EDGE PERFORMANCE VCT

ANNUAL REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2011

Incorporated in England and Wales
with registration number 5558025.

Contents

2011

Year ended 28 February	2011 0	2011 C	2011 D	2011 E	2011 F	2011 Total
Net assets £'000	n/a	10,853	16,625	8,256	27,261	62,995
Net asset value per share, p	n/a	81.42	86.46	84.13	92.69	n/a
Net asset value total return per share, p	n/a	102.42	100.46	91.13	92.69	n/a
Investment income £'000	n/a	24	315	193	652	1,184
Return on ordinary activities before tax £'000						
- Revenue	n/a	(105)	86	64	297	342
- Capital	n/a	1,754	1,453	(115)	(458)	2,634
- Total	n/a	1,649	1,539	(51)	(161)	2,976
Return per share, p						
- Revenue	n/a	(0.62)	0.36	0.51	0.84	n/a
- Capital	n/a	13.25	7.65	(1.07)	(1.54)	n/a
- Total	n/a	12.63	8.01	(0.56)	(0.70)	n/a
Dividend per share declared in respect of the year, p						
- Revenue	n/a	0.00	0.00	0.00	0.00	n/a
- Capital	n/a	7.00	7.00	7.00	7.00	n/a
- Total	n/a	7.00	7.00	7.00	7.00	n/a
Share price at end of year, p	n/a	62.00	69.50	75.50	100.00	n/a

2010

Year ended 28 February	2010 O	2010 C	2010 D	2010 E	2010 F	2010 Total
Net assets £'000	0	10,102	16,431	8,998	n/a	35,531
Net asset value per share, p	0.00	75.80	85.45	91.68	n/a	n/a
Net asset value total return per share, p	85.00	89.80	92.45	91.68	n/a	n/a
Investment income £'000	5	60	73	18	n/a	156
Return on ordinary activities before tax £'000						
- Revenue	(57)	(87)	(235)	(110)	n/a	(489)
- Capital	(197)	(314)	(153)	(54)	n/a	(718)
- Total	(254)	(401)	(388)	(164)	n/a	(1,207)
Return per share, p						
- Revenue	(0.90)	(0.65)	(1.23)	(1.24)	n/a	n/a
- Capital	(3.08)	(2.36)	(0.79)	(0.62)	n/a	n/a
- Total	(3.98)	(3.01)	(2.02)	(1.86)	n/a	n/a
Dividend per share declared in respect of the year, p						
- Revenue	0.00	0.00	0.00	0.00	n/a	n/a
- Capital	0.20	7.00	7.00	7.00	n/a	n/a
- Total	0.20	7.00	7.00	7.00	n/a	n/a
Share price at end of year, p	n/a	71.5	77.5	85.00	n/a	n/a

Investment Policy

Risk Diversification

Edge Performance VCT plc ("Edge" or the "Company") offers the opportunity to invest in the entertainment industry in a broad range of companies (thereby diversifying risk) and seeks to allow investors to take advantage of VCT tax reliefs whilst combining:

- high targeted returns;
- downside risk protection; and
- liquidity.

Asset Allocation

Up to 30% of each of the C Share, D Share, E Share, F Share and G Share funds will remain in a range of fixed income securities, cash and cash equivalent assets, offering a high degree of capital preservation. Of the balance of each fund the Company will balance investments with a high level of capital protection, ideally with contractual revenues or capital guarantees from financially sound counter-parties, with other investments where lower capital protection offers significantly higher potential returns. Through the use of this blended investment strategy:

- the intention is that the Company's shareholders' risk is thereby minimised, underpinning the return of the Company's shareholders' effective cost of investment of 70p per Share (assuming tax relief at 30%); and
- the targeted tax free return is 130p per 70p invested (assuming tax relief at 30%, equivalent to a return of 160p per 100p invested).

Risk Mitigation

Edge's structure aims to minimise the risk to its shareholders, whilst still permitting them to benefit from attractive returns. The portfolio investments will be made through loan finance as far as is permitted under VCT rules, which should provide additional capital protection.

Borrowings

The Company will not incur borrowings to fund its operations.

VCT Status and Maximum Exposures

The Company must be approved by HM Revenue and Customs in order to retain its venture capital trust status. The conditions which must be satisfied to retain such status include the following restrictions on the maximum exposure of the Company:

(i) not more than 15% by value of the Company's investments can be held in a single company or group (other than a VCT); and

(ii) the Company is limited to investing up to £1 million per year per VCT qualifying holding.

Chairman's Statement

The fundamental story of the year ending 28 February 2011 is that of growth: growth in the Company's portfolio of investments; growth in the number of the Company's shareholders; growth in the market capital of the Company; and growth in the value of the Company's portfolio.

Portfolio

During the year, the Company invested £10.35 million in a number of VCT-qualifying businesses. This meant that the Company's D Share fund achieved full investment, as required under VCT regulations, and progress was made towards attaining full investment of the E Share fund.

The Company's investment manager, Edge Investment Management Limited ("Manager") reports a healthy pipeline of suitable investment opportunities, with the expectation that there will be a significant amount of investment activity in the course of the year ending 29 February 2012.

In the case of the C Share and D Share funds, the emphasis has now moved to that of monitoring the performance of the investment portfolio and seeking to mentor management and add value to those businesses. In line with the Company's valuation policy, the revaluation of a number of businesses in the C and D Share fund portfolios has contributed to the significant increases in the C Share NAV Total Return and D Share NAV Total Return, to 102.42p and 100.46p per share respectively.

Dividends

Consistent with the philosophy of the Company's board of directors ("Board") of paying out regular dividends to shareholders, the Company paid dividends in November 2010 of 7p per C Share, 7p per D Share and 7p per E Share.

The Board is now recommending that the shareholders approve, at the forthcoming Annual General Meeting, further dividends of 7p per C Share, 7p per D Share, 7p per E Share and a maiden dividend of 7p per F Share, to be paid in October 2011. If these dividends are approved and paid, cumulative *tax-free* dividends per share will be 28p per C Share, 21p per D Share, 14p per E Share and 7p per F Share, providing the Company's shareholders with an attractive consistent *tax-free* dividend yield.

Fundraising

The Company's offer for subscription for F Shares opened in November 2009. By the time it closed in June 2010, applications for a total of 29.4 million F Shares had been received by the Company.

