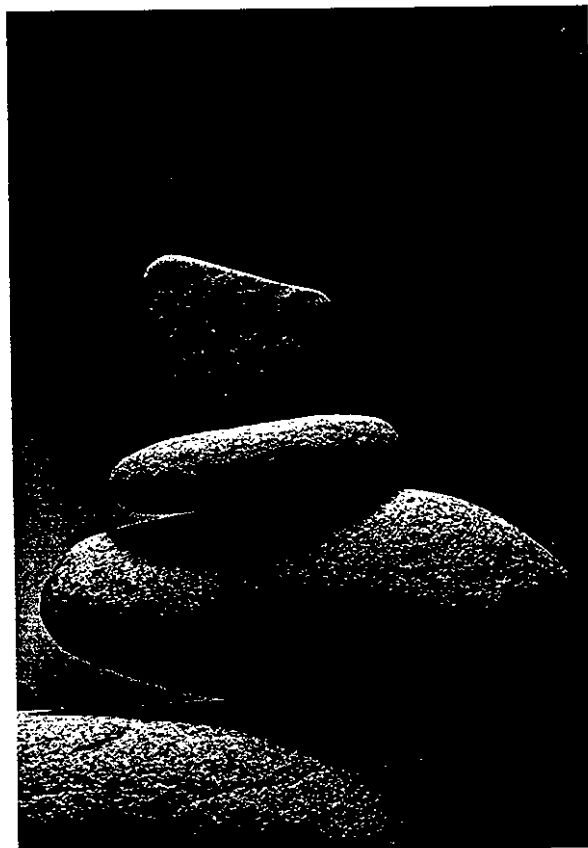


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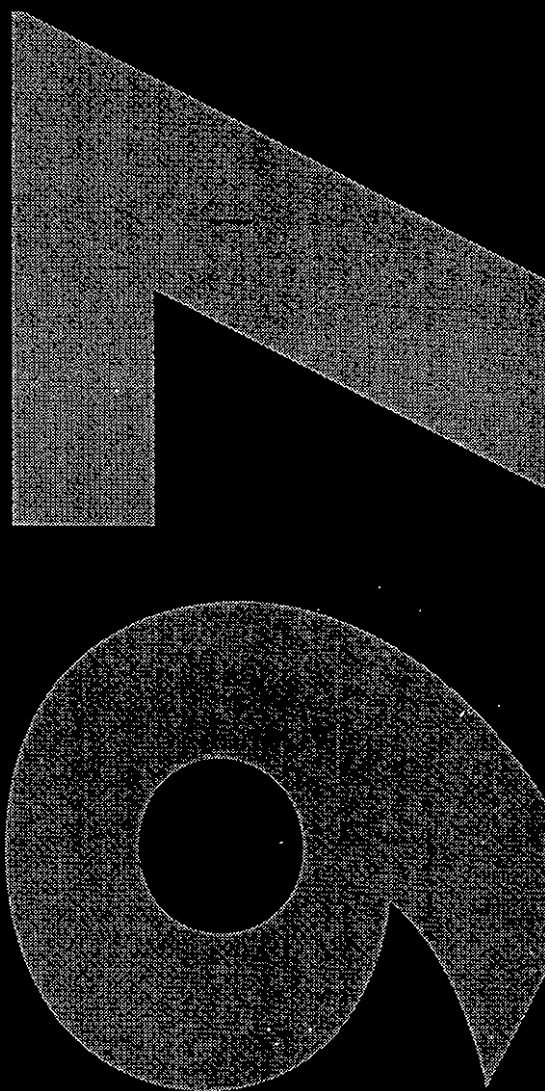
Annual Report & accounts



31 March 1997

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Annual Report for the period ended 31 March 1997

Objective

The objective of Advent VCT is to provide investors with an attractive return, principally by maximising the stream of tax-free dividend distributions from the income and capital gains generated by a portfolio of investments mainly in established unquoted companies in the United Kingdom.

Financial Highlights

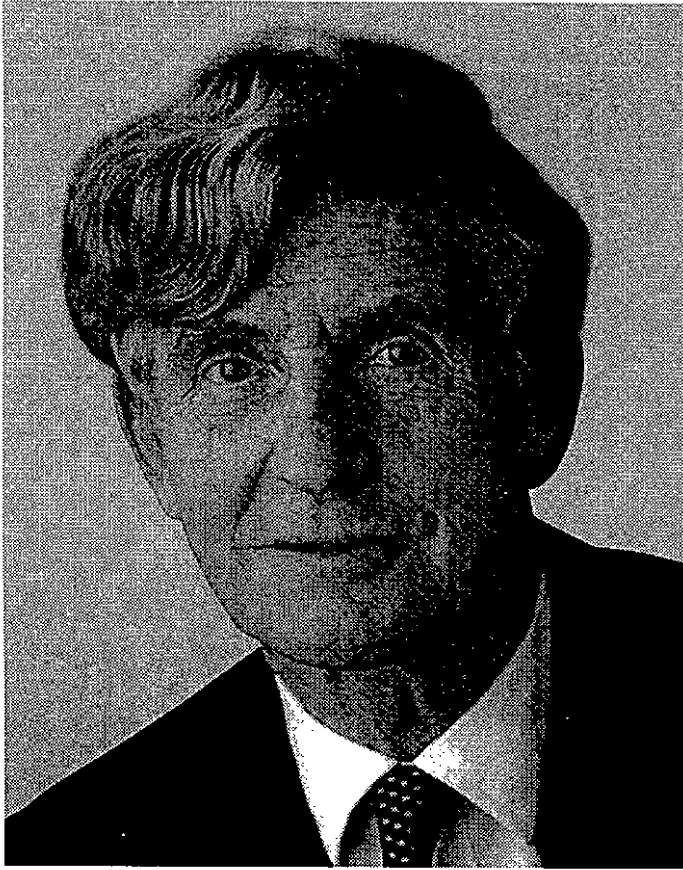
- The investment programme is well on schedule. Nine investments in Qualifying Companies were completed in the period to 31 March 1997 at a cost of £7.1 million. One further investment for which approval had been given at 31 March 1997 has since been completed at a cost of £1.0 million.
- In a number of the investments, Advent VCT is committed to invest further funds in due course, generally subject to satisfactory performance by the companies concerned, making an aggregate commitment to the 10 companies of £11.6 million.

	Period ended 31 March 1997
Revenue return per ordinary share	3.2p
Total dividends per ordinary share (equivalent for shareholders entitled to the gross payment)	4.0p
Net asset value per ordinary share	95.1p

- A final dividend of 1.6p per ordinary share (currently equivalent to 2.0p gross) is recommended, payable on 11 July 1997 to shareholders on the register on 20 June 1997. Together with the interim dividend paid on 16 December 1996, this will make a total dividend for the year of 3.2p per share (equivalent to 4.0p gross).
- The aggregate commitment to the 10 companies represents 38.9% of the net funds raised by Advent VCT in the offer for subscription and placing. This compares with a minimum requirement to invest 70% of the net funds in Qualifying Holdings by 31 March 1999.
- The ongoing deal flow being received by Advent Fund Managers remains strong.

Venture Capital Trust status

Advent VCT has been granted provisional approval under section 842AA of the Income and Corporation Taxes Act 1988 and it is intended that the business of the company be carried on so as to comply with that section.



The rate and quality of deal flow received since the launch of Advent VCT has been most encouraging. The investment programme is well on schedule.

Graham Ross Russell

Chairman's Statement

This is the first Annual Report of Advent VCT, which covers the period from the incorporation of the company until 31 March 1997, including the 12 months from the closing of the offer for subscription and placing at £31.5 million at the beginning of April last year.

Progress in Investment

The rate and quality of deal flow received since the launch of Advent VCT has been most encouraging. In the 12 months to 31 March 1997, Advent VCT completed investments in nine Qualifying Companies at a cost of £7.1 million. One further investment for which approval had been given at 31 March 1997 has since been completed at a cost of £1.0 million. In a number of the investments, Advent VCT is committed to invest further funds in due course, generally subject to satisfactory performance by the companies concerned, making an aggregate commitment to the 10 companies of £11.6 million.

The aggregate commitment to the 10 companies represents 38.9% of the net funds raised by Advent VCT in the offer for subscription and placing. This compares with a minimum requirement to invest 70% of the net funds in Qualifying Holdings by 31 March 1999, and means that the investment programme of Advent VCT is well on schedule.

Dividend

The Board recommends a final dividend of 1.6p per share for the period ended 31 March 1997, on which tax of 0.4p per share will be reclaimed by the company on behalf of all shareholders entitled to the gross payment.

This is in line with the indication given in my statement included in the Interim Report for the period to 30 September 1996, and means that the total dividends in respect of this first year are equivalent to 4.0p per share for shareholders entitled to the gross payment, representing a gross yield of 4.0% on the issue price of the shares (compared with a forecast in the prospectus of 3.5%).

Balance Sheet

The net asset value per share at 31 March 1997 was 95.1p. This is the same as the net assets attributable to shareholders immediately following the share issue. The venture capital

investments have been valued in accordance with the British Venture Capital Association guidelines, under which unquoted investments are not normally revalued above cost for at least 12 months after the date of acquisition.

