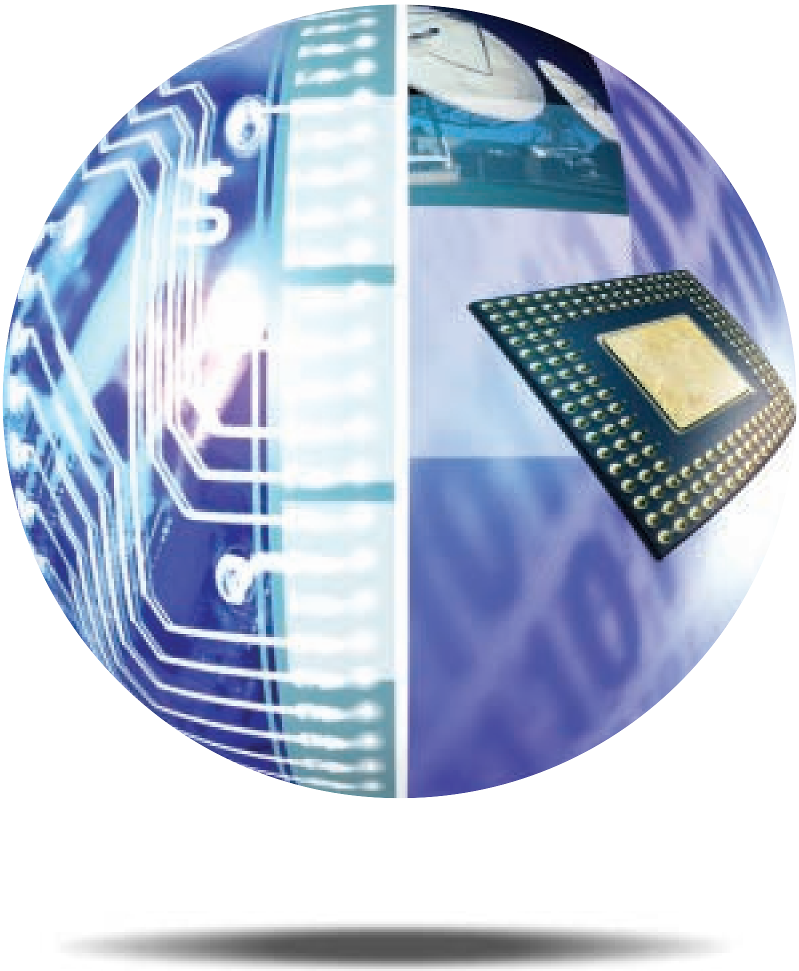
# Finsbury Technology Trust PLC

## Annual Report

for the year ended 30 November 2006



Close Investments

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The Association of
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# COMPANY SUMMARY

## Company Policy and Investment Objective

Finsbury Technology Trust PLC invests principally in the equity securities of quoted technology companies on a worldwide basis with the aim of achieving long-term capital growth. Performance is measured against the Dow Jones World Technology Index (sterling adjusted, calculated on a total return basis).

It is the Company's policy to invest no more than 15% of its gross assets in other listed investment companies (including listed investment trusts).

The Board takes the view that the investment policy should be to identify the best companies in the sector without being swayed by currency fluctuations. It is not the Company's policy to hedge currency exposure.

## Dividends

The investments in the Company's portfolio typically provide little, if any, income. No dividend has been declared in respect of the year ended 30 November 2006 (2005: nil) and it is unlikely that any dividend will be paid in the foreseeable future.

## Corporate Details

| | |
|---|---|
| Capital Structure | The Company had 23,933,812 Ordinary shares of 25p in issue, as at 9 March 2007. |
| Continuation Vote | Shareholders will have the opportunity to vote at the Annual General Meeting in 2011 whether to continue the Company and thereafter at five yearly intervals. |

## Management Details

| | |
|---|---|
| Manager and Company Secretary | During the year, the Manager and Company Secretary was Close Finsbury Asset Management Limited ('CFAM'). In September 2006, following a reorganisation within the Close Brothers Group, the business of CFAM was transferred to Close Investments Limited ('CIL') and on 7 February 2007 the Company novated its management contract from CFAM to CIL. CIL is part of the Close Brothers Group plc, one of the UK's leading independent merchant banks. |
| Investment Manager | Following the above mentioned transfer of business, Reabourne Technology Investment Management Limited ('Reabourne'), which was the Company's Investment Manager during the year, also became part of CIL. Both Reabourne and CIL are authorised and regulated by the Financial Services Authority. |
| | Details of the principal terms of the Management, Administrative and Secretarial Services Agreement and Investment Management Agreement can be found in the Report of the Directors on pages 15 and 16. Details of the fees paid to the Manager and Investment Manager in the year under review can be found in the Notes to the Financial Statements on page 39. |

## THE BOARD

*Left to right: David Quysner (Chairman), John Cornish, Paul Gaunt, Richard Holway, Dr Chris Martin and Anthony Townsend*

### David Quysner[*], MA (Cantab) (Chairman)

David Quysner, aged 60, joined the Board on 7 March 2003 and became Chairman on 28 April 2004. He is Chairman of Abingworth Management Limited, a venture capital fund management company, and a former Chairman of the British Venture Capital Association. He is a Director of several companies including Foresight 2 VCT plc, Prelude Trust plc and Private Equity Investor plc.

### John Cornish[+], B.Sc(Econ), FCA

John Cornish, aged 63, joined the Board on 1 May 2005; he was appointed as Senior Independent Director on 6 April 2006. John has over 30 years' audit experience and retired as a senior partner of Deloitte & Touche in 2004. From the late 1980s John led the firm's Investment Trust Industry Team, achieving a high profile in the industry with the AIC and various fund management groups. During his career John acted as lead client service partner to many plcs, undertook a number of special assignments for regulatory bodies and latterly concentrated on practice development and the provision of advisory services to senior board level executives. He is currently Chairman of Framlington Innovative Growth Trust PLC and a Director of Strategic Equity Capital Plc.

### Paul Gaunt, B.Sc(Econ)

Paul Gaunt, aged 57, joined the Board on 7 November 1995. Paul has over 30 years' experience in the investment industry. He was formerly Senior Investment Manager and an Assistant General Manager of the Equitable Life Assurance Society. He is currently a Director of Finsbury Emerging Biotechnology Trust PLC and Finsbury Worldwide Pharmaceutical Trust PLC, both of which are also managed by the Manager to the Company.

### Richard Holway

Richard Holway, aged 60, joined the Board on 29 January 2007. Richard has been involved in the UK IT sector for 40 years and is considered by many to be one of the UK's leading IT analysts. He was Group Marketing Director for Hoskyns (now Capgemini) before setting up his own analysis company, Richard Holway Limited, in 1986. In November 2000, Richard Holway Limited was acquired by Ovum. Richard played a significant role in Ovum's successful IPO onto AIM in early 2006. Ovum was acquired by Datamonitor at a considerable premium in late 2006. Richard has served as a non-executive director of over a dozen IT companies in the last 15 years. He is currently a member of BT Global Services Advisory Board and a General Partner of Elderstreet Capital Partners. He was a founder of the Prince's Trust Technology Leadership Group in 2002 and will become Chairman in April 2007.

### Dr Chris Martin, D.Phil, FIChemE

Dr Chris Martin, aged 48, joined the Board on 7 March 2003. Chris is currently the Chairman of Sciona Inc., a genomic personalised health company and has experience in venture capital funding for technology companies. He is also Chief Executive Officer of Spirogen Limited, and a Director of Cascade Fund Management Limited.

### Anthony Townsend, MA (Cantab)

Anthony Townsend, aged 59, joined the Board on 7 November 1995. Anthony has spent over 35 years working in the City and was Chairman of The Association of Investment Trust Companies (now known as The Association of Investment Companies) from 2001 to 2003. He is Chairman of iimia Investment Trust plc, British and American Investment Trust PLC and The Ukraine Opportunity Trust plc and a Director of Brit Insurance Holdings PLC and F&C Smaller Companies PLC. He is also a Director of Finsbury Emerging Biotechnology Trust PLC, Finsbury Growth & Income Trust PLC and Finsbury Worldwide Pharmaceutical Trust PLC, all of which are managed by the Manager to the Company.

All Directors are non-executive
* Chairman of the Management Engagement Committee
+ Chairman of the Audit Committee

## FINANCIAL HIGHLIGHTS

| | 30 November 2005 | **30 November 2006** | % change |
|---|---|---|---|
| Net asset value per share | 237.2p | **227.4p*** | –4.1 |
| Share price | 220.3p | **212.5p** | –3.5 |
| Dow Jones World Technology Index (sterling adjusted, calculated on a total return basis) | 235.4 | **231.8** | –1.5 |
| Discount of share price to net asset value per share | 7.1% | **6.6%** | – |

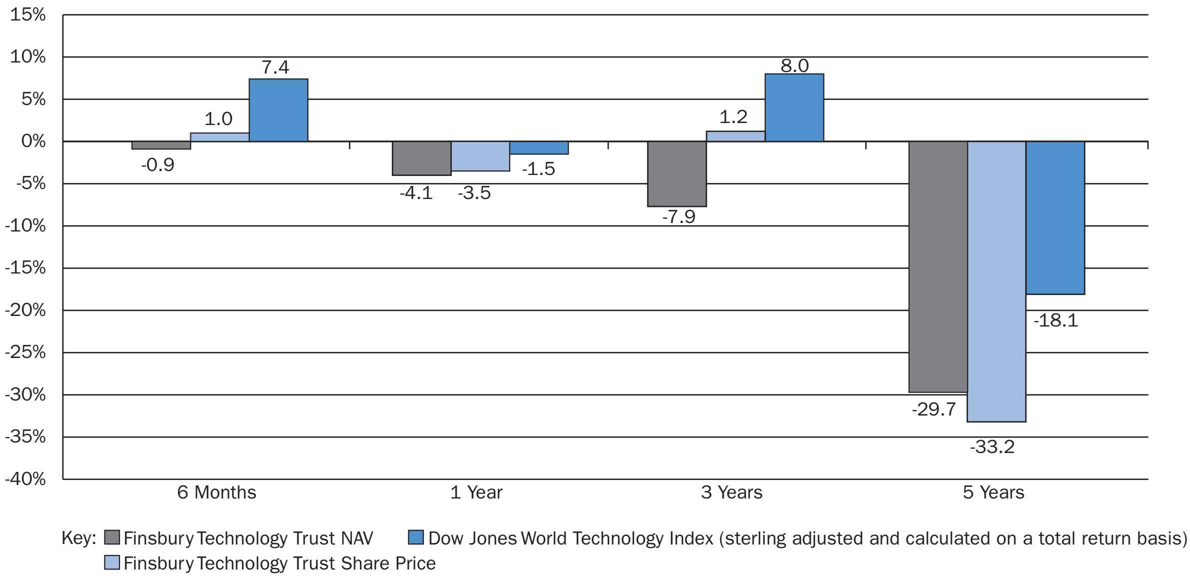
*Quoted investments valued at bid valuation. As at 30 November 2005 quoted investments were valued using mid market prices (see note 1c).

## FIVE YEAR PERFORMANCE SUMMARY

| | 30 November 2002 | 30 November 2003 | 30 November 2004 | 30 November 2005 | **30 November 2006*** |
|---|---|---|---|---|---|
| Shareholders' funds | £49.8m | £68.2m | £61.1m | £62.0m | **£55.2m** |
| Net asset value per share | 180.3p | 246.8p | 221.1p | 237.2p | **227.4p** |
| Share price | 171.0p | 210.0p | 200.5p | 220.3p | **212.5p** |
| Discount of share price to net asset value per share | 5.2% | 14.9% | 9.3% | 7.1% | **6.6%** |
| Dow Jones World Technology Index (sterling adjusted,calculated on a total return basis) | 185.6 | 214.6 | 195.8 | 235.4 | **231.8** |

*During the year ended 30 November 2006, a total of 1,875,000 shares were repurchased and cancelled at a total cost of £4,088,000.

## PERFORMANCE GRAPH




The Dow Jones World Technology Index (sterling adjusted, calculated on a total return basis) was adopted as the Company's benchmark on 1 December 2005.
Source: Close Investments Limited

# CHAIRMAN'S STATEMENT

## Performance

In the year to 30 November 2006 the Company's net asset value per share declined by 4.1% from 237.2p to 227.4p. This compared with a fall of 1.5% in the Company's benchmark, the Dow Jones World Technology Index, which is measured in sterling terms and on a total return basis. In the same period, the Company's share price fell by 3.5% from 220.3p to 212.5p. The discount to net asset value per share narrowed from 7.1% to 6.6%.

The decline in net asset value per share is disappointing. During the year, the Company's North American portfolio performed well and, even after adjusting for a 13.7% fall in the value of the US dollar against sterling, produced a significant gain. This was more than offset, however, by a fall in the value of investments held in the UK, Continental Europe, Israel and the Pacific Rim. A detailed commentary on the performance of the investment portfolio is contained in the Investment Manager's review on pages 6 and 7.

## Results and Dividend

The total loss per share for the year was 10.1p (2005: return of 15.1p per share). This was made up of a revenue loss of 3.5p per share (2005: loss of 4.5p per share) and a capital loss of 6.6p per share (2005: return of 19.6p per share).

The investments in the Company's investment portfolio typically provide a very low yield. No dividend has been declared in respect of the year ended 30 November 2006 (2005: nil) and it is unlikely that a dividend will be paid for the foreseeable future.

## Manager, Company Secretary and Investment Manager

Following a recent programme of reorganisation within the asset management division of the Close Brothers Group, Close Investments Limited ("CIL") became both the Company's Manager and Company Secretary and also its Investment Manager.

In October 2006, the Board learned that Michael Bourne, who had managed the investment portfolio since the Company's inception had decided to leave CIL and would cease to have principal responsibility for managing the investment portfolio with effect from 1 January 2007. I would like to thank Michael for his dedication and hard work over the past eleven years and to wish him every success in his future ventures.

On 1 November 2006, your Board announced that, in light of Michael's departure it was reviewing the Company's investment management and administration arrangements. This work has now been completed and it has been decided that RCM (UK) Limited ("RCM"), part of the Allianz Group, will replace CIL as the Company's Manager and Investment Manager. The decision to appoint RCM was based upon the performance of their US based technology team over the past ten years, the level of experience of the RCM technology team who have participated in the different technology investment cycles over the past decades and RCM's depth of expertise in the management and servicing of investment trust clients.

RCM, the new Manager, has assets under management of £77.6 billion including $2.62 billion in global technology mandates and £1.3 billion assets under management in a range of investment trusts (all figures as at 31 December 2006).

Walter Price and Huachen Chen are the co-lead portfolio managers of the RCM global technology team and will jointly manage the Company's investment portfolio. Walter Price joined RCM in 1974 and has been managing technology portfolios since 1985. He holds a BS (Hons) in electrical engineering from M.I.T. and an MS in management from the Sloan School at M.I.T. Huachen Chen holds a BS in Materials Science and Engineering from Cornel University, an MS in the same subject from Northwestern University and an MBA from University of California, Berkeley. He joined RCM in 1984 and has managed technology portfolios with Walter Price since 1990. Walter and Huachen are based in San Francisco and are supported by two portfolio analysts as well as five US technology analysts, three technology analysts based in Europe and one based in Asia. In addition they are able to draw upon the resources of the RCM Global Economic Policy unit and other RCM sector analysts.

It is anticipated that the new Manager will take over the management of the Company in April on terms that are substantially similar to those which currently apply. RCM will charge an investment management fee of 1.0% per annum calculated in relation to the Company's market capitalisation. A performance fee will also be payable to RCM where they out-perform the Company's benchmark index, but this will be paid annually (rather than triennially). It will continue to be subject to high water mark provisions. In addition to the investment management

## CHAIRMAN'S STATEMENT (continued)

fee, a company secretarial fee of £50,000 will be payable annually to RCM. The notice period in relation to the investment management of the Company will be 12 months (as currently) following an initial 2 year period.

### Investment objective and policy

The Company's investment objective and policy – investing principally in the equity securities of quoted technology companies on a worldwide basis – will remain unchanged. However it is expected that when the new manager assumes responsibility for the Company's portfolio, it will be rebalanced to reflect RCM's views on current markets, trends and investment opportunities. At present this would result in a significantly higher weighting in larger capitalisation securities and a reduced allocation to the UK and Europe.

### Change of name

The Board intends that the Company's name should be changed to 'RCM Technology Trust PLC' and will put such a resolution to shareholders at the Company's Annual General Meeting.

### Costs

The Company will shortly serve notice to terminate its contract with CIL, the current manager. Under a prior agreement, this notice will be deemed to have been served on 24 October 2006. The Board is in discussions with CIL regarding termination arrangements and will seek to minimise the costs of termination, including portfolio realignment costs.