The Company's offer for subscription of G Shares opened in October 2010 and closed after the year end, in June 2011, by when applications had been received for a total of 24.2 million G Shares.

Through these two offers for subscription, the Company was one of the most successful VCTs in the 2009/10 and 2010/11 fundraising markets. In the course of these offers, the Company reached the noteworthy milestone of having raised in excess of £100 million since its inception in 2006, and has now almost 2,500 shareholders. The Company's directors ("Directors") have noted a high level of additional investment from existing shareholders, an indication that many shareholders are pleased with the Company's progress. The Board is very appreciative of this show of support.

The proceeds of these two offers have added further scale to the Company, enabling it to consider a larger number and broader range of investments.

Significant also is the fact that the increase of funds through new share classes (as opposed to through separate VCT offers as is often the case with other VCTs and managers) has enabled the running costs of the Company to be spread across an increased pool of assets. The annual running costs of the Company (excluding irrecoverable VAT and trail commission to intermediaries in respect of the C, D, E and F Share funds) for the year ended 28 February 2011 were 2.47% of the net asset value of the Company which, the Board believes, is the lowest of all venture capital trusts in the country.

Legislative Backdrop

In his Budget on 23 March 2011, the Chancellor announced the Government's intention to make further changes to the VCT rules, including the ability to invest larger amounts than currently permitted, and also to invest in larger businesses than currently permitted. Although these changes are still subject to the approval of the European Commission under the State Aid regime, the Company welcomes them as a positive step forward, and a firm indication of the Government's continued commitment to venture capital trusts as a component of its overall strategy for business growth. The scale of the Company, now the UK's largest single venture capital trust, means we are well placed to benefit from these changes.

The Government has also indicated its wish to maintain an ongoing dialogue with the venture capital trust industry, and the Company will remain actively involved in that consultation process, both direct and through the trade associations of which the Company is a member.

The Board

It is with great sadness that the Company reported the untimely death of Board member Julian Paul, who died in March 2011. He was a wise and loyal colleague who had been a director of the Company from the outset.

I am, however, pleased that Kevin Falconer agreed to join the Board, and to take up the chairmanship of the Board's Audit Committee. With Kevin's appointment, we continue with our approach of having a highly capable, experienced and sector-specialist team.

Outlook

With the growth of the Company's funds under management, the expertise and experience of the Board and the Manager, and the continued quality of the Company's deal flow, I am confident that the coming few years, whilst at times challenging, will be fruitful for the Company and its growing number of shareholders.

I thank you for your continued support of the Company, and look forward to meeting those of you who are able to attend the Company's annual general meeting in August 2011.

Sir Robin Miller
Chairman

29 June 2011

The Directors and Investment Manager

The collective experience of the Directors and the Manager's investment team - which covers VCT fund management, venture capital, investment banking, live event promotion, corporate finance, private equity, artist management, legal and business affairs, accountancy, tax and deal structuring skills - will be employed in the selection and management of the Company's investments.

As at the date of this report, the Company had the following directors, all non-executive, who are responsible for overseeing investment policy and will have overall responsibility for the Company's activities. The Directors are, with the exception of David Glick, independent of the Manager.

Directors

Sir Robin Miller – Chairman

Sir Robin Miller is chairman of Edge Performance VCT plc, IBIS Media VCT 1 plc, Get Me Media Limited, Golf Club Network Limited, Crash Media Group Limited, Butler Tanner & Dennis and Bikesport News.com. He is also a director of The Racing Post and Time Out Group, and chairman and a trustee of the Golf Foundation and Riders for Health.

He was formerly chief executive (1985-98 and 2001-03) and chairman (1998-2001) of Emap plc, a leading international media group in consumer and trade publishing, commercial radio, music TV channels and events.

In 2003, he became senior media adviser to HgCapital, and was involved in the successful disposal of Boosey & Hawkes and Clarion Events Limited. He has also been non-executive director of Channel Four Television (1999-2006), where he chaired their New Business Board, was non-executive chairman of the HMV Group (2004-2005), senior non-executive director at Mecom Group plc (2005-2009), chairman of Entertainment Rights plc (2008-2009), and Setanta Sports in 2009.

Michael Eaton

Michael Eaton is a qualified (non-practising) solicitor and was a partner at City law firm Stephenson Harwood. In 1977 he joined the Dick James Music Organisation where he was responsible for the legal and administrative aspects of its publishing, recording and management activities. In 1979, he formed Eaton & Co. (subsequently re-named Eaton & Burley), a firm of solicitors specialising in the music industry, and in 1990 he was a co-founder of Eatons, a leading music and entertainment law firm, with David Glick. In 2000, he founded MusicLore which has provided business, management and legal advice to some of the world's leading recording and performing artists.

He has throughout his career acted for numerous highly successful popular music artists, including Eric Clapton, the Bee Gees, the Police, Enya and Frankie Goes to Hollywood, in negotiations with record companies, concert promoters and other entertainment entities in North America as well as Europe. He has also represented a number of successful businesses in the entertainment sector, such as Northern Songs, the Beatles' music publishing company. More recently he has represented Eric Clapton in relation to his world-wide touring activities and was one of the main organisers of the Crossroads Guitar Festivals in Dallas in 2004 and in Chicago in 2007 and 2010. He is currently chief executive officer of Bushbranch Limited, a music management company providing management services to Eric Clapton.

Kevin Falconer

Kevin Falconer has spent most of his professional life as a senior private banker specialising in the media and entertainment sector. Until 2005, he was the Head of HSBC Private Bank's global media practice.

Since leaving the banking industry, Kevin has devoted his time to providing strategic advice to a small group of highly successful media entrepreneurs, including Chris Blackwell (founder of Island Records) and Pete Waterman. He is currently a non-executive director of Pete Waterman Entertainment and Audiotube.

David Glick

David Glick, who is a qualified (non-practising) solicitor, is an experienced venture capital investor in the entertainment and media sector, who has specialised in various aspects of the industry, and who has been involved in the sale and purchase of multi-million pound entertainment and media assets, with a particular emphasis on music, television, film, sport, theatre and fashion.

