestry activities or timber production;
- operating or managing hotels or comparable establishments, or managing property used as an hotel or comparable establishment;
- operating or managing nursing homes or residential care homes, or managing property used as a nursing home or residential care home; and
- providing ancillary services to any of the above by a related party.

VCTs may count an investment of up to £1 million in total in a qualifying trading company in any one year towards the 70% qualifying requirement provided that, for VCTs raised before 5 April 2006, the gross assets of the company do not exceed £15 million prior to the investment or £16 million following the investment; these figures were revised to £7 million and £8 million respectively for VCT monies raised after 5 April 2006.

In the budget of March 2007, additional regulations were proposed for funds raised after 5 April 2007; for a company to qualify as a VCT investment, it must have no more than 50 full-time employees at the date of the issue of securities and no more than £2 million may be invested by all venture capital schemes in the 12 month period up to and including the date of investment.

Tax Position of Individual Investors

This section highlights the tax reliefs available to individual investors and the methods for claiming such tax reliefs.

Tax reliefs for individual investors resident in the UK

Investors must be individuals aged 18 or over to qualify for the tax reliefs detailed below. Tax reliefs will only be given to the extent that an individual's total investments in venture capital trusts (VCTs) in any tax year do not exceed the qualifying limit, which is currently £200,000.

Relief from income tax

An investor subscribing for new ordinary shares in a VCT is entitled to claim income tax relief of up to 30 per cent on amounts subscribed up to a maximum of £200,000. Relief is limited to the amount which reduces the investor's income tax liability to nil. This relief must be repaid should the shares be sold or otherwise disposed of within five years.

An investor who subscribes for, or acquires up to, the maximum of £200,000 in ordinary shares in any given tax year will not be liable to UK income tax on dividends paid by the VCT, which may include capital gains realised by the VCT.

Relief from capital gains tax

A disposal by an investor of ordinary shares (whether acquired by subscription for new shares or subsequent acquisition) in a VCT will give rise to neither a chargeable gain nor an allowable loss for the purposes of UK capital gains tax. This relief is limited to disposals of ordinary shares acquired within the limit, currently £200,000, for any tax year.

On the death of an investor or a spouse who has acquired VCT shares within marriage, no deferred capital gains tax or income tax will become payable by either the investor, their spouse or anyone inheriting the VCT shares.

Shares acquired other than by subscription (i.e. existing shares purchased in the market)

An investor who acquires up to the permitted maximum of £200,000 in value of ordinary shares in a VCT in any tax year will be exempt from income tax on dividends from the VCT, which may include capital gains realised from investments made by the VCT, and capital gains on the disposal of shares in the VCT. The permitted maximum of £200,000 is the total of VCT shares subscribed for (new shares) and acquired (existing shares) in the tax year.

A loss on disposal of shares within the permitted maximum is not an allowable loss.

Obtaining tax reliefs

Claims for income tax relief on amounts subscribed for new ordinary shares

A VCT will give each investor a certificate which the investor uses to claim income tax relief, either immediately by obtaining an adjustment to their tax coding from HM Revenue & Customs or by waiting until the end of the tax year and using their tax return to claim relief.

Investors who are not resident in the UK

Such investors should seek their own professional advice as to the consequences of making an investment in a VCT as they may be subject to tax in other jurisdictions as well as in the UK.

This is only a summary of the law concerning the tax position of individual investors in VCTs. Any potential investor in doubt as to the taxation consequences of investment in a VCT should consult a professional adviser.

Risk warnings

Past performance is not necessarily a guide to future performance. You should be aware that the value of shares and the income from them may go down as well as up and that you may not get back the amount you originally invested. Existing tax levels and reliefs may change and the value of reliefs depends on personal circumstances; in particular, reliefs may be lost on ceasing to be a UK resident. An investment in a VCT carries a higher risk than other forms of investment. A VCT's shares, although listed, are likely to be illiquid. Prospective investors should regard an investment in a VCT as a long term investment, particularly as regards a VCT's investment objective and policy and the period for which shareholders must hold their shares in order to retain their income tax reliefs. The investments made by VCTs will normally be in companies whose securities are not publicly traded or freely marketable and may, therefore, be difficult to realise. Investments in such companies carry substantially higher risk than those in larger companies.