### Board of Directors

I am pleased to welcome Richard Holway to the Board as an independent non-executive Director. Richard has been involved in the UK IT services sector for 40 years and is considered by many to be one of the UK's leading analysts in the sector. He brings a wealth of experience that will be valuable to the Board and will inform our views on many aspects of the technology marketplace.

### Discount Management Policy, Buy Back Authority and Treasury

In November last year, the Company adopted a discount management policy whereby consideration is given to buying back shares, for cancellation, at prices representing a discount greater than 7.0% to net asset value per share, if there is demand in the market for it to do so. During the year, a total of 1,875,000 shares were repurchased and cancelled at a total cost of £4,088,000 and between the year-end and 9 March 2007 a further 346,500 shares have been purchased at a cost of £766,000.

In the event that the Company buys back the maximum permitted amount of 14.99% of its issued ordinary share capital the Board will seek shareholder approval to renew this authority. The making and timing of any share buy backs will be at the absolute discretion of the Board, who will closely monitor the effect of the discount management policy and will review the Company's future if it deems that the effect of the policy would be to reduce the Company's market capitalisation to the detriment of shareholders.

### Outlook

Your Board believes that significant opportunities for profitable investment will arise in the future from companies that are able to apply innovation so as to replace existing technology or radically to change products and services and the ways in which they are supplied to customers. Your Board believes that the appointment of RCM will be the beginning of an exciting new phase of development, which will position the Company to take advantage of such opportunities.

### Annual General Meeting

The Annual General Meeting will be held at The City of London Club, 19 Old Broad Street, London EC2N 1DS, on Tuesday, 10 April 2007 at 12 noon. I hope that as many shareholders as possible will attend the meeting.

**David Quysner**
*Chairman*

12 March 2007

# INVESTMENT MANAGER'S REVIEW BY CLOSE INVESTMENTS LIMITED

*Michael Bourne BA, A.C.A*

Michael Bourne, aged 48, founded Reabourne Technology Investment Management Limited ("Reabourne") in 1995. He was formerly a Director of Henderson Investment Management, a division of Henderson Administration Group Plc. From 1988 to 1992 Michael was the fund manager of Prolific Technology Unit Trust which won Micropal awards in 1991 and 1992. Michael oversaw the investment process for Reabourne products, which have won multiple awards, and subsequently the technology funds managed by Close Investments. In December, 2006 he, however, decided to pursue new challenges outside of Close Investments.

The year under review was frustrating in that many portfolio companies made good progress, but this was not reflected in their share prices. After a promising start to the year, the technology sector pulled back with the Dow Jones World Technology Index (sterling adjusted, calculated on a total return basis) falling by 1.5%, although the return would have been positive (it rose by 11.9% in US dollar terms) had it not been for the weakness in the dollar. European technology shares and in particular the smaller capitalisation ones, where we are overweight, underperformed the benchmark significantly. During the period the net asset value per share fell by 4.1%.

## Sector Overview

The year started well with business conditions strong. Unfortunately tensions in the Middle East and the subsequent rise in oil prices led to inflationary pressures, rising interest rates and slower growth in many of the world's economies. This resulted in a sharp pullback in the sector in the middle of the year, which was not helped by numerous investigations into the granting of stock options. This was particularly disappointing, as smaller technology companies which have been the focus of the portfolio had been beginning to perform better. Business conditions continued to weaken towards the end of the year, but the sector performed better in the seasonally strong fourth quarter, as investors anticipated better times. Larger capitalisation shares outperformed during this period, as is normal in the early stages of a recovery from a setback.

Most segments of technology, other than telecommunications equipment experienced reasonable growth, although in some sub sectors this was slower than might have been expected due to delays caused by the late shipping of Microsoft's new operating system (Vista), the late launch of Sony's Playstation 3, and consolidation in the US telecommunications sector. Mobile phone shipments exceeded original expectations, although the mix was different than anticipated with high end next generation phones selling worse than expected, while the low end of the market was particularly strong. There was a good recovery in spending on network infrastructure, although telecommunications expenditure was delayed due to a consolidation of some major US telephone companies as well as some delayed expenditure in certain Asian countries. The mass roll out of internet protocol television (IPTV) was also pushed back. The overall demand for electronics was healthy, and consumer expenditure has appeared to be fairly resilient, although there was a reduction in inventory of semiconductors later in the year as the growth rates of their customers slowed. Many areas of software have now matured and the participants experienced steady rather than spectacular growth, although many of the shares performed strongly as there were a number of takeovers in this field. The utilisation of the internet continued to expand with a number of stocks in the sector benefitting; in particular Google continued to gain market share and has become something of a cult stock.

## The Portfolio

The portfolio continues to be predominantly in the US and Europe.

The largest positive contribution came from the fund's holding in **Akamai** whose content delivery network benefited from the increasing demand for digital media such as music being downloaded on the internet. Shares in **Atheros Communications** performed strongly driven by new product launches as well as the increasing demand for their wireless technologies. Two shares which had underperformed in prior periods performed strongly as **Applied Films** was acquired and **ASM International** shares advanced in anticipation that the group would be restructured, highlighting the inherent value in the business.

## INVESTMENT MANAGER'S REVIEW (continued)

In general the US portfolio performed well during the year, with only **Windriver Systems** producing a material loss. This was caused by some volatile earnings as the company transitioned to a new business model where sales are recognised over a longer time frame. There was also a softening in business with their telecommunications customers.

**Imagination Technologies** was the standout European performer as Intel made an investment in the company and their royalties grew strongly. Shares in **Melexis** also moved ahead as the company saw increased demand for electronics in cars as well as successfully diversifying its sales outside the car industry.

The smaller capitalisation part of the European market continued to be difficult, although this was more as a result of the illiquidity in the market and forced selling by certain investors, than the performance of the underlying businesses. An example of this was **Superscape**, whose share price fell despite two profit upgrades, improved results and the launch of numerous games.

However, there were some specific disappointments which in the main, in our opinion, are of temporary significance. Shares in **Amino Technologies** performed poorly due to weaker than expected results caused by the delay in the adoption of IPTV as well as their failure to penetrate any tier one telephone companies. Shares in **Photo-Me** were weak because of a delay in the roll out of their new mini labs as well as disappointment at the decision not to sell the company. The share price of **Synchronica** fell on disappointing results and that of **Micronic Laser** was weak as a result of a cyclical downturn in capital expenditure in flat panel displays.

### Outlook

We are in a period of economic uncertainty where there are certain inflationary pressures caused by increasing demands on the world's resources and early signs of rising labour costs in some low cost countries as a result of the substantial increase in work that has been outsourced to these regions. The upshot of this has been higher interest rates in many developed countries, which has meant that there has been some moderation in economic growth. Given these trends, the need to use technology as an efficiency driver and a product differentiator is likely to become more important. While the rate of growth of the technology industry will inevitably slow in harder economic times, the potential for outperformance of world economic growth should increase and in a low growth world, we anticipate that it should attract an increase in investor interest.

The technology industry is also entering a phase where there is an increasing need to replace products that were sold in the bubble years and which have now become sub optimal and there are likely to be significant sales of recently introduced products. After years of toil, Microsoft's Vista operating system has been launched and this should create new opportunities for both software and hardware vendors. Telecommunication networks have become dated and capital expenditure should increase from the depressed levels of recent years. The mass adoption of such services as digital TV and video conferencing should also ensure that there are increasing amounts of data that have to be managed, secured transmitted and stored. New services such as digital TV and IPTV are nearing prime time and the mobile applications are close to being useful. Technology also has a key role to play in driving better and renewable energy utilisation.

This is the eleventh and last annual report that I will be writing for the Company and over its history we have seen periods of feast and famine. I am greatly appreciative of the support that you have given me over the years and am pleased that over its life the Company has outperformed both global equity markets and the benchmark. I am also aware that recent periods have been more difficult and apologise to those who have born the brunt of this.

**Michael Bourne**
**Close Investments Limited,** *Manager and Investment Manager*
12 March 2007

# INVESTMENT PORTFOLIO

As at 30 November 2006

## Ten Largest Investments

| Security | Sector | Country | 2006 Fair Value* £'000 | 2006 % of Portfolio | 2005 Fair Value £'000 | 2005 % of Portfolio |
|---|---|---|---|---|---|---|
| Mamut | Software | Norway | 2,095 | 3.8 | 2,282 | 3.7 |
| Imagination Technologies | Electronics | United Kingdom | 2,066 | 3.8 | 1,507 | 2.4 |
| Cisco Systems | Communications | United States | 1,791 | 3.2 | 1,328 | 2.2 |
| LBI International (previously Framfab) | Internet | Sweden | 1,701 | 3.1 | 1,755 | 2.9 |
| Parametric Technology | Design | United States | 1,506 | 2.7 | 1,236 | 2.0 |
| ASM International | Semiconductors | Netherlands | 1,450 | 2.6 | 1,630 | 2.6 |
| Verisign | Internet | United States | 1,435 | 2.6 | 1,390 | 2.3 |
| Photo-Me International | Hardware | United Kingdom | 1,361 | 2.5 | 1,757 | 2.9 |
| Melexis | Semiconductors | Belgium | 1,359 | 2.5 | 976 | 1.6 |
| Altera Corporation | Semiconductors | United States | 1,339 | 2.4 | 981 | 1.6 |
| **Total** | | | **16,103** | **29.2** | **14,842** | **24.2** |

*Quoted investments valued at bid valuation. As at 30 November 2005 quoted investments were valued using mid market prices (see note 1c).

## Balance of Investment Portfolio

| Security | Sector | Country | 2006 Fair Value £'000 | 2006 % of Portfolio |
|---|---|---|---|---|
| Check Point Software | Software | Israel | 1,281 | 2.3 |
| Superscape Group | Software | United Kingdom | 1,266 | 2.3 |
| Sonicwall | Hardware | United States | 1,166 | 2.1 |
| Skyworks Solutions | Communications | United States | 1,146 | 2.1 |
| Vanco | Communications | United Kingdom | 1,143 | 2.1 |
| Infovista | Software | France | 1,106 | 2.0 |
| 24/7 Real Media | Internet | United States | 1,077 | 2.0 |
| Akamai Technologies | Internet | United States | 1,023 | 1.9 |
| Cognos | Software | Canada | 1,014 | 1.8 |
| Macrovision | Software | United States | 997 | 1.8 |
| **Top 20 investments** | | | **27,322** | **49.6** |
| Tandberg Television | Communications | Norway | 987 | 1.8 |
| Spansion Inc | Semiconductors | United States | 955 | 1.7 |
| DMX Technologies | Software | Singapore | 917 | 1.7 |
| Windriver Systems | Design | United States | 904 | 1.6 |
| Trident Microsystems | Semiconductors | United States | 892 | 1.6 |
| Red Hat | Software | United States | 887 | 1.6 |
| Vishay Intertechnology | Components | United States | 855 | 1.6 |
| Integrated Device Technology | Semiconductors | United States | 832 | 1.5 |
| DSP Group | Semiconductors | United States | 823 | 1.5 |
| Orbotech | Hardware | Israel | 819 | 1.5 |
| **Top 30 investments** | | | **36,193** | **65.7** |

## INVESTMENTS (continued)

As at 30 November 2006

| Security | Sector | Country | 2006 Fair Value £'000 | 2006 % of Portfolio |
|---|---|---|---|---|
| Dicom Group | Hardware | United Kingdom | 814 | 1.5 |
| Atheros Communications | Communications | United States | 799 | 1.5 |
| Micronic Laser Systems | Semiconductors | Sweden | 798 | 1.4 |
| Ark Therapeutics | Biotechnology | United Kingdom | 788 | 1.4 |
| Ariba Inc | Software | United States | 767 | 1.4 |
| Yahoo ! | Internet | United States | 765 | 1.4 |
| Pervasive Software | Software | United States | 745 | 1.3 |
| Gresham Computing | Software | United Kingdom | 737 | 1.3 |
| Extreme Networks | Communications | United States | 706 | 1.3 |
| Retalix | Software | Israel | 696 | 1.3 |
| **Top 40 investments** | | | **43,808** | **79.5** |
| Powerdsine | Semiconductors | Israel | 692 | 1.3 |
| Manpower Software+ | Software | United Kingdom | 634 | 1.2 |
| Plusnet+ | Internet | United Kingdom | 597 | 1.1 |
| Zilog | Semiconductors | United States | 583 | 1.1 |
| Portrait Software+ | Software | United Kingdom | 552 | 1.0 |
| Wolfson Microelectronics | Semiconductors | United Kingdom | 549 | 1.0 |
| Occam Networks | Communications | United States | 534 | 1.0 |
| On Track Innovations | Hardware | Israel | 525 | 0.9 |
| UK Treasury 8.5% 16/7/07 | Fixed Interest | United Kingdom | 510 | 0.9 |
| Intelligent Environments+ | Software | United Kingdom | 456 | 0.8 |
| **Top 50 investments** | | | **49,440** | **89.8** |
| Redstone+ | Communications | United Kingdom | 448 | 0.8 |
| @Road Inc | Hardware | United States | 428 | 0.8 |
| TTI Team Telecom (Pref)* | Software | Israel | 425 | 0.8 |
| Norman | Software | Norway | 421 | 0.8 |
| Amcom Telecommunications | Telecom | Australia | 402 | 0.7 |
| Microdose Technologies* | Biotechnology | United States | 382 | 0.7 |
| Bede | Semiconductors | United Kingdom | 363 | 0.7 |
| Allot Communications | Communications | Israel | 359 | 0.6 |
| Trolltech | Software | Norway | 347 | 0.6 |
| Petards Group+ | Hardware | United Kingdom | 332 | 0.6 |
| **Top 60 investments** | | | **53,347** | **96.9** |
| Stockeryale Inc | Communications | United States | 297 | 0.5 |
| Synchronica+ | Software | United Kingdom | 285 | 0.5 |
| Ubiquity Software+ | Software | United Kingdom | 274 | 0.5 |
| Amino Technologies+ | Communications | United Kingdom | 254 | 0.5 |
| Stepstone | Internet | Norway | 211 | 0.4 |
| Torex Retail+ | Software | United Kingdom | 176 | 0.3 |
| Innovision Research & Technology+ | Semiconductors | United Kingdom | 123 | 0.2 |
| Cyprotex Plc+ | Biotechnology | United Kingdom | 96 | 0.2 |
| Insignia Solutions | Software | United Kingdom | 9 | – |
| Autron Corp Warrants 04/06/07 | Hardware | Australia | 1 | – |
| **Total investments** | | | **55,073** | **100.0** |

+Stocks quoted on AIM (Alternative Investment Market)
*Unquoted investment

# PORTFOLIO ANALYSIS

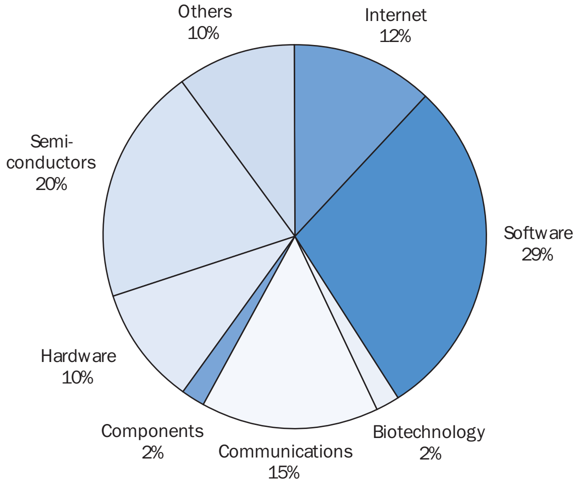
as at 30 November 2006

| | £'000 | % |
|---|---|---|
| Listed on a recognised stock exchange | 49,528 | 89.9 |
| Listed on AIM | 4,227 | 7.7 |
| Unquoted (including preference shares) | 807 | 1.5 |
| Gilts | 510 | 0.9 |
| Warrants | 1 | – |
| **Total investments** | **55,073** | **100.0** |

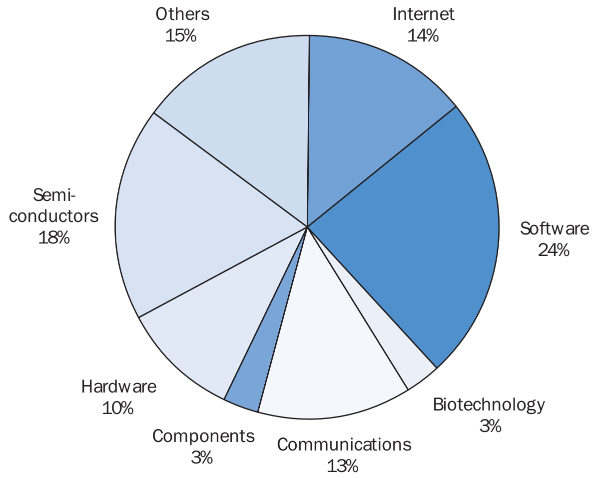
# SECTOR AND GEOGRAPHIC ANALYSIS OF PORTFOLIO

## Sector Analysis

### 2006

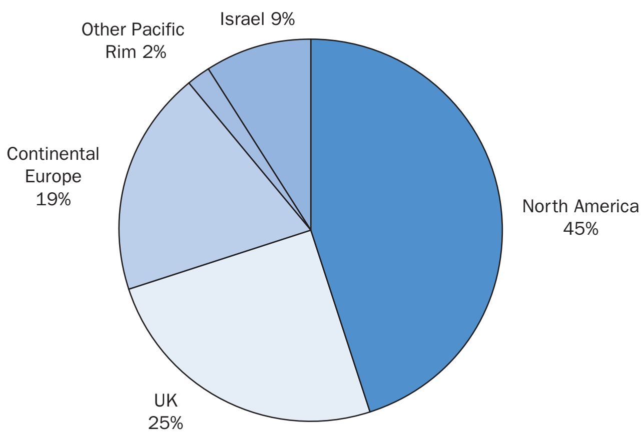



### 2005

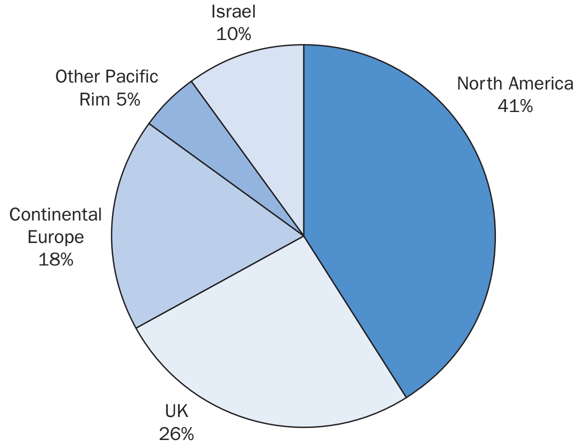



## Geographic Analysis

### 2006




### 2005



# REPORT OF THE DIRECTORS
## incorporating the Business Review

The Directors present their report and the financial statements for the year ended 30 November 2006.