The investment in Shalibane, which is quoted on the Alternative Investment Market, and the portfolio of listed fixed income securities have shown useful capital appreciation, but against that has been charged part of the investment management fee, in line with the policy set out in the prospectus.

I would like to remind shareholders that, having regard to the stated investment objectives, your investment in Advent VCT should be considered a long term investment. The procedures adopted by Advent VCT for the valuation of unquoted investments will mean that you should not expect any early appreciation in the net asset value per share.

Outlook

The ongoing deal flow being received by Advent Fund Managers remains strong. The Board is confident that Advent VCT will continue to find attractive opportunities for investment in Qualifying Companies.

In the prospectus it was indicated that, after the first accounting period to 31 March 1997, the income available for distribution to shareholders might decline in the short term as the portfolio of Qualifying Holdings, which initially are low yielding, is built up. While a number of the venture capital investments have been structured to produce an income yield in due course, it is too soon to expect a substantial flow of income from these sources. Inevitably, therefore, there will be a significant reduction in the dividend payout over the next year or two.

In the longer term, it remains the intention of Advent VCT to maximise the stream of tax-free dividend distributions on the successful realisation of investments for cash.

Jonathan Ross Russell

Chairman, Advent VCT plc



We have been able to achieve a balance in our investments to date across a range of high growth industry sectors, including investments in healthcare services, biopharmaceuticals, engineering, environmental activities, computer software and electronics and the leisure and media sectors.

Sir David Cooksey

Manager's Review

Advent Fund Managers Limited

Over the first 12 months since the closing of the offer for subscription and placing in April 1996, Advent VCT has made good progress with its investment programme. The offer for subscription and placing raised a total of £31.5 million (equivalent to £29.9 million net of expenses), making Advent VCT the biggest venture capital trust raised at that date.

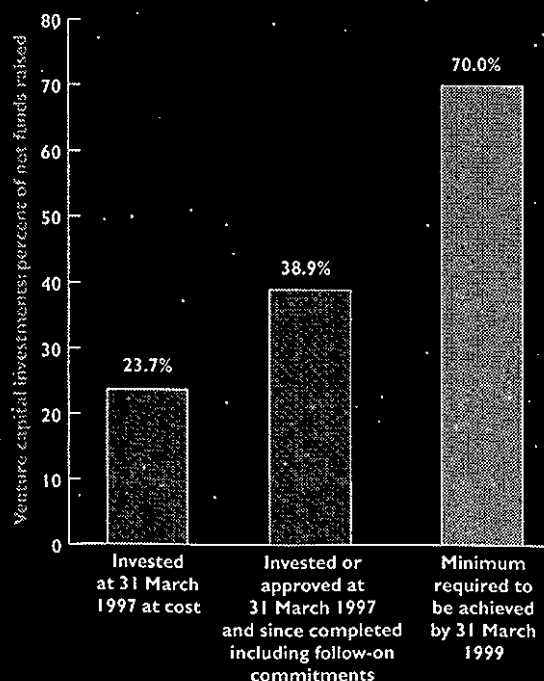
Venture capital investments

At 31 March 1997, the total of investments made and investment commitments given amounted to £14.1 million.

The cost of the nine investments completed at 31 March 1997, together with the one further investment approved at that date and since completed and related follow-on commitments, amounted to £11.6 million. This accounts for 38.9% of the net funds raised, putting Advent VCT well on course to meet the Inland Revenue requirement that at least 70% of the net funds raised must be invested in Qualifying Holdings by 31 March 1999.

Two further investments for which commitments, including follow-on commitments, totaling £2.45 million had been given as at 31 March 1997 currently remain outstanding for completion.

Progress against Inland Revenue requirements



Investments made and investment commitments given as at 31 March 1997

	Number of companies	Cost of investment to date ⁽¹⁾ £'000	Total commitment including follow-on commitment ⁽²⁾ £'000
Investments completed at 31 March 1997	9	7,094	9,644
Other investments for which commitments had been given as at 31 March 1997 and which have since been completed	1	1,000	2,000
Other investments for which commitments had been given as at 31 March 1997 and which remain outstanding	2	—	2,450
	12	8,094	14,094

⁽¹⁾The amounts shown for cost of investments exclude transaction costs.

⁽²⁾Follow on commitments are in most cases subject to satisfactory performance by the company concerned.

In the prospectus we stated our intention that the venture capital investments of Advent VCT would comprise product and service businesses in a range of growing industrial and commercial markets.

We have been much encouraged by both the quantity and the quality of the deal flow that we have received. We have been able to achieve a balance in our investments to date across a range of high growth industry sectors, including investments in healthcare services, biopharmaceuticals, engineering, environmental activities, computer software and electronics and the leisure and media sectors.

In addition to eight unquoted investments, at 31 March 1997 the company held one investment quoted on the Alternative Investment Market. All of the company's venture capital investments are Qualifying Holdings for VCT approval purposes.

Manager's Review

(continued)

Although the principal objective of our investments in unlisted companies is to create capital gains, a number of the investments have been structured to produce an income yield in due course, and this will remain our policy in relation to future investments where the prospects of the investee company make this appropriate.

Valuation policy

Unlisted investments are valued in accordance with the accounting policy set out on page 25, which complies with the guidelines issued by the British Venture Capital Association. Under the guidelines, unquoted investments are not normally revalued above cost for at least 12 months after the date of acquisition.

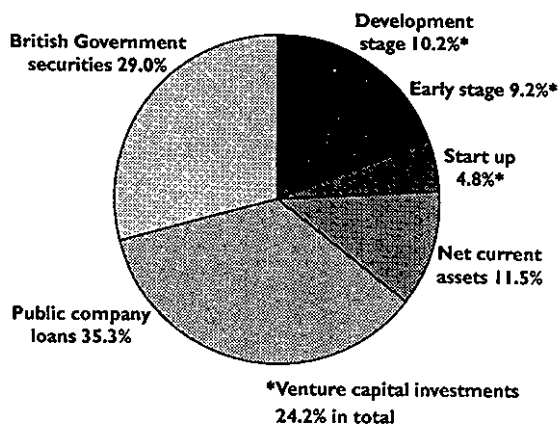
Listed fixed income investments

As indicated in the prospectus, at the outset the net proceeds of the issue were invested in a portfolio of gilts and other sterling-denominated fixed income investments managed by Cazenove Fund Management Limited.

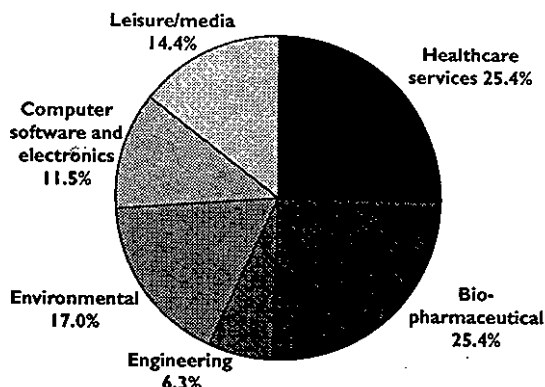
The aim has been to achieve an income yield coupled with capital security. Investments have been made in British Government securities and public company loans. A spread of maturity dates has been chosen such that the proceeds of redemption will provide a flow of funds over the period to 31 March 1999 to meet the planned requirements of venture capital investment. A number of medium and longer-dated stocks are also included. This is in line with the intention that, after the first three years of the life of Advent VCT, approximately 20% of the net funds raised will remain in gilts and other fixed interest investments.

A summary of the investment portfolio at 31 March 1997 is set out on page 7, with information on each of the venture capital investments being given pages 8 to 12. Charts setting out certain analyses of the portfolio are set out opposite.

Composition of Investment Portfolio at 31 March 1997 at valuation



Sector analysis of venture capital investments including investments approved at 31 March 1997 and since completed and follow-on commitments



Management team

The investment team has been expanded with the appointment of Peter Davies as an Associate Director of Advent Fund Managers Limited and by gaining the services of David Cheesman and Nicholas Teasdale, all of whom have substantial experience both in industry and venture capital.

Outlook

Ongoing deal flow remains strong. We aim to make substantial further progress during the current year towards meeting the Inland Revenue requirements as to the proportion of Qualifying Holdings in Advent VCT's portfolio.