The tax reliefs are dependent on the VCT obtaining unconditional approval from HM Revenue & Customs. Reliefs will be given during a period when provisional approval only is in force but, if provisional approval is withdrawn, all tax reliefs will be cancelled with retrospective effect. If unconditional approval is withdrawn, any tax reliefs are no longer available and substantial tax liabilities can be expected to be incurred by shareholders and the VCT.

Potential investors are strongly urged to seek independent professional advice when considering investment in a VCT.

Notice of Meeting

This document is important and requires your immediate attention. If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice from your stockbroker or other independent adviser authorised under the Financial Services and Markets Act 2000. If you have sold or transferred all of your shares in Gateway VCT plc, please forward this document, together with any accompanying documents, as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Notice is hereby given that the Annual General Meeting of Gateway VCT plc will be held on Friday 12 September 2008 at 10.30 am, at One Bow Churchyard, London EC4M 9HH, to transact the following business.

Ordinary Business

- 1 To receive the Directors' Report and audited Financial Statements for the year ended 31 March 2008.
- 2 To approve the Directors' Remuneration Report.
- 3 To re-elect Mr M J Teacher^A as a Director.
- 4 To re-elect Mr W R Nixon^A as a Director.
- 5 To re-elect Mr N J Kennedy^A as a Director.
- 6 To re-elect Mr C M Scott^A as a Director.
- 7 To re-appoint Grant Thornton UK LLP as Auditor.
- 8 To authorise the Directors to fix the remuneration of the Auditor.

Special Business

- 9 To consider and, if thought fit, pass the following Resolution as a Special Resolution:

THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 166 of the Companies Act 1985 (the Act) to make one or more market purchases (within the meaning of Section 163(3) of the Act) of Ordinary Shares of 5p each in the capital of the Company provided always that:

 - (a) the maximum number of Ordinary Shares hereby authorised to be purchased is 500,000 representing 3.7% of the Company's issued Ordinary Share capital as at 31 March 2008;
 - (b) the minimum price which may be paid for an Ordinary Share shall be 5p per share;
 - (c) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share shall be not more than the lower of:
 - (i) Net Asset Value per share and;
 - (ii) 105 per cent of the average of the middle market quotations for an Ordinary Share taken from, and calculated by reference to, the Daily Official List of the London Stock Exchange for the five business days immediately preceding the date on which the Ordinary Shares are purchased; and
 - (d) unless previously renewed, varied or revoked, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, on the expiry of fifteen months from the passing of this Resolution, save that the Company may before such expiry enter into a contract to purchase Ordinary Shares which will or may be completed wholly or partly after such expiry.
- 10 To consider and, if thought fit, pass the following Resolution as an Ordinary Resolution:

THAT the Directors be and are hereby generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 (the Act) to exercise all the powers of the Company to allot relevant securities (as defined in that Section of the Act) up to an aggregate nominal amount of £60,000 (representing 1,200,000 Ordinary Shares or 8.8% of the Company's issued Ordinary Share capital on 31 March 2008) during the period expiring (unless previously revoked, varied, or extended by the Company in General Meeting) on the date of the next Annual General Meeting or on the expiry of fifteen months from the passing of this Resolution, whichever is the first to occur, save that the Company may make offers or agreements before such expiry which would or might require relevant securities to be allotted after such expiry.

11 To consider and, if thought fit, pass the following Resolution as a Special Resolution:

THAT, subject to passing of Resolution number 10 set out on page 38, the Directors be and are hereby empowered, pursuant to Section 95 of the Companies Act 1985 (the Act), to allot equity shares (as defined in Section 94 of the Act) pursuant to the authority given in accordance with Section 80 of the Act by the said Resolution as if Section 89(1) of the Act did not apply to such allotment, provided that this power shall be limited to the allotment of equity securities:

- (a) during the period expiring on the earlier of the date of the next Annual General Meeting of the Company or on the expiry of fifteen months from the passing of this Resolution, whichever is the first to occur, but so that this power shall enable the Company to make offers or agreements which would or might require equity securities to be allotted after the expiry of this power; and
- (b) up to an aggregate nominal amount of £60,000 (representing 1,200,000 Ordinary Shares or 8.8% of the Company's issued Ordinary share capital on 31 March 2008).