### Status and Activities

The Company is an investment trust company and a member of The Association of Investment Companies (formerly The Association of Investment Trust Companies).

During the year under review the Company has continued to conduct its affairs so as to qualify as an investment company, as defined under Section 266 of the Companies Act 1985, and an investment trust within the meaning of Section 842 of the Income and Corporation Taxes Act 1988. HM Revenue & Customs approval of the Company's status as an investment trust has been received for all years up to and including the year ended 30 November 2005. This is however subject to review should there be any enquiry under Corporation Tax Self Assessment. The Directors are of the opinion that the Company has subsequently directed its affairs so as to enable it to continue to obtain HM Revenue & Customs approval as an investment trust.

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company.

There has been no significant change in the activities of the Company during the year and the Directors anticipate that the Company will continue to operate in the same manner during the current year.

The Company currently manages its affairs so as to be a fully qualifying investment trust under the Individual Savings Account (ISA) rules. As a result, under current UK legislation, the shares qualify for investment via the stocks and shares component of an ISA up to the full annual subscription limit (currently £7,000 in each tax year up to and including 5 April 2010 for maxi-account ISAs and £4,000 for mini-account ISAs). The Company's shares are fully qualifying for inclusion in an existing general PEP. It is the present intention that the Company will conduct its affairs so as to continue to qualify for ISA and PEP products.

### Investment Objective

The Company invests principally in the equity securities of quoted technology companies on a worldwide basis with the aim of achieving long-term capital growth. This will remain unchanged following the appointment of the new Manager.

### Investment Philosophy

The two cornerstones of CIL's investment approach have been selective stock-picking and early stage investment. The new Manager, RCM (UK) Limited, will focus on larger capitalisation securities.

### Gearing

The Company has a £5,000,000 unsecured borrowing facility with Allied Irish Banks plc. At the year-end the facility was not used.

### Performance

The Board is aware that it is its share price performance that is most important to the Company's shareholders. Share price performance is of course closely linked to the performance of the Company's net asset value which is the responsibility of the Investment Manager. The Investment Manager's objective is to seek long term capital growth through investment principally in the equity securities of quoted technology companies on a worldwide basis.

The Portfolio comprises investments from a wide geographical and sectoral spectrum. Performance is measured against the Dow Jones World Technology Index (sterling adjusted, calculated on a total return basis) (the "Benchmark").

Over the year to 30 November 2006, the net asset value per share fell by 4.1%, compared with a fall of 1.5% in the Benchmark.

The Company's performance may be analysed as follows:

| Regional Selection Performance | Stock Performance Contribution† £ | Fund Weight (%) | Index Weight (%) | Relative Weight (%) |
|---|---|---|---|---|
| North America | +4,083,989 | 44.8 | 70.5 | –25.7 |
| United Kingdom | –2,851,079 | 25.1 | 0.9 | +24.2 |
| Continental Europe | –265,302 | 19.0 | 10.5 | +8.5 |
| Japan | – | – | 7.3 | –7.3 |
| Israel | –1,545,768 | 8.7 | – | +8.7 |
| Other Pacific Rim | –1,220,909 | 2.4 | 10.8 | –8.4 |
| | **–1,799,069** | **100.0** | **100.0** | **0.0** |

| Sector Contribution to Performance | Stock Performance Contribution† £ | Fund Weight (%) | Index Weight (%) | Relative Weight (%) |
|---|---|---|---|---|
| Biotechnology | –296,343 | 2.3 | – | +2.3 |
| Communications | –184,128 | 15.4 | – | +15.4 |
| Components | +287,136 | 1.5 | – | +1.5 |
| Design | –205,138 | 4.4 | – | +4.4 |
| Electronics | –644,164 | 3.8 | 4.0 | –0.2 |
| Hardware | –461,038 | 9.9 | 17.4 | –7.5 |
| Internet | +1,455,478 | 12.4 | 6.1 | +6.3 |
| Others | –311,096 | 0.9 | – | +0.9 |
| Semiconductor | +539,242 | 19.5 | 23.7 | –4.2 |
| Software | –1,667,354 | 29.2 | 19.2 | +10.0 |
| Telecom | –311,664 | 0.7 | 20.8 | –20.1 |
| Computer Services | – | – | 8.8 | –8.8 |
| | **–1,799,069** | **100.0** | **100.0** | **0.0** |

† Figures have been calculated using the share price movements in the period and do not include any realised profits or losses incurred on disposal.

The above tables show the regional/sector contribution to returns. These show that the best performing region within the Portfolio was North America, where the Company was underweight the index, and the best performing sectors were the Internet, where the Company had an overweight position, and Semiconductors where the Company was underweight the index. The Company's overweight positions in the UK and Israel hurt performance as did the overweight position in the Software sector and the neutral position in the Electronics sector.

**The top and bottom five contributors to performance over the year to 30 November 2006 were as follows:**

| Top Five Contributors | No of shares held as at 30 November 2006 | Investment value £'000s | Contribution for year £'000s | Contribution per share (pence)* |
|---|---|---|---|---|
| Akamai Technologies | 41,240 | 1,023 | +1,234 | +4.9 |
| Atheros Communications | 69,300 | 799 | +975 | +3.9 |
| Imagination Technologies | 2,107,900 | 2,066 | +559 | +2.2 |
| Applied Films | – | – | +494 | +2.0 |
| ASM International | 135,400 | 1,450 | +479 | +1.9 |
| | | | | **+14.9** |
| **Bottom Five Contributors** | | | | |
| Enter Tech | – | – | –1,203 | –4.8 |
| On Track Innovations | 159,002 | 525 | –640 | –2.6 |
| Retalix | 81,000 | 696 | –469 | –1.9 |
| Micronic Laser Systems | 157,900 | 798 | –454 | –1.8 |
| Windriver Systems | 166,000 | 904 | –414 | –1.7 |
| | | | | **–12.8** |

* based on 25,005,709 Ordinary shares, being the weighted average number of shares in issue for the year to 30 November 2006

# REPORT OF THE DIRECTORS
## incorporating the Business Review (continued)

Over the longer term, over three, five and ten years to 30 November 2006, the net asset value per share has performed as follows compared to the benchmark index:

| | Company NAV (%) | Benchmark (%) |
|---|---|---|
| 3 Years | –7.9 | +8.0 |
| 5 Years | –29.7 | –18.1 |
| 10 Years | +111.7 | +55.0 |

The Directors also monitor the level of discount of share price to net asset value per share. Over the year to 30 November 2006, the mid-market price of the Company's shares fell by 3.5%, with the discount narrowing from 7.1% to 6.6%. As part of its discount management policy, the Company is prepared to buy-back shares, for cancellation or to be held in treasury, at prices representing a discount greater that 7.0% to net asset value, where there is demand in the market for it to do so.

## Key Performance Indicators

The Board assesses its performance in meeting the Company's objective against the following Key Performance Indicators (KPI):

- Net asset value per share total return
- Share price total return
- Stock contribution analysis
- Premium/discount of share price to net asset value analysis
- Total expense ratio
- Benchmark and peer group performance
- Fund in/outflows of the retail investment wrapper products managed by the Manager

As indicated, the management of the investment portfolio and the management of the administration services has been delegated by the Board to Close Investments Limited.

## Principal Risks and Uncertainties

The Company's assets consist principally of listed equities; its main area of risk therefore is market-related. The specific key risks faced by the Company, together with the Board's mitigation approach, are as follows:

*Objective and Strategy – The Company and its Investment Objective become unattractive to investors*

The Board reviews periodically the investment mandate and the long-term investment approach in relation to market and economic conditions, and the operation of the Company's peers, thereby monitoring whether the Company's strategy remains optimal.

*Level of discount/premium – Share price performance lags NAV performance*

The Board undertakes a regular review of the level of discount/premium and consideration is given to ways in which share price performance may be enhanced, including the effectiveness of marketing. The Board has implemented a discount control mechanism which endeavours to establish a maximum level of 7.0% discount of share price to net asset value per share. In the event of shares being re-purchased by the Company, such shares will be cancelled.

*Market Price Risk*

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Company might suffer through holding investments in the face of price falls.

The Board meets on at least a quarterly basis during the year. At each meeting they consider the asset allocation of the portfolio in order to monitor the risk associated with particular countries or sectors. The Investment Manager has responsibility for selecting investments in accordance with the Company's investment objective and seeks to ensure that individual stocks meet an acceptable risk-reward profile.

The Company does not currently take short positions or otherwise hedge market price risk.

# REPORT OF THE DIRECTORS
## incorporating the Business Review (continued)

*Liquidity Risk – The ability to meet funding requirements when they arise.*
The Investment Manager has constructed the investment portfolio so that funds can be raised at short notice if required.

*Currency Risk – Movements in exchange rates could adversely affect the performance of the investment portfolio.*
A significant proportion of the Company's assets are, and will continue to be, invested in securities denominated in foreign currencies, in particular US dollars. As the Company's shares are denominated and trade in sterling, the return to shareholders will be affected by changes in the value of sterling relative to those foreign currencies. The Board has made clear the Company's policy with regard to currency fluctuations which is that it does not currently hedge against currency exposure.

*Credit Risk*
The Company's principal financial assets are bank balances, debtors and investments, which represent the Company's maximum exposure to credit risk in relation to financial assets. The credit risk on bank balances is minimal because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The Company has no significant concentration of credit risk, with exposure spread over a large number of investments and counterparties.

*Interest Rate Risk*
The Company currently finances its operations through its ordinary share capital and reserves, and there are no significant interest bearing liabilities. At the year-end, the Company held £510,000 of UK Treasury 8.5% 16/7/07. This type of investment is directly exposed to movements in its fair value arising from changes in interest rates. These risks are managed alongside market price risk as described above.

*Portfolio Performance – Investment performance may not be meeting the investment objective or shareholder requirements*
The Board reviews regularly investment performance against the benchmark and against the peer group. The Board also receives ad hoc reports that show an analysis of performance compared with other relevant indices. The Investment Manager provides an explanation of stock selection decisions and an overall rationale for the make-up of the portfolio. The Investment Manager discusses current and potential investment holdings with the Board on a regular basis in addition to new initiatives, which may enhance shareholder return.

*Operational and Regulatory – Compliance with s842, Income and Corporation Taxes Act 1988*
A breach of s842 could lead to the Company being subject to capital gains tax on the sale of its investments, whilst serious breach of other regulatory rules may lead to suspension from the Stock Exchange or to a qualified Audit Report. Other control failures, either by the Manager, the Investment Manager or any other of the Company's service providers, may result in operational and/or reputational problems, erroneous disclosures or loss of assets through fraud, as well as breaches of regulations.

The Manager reviews the level of compliance with s842 and other financial regulatory requirements on a daily basis. All transactions, income and expenditure forecasts are reported to the Board. The Board regularly considers all risks, the measures in place to control them and the possibility of any other risks that could arise. The Board ensures that satisfactory assurances are received from service providers. The Manager's Compliance Officer produces regular reports for review at the Company's Audit Committee and is available to attend meetings in person if required.

## Changes in Accounting Policies – UK GAAP

The financial statements of the Company have been prepared in accordance with UK GAAP, the rules of which have recently changed. In order to fully comply with the rules and, in accordance with the provisions of Financial Reporting Standard 26, Financial instruments: Recognition and Measurement ('FRS 26'), the Company has changed its accounting policy for the valuation of investments. This change in policy and the associated impact on the results of the Company are referred to in the notes to the Financial Statements on pages 36 to 38. As permitted by FRS 26, comparatives have not been restated for the change in basis of valuation from mid to bid.

# REPORT OF THE DIRECTORS
## incorporating the Business Review (continued)

### Results and Dividends

The results attributable to shareholders for the year and the transfer from reserves are shown on page 32. No dividend is proposed in respect of the year ended 30 November 2006 (2005: Nil).

### Fixed Asset Investments

The market value of the Company's investments, at 30 November 2006 was £55.1m (2005: £61.7m) showing an unrealised loss of £10.9m (2005: unrealised loss of £5.0m) over book cost. Taking these investments at this valuation, the net assets attributable to each Ordinary share amounted to 227.4p at 30 November 2006 (2005: 237.2p).

### Management – Existing Arrangements

Management, Administrative and Secretarial Services Agreement:

During the year, Management and administrative, secretarial and other services were provided to the Company by Close Finsbury Asset Management Limited. Subsequent to the year-end, however, following a programme of restructuring within Close Investments, Close Investments Limited now acts as both the Company's Manager and Company Secretary on the same terms as Close Finsbury Asset Management Limited, from whom the contract was novated on 7 February 2007. Both Close Finsbury Asset Management Limited and Close Investments Limited are wholly owned subsidiaries of Close Brothers Group plc. Close Investments Limited is authorised and regulated by the Financial Services Authority.

The Management, Administrative and Secretarial Services Agreement may be terminated by either party giving notice of not less than 12 months.

The Manager, under the terms of the Agreement provides inter alia the following services:

- all usual and necessary services of a manager of an investment trust company including such management, accounting, administrative, consultancy, advisory, company secretarial and general management services to enable the Company to comply with the requirements of the Companies Act and any other applicable legislation and regulations (including the Listing Rules published by the UKLA) and otherwise as may be agreed between the Manager and the Company from time to time;
- advice to the Board generally in relation to trends in the investment trust sector, and such other corporate, financial, legal, regulatory, accounting and other issues as are likely to affect the policies or strategies of the Company;
- promoting the Company in the secondary market and through such savings plans, PEP, ISA and other plans and wrappers, conducting other marketing, promotional and corporate activities, with a view in particular to reducing or eliminating any discount between share price and net asset value per share at which the Company's shares trade in the market and enabling the Company to raise further funds through the issue of new shares or other securities, all such services as agreed with the Board from time to time;
- administrative services to such extent and from such dates as the Board may determine;
- maintaining adequate books of account and record in respect of Company dealing, investments, transactions, dividends and other income, the revenue account, balance sheet and cash books and statements;
- preparing and despatching the audited annual and unaudited interim report and accounts; and
- attending to general tax affairs where necessary.