Sir David Cooksey

Investment Portfolio Summary at 31 March 1997

	Cost £'000	Valuation £'000	% of portfolio by value
Venture capital investments			
Aphronis Ltd (Meridian Health and Fitness Clubs)	600	600	2.3%
Cerebrus Ltd	1,000	1,000	3.8%
Dencare Management Group plc	1,000	1,000	3.8%
Hoeft Rademacher Ltd	1,000	1,000	3.8%
Jamies Bars Ltd	694	694	2.6%
Ozone Industries Ltd	1,000	1,000	3.8%
Shalibane plc	601	746	2.8%
Telemedia Systems Ltd	750	750	2.8%
WARD (World-wide Advertising Rates & Data) Ltd	451	451	1.7%
	<u>7,096</u>	<u>7,241</u>	<u>27.3%</u>
Listed fixed income investments			
British Government securities			
£1,500,000 Treasury 8½% Loan 1997	1,514	1,515	5.7%
£3,000,000 Exchequer 9½% Stock 1998	3,070	3,076	11.6%
£2,000,000 Treasury 7¼% Stock 1998	2,010	2,012	7.6%
£2,000,000 Treasury 9½% Loan 1999	2,079	2,085	7.9%
Public company loans			
£500,000 General Electric Capital Corp 9½% Bonds 02/06/97	502	503	1.9%
£500,000 Asian Development Bank 9½% Bonds 01/07/97	503	500	1.9%
£1,000,000 Halifax Building Society 8¼% Bonds 17/10/97	1,010	1,010	3.8%
£1,500,000 British Gas 7½% Notes 18/11/97	1,506	1,500	5.7%
£1,000,000 Abbey National Treasury Services 7½% Gtd Notes 23/06/98	1,007	1,000	3.8%
£1,000,000 DSL Bank 7½% Bonds 12/08/98	1,008	1,000	3.8%
£1,000,000 Royal Insurance Holdings 9½% Subord Bonds 25/03/2003	1,044	1,085	4.1%
£1,500,000 Lloyds Bank 7½% Subord Bonds 11/03/2004	1,397	1,440	5.4%
£1,500,000 Swiss Bank Corp Jersey 8½% Bonds 20/06/2005	1,502	1,545	5.8%
£1,000,000 Powergen 8½% Bonds 03/07/2006	1,003	1,000	3.8%
	<u>19,155</u>	<u>19,271</u>	<u>72.7%</u>
Total investments	<u>26,251</u>	<u>26,512</u>	<u>100.0%</u>
Net current assets		<u>3,454</u>	
Shareholders' funds		<u>29,966</u>	

In the case of listed fixed income investments, cost is stated net of amortisation.



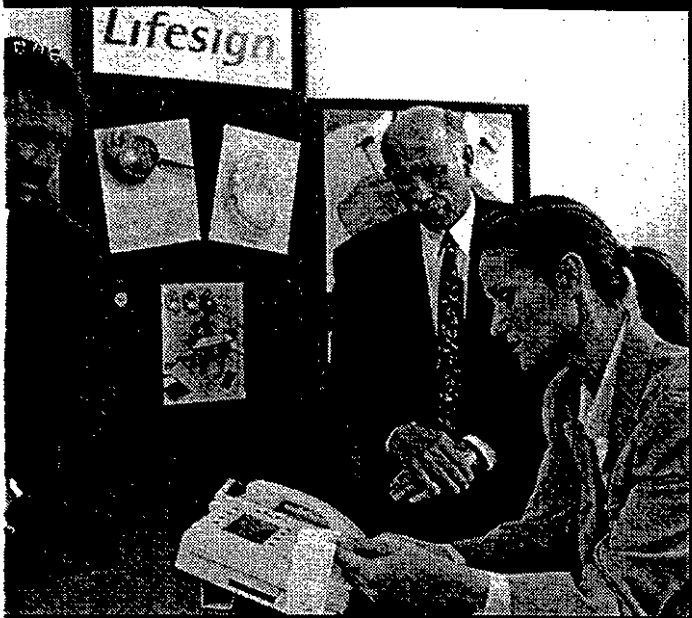
Shalibane plc

– a £600,000 investment as part of a £3.0 million development capital financing in the form of a placing upon the admission of Shalibane to the Alternative Investment Market. Shalibane, which is based in Camberley, is a manufacturer of specialised engine components for the European automobile industry. The financing provides funds for capital expenditure and new product development as well as additional working capital. The placing was sponsored by Brown Shipley & Co. Limited and Advent VCT invested alongside Northern Venture Trust, Quester VCT and other institutional and private investors.

Dencare Management Group plc

– a £1,000,000 investment in a development capital financing. Dencare, which is based in Tunbridge Wells, is establishing a network of quality dental practices controlled by a professional management team. The company currently operates six practices in the south and west of England. The investment by Advent VCT enables Dencare to expand this network, mainly by acquisition. The transaction was arranged by Advent Fund Managers.

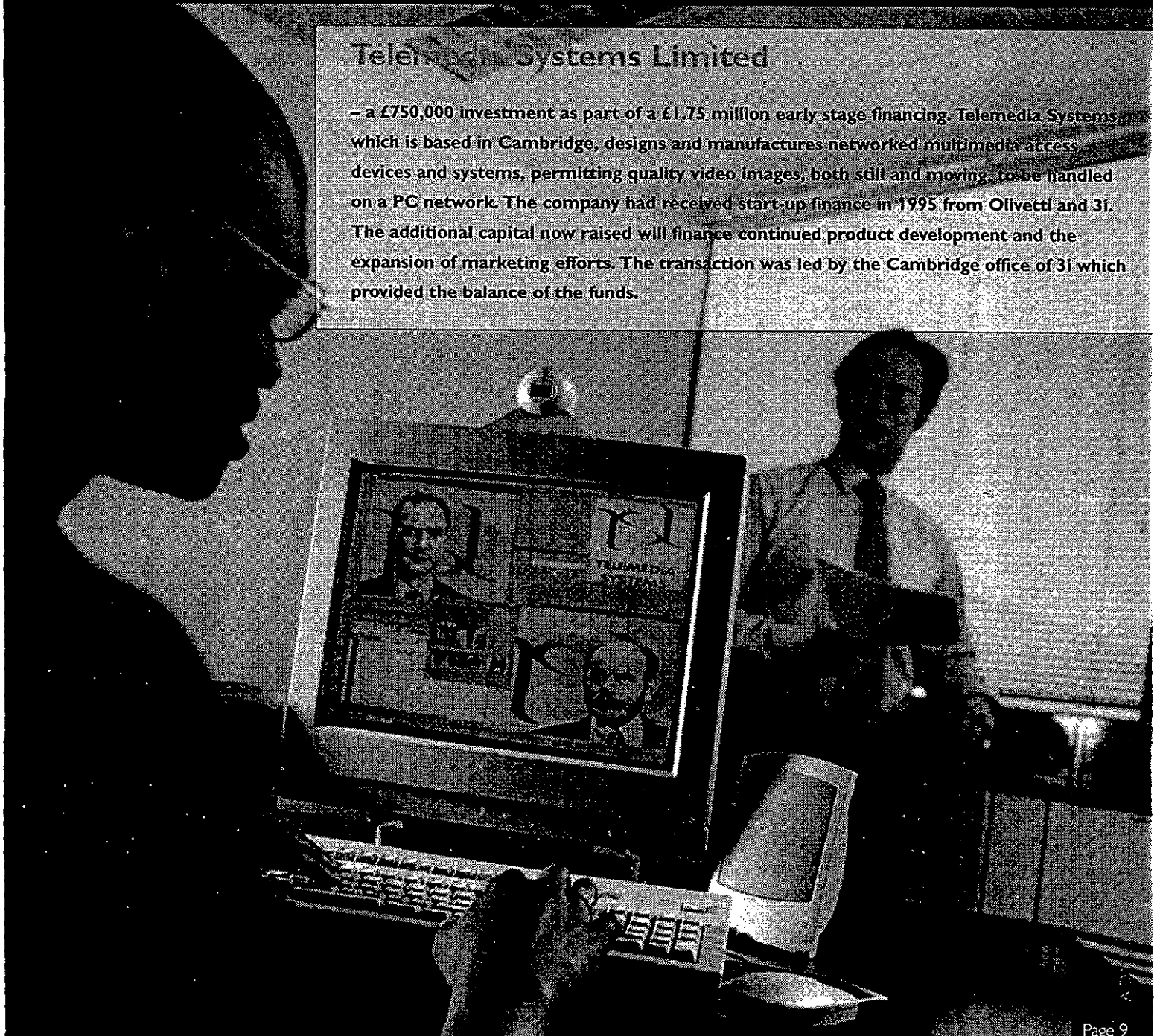




Venture Capital Investments

International Telemedicine Systems Limited (trading as Lifesign)

– a £1 million investment in an early stage financing, for which approval had been given at 31 March 1997 and which has since been completed. Lifesign, which is based in central London, has been established to provide telecardiology services for the UK and other world markets. Initial applications will include trans-telephonic monitoring and adjustment of pacemakers and defibrillators and remote monitoring of patients suffering from cardiac rhythm problems. The financing provides funds for market development. Advent VCT is committed to invest a further £1 million in 1998 subject to satisfactory performance. The transaction was arranged by Advent Fund Managers.



Telemedia Systems Limited

– a £750,000 investment as part of a £1.75 million early stage financing. Telemedia Systems, which is based in Cambridge, designs and manufactures networked multimedia access devices and systems, permitting quality video images, both still and moving, to be handled on a PC network. The company had received start-up finance in 1995 from Olivetti and 3i. The additional capital now raised will finance continued product development and the expansion of marketing efforts. The transaction was led by the Cambridge office of 3i which provided the balance of the funds.

WARD (Worldwide Advancing Rates & Data) Limited

— a £450,000 investment in a start-up financing. WARD, which is based in Swindon, provides services to advertising agencies, companies planning marketing campaigns and publishers. Subscribers are offered a comprehensive database of publications, advertising rates and other data, together with sophisticated search facilities, accessed through the Internet. The investment by Advent VCT provides the company with funds for market development. In addition to the initial £450,000, Advent VCT is committed to invest a further £150,000 in due course. The transaction was arranged by Advent Fund Managers.