12 To consider and, if thought fit, pass the following Resolution as a Special Resolution:

THAT the Articles of Association produced to the Meeting and initialled by the Chairman of the Meeting for the purposes of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

149 St Vincent Street
Glasgow G2 5NW
11 July 2008

By order of the Board
Aberdeen Asset Management PLC
Secretary

Notes:

- 1 As a member, you are entitled to appoint a proxy or proxies to exercise all or any of your rights to attend, speak and vote at the Meeting. A proxy need not be a member of the Company. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise the rights attached to any one share. A reply-paid form of proxy for your use is enclosed.
- 2 To be valid, any proxy form or other instrument of proxy and any power of attorney or other authority, if any, under which they are signed or a notarially certified copy of that power of attorney or authority should be sent to Capita Registrars, Proxy Department, PO Box 25, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to arrive no later than 10.30am, on Wednesday 10 September 2008.
- 3 The return of a completed proxy form, or other instrument of proxy, will not prevent you attending the Meeting and voting in person if you wish to do so.
- 4 In accordance with Regulation 41 of the Uncertified Securities Regulations 2001, to have the right to attend and vote at the Meeting a member must first have his or her name entered in the Company's register of members by not later than 48 hours before the time fixed for the Meeting (or, in the event that the Meeting is adjourned, 48 hours before the time of the adjourned Meeting). Changes to entries on that register after that time shall be disregarded in determining the rights of any member to attend and vote at the Meeting referred to above.
- 5 Any person to whom this Notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a Nominated Person) may, under an agreement between them and the member by whom they were nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, they may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights. The statement of the rights of members in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.
- 6 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.

- 7 In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with CRESTCo's specifications, and must contain the information required for such instruction, as described in the CREST manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent, Capita Registrars (ID RA10), no later than 48 hours before the time of the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
- 8 CREST members and, where applicable, their CREST sponsors, or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instruments. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
- 9 The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- 10 In order to facilitate voting by corporate representatives at the Meeting, arrangements will be put in place at the Meeting so that:
 - (i) if a corporate Shareholder has appointed the Chairman of the Meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that Shareholder at the Meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and
 - (ii) if more than one corporate representative for the same corporate Shareholder attends the Meeting but the corporate Shareholder has not appointed the Chairman of the Meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate Shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure.
- 11 Except as provided above, members who have general queries about the Meeting should write to the Company Secretary or the Registrar at appropriate address, as shown under Corporate Information on page 44 of the Annual Report. You may not use any electronic address provided either in this Notice of Meeting or any related documents (including the Annual Report and proxy form) to communicate with the Company for any purpose other than those expressly stated.
- 12 No Director has a service contract with the Company, but copies of Directors' letters of appointment will be available for inspection for at least 15 minutes prior to the Meeting and during the Meeting.

A reply-paid form of proxy for your use is enclosed.

[^]The biographies of the Directors are detailed on pages 10 and 11 of the Annual Report.

The Directors' Remuneration Report, referred to in Resolution 2, is on pages 17 and 18.

Details of Resolutions 3 to 11 are contained in the Directors' Report as follows:

Resolutions 3 to 6	Page 14	Directors
Resolutions 7 and 8	Page 16	Auditor
Resolution 9	Page 15	Purchase of Ordinary Shares
Resolutions 10 and 11	Page 15	Issue of new Ordinary Shares

Details of the proposed changes to the Company's Articles of Association, referred to in Resolution 12, are contained in the Directors' Report on page 16 and in the Appendix to the Notice of Meeting on pages 41 and 42.