### Investment Management Agreement:

During the year, Investment Management services were provided by Reabourne Technology Investment Management Limited, a wholly owned subsidiary company of Close Brothers Group plc. Subsequent to the year-end, however, following a programme of reorganisation within the asset management division of the Close Brothers Group, Close Investments Limited now acts as Investment Manager on the same terms as Reabourne

# REPORT OF THE DIRECTORS
## incorporating the Business Review (continued)

Technology Investment Management Limited, from whom the contract was novated on 7 February 2007. The Investment Management Agreement may be terminated by either party giving notice of not less than 12 months. The Investment Manager under the terms of the Agreement provides inter alia the following services:

- seeking out and evaluating investment opportunities;
- recommending the manner by which monies should be invested, disinvested, retained or realised;
- advising on how rights conferred by the investments should be exercised;
- analysing the performance of investments made; and
- advising the Board in relation to trends, market movements and other matters which may affect the investment policy of the Company.

### Periodic Fee:

A periodic fee calculated monthly and payable in arrears at the rate of 1.0% per annum of the market capitalisation, calculated by reference to the market capitalisation on the last business day in that month.

### Performance Fee:

The Manager and Investment Manager are also entitled to a performance fee. The calculation of such performance fee was changed with effect from 1 December 2005 to be equal to 20% of the lower of the amount by which the net asset value exceeds (i) indexed net asset value and (ii) the highest net asset value on any previous calculation date in respect of which a performance fee has been paid or, if no performance fee has been paid under the agreement dated 16 December 2005, the net asset value on 30 November 2005, multiplied by the weighted average number of shares in the Company in issue in the period from the preceding date to that calculation date. Under the agreement, the first performance fee calculation date is 30 November 2008 and then every three years thereafter at dates to which the Company makes up audited accounts. In the event that a performance fee does not become payable at a performance fee calculation date, the performance fee period is extended by three years until such time as a performance fee becomes payable under the agreement or at the date of termination of the agreement. No performance fee was payable, or was accrued for, for the year ended 30 November 2006 (2005: nil).

### Secretarial Fee:

From 1 June 2006, the Manager, as Company Secretary, receives a fee for administrative and secretarial services of £55,000 per annum. Such fee is subject to an annual increase on 1 June each year equivalent to any increase in the retail price index.

Details of the fees payable to the Manager and Investment Manager under the agreements referred to above can be found in note 3 on page 39.

### Continuing Appointment of the Manager and Investment Manager:

During the year, in accordance with the Listing Rules published by the Financial Services Authority, the Board reviewed the performance of the Manager, the Investment Manager, and Company Secretary. The review considered the Company's investment performance over both the short and longer terms, together with the quality and adequacy of other services provided. The Board also reviewed the appropriateness of the terms of the Management Agreement, in particular the length of notice period and the management fee structure.

The Board was satisfied that CIL could provide appropriate management, investment management and company secretarial services to the Company. However, following the recent programme of reorganisation within the asset management division of the Close Brothers Group and the departure of Michael Bourne, who had managed the Company's investment portfolio since its inception, the Board decided to undertake a full review of its management and administration arrangements. This review, which was undertaken with the help of the Company's broker, has now been completed and it has been decided that RCM (UK) Limited ("RCM"), part of the Allianz Group, will replace CIL as the Company's Manager and Investment Manager.

# REPORT OF THE DIRECTORS
## incorporating the Business Review (continued)

### Management – New Arrangements

It is anticipated that the new Manager will take over the management of the Company in April on terms that are substantially similar to those which currently apply. RCM will charge an investment management fee of 1.0% per annum calculated in relation to the Company's market capitalisation (rather than on NAV). A performance fee will also be payable to RCM where they out-perform the Company's benchmark index, the Dow Jones World Technology Index (sterling adjusted on a total return basis) but this will be paid annually (rather than triennially). It will continue to be subject to high water mark provisions. In addition to the investment management fee, a company secretarial fee of £50,000 will be payable annually to RCM. The notice period in relation to the investment management of the Company will be 12 months (as currently) following an initial 2 year period.

### Directors

The Directors of the Company, all of whom are non-executive, all served throughout the year, except where stated, and are as follows:

David Quysner (Chairman)
John Cornish
Paul Gaunt
Richard Holway (appointed 29 January 2007)
Dr Chris Martin
Dr David Potter (retired 6 April 2006)
Anthony Townsend

Information in relation to each Director (other than Dr Potter) can be found on page 2. David Quysner and Anthony Townsend retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election. Paul Gaunt, having served on the Board for more than nine years from the date of first election, retires at the forthcoming Annual General Meeting in accordance with the provisions of the Combined Code on Corporate Governance issued by the Financial Reporting Council in July 2003 and revised in June 2006 (the" Code") and, being eligible, offers himself for re-election. In addition to this, Paul Gaunt and Anthony Townsend are also Directors of Finsbury Emerging Biotechnology Trust PLC and Finsbury Worldwide Pharmaceutical Trust PLC; Anthony Townsend is also a Director of Finsbury Growth & Income Trust PLC. In addition, Anthony Townsend, until 1 October 2005, provided consultancy services to a subsidiary of Close Brothers Group plc, the parent company of Close Investments Limited, the Company's Manager, Investment Manager and Company Secretary. He was also non-executive Chairman of Reabourne Technology Investment Management Limited, who formerly acted as the Company's Investment Manager, until 16 November 2004.

On 29 January 2007 Richard Holway, whose biographical details are shown on page 2, was appointed as a Director. He has been involved in the UK IT Sector for 40 years and is a leading analyst in the sector. The Board believes that he will bring a wealth of relevant experience and extensive technology sector knowledge to their deliberations. In accordance with the Company's Articles of Association, he will retire at the forthcoming Annual General Meeting, being the first such meeting following his appointment and, being eligible, offers himself for election.

### Independence

The Code discusses the circumstances under which a director may not be considered to be independent, including if the director holds cross-directorships or has significant links with other directors through involvement in other companies or bodies or has served on the Board for more than nine years from the date of first election. The Code provides however for the Board to state its reasons if it determines that a director is independent notwithstanding the existence of circumstances that may appear to determine otherwise. The revised and updated Code of Corporate Governance and Guide, however, issued by the Association of Investment Companies ('AIC') (formerly named the Association of Investment Trust Companies) in February 2006, allows the Board more flexibility in respect of the length of services of a director.

Paul Gaunt and Anthony Townsend are non-executive Directors but are not considered to be independent by the Code or the Board. This position has been adopted as Paul Gaunt is also a Director of Finsbury Emerging

# REPORT OF THE DIRECTORS
## incorporating the Business Review (continued)

Biotechnology Trust PLC and Finsbury Worldwide Pharmaceutical Trust PLC, and Anthony Townsend is also a Director of Finsbury Growth & Income Trust PLC, Finsbury Emerging Biotechnology Trust PLC and Finsbury Worldwide Pharmaceutical Trust PLC. The three noted investment trusts are also managed by Close Investments Limited. In addition, both Paul Gaunt and Anthony Townsend have served on the Board for more than nine years from the date of his first election. Neither Paul Gaunt nor Anthony Townsend has any other connections with Close Investments Limited nor is either employed by any of the companies in which the Company holds an investment.

David Quysner, John Cornish, Richard Holway and Dr Chris Martin are considered by the Code and the Board to be independent.

In accordance with best practice, notwithstanding the determination by the Board of independence, all Directors not considered by the Code to be independent will stand for re-election at the Annual General Meeting each year.

### Board Evaluation

The Board has chosen not to commission an independent review by an external body, however, each year an evaluation process is independently managed on behalf of the Board by a nominated independent Director and the Company Secretary. As a result of the evaluation the Board considers that all the current Directors contribute effectively and that all have skills and experience, which are relevant to the leadership and direction of the Company.

Having given careful consideration to the above, the Board unanimously supports the re-election of David Quysner, Paul Gaunt and Anthony Townsend and the election of Richard Holway.

### Directors Interests

The beneficial interests of the Directors and their families in the Company were as set out below:

| | Ordinary shares of 25p each 30 November 2006 | 30 November 2005 |
|---|---|---|
| David Quysner | 5,592 | 5,592 |
| John Cornish | 3,500 | – |
| Paul Gaunt | – | – |
| Dr Chris Martin | 3,113 | 3,113 |
| Anthony Townsend | 206,465 | 206,465 |

Since 30 November 2006, Richard Holway purchased 10,000 shares. Otherwise there have been no changes in the interests of the Directors up to the date of this report. None of the Directors were granted or exercised rights over shares during the year. None of the Directors has any contract (including service contracts) with the Company.

### Directors' Fees

A report on Directors' Remuneration is set out on pages 28 and 29.

# REPORT OF THE DIRECTORS
## incorporating the Business Review (continued)

### Substantial Shareholdings

As at 20 February 2007 the Company was aware of the following interests in the Ordinary shares of the Company, which exceeded 3% of the issued share capital of that class:

| Investment Fund Manager | Registered Holder | Number of shares | % of Issued Share Capital |
|---|---|---|---|
| Lazard Asset Management | State Street Nominees/Mellon Nominees (UK)/Vidacos Nominees | 3,077,300 | 12.78 |
| Asset Value Investors | Chase Nominees/Nortrust Nominees/Bank of New York Nominees/Mellon Nominees (UK)/State Street Nominees | 1,558,641 | 6.47 |
| JP Morgan Fleming Asset Management | Chase Nominees/Bank of New York Nominees | 1,380,310 | 5.73 |
| East Riding of Yorkshire Council | East Riding of Yorkshire Council | 1,350,000 | 5.61 |
| M&G Investment Management | Prudential Client HSBC GIS Nominees | 1,240,000 | 5.15 |
| Progressive Asset Management | Nortrust Nominess | 1,200,000 | 4.98 |
| Mr M G Bourne | Close Portfolio Management Limited/Various Michael Bourne Accounts | 1,002,500 | 4.16 |
| British Airways Pension Investment Management | State Street Nominees | 870,103 | 3.61 |
| Brewin Dolphin | Giltspur Nominees/BDS Nominees/ Brewin Nominees | 788,605 | 3.27 |
| Reliance Mutual Insurance Society | HSBC Global Custody Nominees (UK) | 760,000 | 3.16 |

### Repurchase of Shares

At the Annual General Meeting held on 6 April 2006, authority was granted for the repurchase of 3,820,998 Ordinary shares of 25p each, representing 14.99% of the issued share capital at the time. Subsequent to the Board’s decision to implement a discretionary discount protection mechanism at a minimum level of 7% discount to net asset value, in the year under review the Company bought back for cancellation 1,875,000 shares at a cost of £4,088,000. Since the year end and to the date of this report, the Company has bought back a further 346,500 shares at an aggregate cost of £766,000. In aggregate to the date of this report the shares bought back equate to a total of 8.5% of the original issued share capital, and the average discount to net asset value of the repurchases was 8.2%.

### Creditors’ Payment Policy

Terms of payment are negotiated with suppliers when agreeing settlement details for transactions. While the Company does not follow a formal code, it is the Company’s continuing policy to pay amounts due to creditors as and when they become due.

### Charitable and Political Donations

The Company has not in the past and does not intend in future to make any charitable or political donations.

# REPORT OF THE DIRECTORS
## incorporating the Business Review (continued)

### Environmental and Ethical Policy
The Company's primary objective is to invest principally in the equity securities of quoted technology companies on a worldwide basis with the aim of achieving long-term capital growth. The Directors believe that the Company would be in breach of its fiduciary duties to shareholders if investment decisions were based solely on ethical or environmental considerations. The Investment Manager takes account, in general terms, of ethical and environmental considerations as a part of its investment evaluations.

### Independent Auditors
RSM Robson Rhodes LLP have expressed their willingness to continue to act as Auditors to the Company and a resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting.

### Audit Information
Pursuant to Section 234ZA (2) of the Companies Act 1985, each of the Directors confirms (a) that so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and (b) that they have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of such information.

### Directors' Responsibilities
Company law in the United Kingdom requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and of the return of the Company for that period. In preparing these financial statements, the Directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable United Kingdom accounting standards; and
- prepared the financial statements on the going concern basis.

The Directors are responsible for keeping proper accounting records which 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.

The Directors are responsible for ensuring that the Report of the Directors and other information included in the Annual Report is prepared in accordance with company law in the United Kingdom. They are also responsible for ensuring that the Annual Report includes information required by the Listing Rules of the Financial Services Authority.

The financial statements are published on the www.closeinvestments.com website, which is a website maintained by the Company's Manager, Close Investments Limited ("CIL"). The maintenance and integrity of the website maintained by CIL or any of its subsidiaries is, so far as it relates to the Company, the responsibility of CIL. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website and accordingly, the auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

### Going Concern
The Directors believe that it is appropriate to adopt the going concern basis in preparing the accounts as the assets of the Company consist mainly of securities that are readily realisable and, accordingly the Company has adequate financial resources to continue in operational existence for the foreseeable future.

# REPORT OF THE DIRECTORS
## incorporating the Business Review (continued)

### Corporate Governance
A formal statement on Corporate Governance and the Company's compliance with the various codes of practice is set out on pages 23 to 27.

### Directors' Fees
The Company's Articles of Association allow the limit on the aggregate annual sum of Directors' fees payable to Directors to be increased by means of an ordinary resolution of the Company. The current limit of £100,000 has been in force since the Company's inception, and the Board believes that an increase to a limit of £150,000 is necessary in order to attract and retain Directors of a high calibre.

### Annual General Meeting
The formal Notice of Annual General Meeting is set out on pages 50 to 52.

Resolutions relating to the following items of special business will be proposed at the forthcoming Annual General Meeting:

*(a) Directors' fees*

Resolution 8 seeks Shareholder approval to increase the limit on the aggregate annual sum of Directors' fees payable to Directors from £100,000 to £150,000.

*(b) Authority to allot shares*

Resolution 9 gives the Directors authority to allot new shares, otherwise than by a pro rata issue to existing shareholders, up to an aggregate nominal amount of £598,345 representing 2,393,380 Ordinary shares of 25p each, such amount being equivalent to 10% of the present issued share capital. As such issues would only be made at prices greater than the fully diluted net asset value per share ("NAV") they increase the assets underlying each share and spread administrative expenses, other than those charged as a percentage of assets, over a greater number of shares. If passed, this authority will remain in place until the conclusion of the next Annual General Meeting.

*(c) Disapplication of pre-emption rights*

Resolution 10 seeks shareholder approval for the disapplication of pre-emption rights in respect of a) the allotment of shares or the sale by the Company of shares held by it as Treasury Shares, following the introduction of The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003, pursuant to a rights issue or a sale equivalent to a rights issue b) the allotment (other than as part of a rights issue) of shares or the sale of Treasury Shares for cash up to an aggregate nominal value of £598,345. No such allotment will be made at less than the NAV per share (as determined in the absolute discretion of the Directors). However, Treasury Shares may be resold by the Company at a discount to such NAV provided that such shares are resold by the Company at a lower discount to the NAV than the discount at which they were repurchased by the Company.

*(d) Authority to repurchase shares*

Resolution 11 seeks shareholder approval for the Company to have the power to repurchase its own Ordinary shares. The Board believes that the ability of the Company to purchase its own shares in the market will potentially benefit all shareholders of the Company. The repurchase of shares at a discount to the underlying NAV would enhance the NAV of the remaining shares.

At the Annual General Meeting the Company will seek shareholder approval to repurchase up to 3,587,678 Ordinary shares, representing approximately 14.99% of the Company's issued share capital (the maximum permitted under the Listing Rules) at a price that is not less than 25p a share (the nominal value of each share) and not more than the higher of (a) 105% of the average of the middle market quotations for the five business days preceding the day of purchase; and (b) the higher of the price of the last independent trade in shares and the highest then current independent bid for shares on the London Stock Exchange. The decision as to whether

# REPORT OF THE DIRECTORS
## incorporating the Business Review (continued)

to repurchase any shares will be at the absolute discretion of the Board. Shares repurchased under this authority will be cancelled.

### Change of name

A special resolution will be proposed at the Annual General Meeting to change the Company's name to RCM Technology Trust PLC.

The authorities being sought under resolutions 9, 10 and 11 will last until the conclusion of the next Annual General Meeting or, if less a period of 15 months.

The Directors consider that the resolutions relating to the above items of special business are in the best interests of shareholders as a whole. Accordingly, the Directors unanimously recommend to the shareholders that they vote in favour of the above resolutions to be proposed at the forthcoming Annual General Meeting.

**Close Investments Limited**
Company Secretary
12 March 2007

# CORPORATE GOVERNANCE

The Board is accountable to shareholders for the governance of the Company's affairs.

The Company is committed to maintaining high standards of corporate governance and to the principles of good governance as set out in the Combined Code on Corporate Governance issued by the Financial Reporting Council in July 2003, and revised in June 2006 (the 'Code') and the revised and updated Association of Investment Companies Code of Corporate Governance and Guide issued in February 2006 (the 'AIC Code').