Jamies Bars Limited

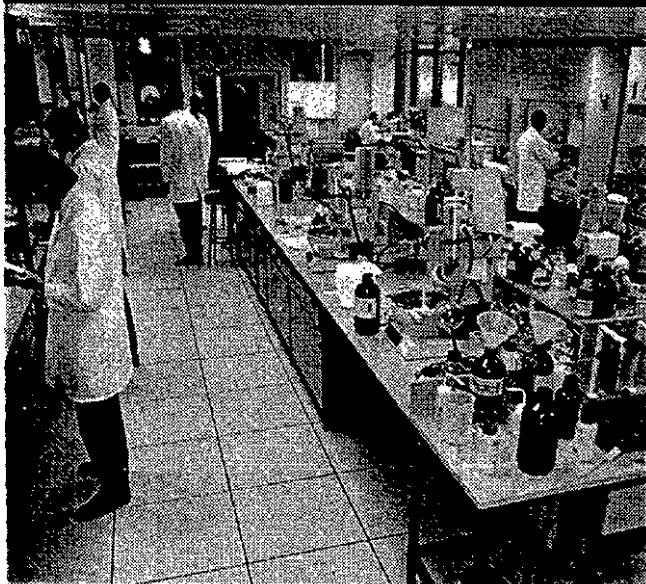
— a £694,000 investment in a £2.5 million development capital financing. Jamies operates a chain of wine bars and bar/restaurants located mainly in the City of London. The financing, which was linked with a corporate restructuring, provides the group with funds for expansion. The transaction was arranged by Advent Fund Managers and Advent VCT invested alongside existing holdings of Baring Private Equity Partners Limited and Regent Inns plc.

Meridian Health & Fitness Clubs (Aphronis Limited)

— a £600,000 initial investment in a development capital financing to support the expansion of the group of health and fitness clubs planned by Meridian. The total transaction size was approximately £800,000 and the financing enables Meridian to expand its existing Amersham club and develop the clubs planned at Maidenhead and other locations. At 31 March 1997, Advent VCT has committed to invest a further £200,000 in 1997 subject to satisfactory performance. At the date of this report, £200,000 of that amount had already been invested. The transaction was arranged by Advent Fund Managers.

Cerebrus Limited

— a £1 million investment in an early stage financing. Cerebrus, which is based in Ascot, specialises in advanced neuroscience technology, to produce novel therapies for a range of Central Nervous System disorders, including Alzheimer's disease, anxiety, Parkinson's disease, autism, obesity, stroke and traumatic brain injury. Alongside the research activity, the Neuroscience Services division provides a specialist technical service to leading pharmaceutical and biotechnology companies. The company had received start-up finance in 1995 and earlier in 1996, mainly from Schroder Ventures. Subsequent to the investment by Advent VCT, a further £12.8 million was raised in a placing with institutional investors. The capital raised will be applied in financing ongoing product development. The placing was sponsored by Merrill Lynch International.



Hoelt Rademacher Limited

– a £1 million investment as part of a £6.0 million start-up financing. HRL, which is based at University College London, is involved in the development of novel treatments for diabetes and other metabolic disorders. The financing provides the company with funds for ongoing research and clinical development. The total capital of £6.0 million will be drawn in two tranches, with Advent VCT being committed to invest a further £1 million in the second tranche. The transaction was led by Apax Partners which committed the balance of the funding.

Ozone Industries Limited

– a £1 million investment as part of a £1.6 million early stage financing. Ozone Industries, which is based in Farnborough, manufactures and markets a range of ozone generators for domestic and commercial use. The financing enables the company to expand its marketing operations and fund the development of a wider range of products. A recent success has been the use of ozonisers in the Hilton hotel group for removing the smell of smoke from bedrooms. Advent VCT is committed to invest a further £1 million in 1998 subject to satisfactory performance. The transaction was led by Advent Fund Managers and Advent VCT invested alongside clients of Oakes Fitzwilliams & Co.



Board of directors

Graham Ross Russell

Chairman of Advent VCT, is chairman of the Securities Institute and chairman of Foreign & Colonial PEP Investment Trust plc. He was a partner in, and from 1988 to 1990 chairman of, the stockbroking firm Laurence Prust, specialising in corporate finance for smaller and medium-sized companies. He was a Council Member of the London Stock Exchange from 1973 to 1991 and a deputy chairman from 1984 to 1988. He has served on the boards of several UK companies and was chairman of EMAP plc from 1990 to 1994. He currently heads the H.M. Treasury panel on the development of business incubator units.

Roger Brooke

Chairman of Candover Investments plc, an investment trust investing mainly in buy-outs of unquoted companies, having been chief executive of that company since its formation in 1980. From 1969 to 1971 he was managing director of Scienta SA, which was involved in small and medium-sized advanced technology businesses in Europe. He was a director of Pearson Group for eight years and in 1979 became group managing director of EMI until its merger with Thorn in 1980. He is currently a non-executive director of Slough Estates plc, Lambert Fenchurch plc, Tarmac plc and Wembley plc. He was appointed chairman of the Audit Commission in December 1995.

John Burton

An active private investor and non-executive director in a variety of unquoted companies in the UK and overseas. After an early career with McKinsey & Co Inc., he left to develop his own business and from the late 1960's built up Lewmar plc into a world leader in its field of specialist marine equipment, obtaining a quotation on the Unlisted Securities Market in 1985. After the acquisition of Lewmar by Benjamin Priest plc in 1987, he was a non-executive director of the latter company for two years.

Sir David Cooksey

Chairman of Advent Fund Managers Limited and of Advent Limited, has been involved in venture capital since 1981 when he founded Advent. He was the first chairman of the British Venture Capital Association in 1983/84. In addition to his responsibilities within Advent, he is currently a director of the Bank of England, non-executive chairman of Bepak plc, a director of William Baird PLC and a governor of the Wellcome Trust.

Corporate Governance

The directors of Advent VCT plc confirm that the company has taken appropriate steps to comply with the Code of Best Practice contained in the Cadbury Committee's report on the Financial Aspects of Corporate Governance.

The company's auditors, Ernst & Young, have reviewed this statement in accordance with guidelines issued by the Auditing Practices Board and their review report is set out on page 15.

The Board

The company has a Board of four non-executive directors, each of whom apart from Sir David Cooksey is independent of the Manager. The Board is responsible to shareholders for the proper management of the company.

The Board meets on a regular bi-monthly basis. It has adopted a schedule of matters that are required to be brought to it for decision, thus ensuring that it maintains full and effective control over appropriate strategic, financial, operational and compliance issues.

Board Committees

The Board has appointed three standing committees to make recommendations to the Board in specific areas. Each of these committees includes all the directors other than Sir David Cooksey.

The Audit Committee, which meets twice a year, is responsible for reviewing the half-year and annual accounts before their submission to the Board and for monitoring the effectiveness of the company's internal control systems; the Remuneration Committee is responsible, when necessary, for reviewing the remuneration of the directors and the Nomination Committee is responsible, when necessary, for proposing candidates for appointment to the Board.

Internal financial control

The directors of Advent VCT plc have overall responsibility for the company's system of internal financial control. Internal control systems are designed to meet the particular needs of the company concerned and the risks to which it is exposed, and by their nature can provide reasonable but not absolute assurance against material misstatement or loss.

Under the management agreement, the Board has delegated management of the company to Advent Fund Managers Limited, which has established its own system of internal controls, including internal financial controls, to enable it to ensure that proper accounting records are maintained, that the financial information for use within the business and for reporting to shareholders is accurate and reliable, and that the company's assets are safeguarded. Barclays Bank PLC has been appointed to have physical custody of documents of title relating to unquoted investments.

The company's portfolio of gilts and other fixed-interest securities is managed under a separate agreement with Cazenove Fund Management Limited which has direct responsibility to the Board in this respect and has physical custody of the investments comprised in this portfolio.

The Audit Committee has carried out a review of the effectiveness of the system of internal financial controls as it operated during the period and reported its conclusions to the Board, which was satisfied with the outcome of the review.

Going concern

After due consideration, the directors believe that it is appropriate to apply the going concern basis in preparing the financial statements.

Auditors' Review Report

to Advent VCT plc on Corporate Governance

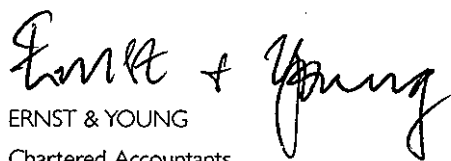
In addition to our audit of the accounts we have reviewed the directors' statements on page 14 on the company's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to any non-compliance with those paragraphs of the Code which is not disclosed.

We carried out our review in accordance with Bulletin 1995/1 'Disclosures relating to corporate governance' issued by the Auditing Practices Board. That Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the company's system of internal financial control or the company's corporate governance procedures nor on the ability of the company to continue in operational existence.

Opinion

With respect to the directors' statements on internal financial control and going concern on page 14, in our opinion the directors have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and such statements are not inconsistent with the information of which we are aware from our audit work on the accounts.