Registered in England and Wales - Company Number 3930317

Appendix to the Notice of Meeting

Explanatory notes of principal changes to the Articles of Association of the Company (the Articles)

1 Articles which duplicate statutory provisions

Provisions in the existing Articles which replicate provisions contained in the Companies Act 2006 are, in the main, amended to bring them into line with the Companies Act 2006. Certain examples of such provisions include provisions as to the form of Resolutions and provisions regarding the period of notice required to convene General Meetings. The main changes made to reflect this approach are detailed below.

2 Form of Resolution

The Current Articles contain a provision that, where for any purpose an Ordinary Resolution is required, a Special or Extraordinary Resolution is also effective and that, where an Extraordinary Resolution is required, a Special Resolution is also effective. The provision is being amended as the concept of Extraordinary Resolutions has not been retained under the Companies Act 2006.

The current Articles enable members to act by Written Resolution. Under the Companies Act 2006, public companies can no longer pass written resolutions and these provisions have, therefore, been removed in the new Articles.

3 Convening Extraordinary and Annual General Meetings

The provisions in the current Articles dealing with the convening of General Meetings and the length of notice required to convene General Meetings are being amended to conform to new provisions in the Companies Act 2006. In particular, an Extraordinary General meeting to consider a Special Resolution can be convened on 14 days' notice whereas previously 21 days' notice was required.

4 Votes of members

Under the Companies Act 2006, proxies are entitled to vote on a show of hands whereas under the current Articles proxies are only entitled to vote on a poll. The time limits for the appointment or termination of a proxy appointment have been altered by the Companies Act 2006 so that the Articles cannot provide that they should be received more than 48 hours before the meeting or, in the case of a poll taken more than 48 hours after the meeting, more than 24 hours before the time for the taking of a poll, with weekends and bank holidays being permitted to be excluded for this purpose. Multiple proxies may be appointed, provided that each proxy is appointed to exercise the rights attached to a different share held by the Shareholder. The new Articles reflect all of these new provisions.

5 Age of Directors on appointment

The current Articles contain provisions requiring a Director's age to be disclosed if he has attained the age of 70 years or more in the Notice convening a Meeting at which the Director is proposed to be elected or re-elected and limiting the age at which a Director can be appointed. Such a provision could now fall foul of the Employment Equality (Age) Regulations 2006 and, therefore, has been removed from the new Articles.

6 Conflicts of interest

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

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

It is also proposed that the new Articles should contain provisions relating to confidential information, attendance at Board Meetings and availability of information to protect a Director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the Directors. It is the Board's intention to report annually on the Company's procedures for ensuring that the Board's power to authorise conflicts are operated effectively.

7 Notice of Board Meetings

Under the current Articles, when a Director is abroad he can request that notices of Directors' Meetings are sent to him at a specified address and, if he does not do so, he is not entitled to receive notice while he is away. This provision has been amended, as modern communications mean that there may be no particular obstacle to giving notice by e-mail to a Director who is abroad.

8 Distribution of assets otherwise than in cash

The current Articles contain provisions dealing with the distribution of assets in kind in the event of the Company going into liquidation. These provisions have been removed in the new Articles on the grounds that a provision about the powers of liquidators is a matter for insolvency law rather than the Articles and that the Insolvency Act 1986 confers powers on the liquidator which would enable it to do what is envisaged by the current Articles.

9 Electronic and web communications

Provisions of the Companies Act 2006 which came into force in January 2007 enable companies to communicate with members by electronic and/or website communications. The new Articles continue to allow communications to members in electronic form and, in addition they also permit the Company to take advantage of the new provisions relating to website communications. Before the Company can communicate with the member by means of website communication, the relevant member must be asked individually by the Company to agree that the Company may send or supply documents or information by him by means of a website, and the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The Company will notify the member (either in writing, or by other permitted means) when a relevant document or information is placed on the website and a member can always request a hard copy version of the document or information.

10 Directors' indemnities and loans to fund expenditure

The Companies Act 2006 has in some areas widened the scope of the powers of a company to indemnify its directors and to fund expenditure incurred in connection with certain actions against its directors. In particular, a company that is a trustee of an occupational pension scheme can now indemnify a director against liability incurred in connection with that company's activities as trustee of the scheme. In addition, the existing exemption allowing a company to provide money for the purpose of funding a director's defence in court proceedings now expressly covers regulatory proceedings and applies to associated companies.