David Glick co-founded Eatons, a leading music and entertainment law firm, in 1990; in 2000 Eatons merged with law firm Mishcon de Reya where he became head of the entertainment and media group. In 2004 he formed the Edge Group of companies as a specialist investment and advisory business for the media and entertainment sector. Edge's clients have ranged from highly successful popular music artists to leading fashion designers and include major and independent entertainment businesses. At Edge, he has brokered and advised clients on the sale and purchase of a range of entertainment related assets and businesses. He has also been both an executive and a non-executive director of Entertainment Rights, the UK media business which was quoted on the Official List. He is the founder of Edge Performance VCT, and is married to Kate Glick.

Frank Presland

Frank Presland practised as a solicitor for 25 years, specialising in music and copyright. He advised numerous musicians including The Beatles, Dusty Springfield, The Troggs, Terence Trent D'Arby and Elton John as well as music publishing companies including BMG Music Publishing Limited and record companies including RCA Records. He became senior partner of law firm Frere Cholmeley Bischoff and later became joint chairman of the national law firm, Eversheds.

From May 2006 to April 2008, he was Chief Executive Officer of The Sanctuary Group plc, in which role he brokered the sale of the Group to Universal Music in 2007. In 1999 he established Twenty-First Artists, a music management company, of which he was Chief Executive Officer until 2010. He is currently Chairman of the Rocket Music Group, which provides management services to Elton John, Lily Allen, James Blunt and a number of other artists.

The Investment Manager

The investment manager is Edge Investment Management Limited ("Manager") which was established in July 2005 for the purpose of managing the investments of Edge. The members of the investment team are all directors of Edge Investment Management Limited; their details (other than those of David Glick, who is also a director of Edge and whose details are shown above) are as follows:

Gordon Power – Chairman of Edge Investment Management

Gordon Power has 26 years of private equity experience and is currently chairman of Edge Investment Management and a private equity investor in his own right. Prior to this he founded the private equity business ProVen Private Equity (now re-named Beringea) and led its buy-out from Guinness Mahon in 1997. As CEO of ProVen from 1984 until 2004, he spearheaded the creation and marketing of funds and the investment and exit of deals as head of the investment committee. By 2002 ProVen, which specialised in media and intellectual property rights investments, had funds under management of £185 million including Guinness Flight VCT, ProVen VCT and ProVen Media VCT (now re-named ProVen Growth and Income VCT). From 1984 until 2010, an overall annual return of in excess of 29% was achieved on 176 realised (i.e. sale, flotation or administration/liquidation) investments and unrealised investments.

Harvey Goldsmith CBE

Harvey Goldsmith is one of the UK's best known music industry impresarios, having since the 1960s produced and promoted shows with leading artists such as The Rolling Stones, The Who, Bruce Springsteen, The Eagles, Led Zeppelin and Sting. He formed Artiste Management Productions in 1973 to produce and manage music artists, and Harvey Goldsmith Entertainments Limited in 1976, which became the UK's leading promoter of concerts and events. He became involved in the Prince's Trust in 1982, producing the first Prince's Trust Rock Gala, and joining the Trust's board. In 1985, he produced the Live Aid concert with Sir Bob Geldof, raising £140 million for famine relief in Africa and the more recent Live 8 concert in 2005. He has also produced major operatic productions and was the worldwide tour producer for Pavarotti. He is responsible for the annual Cirque du Soleil shows in the UK, is the co-producer of Merchants of Bollywood and was the instigator and producer of the Led Zeppelin reunion concert at the O2 Arena in London in December 2007. Since 2008, he has managed Grammy award-winning guitarist, Jeff Beck.

Alasdair George

Alasdair George is a qualified (non-practising) solicitor who has extensive experience of legal, strategic, commercial and operational management in the entertainment industry, having been Senior Vice President of Legal & Business Affairs at Sony Music UK & Ireland, sitting on its management board, and on the Council of the UK record trade association, the BPI. He handled the merger of Sony Music and Warner Music's distribution businesses, the UK and Irish aspects of Sony Music's merger with Bertelsmann's BMG, and the Sony-Michael Jackson joint venture (which created Sony/ATV Music Publishing). He joined Edge Investment Management in early 2007.

Kate Glick ACA, CTA

Kate Glick qualified as a chartered accountant and chartered tax adviser with Arthur Andersen where she worked from 1991 until 2002 and is also a member of the Securities & Investment Institute. Her experience at Arthur Andersen included insolvency and turnaround advice and latterly tax advice on areas including capital gains tax, trust and other personal tax matters. She is company secretary of the Edge Group of companies and has been responsible for the accounting function at the group; she has also advised Edge clients on accountancy and tax-related issues. She is the Company Secretary of Edge Investment Management. She holds a BA in Economics from Cambridge University and is married to David Glick.

Investment Manager's Review

Investment Overview

During the year ended 28 February 2011, VCT qualifying investments were made in six companies, at a total cost during the year of £10.35 million.

At the end of the year, the portfolio therefore included qualifying investments in a total of twelve companies, across the C, D and E Share funds.

These new investments mean that the D Share fund has met the requirement to have at least 70% of its investments in qualifying holdings, and is therefore treated as fully invested. Similarly, progress has been made towards that 70% threshold in respect of the E Share fund, with the investment of the remaining amount required to be invested from the E Share fund to be completed during the year to 29 February 2012.

The Manager reviewed investment opportunities in a range of different entertainment and media businesses over the year, encompassing opportunities in character and brand licensing, television production, live ticketing, recorded music, music publishing, radio, magazines, social networking, festivals, exhibitions, gaming, and sports events, amongst others.

Portfolio performance

As at 28 February 2011, the NAV total return of each of the share funds stood at:

C Share fund:	102.42p per share (89.80p per share as at 28 February 2010)
D Share fund:	100.46p per share (92.45p per share as at 28 February 2010)
E Share fund:	91.13p per share (91.68p per share as at 28 February 2010)
F Share fund:	92.69p per share (2010: not applicable)

As explained on page 35, the Company's valuation policy requires unlisted qualifying investments to be valued at cost for the first twelve months following the date of making the investment, and with an appropriate valuation approach to be taken to any investment more than twelve months old, in order to reflect the fair value of that investment.

During the year ended 28 February 2011, a number of the Company's unlisted investments in the C Share and D Share funds reached their first anniversary, thereby triggering the requirement for those investments to be valued on a basis other than cost. The revaluation of these investments is the major contributor to the significant increase in the NAV total return for the C and D Share funds as at the end of the year. Particular mention should be made in this context of Global Dawn Limited and Coolabi plc, as explained below.