Based on enquiry of certain directors and officers of the company, and examination of relevant documents, in our opinion the directors' statements on page 14 appropriately reflect the company's compliance with the other paragraphs of the Code specified for our review.



ERNST & YOUNG
Chartered Accountants
London

5 June 1997

Directors' Report

The directors present their report and the audited financial statements of the company for the period from 3 November 1995 to 31 March 1997.

Activities and status

The principal activity of the company during the period was the making of investments in unquoted companies in the United Kingdom. The company is an investment company as defined in section 266 of the Companies Act 1985. It has been granted provisional approval by the Inland Revenue under section 842AA of the Income and Corporation Taxes Act 1988 as a Venture Capital Trust. The ordinary shares of the company were admitted to the Official List of the London Stock Exchange on 4 April 1996, on which date the company commenced business.

The directors have managed and intend to continue to manage the company's affairs in such a manner as to comply with section 842AA of the Income and Corporation Taxes Act 1988.

The company was incorporated on 3 November 1995 as a private company with the name De Facto 443 Limited and changed its name to Advent VCT Limited with effect from 10 January 1996. On 16 February 1996 the company was re-registered as a public limited company.

A review of the company's business during the period is contained in the Chairman's Statement.

Issue of shares

On incorporation the share capital of the company was £1,000 divided into 1,000 ordinary shares of £1 each of which two were issued nil-paid to the subscribers to the Memorandum of Association. On 2 February 1996 the two subscriber shares were paid up in full in cash.

By ordinary and special resolutions of the company passed on 15 February 1996 each of the two authorised and issued ordinary shares and each of the 998 unissued shares of £1 each were sub-divided into 20 ordinary shares of 5p each and the authorised share capital of the company was increased to £2,000,000 by the creation of 38,980,000 ordinary shares of 5p each and 1,000,000 redeemable preference shares of 5p each.

On 15 February 1996 1,000,000 redeemable preference shares were allotted paid up as to one quarter, so as to enable the company to re-register as a public limited company. On the same date 200 ordinary shares were allotted.

Pursuant to the offer for subscription by prospectus dated 19 February 1996 and related placing, the company issued 31,500,000 ordinary shares (of which 27,896,500 were allotted on 3 April 1996 and 3,603,500 on 9 April 1996), raising net proceeds of £29,943,000.

The issued redeemable preference shares were redeemed by the company on 3 April 1996 out of the proceeds of the offer for subscription and the unissued share capital thereby created was redesignated as ordinary shares pursuant to the Articles of Association of the company.

Results and dividend

	£'000
Revenue return attributable to equity shareholders for the period	<u>1,011</u>
Appropriated as follows:	
Interim dividend paid – 1.6p per share, equivalent to 2.0p gross	504
Final dividend proposed – 1.6p per share, equivalent to 2.0p gross	504
Retained in revenue reserve	<u>3</u>
	<u>1,011</u>

Directors' Report (continued)

Directors

Travers Smith Limited and Travers Smith Secretaries Limited were appointed as first directors of the company on 3 November 1995. On 2 February 1996 the first directors resigned and Sir David Cooksey and Mr. M.G. Williams were appointed. Mr. M.G. Williams resigned on 15 February 1996 and Mr. G. Ross Russell, Mr. C.R.E. Brooke, Mr. J.D. Burton and Mr. R.J. Koch were appointed.

Mr. R.J. Koch resigned on 25 March 1997 upon leaving the United Kingdom to take up a business appointment in South Africa.

The directors who held office at the end of the period and their interests in the issued ordinary shares of 5p each of the company were as follows:

	31 March 1997
	Number of ordinary shares
Graham Ross Russell Chairman	100,000
Roger Brooke	100,000
John Burton	100,000
Sir David Cooksey	50,200

All the directors' share interests shown above were held beneficially. There have been no changes in the directors' share interests between 31 March 1997 and the date of this report.

Biographical notes on the directors are given on page 13.

Mr. G. Ross Russell, Mr. C.R.E. Brooke, Mr. J.D. Burton and Sir David Cooksey retire at the Annual General Meeting of the company and, being eligible, offer themselves for re-appointment.

Sir David Cooksey is a shareholder in and executive director of Advent Limited, which has a holding in Advent Fund Managers Limited ("Advent Fund Managers"), which provides investment management and secretarial services to the company, of 800 'A' ordinary shares of £1 each, carrying an entitlement to 99.5% of the profits available for distribution by Advent Fund Managers; and whose wholly-owned subsidiary Advent Investments Limited ("AIL") is party to the option agreement with the company dated 16 February 1996 pursuant to which AIL has been given a performance-related incentive. Details of the arrangements with Advent Fund Managers are set out below under "Management" and in Note 4 to the accounts; details of the performance-related incentive are set out in Note 19 to the accounts.

None of the directors has a contract of service with the company and, except as mentioned above, no contract subsisted during or at the end of the period in which any director was materially interested and which was significant in relation to the company's business.

CREST system

Notice was given on 21 November 1996 that a resolution of the directors had been passed on 18 November 1996 pursuant to the Uncertificated Securities Regulations 1995 ("the Regulations") permitting title to the ordinary shares of 5p each, in issue or to be issued, to be transferred by means of a relevant system (as defined in the Regulations), including CREST.

The company's ordinary shares entered the CREST system on 7 April 1997.

The directors emphasise that, while the entry of Advent VCT into the CREST system enables a shareholder to hold and transfer his or her shareholding in electronic form should he or she so wish, a shareholder will still be able to retain his or her existing share certificate and to transfer shares in certificated form should he or she prefer to do so.

Directors' Report (continued)

Management

Advent Fund Managers Limited ("Advent Fund Managers") is manager of the company's investments in Qualifying Companies and provides secretarial and other administrative services. The principal terms of the company's management agreement with Advent Fund Managers are set out in Note 4 to the accounts.

Sir David Cooksey is an executive director of Advent Fund Managers.

Cazenove Fund Management Limited ("Cazenove") is the manager of the company's gilt and sterling-denominated fixed interest portfolio. The principal terms of the company's management agreement with Cazenove are set out in Note 4 to the financial statements.

VCT Status Monitoring

Advent VCT has retained Coopers & Lybrand to advise it on compliance with the legislative requirements relating to VCTs. Coopers & Lybrand review new investment opportunities as appropriate and carry out regular reviews of Advent VCT's investment portfolio. Coopers & Lybrand work closely with Advent Fund Managers but report directly to the Board.

Substantial shareholdings

So far as the directors are aware, there were no individual shareholdings representing 3% or more of the company's issued share capital at the date of this report.

Annual general meeting

Resolutions will be proposed as special business at the Annual General Meeting to renew the authority of the directors to allot the unissued ordinary shares of the company (the existing authority being due to expire) and to grant them renewed authority to allot shares for cash otherwise than pro rata to existing shareholders (the original authority having been fully utilised in connection with the placing in April 1996). Details are as follows:

Resolution 7: Authority to allot

The directors of the company have to be authorised by the shareholders to allot relevant securities up to a maximum amount of the aggregate nominal value of the unissued ordinary shares of the company for a maximum period of five years.

Resolution 8 : Authority to issue shares for cash

Under section 89 of the Companies Act 1985, if the directors wish to allot any of the unissued shares for cash they must first offer them to existing shareholders in proportion to their holdings. There may be occasions when directors need the flexibility to allot such shares, without first offering them to existing shareholders. The resolution grants the directors authority to allot unissued shares for cash, without first offering them to existing shareholders in proportion to their holdings, up to a maximum nominal amount of £78,750.60 representing approximately 5% of the issued ordinary share capital of the company. The power expires at the end of the annual general meeting to be held in 1998 or if earlier on 7 October 1998.

Auditors

Ernst & Young have expressed their willingness to continue in office and resolutions to re-appoint them and to authorise the directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board



ADVENT FUND MANAGERS LIMITED

Secretary

5 June 1997

Statement of Directors' Responsibilities

in respect of the Accounts

Company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts 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.

Auditors' Report

to the Members of Advent VCT plc

We have audited the accounts on pages 21 to 33, which have been prepared under the historical cost convention as modified by the revaluation of investments and on the basis of the accounting policies set out on pages 24 and 25.

Respective responsibilities of directors and auditors

As described on page 19 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

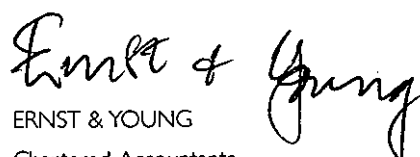
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 March 1997 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



ERNST & YOUNG

Chartered Accountants

Registered Auditor

London

5 June 1997

Statement of Total Return

(incorporating the Revenue Account) of the company for the period from 3 November 1995 to 31 March 1997*

	Notes	Revenue £'000	Capital £'000	1997 Total £'000
Gains on investments	2	—	261	261
Income	3	1,826	—	1,826
Investment management fees	4	(142)	(334)	(476)
Other expenses	5	(175)	—	(175)
Return on ordinary activities before taxation		1,509	(73)	1,436
Tax on ordinary activities	7	(498)	93	(405)
Return attributable to equity shareholders		1,011	20	1,031
Ordinary dividends on equity shares:				
– interim paid (1.6p per ordinary share, equivalent to 2.0p gross)		(504)	—	(504)
– final proposed (1.6p per ordinary share, equivalent to 2.0p gross)		(504)	—	(504)
Transfer to reserves (after aggregate dividends paid and proposed of £1,008,000)		3	20	23
Return per ordinary share	8	3.2p	0.1p	3.3p

*The company was incorporated on 3 November 1995 and commenced business on 4 April 1996.