Pursuant to the Listing Rules of the Financial Services Authority, the Company is required to provide shareholders with a statement on how the main and supporting principles set out in Section 1 of the Code have been applied and whether the Company has complied with the provisions of the Code.

The Board has established corporate governance arrangements that it believes are appropriate to the business of the Company as an investment trust company.

In February 2006, the Financial Reporting Council endorsed the revised AIC Code, the terms of this endorsement meaning that AIC members who report against the AIC Code and who follow the AIC Corporate Governance Guide for Investment Companies are meeting their obligations under the Code and related disclosure requirements of the Listing Rules.

The Company has complied, throughout the year ended 30 November 2006, with the AIC Code and the relevant provisions of section 1 of the Combined Code, except for the provisions relating to the role of Chief Executive, executive directors' remuneration and the need for an internal audit function. For the reasons set out in the pre-amble to the AIC Code the Board considers that these provisions are not relevant to the position of the Company, being an externally managed investment company. The Board has therefore not reported further on these areas. In accordance with the Financial Reporting Council endorsement, full details of and compliance against the AIC Code is detailed below.

The following statement describes how the principles of good corporate governance have been applied and the Code and the AIC Code followed.

## The Board

The Board currently consists of six members, all of whom are non-executive. The Directors' biographical details, set out on page 2, demonstrate a breadth of investment, commercial and professional experience.

The Board is responsible for efficient and effective leadership of the Company and has reviewed the schedule of matters reserved for its decision. The Board meets at least on a quarterly basis and at other times as necessary. The Board is responsible for the important aspects of the Company's affairs, including the setting of parameters for and the monitoring of investment strategy, the review of investment performance (including peer group performance) and investment policy. It also has responsibility for all corporate strategic issues, dividend policy, share buy-back policy, gearing, share price and discount/premium monitoring and corporate governance matters.

In order to enable them to discharge their responsibilities, prior to each meeting Directors are provided, in a timely manner, with a comprehensive set of papers giving detailed information on the Company's transactions, financial position and performance. Representatives of the Manager and Investment Manager attend each Board meeting, enabling the Directors to seek clarification on specific issues or to probe further on matters of concern; a full report is received from the Investment Manager at each quarterly meeting. In the light of these reports, the Board gives direction to the Investment Manager with regard to investment objectives and guidelines. Within these established guidelines, the Investment Manager takes decisions as to the purchase and sale of individual investments.

There is an agreed procedure for Directors, in the furtherance of their duties, 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 representative, who is responsible to the Board for ensuring that Board procedures are followed.

## CORPORATE GOVERNANCE (continued)

The following table sets out the number of Directors' meetings (including committee meetings) held and attended during the year under review.

| Type and number of meetings held in 2005/6: | Board | Audit Committee | Nomination Committee | Remuneration Committee | Management Engagement Committee |
|---|---|---|---|---|---|
| | (4) | (2) | (1) | (1) | (1) |
| David Quysner# | 4 | n/a | 1 | 1 | 1 |
| John Cornish | 4 | 2 | 1 | 1 | 1 |
| Paul Gaunt | 4 | n/a | n/a | n/a | n/a |
| Richard Holway+ | n/a | n/a | n/a | n/a | n/a |
| Chris Martin | 4 | 2 | 1 | 1 | 1 |
| David Potter* | 1 | 1 | 1 | – | – |
| Anthony Townsend | 3 | n/a | n/a | n/a | n/a |

# David Quysner as Chairman of the Company is not a member of the Audit Committee
+ Appointed on 29 January 2007
* Resigned 6 April 2006

All of the Directors, with the exception of Dr Potter and Mr Holway, attended the Annual General Meeting held on 6 April 2006. All of the Directors, with the exception of Mr Holway, attended the Extraordinary General Meeting held on 9 January 2006.

The Directors believe that, at present, the composition of the Board demonstrates a breadth of investment, commercial and professional experience.

The Board is of the view that length of service does not itself impair a director's ability to benefit the Company as their long term perspective can add significant value to a well-balanced investment company board. No limit in the overall length of service of any of the Company's Directors, including the Chairman, has therefore been imposed.

The Nomination Committee and, following the disbanding of this Committee on 11 July 2006, in line with the provisions of the AIC Code, the Board itself, regularly reviews the independence of its members. David Quysner, John Cornish, Richard Holway and Dr Chris Martin are all deemed by the Board to be independent and this opinion is reflected by both the Code and the AIC Code. Paul Gaunt and Anthony Townsend are not considered independent by the Board as, in addition to having served as Directors for nine years, they are also Directors of Finsbury Emerging Biotechnology Trust PLC and Finsbury Worldwide Pharmaceutical Trust PLC; Anthony Townsend is also a Director of Finsbury Growth & Income Trust PLC. The Board subscribes to the AIC Code principle that long-serving Directors should not be prevented from forming part of an independent majority and does not believe that a Director's length of tenure reduces his/her ability to act independently. Nevertheless, the Code requires that Directors who have served for more than nine years should be re-appointed by shareholders annually. Accordingly, Paul Gaunt and Anthony Townsend will retire as Directors at the forthcoming Annual General Meeting and at each Annual General Meeting thereafter. In the opinion of the Board, each Director remains independent in character and judgement and there are no relationships or circumstances relating to the Company that are likely to affect their judgement.

### Chairman and Senior Independent Director

David Quysner was appointed Chairman of the Company on 28 April 2004.

The Senior Independent Director is John Cornish, who provides a channel for referral of any shareholder concerns and takes the lead in the annual evaluation of the Board.

### Tenure Policy

None of the Directors has a service contract with the Company. New directors are appointed with the expectation that they will serve for a period of three years. Directors' appointments were, until 11 July 2006, reviewed formally every three years by the Nomination Committee. This function is now fulfilled by the Board as a whole. Any Director may resign by notice in writing to the Board at any time. There are no set notice periods. No compensation is payable on leaving office.

## CORPORATE GOVERNANCE (continued)

The Articles of Association provide that one-third of the directors must retire by rotation and may offer themselves for re-election at each Annual General Meeting. The terms of the Directors' appointment also provide that a Director shall retire and be subject to election at the first Annual General Meeting after appointment and at least every three years thereafter.

### Director Training

When a Director is appointed he or she is offered an induction briefing, which is organised by the Manager. Directors are also 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.

### Board Appraisal

The Board carried out an evaluation process in October 2006, independently managed on behalf of the Board by John Cornish, as the Senior Independent Director. As a result of the evaluation the Board considers that all the current Directors contribute effectively and that all have skills and experience, which are relevant to the leadership and direction of the Company.

### Directors' and Officers' Liability Insurance

Directors' and Officers' Liability Insurance cover is provided at the expense of the Company.

### Board Committees

In line with the AIC Code, the Board has disbanded the Nomination and Remuneration Committees in favour of the full Board adopting the responsibilities of such committees. The Audit and Management Engagement Committees continue in operation and copies of the full Terms of Reference, which clearly define the responsibilities of each Committee, can be obtained from the Company Secretary, will be available at the AGM and can be found on the website of the Manager, www.closeinvestments.com. The Audit Committee is chaired by John Cornish while the Management Engagement Committee is chaired by the Chairman of the Company, David Quysner, with the exception of matters concerning the role of the Chairman which are presided over by an alternative Director.

### Audit Committee

The Company's Audit Committee meets at least twice per year, is chaired by John Cornish, and comprises all independent Directors (namely John Cornish, Richard Holway and Dr Chris Martin) and, by invitation, the Chairman of the Company and the non-independent Directors. The Audit Committee is responsible for the review of the annual report and the interim report, the nature and scope of the external audit and the findings there from and the terms of appointment of the auditors, including their remuneration and the provision of any non-audit services by them. The Audit Committee meets representatives of the Manager and its Compliance Officer who report as to the proper conduct of business in accordance with the regulatory environment in which both the Company and the Manager operate. The Company's external Auditors also attend this Committee at its request and report on their work procedures, the quality and effectiveness of the Company's accounting records and their findings in relation to the Company's statutory audit. The Audit Committee reviews the need for non-audit services and authorises such on a case-by-case basis, having consideration to the cost effectiveness of the services and the independence and objectivity of the auditors.

As the Company has no employees it does not have a formal policy concerning the raising, in confidence, of any concerns about possible improprieties, whether in matters of financial reporting or otherwise, for appropriate independent investigation. The Audit Committee has, however, reviewed and noted the Manager's policy on this matter.

# CORPORATE GOVERNANCE (continued)

## Management Engagement Committee

The Management Engagement Committee meets at least once per year under the Chairmanship of David Quysner, and is composed of the independent Directors (namely David Quysner, John Cornish, Richard Holway and Dr Chris Martin) and, by invitation, the non-independent Directors. The Management Engagement Committee is responsible for the regular review of the terms of the contracts with the Manager and Investment Manger and for making recommendations to the Board in respect of such contracts.

## Internal Control

The Directors are responsible for overseeing the effectiveness of the internal control systems for the Company, which are designed to ensure that proper accounting records are maintained, that the financial information on which business decisions are made and which are issued for publication is reliable, and that the assets of the Company are safeguarded. Such a system of internal control is designed to manage rather than eliminate the risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Directors, through the procedures outlined above, have kept the effectiveness of the Company's internal controls under review throughout the period covered by these financial statements and up to the date of approval of the Annual Report and Financial Statements. The Board has identified risk management controls in the key areas of business objectives, accounting, compliance, operations and secretarial as areas for the extended review. This accords with the guidance in "Internal Control – Guidance for Directors on the Combined Code" (the "Turnbull Report") published in September 1999.

The Board recognises its ultimate responsibilities for the Company's system of internal controls and for monitoring its effectiveness. The Manager has established an internal control framework to provide reasonable assurance on the effectiveness of the internal controls operated on behalf of its clients. The Manager's compliance and risk department on an ongoing basis assess the effectiveness of the internal controls. The Manager provides the Board with regular reports on all aspects of internal control (including financial, operational and compliance control, risk management and relationships with external service providers). Business risks have been analysed and recorded in a Risk Map, which is reviewed at each Audit Committee and at other times as necessary. It is believed that an appropriate framework is in place to meet the requirements of the Combined Code.

The Investment Manager, at least on a quarterly basis, reports to the Board on the market and investment performance of the Company's portfolio. Further information is contained in the Chairman's Statement, the Report of the Directors and the Investment Manager's Review.

## Matters Reserved for the Board

There is a formal schedule of matters reserved for the decision of the Board and there is an agreed procedure for Directors, in the furtherance of their duties, to take independent professional advice if necessary at the Company's expense.

The specific areas reserved for the Board include final approval of statutory Companies Act requirements including the payment of any dividend and allotment of shares; matters of a Stock Exchange or Internal Control nature such as approval of shareholder statutory documentation, performance reviews and Director independence; and in particular matters of a strategic or management nature, such as the Company's long term objectives and commercial strategy, the appointment or removal of the Manager and/or Investment Manager, Investment Policy, changes to the Company structure, unquoted investment valuations and final approval of borrowing requirements and limits.

# CORPORATE GOVERNANCE (continued)

## Relations with Shareholders

The Company has regular contact with its institutional shareholders particularly through the Investment Manager. The Chairman also meets institutional shareholders from time to time. The Board supports the principle that the Annual General Meeting be used to communicate with private investors. The full Board attends the Annual General Meeting and the Chairman of the Board chairs the Annual General Meeting. Details of the proxy votes received in respect of each resolution are made available to shareholders at the meeting. The Investment Manager attends to give a presentation to the meeting. The Company has adopted a nominee share code, which is set out below.

## Accountability and Audit

The Directors' statement of responsibilities in respect of the accounts is set out on page 20. The report of the auditors is set out on pages 30 and 31. The Board has delegated contractually to external agencies, including the Manager, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the day to day accounting, company secretarial and administration requirements and the registration services.

Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of the services offered, including the control systems in operation in so far as they relate to the affairs of the Company. The Board receives and considers regular reports from the Manager and ad hoc reports and information are supplied to the Board as required.

## Exercise of Voting Powers

The Board has delegated authority to the Investment Manager to vote the shares held by the Company through its nominee, The Bank of New York (Nominees) Limited, which accords with current best practice whilst maintaining a primary focus on financial returns. The Investment Manager may refer to the Board on any matters of a contentious nature.

## Nominee Share Code

Where notification has been provided in advance, the Company will arrange for copies of shareholder communications to be provided to the operators of nominee accounts. Nominee investors may attend general meetings and speak at meetings when invited to do so by the Chairman.

Investors who hold shares through the Close Investments ISA, Savings Scheme or PEP receive all shareholder communications and a letter of direction is provided to facilitate voting at general meetings of the Company.

The Board has delegated authority to the Investment Adviser to vote the shares held by the Company through its nominee, The Bank of New York (Nominees) Limited, which accords with current best practice whilst maintaining a primary focus on financial returns. The Investment Adviser may refer to the Board on any matters of a contentious nature.

The Board welcomes all shareholders to the Annual General Meeting at which the Investment Manager presents its review of the year and prospects for the future. All directors are present at the AGM to meet and talk with shareholders. Additionally, shareholders wishing to communicate directly with the Board may make contact via the Manager or Company Secretary, details of whom can be found on page 53.

# DIRECTORS' REMUNERATION REPORT

The Board has prepared this report in accordance with the requirements of Schedule 7A to the Companies Act 1985 (the Regulations). An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

The law requires your Company's Auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are noted as such. The Auditors' opinion is included in their report on page 31.

## Remuneration Committee

The Company has six non-executive Directors, four of whom are considered by the Board to be independent. The whole Board fulfil the function of a Remuneration Committee. The Board has appointed the Company Secretary, Close Investments Limited, to provide advice when the Directors consider the level of Directors' fees.

## Policy on Directors' Fees

The Board's policy is that the remuneration of non-executive Directors should reflect the responsibilities and experience of the Board as a whole, be fair and comparable to that of other investment trusts that are similar in size, have a similar capital structure (Ordinary shares), and have a similar investment objective (technology companies). It is intended that this policy will continue for the year ending 30 November 2007 and subsequent years.

The fees for the non-executive Directors are determined within the limits set out in the Company's Articles of Association, the maximum aggregate amount currently being £100,000. An ordinary resolution will be proposed, at the forthcoming Annual General Meeting, to increase this amount payable to £150,000. Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits. The total aggregate amounts paid to Directors during the year ended 30 November 2006 was £83,000.

The Board has not received independent advice or services in respect of its consideration of the Directors' remuneration. The Board carried out a review of the level of Directors' fees during the year in relation to fees paid to the Boards of other investment trust companies within its peer group, and concluded that the amounts should be increased as follows: Chairman £25,000 pa, Senior Independent Director/Chairman of Audit Committee £19,000 pa, Directors £16,000 pa.

The Company's policy is for the Directors to be remunerated in the form of fees payable monthly or quarterly in arrears, to the Director personally or to a specified third party.

## Directors' Service Contracts

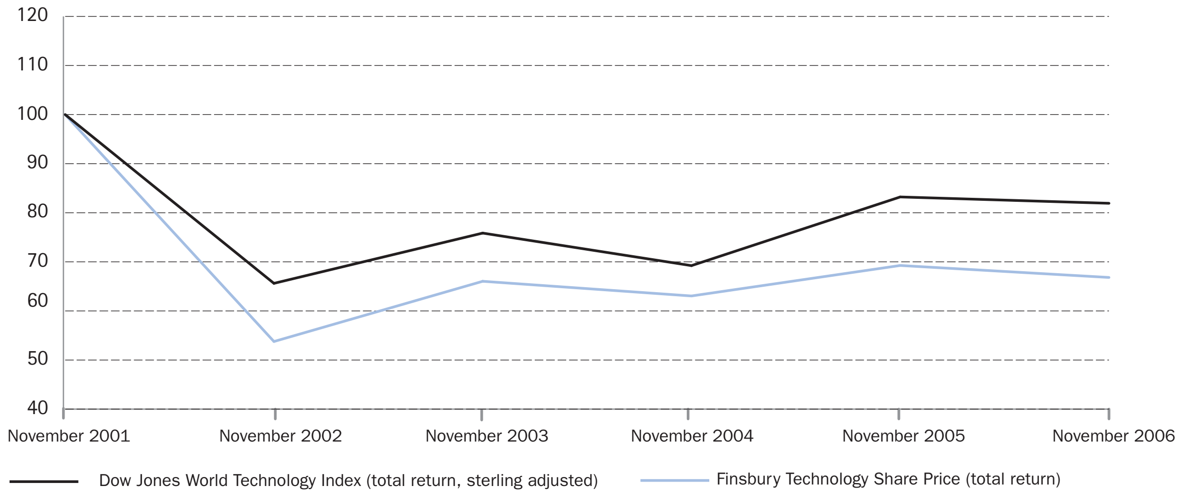
It is the Board's policy that none of the Directors has a service contract. The terms of their appointment provide that Directors shall retire and be subject to re-election at the first annual general meeting after their appointment, and at least every three years thereafter. The terms also provide that a Director may resign by notice in writing to the Board at any time and may be removed without notice and that compensation will not be due on leaving office.