Qualifying investments made during the year

Global Dawn Limited

Global Dawn's trade is the creation of technology platforms and formats which enable businesses to connect with consumers, using content, gaming and social media.

In 2008 and 2009, Edge Performance VCT made a series of investments in Enrich Social Productions Limited ("ESP"). In August 2010, Edge Performance VCT led a syndicate of investors to acquire the original ESP business. At the same time, the syndicate provided Global Dawn with further working capital of just under £670,000.

Following the acquisition of ESP, Global Dawn has concentrated on producing a modular version of the platform which specialises in understanding the behaviour of visitors and interacts with them by enhancing this experience, thereby leading to a longer term brand affinity and thus higher levels of monetary interaction. This innovation is a key application for brands and social media networks and has led to a significant change in business opportunity. In the last quarter of 2010, a high profile brand in the soft drink industry concluded a four year licence to use the Global Dawn platform as the cornerstone for a worldwide roll out of a marketing campaign for its key product. This activity will mean that Global Dawn's revenue generation will be increased significantly, and anticipated to turn into profit within the next twelve months. Through this first relationship, Global Dawn will be interacting with the largest digital marketing agencies around the world, enabling it to gain access to many brands where this platform application will be highly relevant to their business focus.

Moreover, the original business of online talent contests known as 1click2fame has continued to bring young, talented performers to market with Lucie Evans on the brink of a UK tour and the release of her first album and Katie M having confirmed an innovative distribution deal with Costa Coffee.

Including its original investment in ESP, together with the further investment made in August 2010, Edge Performance VCT has now made VCT qualifying investments in Global Dawn's business of a total of £2.9 million, for a mix of ordinary and preference shares in the company. Substantiated by the share price agreed by third parties in the August 2010 investment round, that investment has been valued at £6.6 million as at the year end.

In addition, since August 2010, Edge Performance VCT has advanced Global Dawn short term loans against an agreed further investment round of £3.1 million in total; that investment round had its first close in early April 2011, with the final close expected to take place in the coming few months.

Coolabi plc

Coolabi's trade is the creation and exploitation of children's brands and characters. The principal characters include Poppy Cat, Purple Ronnie, Scarlett and Crimson, Bagpuss, Clangers and Ivor the Engine.

Edge Performance VCT first invested in Coolabi in November 2009. In October 2010, Edge Performance VCT was responsible for leading a capital increase, as part of which it invested a further £370,137 in Coolabi, bringing the Edge Performance VCT's total investment in Coolabi to £620,137, and representing 16.73% of the issued ordinary share capital.

A summary of the operational highlights of the year ended 2010 can be found on page 14. The Manager believes that the outlook for Coolabi remains a positive one, despite prevailing market conditions. The company's established brands, such as Purple Ronnie, have held up well at retail. Most encouragingly, its new property, Poppy Cat, has created significant interest and commitment from both broadcasters and licensees, confirming the high quality of the intellectual property assets which the company holds.

Qualifying investments made during the year

Granon Entertainment Limited

In April 2010, Edge Performance VCT invested £1 million in Granon Entertainment for a mix of ordinary shares and loan stock. In February 2011, Edge Performance VCT invested a further £735,000 in the company, again for a mix of ordinary shares and loan stock. Further details of the company can be found on page 15.

North Promotions Limited

In March 2010, Edge Performance VCT invested £1 million in North Promotions. At the time, Edge Performance VCT was granted an option to invest up to a further £1 million in the company, which it exercised in February 2011. Both investment rounds were made as to 70% for loan stock in North Promotions and as to 30% for ordinary shares in the company. Further details of the company can be found on page 16.

Rose Promotions Limited

Edge Performance VCT invested £1 million in Rose Promotions in 2010, followed by a further investment of £300,000 in 2011. As a result, Edge Performance VCT holds 50% of the issued ordinary share capital of the company, together with £910,000 in secured preferential loan stock in the company. Further details of the company can be found on page 16.

South Productions Limited

Edge Performance VCT invested £1 million in South Productions in March 2010, and a further £1 million in February 2011, both investments being for a mix of ordinary shares and loan stock in the company. Further details of the company can be found on page 17.

Non-qualifying investments

Initially, the net proceeds of each of Edge Performance VCT's share offers is invested in various fixed income securities, cash and cash equivalent assets, offering a high degree of capital preservation. Whilst a suitable level of return is sought, the Manager has regarded, and will continue, for as long as appropriate, to regard capital preservation as an important consideration. Subsequently, up to 30% of each investment fund will be maintained in such investments whilst the balance is reinvested in VCT-qualifying investments.

The non-qualifying portfolios are currently managed, in conjunction with EIM, by Rothschild (for the C Share fund), UBS (for the D and E Share funds), and (for the F Share fund) Heartwood and JP Morgan. During the year, the return on all of these funds exceeded the target return set by the Manager.

As at 28 February 2011, the value of the non-qualifying portfolio was as follows:

Manager	Share Pool	Value (£'000)
Rothschild	C	1,825
UBS	D	2,908
UBS	E	6,189
Heartwood	F	10,947
JP Morgan	F	14,672
		36,541

Fundraising

In November 2009, Edge Performance VCT launched an offer of subscription for up to 10 million F Shares. Demand resulted in the ultimate extension of the offer to up to 30 million F Shares. By the time the offer closed on 4 June 2010, applications for a total of 29.4 million F Shares had been received, making Edge Performance VCT one of the most successful VCTs in the 2009/10 fundraising market.

In October 2010, Edge Performance VCT launched its offer of subscription for up to 10 million G Shares. Once again, significant demand led the Board to extend the offer to, initially, up to 20 million G Shares and, subsequently, up to 30 million G Shares. The G Share offer closed on 3 June 2011, after the year end, by which time applications for a total of 24.2 million G Shares had been received. Given that the overall fundraising market conditions were more difficult than in the previous year, this was a highly satisfactory outcome, and again put Edge Performance VCT in the top three of all VCTs in the 2010/11 fundraising market; more notably, however, during the course of the G Share offer, Edge Performance VCT reached the significant milestone of having raised in excess of £100 million since the Company's inception in 2006.

Outlook

The Manager continues to receive regular attractive approaches for potential investments in the entertainment and media sector. Additionally, deal flow is stimulated through the Manager's and the Board's extensive network of contacts in the sector.