The revenue column of this statement is the profit and loss account of the company.

All revenue and capital items in the above statement derive from continuing operations.

No operations were acquired or discontinued in the period.

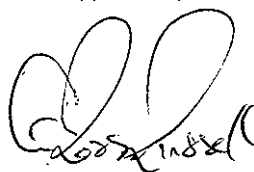
The notes on pages 24 to 33 form part of these accounts.

Balance Sheet at 31 March 1997

	Notes	£'000	1997 £'000
Fixed assets			
Investments	9		26,512
Current assets			
Debtors: amounts falling due			
– after one year	13	109	
– within one year	13	776	
Money market and other deposits		3,036	
Cash		278	
		4,199	
Creditors: amounts falling due within one year	14	(745)	
Net current assets			3,454
Total assets less current liabilities			29,966
Capital and reserves			
Called-up share capital	15		1,575
Share premium account	16		28,368
Other reserves			
– Capital reserve – realised	16		(241)
– Capital reserve – unrealised	16		261
Revenue reserve	16		3
Equity shareholders' funds	17		29,966
Net asset value per ordinary share	18		95.1p

The accounts on pages 21 to 33 were approved by the board of directors on **5 June 1997** and were signed on its behalf by:

GRAHAM ROSS RUSSELL
Director



The notes on pages 24 to 33 form part of these accounts.

Cash Flow Statement

for the period from 3 November 1995 to 31 March 1997

	Notes	£'000	1997 £'000
Cash flow from operating activities and returns on investment			
Investment income received		1,631	
Deposit and similar interest received		317	
Investment management fees paid		(426)	
Secretarial fees paid		(45)	
Other cash payments		(76)	
Net cash from operating activities and returns on investment	20		1,401
Taxation – Advance corporation tax paid			(126)
Financial investment:			
Purchase of listed fixed income investments		(26,805)	
Purchase of unquoted investments and investments quoted on AIM		(7,096)	
Redemptions of listed fixed income investments		6,500	
Net cash (outflow) from financial investment			(27,401)
Equity dividends paid:			
Dividends paid on ordinary shares		(504)	
Tax credits paid to shareholders		(117)	
Tax credits recovered on behalf of shareholders		118	
Net cash (outflow) from payment of equity dividends			(503)
Net cash (outflow) before financing and liquid resource management			(26,629)
Management of liquid resources:			
Movement in money market and other deposits			(3,036)
Financing:			
Issue of redeemable preference shares		12	
Issue of ordinary shares		31,500	
Expenses of share issue		(1,557)	
Redemption of redeemable preference shares		(12)	
Net cash inflow from financing			29,943
Increase in cash	21		278

The company holds gilts and bonds primarily as investments, and not as readily disposable stores of value. Accordingly movements in the holdings of these instruments are shown within "Financial investment" rather than within "Management of liquid resources".

The notes on pages 24 to 33 form part of these accounts.

Notes to the accounts

I. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the period, is set out below.

a) Basis of accounting

The accounts are prepared under the historical cost convention, modified to include the revaluation of fixed asset investments. The accounts have been prepared in accordance with applicable accounting standards and with the Statement of Recommended Practice 'Financial statements of investment trust companies'.

b) Income

Dividends receivable on equity shares (which include imputed tax credits) are brought into account, in the case of quoted shares, on the ex-dividend date and, in the case of unquoted shares, when the company's right to receive payment is established and there is no reasonable doubt that payment will be received.

Fixed returns on listed debt securities and non-equity shares are recognised on a time-apportionment basis (including amortisation of any premium or discount to redemption) so as to reflect the effective yield; in the case of unlisted debt securities and non-equity shares returns are recognised on a similar basis provided there is no reasonable doubt that payment will be received in due course.

Interest receivable from cash and short-term deposits is accrued to the end of the period.

c) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged wholly to revenue, with the exception of:

- expenses incidental to the acquisition or disposal of an investment, which are included within the cost of the investment or deducted from the disposal proceeds as appropriate
- expenses where a connection with the maintenance or enhancement of the value of the investments can be demonstrated, in which respect the investment management fee of Advent Fund Managers Limited has been charged 25% to the revenue account and 75% to Capital reserve-realised to reflect the company's investment policy and prospective capital growth.

d) Taxation

Advance corporation tax ("ACT") payable on dividends paid or provided for in the period is written off unless recoverability is considered to be reasonably certain and foreseeable. Irrecoverable ACT is charged to the revenue account except to the extent that it arises because of the allocation of expenses to capital leading to a higher distribution.

The tax effect of different items of income/gain and expenditure/loss is allocated between capital and revenue on the same basis as the particular item to which it relates, using the company's effective rate of tax for the accounting period.

e) **Valuation of investments**

Listed investments in fixed income securities are valued at middle market prices.

Unlisted investments are valued by the directors in accordance with the following rules, which are consistent with the principles set out in the Guidelines for the Valuation and Disclosure of Venture Capital Portfolios issued by the British Venture Capital Association:

i) Investments quoted on the Alternative Investment Market ("AIM")

Investments quoted on AIM are valued at middle market prices, discounted where necessary to reflect lack of liquidity.

ii) Unquoted development stage investments

Development stage investments are generally valued at cost for at least one year from the date of the investment, unless a provision is necessary because the performance of the investment is significantly below the expectations on which the investment was based, leading to a diminution in value.

Where a material transaction involving an independent third party at arm's length (other than a corporate investor) takes place, the valuation will normally be based on the transaction price and will take precedence over other methods of valuation until the circumstances change.

In the absence of a valuation based on a material third-party transaction, development stage investments in respect of which at least a year has elapsed since the investment was made are normally valued on an earnings basis, by the application of a discounted price/earnings multiple to the fully-taxed earnings of the investee company.

iii) Early stage investments

Early stage investments are valued at cost unless a significant transaction involving an independent third party at arm's length values the investment at a materially different value, in which case the valuation is based on the transaction price, or unless a provision is necessary because the performance of the investment is significantly below the expectations on which the investment was based, leading to a diminution in value.

Realised surpluses or deficits on the disposal of investments and permanent impairments in the value of investments are taken to Capital reserve – realised, and unrealised surpluses and deficits on the revaluation of investments are taken to Capital reserve – unrealised.

2. Gains on investments

	1997 £'000
Net realised gains/(losses) on disposals	–
Increase in unrealised appreciation	261
	<hr/> 261

3. Income

	1997 £'000
Income from investments:	
Unfranked investment income – interest on investments listed on a recognised investment exchange	1,435
Other income:	
Deposit interest	391
	<u>1,826</u>

4. Investment management fees

	Revenue £'000	Capital £'000	1997 Total £'000
Investment management fees			
– Advent Fund Managers Limited	111	334	445
– Cazenove Fund Management Limited	26	–	26
Irrecoverable VAT thereon	5	–	5
	<u>142</u>	<u>334</u>	<u>476</u>

Advent Fund Managers Limited ("Advent Fund Managers") provides investment management and secretarial services to the company under an agreement dated 16 February 1996. The agreement is for an initial period of three years and thereafter may be terminated by either party giving to the other not less than twelve months prior notice in writing.

Advent Fund Managers receives an annual management fee of 1.5% in the first period to 31 March 1997, 2.0% in the year ending 31 March 1998 and 2.5% thereafter (plus any applicable VAT), of the total assets less current liabilities of the company. Current liabilities exclude monies borrowed to finance the company's investment objectives. The annual management fee is calculated and payable monthly in arrears. In addition, Advent Fund Managers receives an annual secretarial fee of £50,000 (plus any applicable VAT), adjusted annually in line with the UK Retail Prices Index, which is payable monthly in arrears.

Cazenove Fund Management Limited ("Cazenove") manages the company's gilt and sterling-denominated fixed interest portfolio. The management agreement with Cazenove is terminable on three months' written notice by either party and provides for a fee payable to Cazenove of 0.1% per annum of the amount invested in gilts and other sterling-denominated fixed interest investments subject to a minimum of £10,000 per annum (plus VAT). After 31 March 1998 this fee will be borne by Advent Fund Managers out of its management fee.

If the annual expenses (being the total expenses charged against revenue and any amount of the management fees of Advent Fund Managers charged to capital) of the company exceed 3.5% of the company's total assets less current liabilities, the company is entitled to reduce the fees paid to Advent Fund Managers by the amount of the excess.

5. Other expenses

	1997
	£'000
Secretarial services (Note 4)	50
Directors' remuneration including irrecoverable VAT (Note 6)	47
Auditors' remuneration including irrecoverable VAT	
– audit services	15
– non-audit services	7
Other	56
	<u>175</u>

6. Directors' remuneration

	1997
	£'000
Fees paid to directors	27
Amounts paid to third parties in consideration for the services of directors	18
Irrecoverable VAT thereon	2
	<u>47</u>

The remuneration of the chairman, the highest paid director, was £12,500.