## Your Company's Performance

The Regulations require a line graph be included in the Directors' Remuneration Report showing total shareholder return for each of the financial years in the relevant period (maximum of 5 years). The graph set out on page 29 compares, on a cumulative basis, the total return (assuming all dividends are reinvested) to Ordinary shareholders compared to the total shareholder return on a notional investment made up of shares of the same kind and number as those by reference to which the Company's Benchmark is calculated.

# DIRECTORS' REMUNERATION REPORT (continued)

## Total Shareholder Return for the five years to 30 November 2006




Figures have been rebased to 100 as at 30 November 2001
Source: Close Investments Limited

## Directors' Emoluments for the Year (audited)

The Directors who served in the year received the following emoluments in the form of fees:

| | Fees 2006 £'000 | Fees 2005 £'000 |
|---|---|---|
| David Quysner | 21.5 | 18.0 |
| John Cornish* | 15.5 | 7.0 |
| Paul Gaunt | 14.0 | 12.0 |
| Richard Holway+ | – | – |
| Chris Martin | 14.0 | 12.0 |
| David Potter# | 4.0 | 12.0 |
| Anthony Townsend | 14.0 | 12.0 |
| | 83.0 | 73.0 |

* Appointed to the Board on 1 May 2005.
+ Appointed to the Board on 29 January 2007.
# Retired from the Board on 6 April 2006.

No payments of Directors' fees were made to third parties.

## Approval

The Directors' Remuneration Report on pages 28 and 29 was approved by the Board of Directors on 12 March 2007 and signed on its behalf by David Quysner (Chairman).

# INDEPENDENT AUDITORS' REPORT

**to the Shareholders of Finsbury Technology Trust PLC**

We have audited the financial statements on pages 32 to 48. 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 shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

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

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

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

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

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. The other information comprises only the Company Summary, the Financial Highlights and Performance, the Board, the Chairman's Statement, the Investment Manager's Review, the Sector and Geographic Analysis of Portfolio, the Investments, the Portfolio Analysis, the Investment Manager Profile, the Report of the Directors, the Corporate Governance statement, the unaudited part of the Directors' Remuneration Report and the Shareholder Analysis. 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 other information.

## Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial

## REPORT OF THE INDEPENDENT AUDITORS (continued)

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 affairs of the Company as at 30 November 2006 of its loss for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

**RSM Robson Rhodes LLP**
Chartered Accountants and Registered Auditors
London, England

12 March 2007

## SHAREHOLDER ANALYSIS

as at 30 November

| | 2006 number of shares | 2006 % of issued share capital | 2005 number of shares | 2005 % of issued share capital |
|---|---|---|---|---|
| Nominee Companies* | 17,964,649 | 74.0 | 20,227,351 | 77.3 |
| Other Institutions, Investment Trusts and Companies | 3,023,963 | 12.4 | 2,210,715 | 8.5 |
| Banks and Bank Nominees | 1,519,395 | 6.3 | 1,919,758 | 7.3 |
| Private Individuals | 1,772,305 | 7.3 | 1,797,488 | 6.9 |
| Total shares in issue† | 24,280,312 | 100.0 | 26,155,312 | 100.0 |
| *includes | | | | |
| Close Investments Savings Scheme, PEP and ISA Clients | 2,066,857 | 8.5 | 2,352,360 | 9.0 |

†As at 9 March 2007 the issued share capital of the Company had decreased to 23,933,812 Ordinary Shares.

# INCOME STATEMENT

**for the year ended 30 November 2006**

| | Notes | Revenue 2006 £'000 | Capital 2006 £'000 | Total 2006 £'000 | Revenue 2005 £'000 | Capital 2005 £'000 | Total 2005 £'000 |
|---|---|---|---|---|---|---|---|
| (Losses)/gains on investments held at fair value through profit or loss | *9* | – | (1,597) | (1,597) | – | 5,543 | 5,543 |
| Exchange losses on currency balances | | – | (67) | (67) | – | (147) | (147) |
| Income from investments | *2* | 218 | – | 218 | 326 | – | 326 |
| Management fee | *3* | (595) | – | (595) | (658) | – | (658) |
| Other expenses | *4 and 5* | (464) | – | (464) | (851) | – | (851) |
| **Net (loss)/return before finance charges and taxation** | | (841) | (1,664) | (2,505) | (1,183) | 5,396 | 4,213 |
| Finance charges | *6* | (17) | – | (17) | (39) | – | (39) |
| **(Loss)/return on ordinary activities before taxation** | | (858) | (1,664) | (2,522) | (1,222) | 5,396 | 4,174 |
| Taxation on ordinary activities | *7* | (5) | – | (5) | (28) | – | (28) |
| **(Loss)/return on ordinary activities after taxation for the year** | | (863) | (1,664) | (2,527) | (1,250) | 5,396 | 4,146 |
| **(Loss)/return per Ordinary share** | *8* | (3.5p) | (6.6p) | (10.1p) | (4.5p) | 19.6p | 15.1p |

The total column of this statement represents the profit and loss account of the Company.

The revenue and capital columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies (AIC), formerly known as the Association of Investment Trust Companies.

All items in the above statement derive from continuing operations.

The Company had no recognised gains or losses other than declared in the Income Statement.

*The accompanying notes are an integral part of this statement.*

# RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the year ended 30 November 2006

| | Called up share capital £'000 | Share premium account £'000 | Capital redemption reserve £'000 | Capital reserves £'000 | Revenue reserve £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| As at 30 November 2005 (as previously stated) | 6,539 | 23,488 | 365 | 40,444 | (8,803) | 62,033 |
| Adjustment to bid valuations (see note 1) | – | – | – | (194) | – | (194) |
| Total as at 1 December 2005 (restated) | 6,539 | 23,488 | 365 | 40,250 | (8,803) | 61,839 |
| Net loss from ordinary activities | – | – | – | (1,664) | (863) | (2,527) |
| Shares purchased and cancelled | (469) | – | 469 | (4,088) | – | (4,088) |
| At 30 November 2006 | 6,070 | 23,488 | 834 | 34,498 | (9,666) | 55,224 |

For the year ended 30 November 2005

| | Called up share capital £'000 | Share premium account £'000 | Capital redemption reserve £'000 | Capital reserves £'000 | Revenue reserve £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| As at 30 November 2004 | 6,904 | 23,488 | – | 38,214 | (7,553) | 61,053 |
| Net return/(loss) from ordinary activities | – | – | – | 5,396 | (1,250) | 4,146 |
| Shares purchased and cancelled | (365) | – | 365 | (3,166) | – | (3,166) |
| At 30 November 2005 | 6,539 | 23,488 | 365 | 40,444 | (8,803) | 62,033 |

*The accompanying notes are an integral part of this statement.*

# BALANCE SHEET
**as at 30 November 2006**

| | Notes | 2006 £'000 | 2005 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments held at fair value through profit or loss | *9* | 55,073 | 61,743 |
| **Current assets** | | | |
| Debtors | *10* | 221 | 3,080 |
| Cash at bank | | 555 | 2,432 |
| | | 776 | 5,512 |
| **Creditors** | | | |
| Amounts falling due within one year | *11* | (625) | (5,222) |
| **Net current assets** | | 151 | 290 |
| **Net assets** | | 55,224 | 62,033 |
| **Capital and reserves** | | | |
| Called up share capital | *12* | 6,070 | 6,539 |
| Share premium account | *13* | 23,488 | 23,488 |
| Capital redemption reserve | *13* | 834 | 365 |
| Capital reserves | *13* | 34,498 | 40,444 |
| Revenue reserve | *13* | (9,666) | (8,803) |
| **Equity shareholders' funds** | | 55,224 | 62,033 |
| Net asset value per Ordinary share | *14* | 227.4p | 237.2p |

The financial statements on pages 32 to 48 were approved by the Board of Directors on 12 March 2007 and were signed on its behalf by:

**David Quysner**
*Chairman*

*The accompanying notes are an integral part of this statement.*

# CASH FLOW STATEMENT

**for the year ended 30 November 2006**

| | Notes | 2006 £'000 | 2005 £'000 |
|---|---|---|---|
| **Net cash outflow from operating activities** | *16* | (1,410) | (779) |
| **Servicing of finance** | | | |
| Bank overdraft and loan interest paid | | (17) | (39) |
| **Taxation** | | | |
| Tax recovered | | 3 | 8 |
| **Financial investment** | | | |
| Purchases of investments | | (28,534) | (47,362) |
| Sales of investments | | 32,251 | 53,180 |
| **Net cash inflow from financial investments** | | 3,717 | 5,818 |
| **Financing** | | | |
| Purchase of Ordinary shares | | (4,088) | (3,166) |
| **Net cash outflow from financing** | | (4,088) | (3,166) |
| **(Decrease)/increase in cash** | | (1,795) | 1,842 |
| **Reconciliation of net cash flow to movement in net funds** | | | |
| (Decrease)/increase in cash as above | | (1,795) | 1,842 |
| Exchange movements | | (67) | (147) |
| Movement in net funds | | (1,862) | 1,695 |
| Net funds at 1 December | | 2,417 | 722 |
| **Net funds at 30 November** | *18* | 555 | 2,417 |

*The accompanying notes are an integral part of this statement.*

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Accounting Policies

The principal accounting policies, all of which have been applied consistently throughout the year, in the preparation of these financial statements are set out below:

*(a) Accounting Convention*

The financial statements have been prepared under the historical cost convention, except where stated in (b) and (c) below, in accordance with applicable UK Accounting Standards and the revised Statement of Recommended Practice (“the SORP”) for Investment Trust Companies produced by the Association of Investment Companies (“AIC”) dated December 2005.

All the operations of the Company are of a continuing nature.

*(b) Changes in accounting policies and presentation*

The Company has changed its accounting policy for the valuation of investments in accordance with the provisions of FRS 26 – Financial instruments: Recognition and Measurement (‘FRS 26’). This change in policy and the associated impact on the results of the Company are referred to below.

The Statement of Total Return is now called the Income Statement. Dividends, if they were to become payable to equity shareholders, will no longer be reflected in the Income Statement, although they will continue to be shown in the Reconciliation of Movements in Shareholders’ Funds which is now presented as a primary statement.

*(c) Investments*

As the Company’s business is investing in financial assets with a view to profiting from their total return in the form of increases in fair value, financial assets are designated as fair value through profit and loss on initial recognition in accordance with FRS 26. The Company manages and evaluates the performance of these investments on a fair value basis in accordance with its investment strategy, and information about the investments is provided on this basis to the Board of Directors.

Investments held at fair value through profit or loss are initially recognised at fair value, being the consideration given and excluding material transaction or other dealing costs associated with the investment, which are expensed and included in the capital column of the Income Statement.

After initial recognition, investments, which are classified as at fair value through profit or loss, are measured at fair value. Gains or losses on investments classified as at fair value through profit or loss are recognised in the capital column of the Income Statement.

All purchases and sales of investments are accounted for on the trade date basis.

For quoted investments fair value is established by reference to bid, or last, market prices depending on the convention of the exchange on which the investment is quoted.

For unquoted investments fair value is established using valuation techniques such as recent arm’s length market transactions, earnings multiples and net asset value. Where fair value cannot be reliably measured the investment will be carried at cost for recent investments, or at the previous reporting date value, unless there is evidence that the investment has since been impaired in value or there is strong defensible evidence of an increase in value.

Prior to 1 December 2005, quoted investments were valued at middle market prices. Following the introduction of FRS 26 quoted investments are now valued at fair value in accordance with the above policy.

In accordance with the exemption conferred by FRS 26, comparatives have not been restated for this change in accounting policy and therefore quoted investments shown at 30 November 2005 are stated at middle market prices.

The adoption of FRS 26 on 1 December 2005 decreased the value of investments by £194,000. The effect of this change in accounting policy is to decrease the value of investments at 30 November 2006 by £301,000 and increase the loss on ordinary activities after taxation for the period then ended by £107,000.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

FRS 26 requires that transaction costs on the acquisition of financial investments at fair value through profit or loss be expensed. The Company's policy is to capitalise transaction costs on acquisition. Whilst there is no overall impact on the total return for the year or net assets, this does result in an overstatement of investment book cost and a misallocation between realised and unrealised capital reserves. This does not have a material impact on the Company's results.

Transactions costs incurred on the acquisition and disposal of investments are included within the Income Statement and allocated to the capital reserve. For the year ended 30 November 2006, these amounted to £58,000 in relation to purchases and £54,000 in relation to sales; in the year ended 30 November 2005 purchase costs amounted to £112,000 and sales costs amounted to £136,000. All purchases and sales are accounted for on a trade date basis.

*(d) Investment Income*

Dividends receivable on equity shares are recognised on the ex-dividend date. Where no ex-dividend date is quoted, dividends are recognised when the Company's right to receive payment is established.

Dividends and interest on investments in unlisted shares and securities are recognised when they are received.

Fixed returns on non-equity shares are recognised on a time apportionment basis so as to reflect the effective yield, provided there is no reasonable doubt that payment will be received in due course.

*(e) Other Income*

Bank interest is accounted for on an accruals basis.

*(f) Expenses Policy*

All expenses including finance costs are accounted for on an accruals basis. Expenses are charged through the revenue column of the Income Statement except as follows:

(i) material expenses which are incidental to the acquisition of an investment are treated as part of the cost of that investment;

(ii) expenses which are incidental to the disposal of an investment are deducted from the proceeds of that investment;

(iii) expenses may be allocated to the Capital Reserve – realised, via the capital column of the Income Statement, where a connection with the maintenance or enhancement of the value of the investment can be demonstrated;

(iv) performance related investment management fees and the related irrecoverable VAT are allocated to the capital column of the Income Statement. The expenses are allocated to capital as it is expected that virtually all of the Company's investment returns will derive from capital appreciation.

*(g) Taxation*

Deferred tax is provided on all timing differences that have originated but not reversed by the balance sheet date. A deferred tax asset is only recognised to the extent that it is considered more likely than not that there will be available profits from which the future reversal of the underlying timing differences can be deducted.

Any tax relief obtained in respect of performance fees is allocated to the capital column of the Income Statement and a corresponding amount is charged against the revenue column. The tax relief is the amount by which corporation tax payable is reduced as a result of those capital expenses.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

*(h) Foreign Currencies*

Transactions denominated in foreign currencies are recorded in sterling at the actual exchange rates as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the capital column or in the revenue column of the Income Statement, depending if the gain or loss is of a capital or revenue nature respectively.

*(i) Reserves*

Capital reserves – Realised

The following are taken to this reserve:

– gains and losses on the realisation of investments,
– realised exchange differences of a capital nature,
– expenses charged to this reserve in accordance with the above policies,
– any element of unrealised loss on the revaluation of an investment which is considered to be a permanent diminution in value.

Capital reserves – Unrealised

The following are taken to this reserve:

– increases and decreases in the valuation of investments held at the year end,
– unrealised exchange differences of a capital nature.