The ongoing economic backdrop, with businesses less able than before to secure funding from other sources, such as banks, provides significant scope for the Manager to identify interesting and attractive opportunities.

Furthermore, the likelihood of changes in the rules on VCT investments, announced in the Budget in March 2011, means that a larger range of possible investments will become available to the Company for the first time.

The Manager believes that the outlook for the Company is therefore both exciting and positive.

Investment Portfolios

as at 28 February 2011

C Share Portfolio	2011 Cost £	2011 Valuation £	2011 % of net assets by value	2010 Cost £	2010 Valuation £	2010 % of net assets by value
Qualifying investments						
MK Ultrasound	2,007,658	1,823,000	16.8	2,007,658	1,867,799	18.5
Saravid Promotions	2,007,050	1,489,200	13.7	2,007,050	1,499,226	14.8
B&W Events	1,004,025	1,085,000	10.0	1,004,025	1,000,000	9.9
Enrich Social Productions	n/a	n/a		752,012	750,000	7.4
Global Dawn	1,474,014	3,301,197	30.4	n/a	n/a	-
South Productions	553,000	553,000	5.1	n/a	n/a	-
Coolabi	250,825	235,125	2.2	250,000	211,000	2.1
TRP 2009	n/a	n/a		1,000,000	1,000,000	9.9
Total qualifying investments	7,296,572	8,486,522	78.2	7,020,745	6,328,025	62.6
Total fixed asset investments	7,296,572	8,486,522	78.2	7,020,745	6,328,025	62.6
Net current assets		2,366,173	21.8		3,774,609	37.4
Net assets		10,852,695	100.0		10,102,634	100.0

D Share Portfolio	2011 Cost £	2011 Valuation £	2011 % of net assets by value	2010 Cost £	2010 Valuation £	2010 % of net assets by value
Qualifying investments						
Challi Productions	2,000,000	1,799,600	10.8	2,000,000	2,000,000	12.05
HTM Promotions	2,000,000	1,777,140	10.7	2,000,000	2,000,000	12.05
Enrich Social Productions	n/a	n/a		752,013	750,000	4.5
Global Dawn	1,474,014	3,301,197	19.9	n/a	n/a	-
Coolabi	369,312	461,640	2.8	n/a	n/a	-
TRP 2009	1,000,000	953,100	5.7	n/a	n/a	-
Granon Entertainment	1,735,000	1,735,000	10.5	n/a	n/a	-
North Promotions	2,000,000	2,000,000	12.0	n/a	n/a	-
South Productions	500,000	500,000	3.0	n/a	n/a	-
Rose Promotions	1,000,000	1,000,000	6.0	n/a	n/a	-
Total qualifying investments	12,078,326	13,527,677	81.4	4,752,013	4,750,000	28.6
Total fixed asset investments	12,078,326	13,527,677	81.4	4,752,013	4,750,000	28.6
Net current assets		3,097,442	18.6		11,854,167	71.4
Net assets		16,625,119	100.0		16,604,167	100.0

E Share Portfolio	2011 Cost £	2011 Valuation £	2011 % of net assets by value	2010 Cost £	2010 Valuation £	2010 % of net assets by value
Qualifying investments						
South Productions	947,000	947,000	11.5	n/a	n/a	-
Rose Promotions	300,000	300,000	3.6	n/a	n/a	-
Total qualifying investments	1,247,000	1,247,000	15.1	-	-	-
Total fixed asset investments	1,247,000	1,247,000	15.1	-	-	-
Net current assets		7,009,057	84.9		8,992,719	100.0
Net assets		8,256,057	100.0		8,992,719	100.0

F Share Portfolio	2011 Cost £	2011 Valuation £	2011 % of net assets by value	2010 Cost £	2010 Valuation £	2010 % of net assets by value
Qualifying investments	-	-	-	-	-	-
Total qualifying investments	n/a	n/a	-	-	-	-
Total fixed asset investments	n/a	n/a	-	-	-	-
Net current assets		27,261,048	100.0	-	-	-
Net assets		27,261,048	100.0	-	-	-

B & W Events Limited

Cost:	£1,004,025
Valuation:	£1,085,000
Basis of valuation:	Net Asset Value
Equity holding:	49%

The company was founded by Andrew Wilkinson, who was a member of the Rolling Stones management team until 1987, following which he set up Kingstreet Tours, where he has since produced concert tours by numerous acts including the Rolling Stones, Pink Floyd, Elton John, Genesis, Phil Collins, Robbie Williams, the Spice Girls, Sting and Whitney Houston.

B & W Events promoted the 2010 concerts by Eric Clapton and Jeff Beck, and is currently preparing to promote further live events in the Summer of 2011.

The company's first audited accounts, covering the period from 22 July 2009 (the company's date of incorporation) to 31 July 2010, showed a gross profit of £174,960 on turnover of £2,181,050, and an operating profit on ordinary activities of £125,561. Based on unaudited interim accounts for the period to 31 January 2011, the company's cumulative operating profit on ordinary activities since incorporation was £115,511.

Challi Productions Limited

Cost:	£2,000,000
Valuation:	£1,799,600
Basis of valuation:	Net Asset Value
Equity holding:	49.5%

Challi Productions Limited's founding director, Jeff Golembo has spent over 25 years in the music and entertainment business and was formerly Managing Director of MCA Records in the UK, having held senior business and commercial roles at CBS Records in Paris, New York and London and Phonogram Records in the UK. He is currently on the Board of Entertainment Media Research, a leading online music research company, and consults for a number of media clients in the UK and Africa.

With the benefit of an events licensing arrangement with AEG Live, in 2010 Challi Productions successfully promoted live dates by DJ Tiesto, Alexandra Burke and Usher.

The company's first audited accounts, covering the period from incorporation (18 March 2009) to 31 March 2010, showed a gross profit of £19,070 on turnover of £638,139, and an operating loss on ordinary activities of £92,622. Unaudited management accounts for the period from 1 March 2010 to 30 September 2010 showed a gross profit of £8,254 on turnover of £366,506, and an operating loss on ordinary activities of £47,772.