Sir David Cooksey waived his entitlement to directors' fees from the company. He received emoluments from Advent Fund Managers Limited for his services to that company. His emoluments from Advent Fund Managers Limited which related to the management of the affairs of the company amounted to approximately £29,000.

Sir David Cooksey is a shareholder in and executive director of Advent Limited whose wholly-owned subsidiary Advent Investments Limited ("AIL") is party to the option agreement with the company dated 16 February 1996 pursuant to which AIL has been given a performance-related incentive. Further details of the performance-related incentive are set out in Note 19.

7. Tax on ordinary activities

	Revenue	Capital	Total
	£'000	£'000	£'000
UK corporation tax at 33%	498	(110)	388
Irrecoverable ACT	–	17	17
	<u>498</u>	<u>(93)</u>	<u>405</u>

8. Return per ordinary share

The revenue return per ordinary share is based on the net revenue from ordinary activities after taxation of £1,011,000 and on 31,500,240 ordinary shares, being the weighted average number of ordinary shares in issue during the period from 4 April 1996 to 31 March 1997.

The capital return per ordinary share is based on net realised and unrealised capital gains of £20,000 and on 31,500,240 ordinary shares.

9. Investments

	1997 £'000
Listed investments at market valuation:	
Fixed income – listed on a recognised investment exchange	19,271
Unlisted investments at directors' valuation:	
Investments quoted on the Alternative Investment Market ("AIM") (Note 10)	746
Unquoted investments (Note 10)	6,495
Subsidiary undertaking (Note 12)	–
	<u>26,512</u>

Movements in investments during the period are summarised as follows:

	Listed fixed income £'000	Quoted on AIM £'000	Unquoted £'000	Total £'000
Purchases at cost	26,002	601	6,495	33,098
Amortisation of book cost	(347)	–	–	(347)
Disposals – proceeds of redemption of fixed interest securities	(6,500)	–	–	(6,500)
– realised gains on disposal	–	–	–	–
Increase in unrealised appreciation	116	145	–	261
Valuation at 31 March 1997	<u>19,271</u>	<u>746</u>	<u>6,495</u>	<u>26,512</u>
Book cost at 31 March 1997	19,502	601	6,495	26,598
Amortisation of book cost	(347)	–	–	(347)
Unrealised appreciation at 31 March 1997	<u>116</u>	<u>145</u>	<u>–</u>	<u>261</u>
Valuation at 31 March 1997	<u>19,271</u>	<u>746</u>	<u>6,495</u>	<u>26,512</u>

10. Unlisted investments

Details of material investments in unquoted companies and those whose shares are quoted on AIM are as follows:

Investment	Total cost £'000	Carrying value 31.3.1997 £'000	Latest accounts Period end	Aggregate capital and reserves £'000	Profit/(loss) after tax for period £'000
Aphronis Ltd			31.05.96	848	54
– 'B' ordinary shares	435	435			
– preference shares	165	165			
Cerebrus Ltd			30.09.96	819	(1,622)
– 'B' ordinary shares	1,000	1,000			
Dencare Management Group plc			31.03.96	324	(183)
– 'C' ordinary shares	800	800			
– loan stock	200	200			
Hoelt Rademacher Ltd			N/A		
– 'C' ordinary shares	17	17			
– 'A' preference shares	983	983			
Jamies Bars Ltd			N/A		
– ordinary shares	229	229			
– redeemable preference shares	465	465			
Ozone Industries Ltd			31.12.95	(382)	(384)
– 'B' ordinary shares	1,000	1,000			
Shalibane plc			31.12.96	4,739	380
– ordinary shares	601	746			
Telemedia Systems Ltd			31.03.96	121	(186)
– A' ordinary shares	750	750			
WARD (World-wide Advertising Rates & Data) Ltd			31.08.96	(27)	(27)
– ordinary shares	150	150			
– redeemable preference shares	301	301			
	<u>7,096</u>	<u>7,241</u>			

No income was received from any of the above investments in the period ended 31 March 1997. Statutory accounts have not yet been issued by the companies marked "N/A".

The shares of Shalibane plc are quoted on AIM.

There were no disposals of unlisted investments during the period. There were no write-downs of investments during the period. Details of investment commitments as at 31 March 1997 are set out in Note 22.

11. Significant interests

At 31 March 1997 the company held shares amounting to 10% or more of the equity capital of the undertakings of which the particulars are stated below:

Name and country of incorporation and operation	Principal activity	Description of shares held	Percentage held by company	Percentage of equity held
Aphronis Ltd England	Health and fitness clubs	'B' ordinary shares preference shares	39.5% 100.0%	26.8%
Cerebrus Ltd England	Advanced neuroscience technology	'B' ordinary shares	5.0%	3.5%
Dencare Management Group plc England	Network of dental practices	'C' ordinary shares	100.0%	44.2%
Hoeft Rademacher Ltd England	Novel treatments for diabetes	'C' ordinary shares 'A' preference shares	100.0% 33.3%	18.4%
Jamies Bars Ltd England	Wine bars and restaurants	ordinary shares redeemable preference shares	20.8% 44.3%	20.8%
Ozone Industries Ltd England	Manufacturer of ozone generators	'B' ordinary shares	64.1%	19.8%
Shalibane plc England	Specialist engineering products for automobile industry	ordinary shares	10.0%	10.0%
Telemedia Systems Ltd England	Network video systems	'A' ordinary shares	42.9%	42.3%
WARD (World-wide Advertising Rates & Data) Ltd England	Provision of advertising rates and data	ordinary shares redeemable preference shares	33.3% 100.0%	33.3%

The results of these companies have not been incorporated in the revenue account.

12. Subsidiary undertaking

The subsidiary undertaking is Advent Fund Managers Limited, which is registered in England and Wales and has as its principal activity investment management within the United Kingdom. The company holds 200 'B' ordinary shares of £1 each (100% of the issued shares of that class) in Advent Fund Managers Limited, by virtue of which it has the right to exercise 50.5% of the votes attributable to all the issued 'A' and 'B' ordinary shares of £1 each in the capital of that company and has an entitlement to 0.5% of the profits available for distribution.

The directors consider the results of Advent Fund Managers Limited to be immaterial to Advent VCT plc and accordingly it is not consolidated.

13. Debtors

	1997 £'000
Amounts falling due after one year:	
ACT recoverable	109
Amounts falling due within one year:	
Income tax recoverable	364
Prepayments and accrued income	404
Other debtors	8
	<u>776</u>

14. Creditors: amounts falling due within one year

	1997 £'000
Proposed dividend	504
ACT on proposed dividend	126
Other taxes and social security	4
Other creditors and accruals	111
	<u>745</u>

15. Called-up share capital

	1997 £'000
Authorised:	
40,000,000 ordinary shares of 5p each	2,000
Allotted, called up and fully paid:	
31,500,240 ordinary shares of 5p each	<u>1,575</u>

16. Reserves

	Share premium account £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Revenue reserve £'000
Premium on issue of shares	29,925	–	–	–
Expenses paid in connection with share issue	(1,557)	–	–	–
Increase in unrealised appreciation	–	–	261	–
Investment management fees charged to capital	–	(334)	–	–
Tax effect of capital items	–	93	–	–
Retained net revenue for the period	–	–	–	3
At 31 March 1997	<u>28,368</u>	<u>(241)</u>	<u>261</u>	<u>3</u>

17. Reconciliation of movements in shareholders' funds

	£'000	per share p
Issue of ordinary share capital	31,500	100.0
Expenses paid in connection with share issue	(1,557)	(5.0)
	<u>29,943</u>	<u>95.0</u>
Return attributable to equity shareholders:		
– revenue	1,011	3.2
– capital	<u>20</u>	<u>0.1</u>
– total	<u>1,031</u>	<u>3.3</u>
Dividends on equity shares (3.2p per share, equivalent to 4.0p gross)	<u>(1,008)</u>	<u>(3.2)</u>
Net addition to shareholders' funds	29,966	95.1
Opening shareholders' funds	<u>–</u>	<u>–</u>
Closing shareholders' funds	<u>29,966</u>	<u>95.1</u>

18. Net asset value per ordinary share

Net asset value per ordinary share is based on net assets at the period end, and on 31,500,240 ordinary shares, being the number of ordinary shares in issue at that date.

19. Performance-related incentive

A performance-related incentive has been given to Advent Investments Limited ("AIL"), a wholly-owned subsidiary of Advent Limited (a company of which Sir David Cooksey, a director of the company, and the other directors of Advent Fund Managers Limited are the directors and principal shareholders), by an option agreement dated 16 February 1996. If by 10 April 2003 cumulative dividend payments (including the related tax credits) on each ordinary share of the company are not less than 80 pence, AIL will be entitled to subscribe at par for such number of additional ordinary shares as shall be equal to 15% of the ordinary share capital of the company as enlarged by such subscription.