## 2. Income

| | 2006 £'000 | 2005 £'000 |
|---|---|---|
| **Income from investments** | | |
| Dividends: | | |
| – UK listed | 45 | 50 |
| – Overseas listed | 57 | 188 |
| Fixed interest: | | |
| – UK listed | 106 | 53 |
| Stock dividends | – | 12 |
| | 208 | 303 |
| **Interest receivable and other income** | | |
| – Deposit interest | 10 | 23 |
| | 10 | 23 |
| **Total income** | 218 | 326 |

## 3. Investment Management Fees

| | Revenue 2006 £'000 | Capital 2006 £'000 | Total 2006 £'000 | Revenue 2005 £'000 | Capital 2005 £'000 | Total 2005 £'000 |
|---|---|---|---|---|---|---|
| Periodic fee | 547 | – | 547 | 630 | – | 630 |
| Irrecoverable VAT thereon | 48 | – | 48 | 28 | – | 28 |
| | 595 | – | 595 | 658 | – | 658 |

The Company's Manager during the year under review was Close Finsbury Asset Management Limited ('the Manager') and its Investment Manager was Reabourne Technology Investment Management Limited ('the Investment Manager'). In the period under review the Manager received a Periodic Fee, payable monthly in arrears, at an annual rate of 1% of the Company's market capitalisation. The calculation of the performance fee was changed with effect from 1 December 2005 to be equal to 20% of the lower of the amount by which the NAV exceeds (i) indexed NAV and (ii) the highest NAV on any previous calculation date in respect of which a performance fee has been paid or, if no performance fee has been paid under the agreement dated 16 December 2005, the NAV on 30 November 2005, multiplied by the weighted average number of Ordinary shares in the Company in issue in the period from the preceding date to that calculation date. Under the agreement the first performance fee calculation date is 30 November 2008 and then every three years thereafter at dates to which the Company makes up audited accounts. In the event that a performance fee does not become payable at a performance fee calculation date, the performance fee period is extended by three years until such time as a performance fee become payable under the agreement or at the date of termination of the agreement. No performance fee was payable, or was accrued for, for the year ended 30 November 2006 (2005: nil). In addition to the investment management fees above, the Company also obtains secretarial services from the Manager; the fees in respect of these services are dealt with in other expenses (note 5) on page 40. Subsequent to the year end, following a programme of reorganisation within the asset management division of the Close Brothers Group, Close Investments Limited has taken over responsibilities as Manager, Company Secretary and Investment Manager, on the same terms as both Close Finsbury Asset Management Limited and Reabourne Technology Investment Management Limited.

## 4. Directors' Emoluments

The Directors' fees paid during the year amounted to £83,000 (2005: £73,000). Details of the amounts paid to Directors are included in the Directors' Remuneration Report on pages 28 and 29.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

## 5. Other Expenses

| | 2006 £'000 | 2005 £'000 |
|---|---|---|
| Administrative and secretarial services | 55 | 54 |
| Fees payable to the Company's auditors for the audit of the annual financial statements | 18 | 16 |
| Fees payable to the Company's auditors for all other services | 3 | 2 |
| Irrecoverable VAT | 47 | 26 |
| Marketing | 63 | 64 |
| Printing | 16 | 36 |
| Other expenses | 179 | 580* |
| | 381 | 778 |

*Includes costs incurred in refreshing the shareholder register, the proposal of the continuation vote and changes to the Company's management agreements and investment objective. Such costs amounted to £409,000 net of VAT.

Details of the administrative and secretarial services fee may be found in the Report of the Directors on page 16.

## 6. Finance Charges

| | 2006 £'000 | 2005 £'000 |
|---|---|---|
| Bank interest on bank loans and overdrafts wholly repayable within five years | 17 | 39 |

## 7. Taxation Charge on Ordinary Activities

| | 2006 £'000 | 2005 £'000 |
|---|---|---|
| Overseas tax suffered | 12 | 28 |
| Overseas taxation recoverable | (7) | – |
| | 5 | 28 |

# NOTES TO THE FINANCIAL STATEMENTS (continued)

**Factors affecting current tax charge for the year**

The tax charged for the period is higher than the standard rate of corporation tax in the UK for a large company (30%). The difference is explained below.

| | 2006 £'000 | 2005 £'000 |
|---|---|---|
| Net loss on ordinary activities before taxation | (858) | (1,222) |
| Corporation tax at 30% | (257) | (367) |
| *Effects of:* | | |
| Non-taxable UK dividends | (14) | (14) |
| Non-taxable stock dividends | – | (4) |
| Withholding tax written off net of tax relief | 5 | 28 |
| Deferred tax | – | 2 |
| Excess expenses for which no tax relief is available | 259 | 360 |
| Disallowable expenses | 12 | 23 |
| **Current tax charge for the year** | 5 | 28 |

The Company has not recognised as a deferred tax asset £8,477,000 (2005: £8,236,000) arising as a result of having unutilised management expenses and unused double tax relief. These expenses will only be utilised if the Company has profits chargeable to corporation tax in the future.

## 8. (Loss)/Return per Ordinary Share

The total return per Ordinary share is based on the total loss attributable to equity shareholders of £2,527,000 (2005: return £4,146,000), and on 25,005,709 (2005: 27,559,312) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

Revenue loss per Ordinary share is based upon the loss attributable to ordinary shareholders of £863,000 (2005: £1,250,000) and 25,005,709 (2005: 27,559,312) Ordinary shares being the weighted average number of shares in issue during the year.

Capital return per Ordinary share is based upon the net capital loss attributable to Ordinary shareholders of £1,664,000 (2005: return of £5,396,000) and 25,005,709 (2005: 27,559,312) Ordinary shares being the weighted average number of shares in issue during the year.

## 9. Analysis of Investment Portfolio Movements

| | Listed UK/O'seas £'000 | Listed AIM £'000 | Other Unlisted £'000 | Total £'000 |
|---|---|---|---|---|
| Cost at 1 December 2005 | 56,980 | 6,765 | 2,962 | 66,707 |
| Unrealised depreciation at 1 December 2005 | (1,629) | (786) | (2,549) | (4,964) |
| Adjustment to bid valuation | (127) | (67) | – | (194) |
| Valuation at 1 December 2005 | 55,224 | 5,912 | 413 | 61,549 |
| Movements in year: | | | | |
| Purchases at cost | 22,478 | 2,027 | – | 24,505 |
| Sales – proceeds | (27,531) | (1,707) | (146) | (29,384) |
| – realised gain/(loss) on sales | 4,603 | (550) | 28 | 4,081 |
| Reclassification of investments | (774) | 225 | 549 | – |
| Movement in unrealised depreciation | (3,961) | (1,680) | (37) | (5,678) |
| Valuation at 30 November 2006 | 50,039 | 4,227 | 807 | 55,073 |
| Cost at 30 November 2006 | 55,756 | 6,760 | 3,393 | 65,909 |
| Unrealised depreciation at 30 November 2006 | (5,717) | (2,533) | (2,586) | (10,836) |
| Valuation at 30 November 2006 | 50,039 | 4,227 | 807 | 55,073 |

| | 2006 £'000 | 2005 £'000 |
|---|---|---|
| **Gains/(losses) on investments held at fair value through profit or loss** | | |
| Realised gains/(losses) based on historical cost | 4,081 | (189) |
| Add: amount/(losses) recognised as unrealised gain/(loss) in the previous year | 2,415 | (3,773) |
| Realised gains/(losses) based on carrying value at previous balance sheet date | 6,496 | (3,962) |
| Net movement in unrealised (depreciation)/appreciation | (8,093) | 9,505 |
| **(Losses)/gains in the year** | (1,597) | 5,543 |

# NOTES TO THE FINANCIAL STATEMENTS (continued)

## 10. Debtors

| | 2006 £'000 | 2005 £'000 |
|---|---|---|
| Securities sold for future settlement | 143 | 3,010 |
| Taxation recoverable | 15 | 12 |
| Other debtors | 31 | 46 |
| Prepayments and accrued income | 32 | 12 |
| | 221 | 3,080 |

## 11. Creditors

Amounts falling due within one year

| | 2006 £'000 | 2005 £'000 |
|---|---|---|
| Bank overdraft | – | 15 |
| Securities purchased for future settlement | 444 | 4,473 |
| Other creditors and accruals | 181 | 734 |
| | 625 | 5,222 |

## 12. Share Capital

| | 2006 £'000 | 2005 £'000 |
|---|---|---|
| Authorised: | | |
| 60,000,000 Ordinary shares of 25p | 15,000 | 15,000 |
| Allotted, issued and fully paid: | | |
| 24,280,312 Ordinary shares of 25p (2005: 26,155,312) | 6,070 | 6,539 |

During the year under review the Company bought back 1,875,000 Ordinary shares for cancellation at a consideration of £4,088,000, with a nominal value of £468,750.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

## 13. Share Premium and Other Reserves

| | Share Premium Account £'000 | Capital Redemption Reserve £'000 | Capital Reserve realised £'000 | Capital Reserve unrealised £'000 | Revenue Reserve £'000 |
|---|---|---|---|---|---|
| Balance as at 30 November 2005 | | | | | |
| (as previously reported) | 23,488 | 365 | 45,408 | (4,964) | (8,803) |
| Bid valuation adjustment for the year | – | – | – | (194) | – |
| Balance as at 1 December 2005 (restated) | 23,488 | 365 | 45,408 | (5,158) | (8,803) |
| Revenue deficit | – | – | – | – | (863) |
| Realised gains on investments | – | – | 6,496 | – | – |
| Transfer on disposal of investments | – | – | (2,415) | 2,415 | – |
| Increase in unrealised depreciation on | | | | | |
| investments | – | – | – | (8,093) | – |
| Shares purchased and cancelled | – | 469 | (4,088) | – | – |
| Exchange movements | – | – | (67) | – | – |
| **Balance as at 30 November 2006** | **23,488** | **834** | **45,334** | **(10,836)** | **(9,666)** |

## 14. Net Asset Value per Ordinary Share

The net asset value per Ordinary share is based on the net assets attributable to equity shareholders of £55,224,000 (2005: £62,033,000) and on 24,280,312 (2005: 26,155,312) Ordinary shares in issue at 30 November 2006.

## 15. Financial Instruments

**Background**

The Company's financial instruments comprise securities, cash balances, and debtors and creditors that arise from its operations, e.g. in respect of sales and purchases awaiting settlement and debtors for accrued income. The numerical disclosures below (except for the currency exposure table), exclude short-term debtors and creditors.

The Company has little exposure to credit and cash flow risk. Fixed asset investments in the portfolio are subject to liquidity risk. This risk is taken into account by the Directors and Investment Manager when making their investment decisions. The principal risks the Company faces in its portfolio management activities are:

(i) interest rate risk,

(ii) foreign currency risk,

(iii) market price risks i.e. movements in the value of investment holdings caused by factors other than interest rate or currency movement,

(iv) liquidity risk.

The Investment Manager's policies for managing these risks are summarised below and have been applied throughout the year.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

## 15. Financial Instruments (continued)

The table below summarises the extent to which the value of the assets and liabilities are affected by changes in interest rates.

**Interest rate risk**

The Company currently finances its operations through its ordinary share capital and reserves, and there are no significant interest bearing liabilities. At the year-end, the Company held £510,000 of UK Treasury 8.5% 16/7/07. This type of investment is exposed to movements in its fair value arising from changes in interest rates. These risks are managed alongside market price risk as described below.

| Financial assets and liabilities | Cashflow interest rate risk 2006 £'000 | Fair value interest rate risk 2006 £'000 | Non-interest rate risk 2006 £'000 | Total 2006 £'000 | Cashflow interest rate risk 2005 £'000 | Fair value interest rate risk 2005 £'000 | Non-interest rate risk 2005 £'000 | Total 2005 £'000 |
|---|---|---|---|---|---|---|---|---|
| Investments at fair value through profit or loss | – | 510 | 54,563 | 55,073 | – | – | 61,743 | 61,743 |
| Cash balances | 555 | – | – | 555 | 2,432 | – | – | 2,432 |
| Debtors (excluding prepayments) | – | – | 189 | 189 | – | – | 3,068 | 3,068 |
| **Total financial assets** | **555** | **510** | **54,752** | **55,817** | 2,432 | – | 64,811 | 67,243 |
| Bank Loans and overdrafts | – | – | – | – | (15) | – | – | (15) |
| Creditors | – | – | (625) | (625) | – | – | (5,207) | (5,207) |
| **Total liabilities** | **–** | **–** | **(625)** | **(625)** | (15) | – | (5,207) | (5,222) |
| **Net financial assets/ (liabilities)** | **555** | **510** | **54,127** | **55,192** | 2,417 | – | 59,604 | 62,021 |

The non-interest bearing assets are the equity, non-equity investments, short term debtors excluding prepayments and short-term creditors which neither pay interest not have a stated maturity date. The Company does not have any fixed rate liabilities as at 30 November 2006 (2005: nil).

The Floating rate cash balances are immediately accessible and receive interest at the Bank of New York daily treasury rate.

**Foreign Currency Risk**

A proportion of the Company's portfolio is invested in overseas securities and their sterling value may be significantly affected by movements in foreign exchange rates. The Company does not normally hedge against foreign currency movements affecting the value of the investment portfolio, but takes account of this risk when making investment decisions.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

## 15. Financial Instruments (continued)

**Foreign Currency exposure**

| Currency | Investments at fair value through profit or loss 2006 £'000 | Cash balances 2006 £'000 | Total foreign currency exposure 2006 £'000 | Investments at fair value through profit or loss 2005 £'000 | Cash balances 2005 £'000 | Total foreign currency exposure 2005 £'000 |
|---|---|---|---|---|---|---|
| US Dollars | 30,908 | – | 30,908 | 32,728 | (15) | 32,713 |
| Euros | 2,465 | – | 2,465 | 4,359 | – | 4,359 |
| Norwegian Kroner | 4,060 | – | 4,060 | 3,576 | – | 3,576 |
| Swedish Krona | 2,499 | – | 2,499 | 1,755 | – | 1,755 |
| Canadian Dollars | – | – | – | – | – | – |
| Australian Dollars | 403 | – | 403 | 362 | – | 362 |
| Japanese Yen | – | – | – | – | – | – |
| South Korean Won | – | 142 | 142 | 1,996 | – | 1,996 |
| Singapore Dollars | 918 | – | 918 | 977 | – | 977 |
| Taiwan Dollars | – | – | – | – | 156 | 156 |
| | 41,253 | 142 | 41,395 | 45,753 | 141 | 45,894 |

All other financial instruments are denominated in sterling.

**Market Price Risk**
Market risk arises mainly from uncertainty about future prices of financial instruments used in the Company's business. It represents the potential loss the Company might suffer through holding market positions in the face of price movements and changes in exchange rates. The Board meets quarterly to consider the asset allocation of the portfolio and the risk associated with particular industry sectors within the parameters of the investment objective. The Investment Manager is responsible for actively monitoring the existing portfolio selected in accordance wih the overall asset allocation parameters described above and seeks to ensure that individual stocks also meet an acceptable risk-reward profile.

**Use of Derivatives**
It is not the Company's policy to enter into derivative contracts.

**Financial Liabilities**
At the year-end the Company had an unsecured borrowing facility of £5,000,000 with Allied Irish Banks plc. Interest is charged at LIBOR plus 0.6% per annum. The interest period is agreed at the time of drawing. The facility with Allied Irish Bank plc is for an indefinite period. Any loans made to the Company under the Allied Irish Bank plc facility are repayable on demand. At the year end the loan facility utilised was £nil (2005: nil) and the bank overdraft amounted to £nil (2005: £15,000 (£26,000)).

**Primary Financial Instruments**
All financial assets and liabilities of the Company are shown at fair value.

**Liquidity Risk**
The Company's assets comprise mainly realisable securities which can be sold to meet funding requirements if necessary.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

## 16. Reconciliation of Operating Revenue to Net Cash Outflow from Operating Activities

| | 2006 £'000 | 2005 £'000 |
|---|---|---|
| Total (loss)/gain before finance charges and taxation | (2,505) | 4,213 |
| Less: Capital loss/(gain) before financial charges and taxation | 1,664 | (5,396) |
| Net loss before interest payable and taxation | (841) | (1,183) |
| (Increase)/decrease in accrued income and prepayments | (20) | 18 |
| Decrease/(increase) in other debtors | 15 | (17) |
| (Decrease)/increase in other creditors and accruals | (553) | 453 |
| Tax on investment income | (11) | (38) |
| Stock dividends included in investment income | – | (12) |
| **Net cash outflow from operating activities** | (1,410) | (779) |

## 17. Analysis of Changes in Net Funds

| | At 1 December 2005 £'000 | Cash flow £'000 | Exchange movements £'000 | At 30 November 2006 £'000 |
|---|---|---|---|---|
| Cash at bank | 2,432 | (1,810) | (67) | 555 |
| Bank overdraft | (15) | 15 | – | – |
| Net funds | 2,417 | (1,795) | (67) | 555 |

## 18. Related Parties

Details of the relationship between the Company and Close Finsbury Asset Management Limited and Reabourne Technology Investment Management Limited which companies acted as Manager and Investment Manager during the Company's financial year, are described in the Report of the Directors. The periodic management fee payable to Close Finsbury Asset Management Limited for the year ended 30 November 2006 was £548,000 excluding VAT (2005: £630,000) of which £42,000 (2005: £154,000) was outstanding at the year end. The administrative and secretarial services fee payable to Close Finsbury Asset Management Limited for the year ended 30 November 2006 was £55,000 excluding VAT (2005: £54,000) of which £14,000 (2005: £14,000) was outstanding at the year-end. Details of the periodic management fee, performance fee and administrative and secretarial services fee can be found in the Report of the Directors on page 16, note 3 on page 39 and note 5 on page 40.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

## 19. Substantial Interests

The Company holds interests in 3% or more of any class of capital in the following companies:

| Company | Shares held | % of issued share capital | Market value £'000 |
|---|---|---|---|
| Manpower Software | 3,427,950 | 7.7 | 634 |
| Petards Group | 41,500,000 | 6.5 | 332 |
| Intelligent Environments | 9,112,301 | 5.6 | 456 |
| Superscape Group | 9,737,803 | 5.4 | 1,266 |
| Synchronica | 1,900,000 | 5.2 | 285 |
| Bede | 3,625,480 | 4.2 | 363 |
| Portrait Software | 3,939,391 | 4.1 | 552 |
| Mamut | 2,014,000 | 3.8 | 2,095 |

## 20. Contingencies and Commitments

The Company had no contingencies and commitments as at 30 November 2006 (2005: Nil).