Coolabi plc

Cost:	£620,137
Valuation:	£696,765
Basis of valuation:	Bid price on AIM
Equity holding:	16.73%

Coolabi plc's trade is the creation and exploitation of children's brands and characters. The principal characters include Poppy Cat, Purple Ronnie, Scarlett and Crimson, Bagpuss, Clangers and Ivor the Engine.

During 2010, the operational highlights of the company included: television broadcast rights to Poppy Cat being sold to 16 key television territories (including the USA) and with the series due to be broadcast in the UK in 2011; a four year renewal of the company's agreement with Hallmark for Purple Ronnie; UK retail success for Scarlett & Crimson with Boots and Superdrug; *Bagpuss* representing the top-selling retro toy for Christmas 2010 in the UK; and TV ratings success and award nominations for *Dead Gorgeous.*

During the year to 28 February 2011, Edge Performance VCT led a further fundraising round for Coolabi and invested a further £370,137, bringing the total investment by Edge Performance VCT to £620,137. That further investment was made at 6p per share. Edge Performance VCT's total investment in Coolabi's has been valued at 7.5p per share, which was the bid price as at 28 February 2011; this valuation therefore represents an increase of 12% from the original cost of investment.

In March 2011, Coolabi announced its preliminary results for the year to 31 December 2010. The company's EBITDA for the year was £540,000, amounting to an increase of 164% over the previous accounting period.

Global Dawn Limited

Cost:	£2,948,028
Valuation:	£6,602,394
Basis of valuation:	Third Party
Equity holding:	13.88%

Global Dawn's trade is the creation of technology platforms and formats which enable businesses to connect with consumers, using content, gaming and social media.

In August 2010, through a syndicate of investors led by Edge Performance VCT, Global Dawn acquired the business of Enrich Social Productions Limited in August, with that syndicate also providing Global Dawn with further working capital.

In the period to 31 December 2010, Global Dawn sustained a loss before interest, depreciation and amortisation of £974,000, reflecting the initial costs of developing its key platform, as explained in the investment manager's review on pages 8 to 11. This level of loss is projected to increase in 2011, as the business continues to build out the platform, until the later part of the year when Global Dawn's revenues are expected to flow in accordance with contracted licensing arrangements.

Following the year end, Global Dawn completed the first stage of a further fundraising, as a consequence of which Edge Performance VCT's holding of ordinary and preference shares in Global Dawn became 43.08% having been 43.48% as at 28 February 2011.

Granon Entertainment Limited

Cost:	£1,735,000
Valuation:	£1,735,000
Basis of valuation:	Cost
Equity holding:	50%

Granon Entertainment was founded by Adam Driscoll, who was also the co-founder of MAMA Group plc, and its CEO until its sale to HMV in early 2010. Under Adam, MAMA Group expanded its business to include artist management, music publishing, live venue ownership, event ownership and event promotion and grew to a business with a market cap of £50m by the time of its sale.

Granon Entertainment is seeking to capitalise on the growing move by established musical performers away from traditional major record label deals, by offering them and their representatives a viable alternative route to market for their music.

As Granon Entertainment was only incorporated on 25 March 2010, it has not yet filed audited accounts, and its first accounts will be for the period from 25 March 2010 to 31 March 2011.

HTM Promotions Limited

Cost:	£2,000,000
Valuation:	£1,777,140
Basis of valuation:	Net Asset Value
Equity holding:	49.5%

HTM Promotions' founding director, Paul Crockford, is an established figure in the UK music business, having been both a promoter and an artist manager since the 1970s. As a promoter, he has worked with acts such as The Damned, Elton John, The Police, Eric Clapton, Tears For Fears and Dire Straits. He managed Level 42 at the height of their career, when they became one of the most popular British acts of the 1980s, selling in excess of 20 million albums. He is currently managing former Dire Straits frontman, Mark Knopfler.

HTM Promotions has the benefit of an events licensing arrangement with AEG Live (UK), under the terms of which, during 2010, HTM Promotions co-promoted live appearances by Deadmau5 and Guns 'n' Roses.

The company's first audited accounts, covering the period from incorporation (1 April 2009) to 30 April 2010, showed a gross profit of £12,503 on turnover of £1,090,011. Unaudited management accounts for the period from 1 May 2010 to 31 October 2010 showed a gross profit in the period of £1,896, but an operating loss on ordinary activities of £54,444; the company is now concentrating on recovering that position.

MK Ultrasound Limited

Cost:	£2,007,658
Valuation:	£1,823,000
Basis of valuation:	Net asset value
Equity holding:	50%

David Dorrell, the founding director and shareholder of MK Ultrasound, has been in the music industry for 30 years: as a journalist at the New Musical Express in the early 1980s, where he championed The Smiths and Sade; as a performer, he was responsible for the dance music anthem 'Pump Up The Volume' in 1987; as a producer and remixer, he worked with U2, Janet Jackson and Tina Turner in the 1990s; as a manager he has represented acts such as Pet Shop Boys and Bush.

Since Edge Performance VCT invested in MK Ultrasound, the company has promoted or co-promoted a diverse slate of events, New Kids On The Block, Pussycat Dolls, Chris Cornell, Franz Ferdinand and Total Nonstop Action (TNA) Wrestling.

The company's audited accounts for the year ended 31 August 2010 showed a gross profit of £4,284 on turnover of £456,192, but an operating loss on ordinary activities of £60,762.

North Promotions Limited

Cost:	£2,000,000
Valuation:	£2,000,000
Basis of valuation:	Cost
Equity holding:	50%

North Promotions was founded to engage in the acquisition, development and creative management of intellectual property assets, particularly in the field of character merchandising; since that time, it has actively been seeking out suitable opportunities.

As North Promotions was only incorporated on 17 March 2010, it has not yet filed audited accounts, and its first accounts will be for the period from 17 March 2010 to 31 March 2011.

Rose Promotions Limited

Cost:	£1,300,000
Valuation:	£1,300,000
Basis of valuation:	Cost
Equity holding:	50%

Rose Promotions' founder, Richard Rowe, was a senior executive at CBS Records UK during its heyday in the 1980s, before becoming global president of Sony/ATV Music Publishing in the early 1990s where he oversaw the expansion of the business, including through its joint venture with Michael Jackson. In 2004, he left Sony, to establish a new independent music publishing business, R2M Management, with offices in the UK and the USA.

Rose Promotions' trade is that of promotion of live events, and the company has agreed terms with SJM Concerts for an events licensing arrangement which it is envisaged will afford the company access to promotion opportunities.