If cumulative dividend payments of 80p per ordinary share are not achieved by 10 April 2003 but are achieved in a later year the proportion of the enlarged ordinary share capital of the company that may be acquired by AIL on exercise of the option will be scaled down as follows:

Period in which cumulative dividend payments of 80p achieved	Proportion of enlarged share capital that may be acquired
10 April 2003 to 9 April 2004	13.5%
10 April 2004 to 9 April 2005	12.0%
10 April 2005 to 9 April 2006	10.5%
10 April 2006 to 9 April 2007	9.0%
10 April 2007 to 9 April 2008	7.5%

The option will lapse on 9 April 2008 unless exercised prior to that date. The option may not be exercised if the return to a private investor in the ordinary shares, taking into account income tax relief, dividend payments and the attributable net asset value per ordinary share (as diluted by the exercise of the option) is less than a return equivalent to interest at LIBOR on a notional loan of an amount equal to the subscription price of the ordinary shares which is repaid following the exercise of the option.

At 31 March 1997 cumulative dividends paid and proposed (including the related tax credits) amounted to 4.0p per ordinary share.

20. Cash flow from operating activities and returns on investment

	1997 £'000
Net revenue before taxation	1,509
Investment management fee charged to capital	(334)
Decrease in accrued income	180
Increase in other creditors	115
Increase in other debtors	(8)
Amortisation of fixed income investment book cost	347
Tax on investment income	(408)
Net cash from operating activities and returns on investment	<u>1,401</u>

21. Change in cash

	1997 £'000
At 3 November 1995	—
Net cash inflow for the period	<u>278</u>
At 31 March 1997	<u>278</u>

22. Capital commitments, contingencies and guarantees

	1997 £'000
Amounts contracted for but not provided for in the accounts at 31 March 1997:	
– follow-on investment in four existing portfolio companies (subject to satisfactory performance by the companies concerned)	2,550
– one new investment (conditional upon the success of a licence application by the company concerned)	250
– underwriting commitment	200
	<u>3,000</u>
Amounts approved by the Manager at 31 March 1997 but not contracted for:	
– two new investments (including £2,000,000 contemplated as follow-on investment commitments in due course, £1,000,000 of which is subject to satisfactory performance by the company concerned)	<u>4,000</u>

Notice of Annual General Meeting

Notice is hereby given that the first Annual General Meeting of Advent VCT plc will be held on Tuesday, 8 July 1997 at 6.00 p.m. at the Butchers' Hall, Bartholomew Close, London EC1A 7EB for the following purposes:

To consider and, if thought fit, pass the following Resolutions:

Ordinary Business

1. That the Report and Accounts for the period ended 31 March 1997 and the payment of a final dividend of 1.6p per ordinary share be approved.
2. That Mr. G. Ross Russell be re-appointed as a Director;
3. That Mr. C. R. E. Brooke be re-appointed as a Director;
4. That Mr. J. D. Burton be re-appointed as a Director;
5. That Sir David Cooksey be re-appointed as a Director;
6. That Ernst & Young, Chartered Accountants, be re-appointed as Auditors and that the Directors be authorised to fix their remuneration.

Special Business

Ordinary Resolution

7. That the Directors be and are hereby generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the company to allot relevant securities (within the meaning of that section) up to a maximum nominal amount of £424,988 during the period commencing on the passing of this Resolution and expiring on 7 July 2002 (inclusive of that date) (unless previously revoked, varied or extended by the company in general meeting), but so that this authority shall allow the company to make before the expiry of this authority offers or agreements which would or might require relevant securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot relevant securities in pursuance of such offers or agreements.

Special Resolution

8. That subject to the passing of Resolution 7 above the Directors be and are hereby empowered, pursuant to section 95 of the Act, to allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the authority given in accordance with section 80 of the Act by Resolution 7 above as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:
 - (i) in connection with an issue or offering by way of rights in favour of holders of equity securities and any other persons entitled to participate in such issue or offering where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective numbers of the equity securities held by or deemed to be held by them on the record date of such allotment subject only to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlement or legal or practical problems under the laws or requirements of any recognised regulatory body in any territory;

(ii) pursuant to the option agreement dated 16 February 1996 between the company and Advent Investments Limited;

(iii) (otherwise than pursuant to sub-paragraphs (i) or (ii) above) up to an aggregate nominal amount of £78,750.60

and shall expire on the date falling 15 months after the date of passing of this Resolution or, if earlier, at the conclusion of the next Annual General Meeting of the company, except that the company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted after such expiry and notwithstanding such expiry the directors may allot equity securities in pursuance of such offers or agreements.

By order of the Board

M. G. Williams

ADVENT FUND MANAGERS LIMITED

Secretary

25 Buckingham Gate

London SW1E 6LD

5 June 1996

No Director has any contract of service with the company.

A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and, on a poll, to vote on his or her behalf. A proxy need not also be a member. Appointment of a proxy will not preclude a member from subsequently attending and voting at the meeting should he or she subsequently decide to do so.

A reply-paid form of proxy for your use is enclosed. To be valid it should be completed, signed and sent (together with the power of attorney or other authority (if any) under which it is signed or notarially certified copy of such power or authority) to the company's registrars, Independent Registrars Group Limited, Balfour House, 390-398 High Road, Ilford, Essex IG1 1NQ, so as to be received not later than 48 hours before the time appointed for holding the meeting, any adjourned meeting, or in the case of a poll taken subsequently to the date of the meeting or adjourned meeting, so as to be received not later than 24 hours before the time appointed for the taking of the poll.

In accordance with the requirements of the Act, the register of director's interests will be available for inspection at the Annual General Meeting.

Members who hold ordinary shares in the company in uncertificated form must have been entered on the company's Register of Members by 6.00 pm on 6 July 1997 in order to be entitled to attend and vote at the meeting. Such members may only vote at the meeting in respect of ordinary shares held at that time.

Venture Capital Trusts:

taxation and other benefits

Venture capital trusts provide private investors with an attractive method of investing in small to medium-sized unquoted trading companies in the UK which otherwise would be difficult to invest in directly. VCTs also offer substantial tax benefits to private investors. The principal benefits are:

Structural benefits

- **Professional management** – VCTs will be managed by professional venture capital managers with specific experience of investment in Qualifying Companies and a proven track record.
- **Spread of investments**
 - VCTs are able to spread their investments across a wide range of companies, creating a balanced portfolio.
 - The funds raised by a VCT may be invested initially in gilts or other quoted securities.
 - A VCT has a period of approximately three years within which to invest at least 70% of its initial funds in Qualifying Holdings.
 - A VCT may hold up to 70% by value of its Qualifying Holdings in forms other than ordinary shares, including preference shares, certain types of loan and other more secure investment instruments.
 - A VCT may continue at all times to hold up to 30% of its funds in gilts or other quoted securities.
- **Tax free gains** – Capital gains realised by a VCT are exempt from corporation tax within the trust, although the VCT will be subject to corporation tax on its net interest income.
- **Distribution of gains** – Unlike an investment trust, a VCT's net realised gains on the sale of investments may be distributed to shareholders by way of a tax-free dividend. Any realisation proceeds not distributed will be available for reinvestment.
- **Stock Exchange listing** – The ordinary shares of a VCT will be listed on the London Stock Exchange, thus providing a degree of liquidity that would not be available to a private investor making direct investments in unquoted companies. As a listed company, a VCT is required to comply with the rules of the London Stock Exchange.

Personal taxation benefits

- **Income tax relief** – Private investors subscribing for new ordinary shares in a VCT will receive income tax relief at 20% of the amount subscribed (up to a maximum of £100,000 in any one tax year) against their income tax liability in the year of subscription, provided that such shares are held for at least five years.
- **Deferral of capital gains tax** – Private investors can defer the payment of capital gains tax on any realised chargeable gain made within 12 months before their subscription or 12 months after their subscription, by reinvesting that gain (up to a maximum of £100,000 in any one tax year) in new ordinary shares in a VCT.
- **Tax free dividends** – Private investors will be exempt from income tax on dividends received from a VCT (provided the shares were acquired within the permitted maximum of £100,000 in any one tax year).
- **Capital gains tax exemption** – There is no capital gains tax on disposal of shares in a VCT (provided the shares were acquired within the permitted maximum of £100,000 in any one tax year) and conversely there is no relief for losses.

The above is only an outline of the tax reliefs available under current legislation. Investors are recommended to consult a professional adviser as to the taxation consequences of investment in a VCT.

Corporate Information

Directors

Graham Ross Russell
Christopher Roger Ettrick Brooke
John Donne Burton
Sir David James Scott Cooksey

Manager and Secretary

Advent Fund Managers Limited
25 Buckingham Gate
London SW1E 6LD
Telephone: 0171-630 9811
Fax: 0171-828 1474
E-mail: info@advent.ltd.uk
Website: <http://www.advent.ltd.uk>

Registrars

Independent Registrars Group Limited
Balfour House
390-398 High Road
Ilford
Essex IG1 1NQ
Telephone: 0181-478 8241

Registered Office

25 Buckingham Gate
London SW1E 6LD
Registered No. 3121772

Sponsor and Stockbroker

UBS Limited

Marketing Adviser

Matrix-Securities Limited

Manager for gilts and other fixed interest investments

Cazenove Fund Management Limited

Bankers and Custodians

Barclays Bank PLC

Auditors

Ernst & Young
Chartered Accountants and Registered Auditor

Solicitors

Travers Smith Braithwaite

VCT Status Adviser

Coopers & Lybrand
Chartered Accountants

0-1000
0-1000