11 Classes of shares

The new Articles have been updated to remove any provisions relating to classes of shares which are no longer in issue.

Corporate Summary

Company profile

Gateway VCT plc is a venture capital trust and was incorporated on 16 February 2000. It has one class of share which has been listed on the London Stock Exchange since 30 June 2000.

Objective

The Company aims to achieve long term capital appreciation and generate maintainable levels of income for Shareholders.

Benchmark

There is no meaningful venture capital trust index against which to compare the performance of the Company. However, for reporting to the Board and Shareholders, the Manager uses comparisons with appropriate indices and the Company's peer group.

Capital structure

As at 31 March 2008, the Company's issued share capital consisted of 13,591,734 Ordinary Shares of 5p each.

Subject to any suspension or abrogation of rights pursuant to relevant law or the Company's Articles of Association, the shares confer on their holders the following principal rights:

- the right to receive out of profits available for distribution such dividends as may be agreed to be paid;
- the right, on a return of assets on a liquidation, reduction of capital or otherwise, to share in the surplus assets of the Company remaining after payment of its creditors; and
- the right to receive notice of and to attend and speak and vote in person or by proxy at any General Meeting of the Company.

Total assets and Net Asset Value

At 31 March 2008, the Company had total assets of £4,824,000 and a Net Asset Value of 35.5p per share.

Continuation date

The Articles of Association require the Directors to put a proposal for the continuation of the Company, in its then form, to Shareholders at three yearly intervals and the next vote on the continuation of the Company as a venture capital trust will take place at the Annual General Meeting to be held in 2010.

Risk and uncertainties

Investments in smaller unlisted and AIM quoted companies carry substantially greater risk, in terms of price and liquidity, than investments in larger companies or companies listed on the Official List. In addition, many of the businesses in which the Company invests may be exposed to the risk of political change, exchange controls, tax or other regulations that may affect their value and marketability.

The levels and bases of tax reliefs may change.

As the volume of the Company's shares traded on the market is likely to be small, the shares may trade at a significant discount to Net Asset Value.

In order to qualify as a VCT, within the accounting period beginning not more than three years after the receipt of applications, the Company must have at least 70% by value of its investments in qualifying holdings. The Company may invest in a number of companies which are not considered to be qualifying investments for a VCT. The criteria that must be met for a qualifying investment and the conditions that are required to be met by the Company in order for it to be approved as a VCT are detailed in Venture Capital Trusts on page 36.

Further details of the Company's risk profile are contained in the Directors' Report on page 14, in Note 17 to the Financial Statements on pages 34 and 35 and in Tax Position of Individual Investors on page 37.

Management and Administration Deed

The Company has an agreement with Aberdeen Asset Managers Limited for the provision of investment management, company secretarial and administrative services. Please refer to page 12 for details of the management and secretarial fees payable.

Share dealing

Shares in the Company can be purchased and sold in the open market through a stockbroker.

Corporate Information

Directors

M J Teacher (Chairman)
N J Kennedy (with effect from 1 August 2008)
N M Metcalfe
W R Nixon
C M Scott (with effect from 1 August 2008)
D E Svendsen

Manager

Aberdeen Asset Managers Limited
Sutherland House
149 St Vincent Street
Glasgow G2 5NW

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(open Monday to Friday, 9am to 5pm)
e-mail: vcts@aberdeen-asset.com

Secretary

Aberdeen Asset Management PLC
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Points of Contact

The Chairman and/or the Company Secretary at:

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Glasgow G2 5NW

e-mail: company.secretary@invtrusts.co.uk

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Registrar

Capita Registrars
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Woodsome Park
Fenay Bridge
West Yorkshire HD8 0LA

Shareholder Helpline: 0870 162 3100
(calls cost 10p per minute plus network extras)

Bankers

Barclays Bank
J P Morgan Chase Bank

Solicitors

Howard Kennedy

Auditors

Grant Thornton UK LLP

VCT Taxation Advisors

PricewaterhouseCoopers LLP
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Authorised and Regulated by The Financial Services Authority
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