# CAPITA REGISTRARS – SHARE DEALING SERVICE

A quick and easy share dealing service is available to either sell or buy more shares. An online and telephone dealing facility is available providing shareholders with an easy to access and simple to use service, stamp duty may also be payable on purchases:

All transactions incur a compliance charge of £2.50 in addition to the charges below:

| Type of trade | Online | Telephone |
|---|---|---|
| Share certificates | 1% of the value of the deal<br>(Minimum £17.50, max £40) | 1.25% of the value of the deal<br>(Minimum £20, max £50) |

There is no need to pre-register and there are no complicated forms to fill in. The online and telephone dealing service allows you to trade “real time” at a known price which will be given to you at the time you give your instruction.

To deal online or by telephone all you need is your surname, shareholder reference number, full postcode and your date of birth. Your shareholder reference number can be found on your latest statement or Certificate where it will appear as either a ‘folio number’ or ‘investor code’. Please have the appropriate documents to hand when you log on or call, as this information will be needed before you can buy or sell shares.

For further information on this service please contact:
www.capitadeal.com (online dealing) or 0870 458 4577 (telephone dealing)

# NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Finsbury Technology Trust PLC will be held at **The City of London Club, 19 Old Broad Street, London EC2N 1DS** on Tuesday, 10 April 2007 at 12.00 noon, for the following purposes:

## Ordinary Business

1 To receive and consider the audited accounts and the Report of the Directors for the year ended 30 November 2006.

2 To re-elect Paul Gaunt as a Director of the Company.

3 To re-elect David Quysner, who retires by rotation, as a Director of the Company.

4 To re-elect Anthony Townsend as a Director of the Company.

5 To elect Richard Holway as a Director of the Company.

6 To re-appoint RSM Robson Rhodes LLP as Auditors to the Company and to authorise the Directors to determine their remuneration.

7 To approve the Directors' Remuneration Report.

## Special Business

To consider, and if thought fit, pass the following resolutions, of which resolutions 10, 11 and 12 will be proposed as special resolutions:

## Directors' fees

8 That the limit on the aggregate annual sum of Directors' fees payable to Directors be increased from £100,000 to £150,000.

## Authority to allot shares

9 THAT in substitution for all existing authorities the Directors be and are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (the "Act") to exercise all powers of the Company to allot relevant securities (within the meaning of section 80 of the Act) up to a maximum aggregate nominal amount of £598,345 (representing 2,393,380 Ordinary shares of 25p each, such amount being equivalent to 10 per cent. of the present issued share capital) provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, on the expiry of 15 months from the passing of this resolution unless previously revoked, varied or renewed, by the Company in general meeting and provided that the Company shall be entitled to make, prior to the expiry of such authority, an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities pursuant to such offer or agreement as if the authority conferred hereby had not expired.

## Disapplication of pre-emption rights

10 THAT in substitution of all existing powers the Directors be and are hereby generally empowered pursuant to Section 95 of the Companies Act 1985 (the "Act") to allot equity securities (within the meaning of Section 94 of the Act) for cash pursuant to the authority conferred by resolution 9 above as if sub-section (1) of Section 89 of the Act did not apply to any such allotment and to sell relevant shares (within the meaning of Section 94 of the Act) if, immediately before the sale, such shares are held by the Company as treasury shares (as defined in Section 162a of the Act ("treasury shares")), for cash as if Section 89(1) of the Act did not apply to any such sale provided that this power shall be limited to the allotment of equity securities and the issue of treasury shares:

(a) where the offer of equity securities open for acceptance for a period fixed by the Directors where the equity securities respectively attributable to the interests of the Ordinary shares of 25p each in the Company ("Ordinary shares") are proportionate (as nearly as may be) to the respective numbers of Ordinary shares held by them but subject to such exclusions or other arrangements in connection with the issue as the Directors may consider necessary, appropriate, or expedient to deal with equity securities representing fractional entitlements or to deal with legal or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange, or any other matter whatsoever; and

# NOTICE OF THE ANNUAL GENERAL MEETING (continued)

(b) (otherwise than pursuant to sub-paragraph (a) above) up to an aggregate nominal value of £598,345 or, if less, the number representing 10 per cent. of the issued Ordinary share capital of the Company at the date of the meeting at which this resolution is passed

and shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, or 15 months from the date of passing of this resolution, whichever is the earlier, unless previously revoked, varied or renewed by the Company in general meeting and provided that the Company shall be entitled to make, prior to the expiry of such authority, an offer or agreement which would or might require equity securities to be allotted or treasury shares to be sold after such expiry and the Board may allot equity securities or sell treasury shares pursuant to such offer or agreement as if the power conferred hereby had not expired.

## Authority to repurchase Ordinary shares

11 THAT the Company be 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 25p each in the capital of the Company (“Ordinary shares”) provided that:

(a) the maximum aggregate number of Ordinary shares authorised to be purchased is 3,587,678 or, if less, the number representing 14.99 per cent. of the issued Ordinary share capital of the Company at the date of the meeting at which this resolution is proposed;

(b) the minimum price (exclusive of expenses) which may be paid for an Ordinary share is 25p;

(c) the maximum price (exclusive of expenses) which may be paid for an Ordinary share is an amount equal to the higher of (a) 105 per cent. of the average of the middle market quotations for an Ordinary share as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which that Ordinary share is purchased; and (b) the higher of the price of the last independent trade in shares and the highest then current independent bid for shares on the London Stock Exchange;

(d) the authority hereby conferred shall expire at the earlier of, the conclusion of the Annual General Meeting of the Company to be held in 2008 or, the expiry of 15 months from the date of the passing of this resolution unless such authority is renewed prior to such time; and

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

12 THAT the name of the Company be changed to RCM Technology Trust PLC.

By order of the Board

10 Crown Place
London EC2A 4FT

**Close Investments Limited**
*Company Secretary*
12 March 2007

## Nominee share code

Where notification has been provided in advance, the Company will arrange for copies of shareholder communications to be provided to the operators of nominee accounts. Nominee investors may attend general meetings and speak at meetings when invited to do so by the Chairman.

Investors who hold shares through the Close Investments Savings Scheme, PEP or ISA receive all shareholder communications and a letter of direction is provided to facilitate voting at general meetings of the Company.

# NOTICE OF THE ANNUAL GENERAL MEETING (continued)

## Notes

1. Ordinary shareholders, proxies and authorised representatives of corporations which are Ordinary shareholders are entitled to attend the meeting. Pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, the Company has specified that to be entitled to attend and vote at the meeting (and for the purposes of determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members by 12 noon on 8 April 2007. Changes to the entries on the Register of Members after 12 noon on that date shall be disregarded in determining the rights of any person to attend and vote at the meeting.

2. A member entitled to attend and vote may appoint one or more proxies to attend and, on a poll, vote in their place. A proxy need not be a member of the Company.

3. A form of proxy is provided. To be effective, a form of proxy must be completed, signed and lodged with the registrar not later than 48 hours before the time for holding the meeting. Deposit of a form of proxy will not preclude a member from attending the meeting and voting in person.

4. If the meeting is adjourned to a time not more than 48 hours after the time applicable to the original meeting, the specified time noted above will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. If however the meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members at the time which is 48 hours before the time fixed for the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in that notice.

5. The Register of Directors' Interests is available at the Company's registered office during normal business hours on any weekday and will be available for inspection at the above meeting. No Director has a service contract with the Company.

Location of the Annual General Meeting to be held at the City of London Club, 19 Old Broad Street, London EC2N 1DS on Tuesday, 10 April 2007 at 12.00 noon.

# COMPANY INFORMATION

## Directors
David Quysner, Chairman
John Cornish
Paul Gaunt
Richard Holway
Dr Chris Martin
Anthony Townsend

## Company Registration Number
3117355 (Registered in England)

## Registered Office
Current: 10 Crown Place
London EC2A 4FT
Telephone: 020 7426 4000

Future: 155 Bishopsgate
London EC2M 3AD
Telephone: 020 7859 9000

## Manager, Investment Manager and Company Secretary
Current: Close Investments Limited
10 Crown Place, London EC2A 4FT
*Authorised and regulated by the Financial Services Authority*

A member of the Close Brothers Group

Future: RCM (UK) Limited
155 Bishopsgate, London EC2M 3AD
*Authorised and regulated by the Financial Services Authority*

Kirsten Salt BA(Hons) ACIS will act as Company Secretary

## Website
Current: www.closeinvestments.com
Future: www.allianzglobalinvestors.co.uk

## Auditors
RSM Robson Rhodes LLP
30 Finsbury Square
London EC2P 2YU

## Stockbrokers
Winterflood Investment Trusts
The Atrium Building, Cannon Bridge
25 Dowgate Hill, London EC4R 2GA

## Registrars
Capita Registrars
Northern House, Woodsome Park,
Fenay Bridge, Huddersfield,
West Yorkshire HD8 0LA.
Telephone: 0870 162 3100
Facsimile: 020 8639 2342
E-Mail: ssd@capitaregistrars.com
Website: www.capitaregistrars.com

Please contact the Registrars if you have a query about a certificated holding in the Company's shares.

## Close Investments Savings Scheme MileStones Plan, ISA and PEP
Block C, Western House, Lynchwood Business Park,
Peterborough PE2 6BP

Client Services Team: 0845 600 1213*
E-Mail: info@closeinvestments.com

* calls to this number are recorded for monitoring purposes and will be charged at local rates, non-BT line charges may vary

Please contact the Client Services team to obtain information and literature concerning the Company or other Close Investments managed investment trusts, or if you have a query concerning a Close Investments Savings Scheme MileStones Plan, ISA or PEP account.

Online investment and account management is available for the Close Investments Savings Scheme MileStones Plan, ISA and PEP at www.closeinvestments.com

## Share Price Listings
The price of your shares can be found in various publications including the Financial Times under the heading Investment Companies and in the Daily Telegraph under the heading Investment Trusts.

The Company's net asset value per share is announced daily and is available daily on the Close Investments website at www.closeinvestments.com and on the TrustNet website at www.trustnet.com

The London Stock Exchange Daily Official List (SEDOL) code is 0339072

## Disability Act
Copies of this annual report and other documents issued by the Company are available from the Company Secretary. If needed, copies can be made available in a variety of formats, including Braille, audio tape or larger type as appropriate. You can contact the Registrar to the Company, Capita IRG plc, which has installed telephones to allow speech and hearing impaired people who have their own telephone to contact them directly, without the need for an intermediate operator, for this service please call 020 8639 2062. Specially trained operators are available during normal business hours to answer queries via this service. Alternatively, if you prefer to go through a 'typetalk' operator (provided by The Royal National Institute for Deaf People) you should dial 18001 from your textphone followed by the number you wish to dial.

# GLOSSARY OF TERMS

## Net Asset Value ("NAV")

The value of the Company's assets, principally investments made in other companies and cash being held, minus any liabilities for which the Company is responsible, e.g. money owed to other people. The NAV is also sometimes described as 'shareholders' funds'. The NAV is often expressed in pence per share after being divided buy the number of shares which have been issued. The NAV per share is unlikely to be the same as the share price which is the price at which the Company's shares can be bought or sold by an investor. The share price is determined by the relationship between the demand and supply for the shares.

## Discount or Premium

A description of the difference between the share price and the NAV per share. This is usually expressed as a percentage (%) of the NAV per share. If the share price is higher than the NAV per share, the difference is called a premium, if the share price is lower than the NAV per share, the difference is called a discount.

## Total Assets

Total assets less current liabilities, before deducting prior charges.

Prior charges are defined as including all debentures, all loans and short term loans and overdrafts that are to be used for investment purposes, reciprocal foreign currency loans, currency facilities to the extent that they are drawn down, index-linked securities, all types of preference or preferred capital and the income shares of split capital trusts, irrespective of the time until repayment.

## Total Return

The methodology has been in place for the AIC database for over 20 years. Price Total Return involves reinvesting the net dividend in the month that the share price is declared ex dividend. The NAV Total Return involved reinvesting the same net dividend in the NAV of the Company on the date to which that dividend was earned, e.g. quarter end, half year to year end date.

## Gearing

Also known as leverage, particularly in the USA. Gearing is the process whereby capital growth (and conversely any capital depreciation) and income to the Ordinary shareholders of the Company are boosted by borrowings, which provide some scope for additional investment but which carry a fixed liability. The return on this extra investment minus the cost of borrowing the money gives the shareholder an enhanced or geared profit or loss.

The Gearing of the Company is calculated by the total assets including all debt being used for investment purposes (irrespective of how long the debt has to run until repayment) divided by shareholders' funds. The actual Gearing of the Company is the total assets less all cash and fixed interest assets (excluding convertibles) divided by shareholders' funds.

## Initial Public Offering ("IPO")

The initial offer by a company of its shares to be quoted on a stock exchange. Often known as a flotation.

# INVESTING WITH FINSBURY TECHNOLOGY TRUST PLC

## Retail Investment Plans

There are a variety of ways you can buy shares in the Company through the Close Investments ISA, Savings Scheme or the MileStones Plan. The MileStones Plan is a dedicated children's savings plan aimed not only at parents, grandparents but all those wanting to give a child a financial head start in life. There is also a PEP transfer facility if you already hold a PEP plan with another manager.

The investment schemes are both flexible and accessible. You can opt to save either on a monthly basis, drip-feeding with regular investments, or with lump sum/top-up investments at any time, subject to the minimum investment levels stated below. There is a 1% dealing fee on all purchases and sales (no minimum, maximum £50). Stamp duty is also payable.

Each of the investment plans has the benefit of automatic income reinvestment, therefore compounding your returns. Alternatively you can buy shares direct through your stockbroker or bank, or via the Company's registrar as detailed on page 49.

You will receive a half yearly report, which shows the value of your investments and details of share transactions, dividends, interest received and charges incurred. You will also receive a copy of the Company's annual and interim reports as soon as they are published, and you will be able to attend and vote at all shareholder meetings subject to submission of a written request.

## Online Investing

You can open an account and deal online for the ISA and Savings Scheme on the Close Investments website www.closeinvestments.com

Account management for all the investment schemes is also available on the site. This enables you to:

- Access you account 24 hours a day
- Obtain up-to-date valuations
- View current and historic statements
- Purchase online by debit card
- Sell online
- Amend your personal details
- Change direct debit details
- Set up income payments

Phone: 0845 600 1213*
Click: www.closeinvestments.com
Email: info@closeinvestments.com

*calls to this number are recorded for monitoring purposes, calls will be charged at local rates, non-BT line charges may vary.

## Range of Investment Trusts

All of the Close Investments managed investment trusts are available within the Close Investments ISA, Savings Scheme, MileStones Plan and PEP transfer. The range includes:

- Close Finsbury EuroTech Trust PLC†
- Finsbury Emerging Biotechnology Trust PLC
- Finsbury Growth & Income Trust PLC
- Finsbury Technology Trust PLC
- Finsbury Worldwide Pharmaceutical Trust PLC

†This trust is in the process of obtaining shareholder approval to be wound up voluntarily.

# INVESTMENT LIMITS

| | Minimum Investment | Maximum Investment |
|---|---|---|
| MileStones Plan | £25 per month<br>£100 lump sum/top-ups | No upper limit |
| ISA | £100 per month/top-ups<br>£1,000 lump sum | Maxi ISA: £7,000 annual limit<br>Mini ISA: £4,000 annual limit |
| Savings Scheme | £100 per month/top-ups<br>£1,000 lump sum | No upper limit |
| PEP Transfer | £1,000 transfer | No upper limit |

Past performance is not a guide to future performance. Changes in the rates of exchange between currencies may cause the value of investments to fluctuate. Fluctuation may be particularly marked in the case of a higher volatility fund and the value of an investment may fall suddenly and substantially. It is important to note that shares in the technology sector can be particularly volatile. The price of shares and any income from them may fall as well as rise and is not guaranteed. The investor may not get back the original amount invested. This document does not constitute an offer or invitation to purchase shares in the Company.

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