As Rose Promotions was only incorporated on 17 March 2010, it has not yet filed audited accounts, and its first accounts will be for the period from 17 March 2010 to 31 March 2011.

Saravid Promotions Limited

Cost:	£2,007,050
Valuation:	£1,489,200
Basis of valuation:	Net asset value
Equity holding:	49.5%

Daniel Lycett is the founding director and shareholder of Saravid Promotions. Having been in the music industry since the late 1980s, he has worked in a range of roles for some of the most notable companies in the industry's independent sector, including PWL Records (home to the 'Hit Factory' production trio Stock Aitken & Waterman) and the UK office of German independent label Edel Records.

In 2008/09, the company sustained a loss on the promotion of *Monkey – Journey To The West* at London's O2, as a consequence of poor ticket sales. The company has the benefit of an events licensing arrangement with AEG Live, under which live event promotion opportunities will continue to be offered to it until June 2012. The company will therefore continue to have the opportunity to recover its position following the loss on *Monkey*; all events promoted by the company since then, including concerts by Alicia Keys in 2010, have been profitable. If the company is unable to recover its position fully, it also has the benefit of a contractual guarantee from AEG as to the minimum return to be earned by the company over that period.

Unaudited management accounts for the six months to 31 August 2010 show a gross profit of £36,444 on turnover of £540,030, and a loss on ordinary activities, before interest and taxation, of £8,033.

South Productions Limited

Cost:	£2,000,000
Valuation:	£2,000,000
Basis of valuation:	Cost
Equity holding:	50%

South Productions was founded by David Cardwell, who, from 1974 to 2004, was the CEO and then Chairman of Copyright Promotions, one of the first independent licensing companies in the United Kingdom, managing the intellectual property assets of rights owners in the entertainment field. During his time there, Copyright Promotions represented the interests of the Enid Blyton Estate (including Noddy and The Famous Five), MGM, Paramount, Sony, Twentieth Century Fox, Universal, Lucas Film and others. Major marketing and licensing programmes featured Spiderman, Mr Men, Pink Panther, Star Wars, The Simpsons, Tom & Jerry, The Flintstones, Dennis the Menace, Star Trek and Teenage Mutant Ninja Turtles.

South Productions is engaged in providing advisory and consultancy services in the field of intellectual property, brand and character licensing.

As South Productions was only incorporated on 17 March 2010, it has not yet filed audited accounts, and its first accounts will be for the period from 17 March 2010 to 31 March 2011.

TRP 2009 Limited

Cost:	£1,000,000
Valuation:	£953,100
Basis of valuation:	Net asset value
Equity holding:	50%

Paul Burger, who is the founding director and shareholder of the company, has more than 30 years' experience within the music industry, including as Chairman of Sony Music Canada, Chairman of Sony Music UK, President of Sony Music Europe and, most recently, as founder of Soho Artists, a boutique artist management company representing both mainstream and world music artists

TRP 2009's trade is that of promotion of live events, and the company has agreed terms with SJM Concerts for events licensing which it is envisaged will give the company access to suitable promotion opportunities.

Unaudited management accounts for the year ended 31 December 2010 show an operating loss, before interest and taxation, of £16,854, although the company anticipates recovering that position in 2011 as the events licensing agreement with SJM takes full effect.

Directors' Report

The Directors present the financial statements of the Company (incorporated in England and Wales with registration number 5558025) for the year ended 28 February 2011 and their report on its affairs.

Business and Principal Activities

Edge Performance VCT plc ("Edge" or the "Company") has pioneered an approach which was designed to address the key issues which we believe have in the past deterred some individuals from investing in VCTs, namely the ability to exit from the VCT once the investment has been held for five years, and the perceived level of risk of the underlying investments. Edge, using the skills of the Directors and the investment team of the Manager who collectively have a depth of sector experience in the entertainment industry, seeks to allow investors to take advantage of VCT tax reliefs whilst combining:

- high targeted returns
- downside risk protection; and
- liquidity.

Edge's structure aims to minimise the risk to the investor, whilst still permitting the investor to benefit from attractive returns by utilising arrangements that seek to combine high targeted returns with reduced downside risk and enhanced liquidity. The majority of the portfolio investments will be made through loan finance which should provide additional capital protection.

Further detail of the Company's investment policy is given on page 3.

The Directors do not foresee any major changes in the activity undertaken by the Company in the foreseeable future.

VCT Status

The Company has been approved as a venture capital trust by HM Revenue & Customs under section 274 of the Income Tax Act 2007. The Directors intend to continue to manage the affairs of the Company in compliance with this section.

Business Review

This business review has been prepared in accordance with the requirements of Section 417 of the Companies Act 2006 and best practice. A detailed review of the Company's development and performance during the year and consideration of its future prospects may be obtained by reference to this Report, the Chairman's Statement (pages 4 and 5) and the Investment Manager's Review (pages 8 to 11). Details of the venture capital investments made by the Company are given in the Investment Portfolios (pages 12 and 13) and the Venture Capital Investments report (pages 14 to 17). A summary of the Company's key financial measures is given on page 1. Details of important events occurring after the balance sheet date can be found in note 19 to the financial statements on page 46.

The Company's board of directors ("Board") is responsible to shareholders for the proper management of the Company and for determining the Company's investment policy. Investment and divestment opportunities are originated, negotiated and decided on by the Investment Manager, Edge Investment Management Limited. Company secretarial and accountancy services are provided to the Company by The City Partnership (UK) Limited.

In reviewing the work of the Manager, the Board looks to be satisfied that:

- The Company's investment policy is being followed
- Each investment or divestment decision is subjected to rigorous due diligence
- Risk is further mitigated by investing across a sufficiently diverse range of businesses and by maintaining a balance between equity and loan stock exposure
- The portfolio meets the HMRC VCT conditions

In consideration of the Company's financial performance, the Board, taking account of the comparatively long term nature of the Company's investments, pays particular attention to net asset value total return per share, total expense ratio and performance against the FT All Share Media Index (which is considered to be the most appropriate broad equity market index for comparative purposes).

Net Asset Value Total Return per Share

The net asset value total return per share comprises the net asset value per share plus cumulative dividends paid per share. Net asset value is calculated at least quarterly with investments valued in accordance with the International Private Equity and Venture Capital Valuation Guidelines. During the year under review, the Company's net asset value total returns per share changed as undernoted:

	1 March 2010 Pence	28 February 2011 Pence
Net asset value total return per C Share	89.80	102.42
Net asset value total return per D Share	92.45	100.46
Net asset value total return per E Share	91.68	91.13
Net asset value total return per F Share	-	92.69

Over the same period, the FT All Share Media Index rose by 31.94%. Graphs comparing, for each of the Company's share classes, the share price total return, the net asset value total return per share and the total return from a notional investment of 100p in the FT All Share Media Index over the period from 5 April 2007 to 28 February 2011 are presented on page 24.

Results and Dividends

As shown in the Company's Income Statement on page 29 of the financial statements, the Company's returns per share in the year ended 28 February 2011 were:

	C Share fund	D Share fund	E Share fund	F Share fund
Revenue return per share, pence	(0.62)	0.36	0.51	0.84
Capital return per share, pence	13.25	7.65	(1.07)	(1.54)
Total return per share, pence	12.63	8.01	(0.56)	(0.70)

Final dividends as undernoted were paid during the year ended 28 February 2011:

7.0p per C Share

7.0p per D Share

7.0p per E Share

The Board recommends the payment of the undernoted final dividends in respect of the year ended 28 February 2011:

7.0p per C Share

7.0p per D Share

7.0p per E Share

7.0p per F Share

The Balance Sheet on page 31 of the financial statements shows that the Company's net assets have increased over the year, reflecting both the injection of capital through the F Share offer for subscription and a significant uplift in the valuation of the venture capital portfolio.

Total Expense Ratio

The total expense ratio, calculated as the year's expenses (as disclosed in the profit & loss account) divided by the average net asset value across the year, was 2.72%.

Under the terms of the investment management agreement, the running costs of the Company (excluding the investment manager's performance related incentive fee, trail commission, irrecoverable VAT and costs of any significant corporate activity) are restricted to a maximum of 3.0% of the net asset value of the Company. Any excess will be paid by the investment manager. For the year ended 28 February 2011, the relevant running costs were 2.47% of the Company's average net asset value so no excess was payable in respect of the year ended 28 February 2011.

Future Developments

The Company's priorities over the next three years are (i) satisfying, in respect of its E, F and G Share investment portfolios, the HMRC VCT criterion of having at least 70% by value of its investments in shares or securities comprised in VCT qualifying holdings and (ii) closely monitoring the performance of the investment portfolios with the aim of maximising their performance.

Risk Management

The Board has adopted a risk management programme whereby it continually identifies the principal risks faced by the Company and reviews both the nature and effectiveness of the internal controls adopted to protect the Company from such risks as far as is possible.

The Board believes that the principal risks to which the Company is exposed are:

- Economic risk – events such as a downturn in the media sector or a tightening of credit facilities may adversely affect the Company's investee companies and make successful divestments less likely
- Investment risk – the adoption of inappropriate investment policies, sourcing too few investment opportunities of the required standard, and taking investment decisions without having undertaken sufficiently robust due diligence
- Financial risk – poor financial controls which may lead to the misappropriation of assets or inappropriate financial decisions and breaches of regulations through deficient financial reporting
- Regulatory – failure to comply with any of the regulations to which the Company is subject which include the provisions of the Companies Act 1985, the provisions of the Companies Act 2006, the UKLA listing rules, applicable Accounting Standards and HMRC VCT regulations

Further information about the Company's internal controls is given in the Statement of Corporate Governance on pages 25 to 26.

Corporate Information

Directors

The Directors who have served throughout the year under review and who continue to serve are Sir Robin Miller, Michael Eaton, David Glick and Frank Presland. Kevin Falconer was appointed to the Board in January 2011. Julian Paul served throughout the year but, sadly, died on 17 March 2011.

David Glick and Michael Eaton will retire by rotation at the annual general meeting to be held in August 2011 – both are standing for re-appointment. As they have both acted in the interests of the Company throughout the period of their appointment and demonstrated commitment to their role the Board recommends they be re-elected at the annual general meeting. Kevin Falconer will stand for election at the annual general meeting, being the first general meeting following his appointment as a director.

Brief biographical details of the current directors are given on pages 6 and 7.

Directors' Interests

The interests of the current Directors and their connected persons in the C Shares, D Shares, E Shares, F Shares and G Shares of the Company as at the date of this report are shown below.

	No of C ordinary shares as at 28 Feb and 30 June 2011	Percentage holding %	No of D ordinary shares as at 28 Feb and 30 June 2011	Percentage holding %	No of E ordinary shares as at 28 Feb and 30 June 2011	Percentage holding %	No of F ordinary shares as at 28 Feb and 30 June 2011	Percentage holding %	No of G ordinary shares as at 28 Feb and 30 June 2011	Percentage holding %
Sir Robin Miller	-	-	53,000	0.28	-	-	-	-	16,050	0.07
Michael Eaton	-	-	-	-	-	-	-	-	-	-
David Glick	101,500	0.76	21,200	0.11	-	-	-	-	21,600	0.09
Julian Paul's estate	10,000	0.08	10,300	0.05	-	-	-	-	-	-
Frank Presland	10,300	0.08	10,600	0.06	10,500	0.11	-	-	-	-
Kevin Falconer	-	-	-	-	-	-	-	-	-	-

No options over shares in the capital of the Company have been granted to the Directors.

Directors' Remuneration Report

An ordinary resolution to approve the Directors' Remuneration Report (presented on pages 23 and 24) will be put to the forthcoming annual general meeting.

Companies Act 2006 Disclosures

The Board recognises the requirement under Section 417(5) of the Act to detail information about environmental matters (including the impact of the Company's business on the environment), any Company employees and social and community issue; including information about any policies it has in relation to these matters and effectiveness of these policies. As the Company has no employees or policies in these matters this requirement does not apply.

Investment Management Agreement

On 24 November 2010 the existing investment management agreement between the Company and the Manager was replaced with a new agreement continuing for an initial period ending five years from admission of the G Shares and which may be terminated by either party on 12 months' notice, such notice to be served at the end of the initial period or at any time thereafter.

The Manager will receive: (a) an annual management fee of 1.75% of the net asset value attributable to the C Shares, D Shares, E Shares, F Shares and G Shares, in each case plus VAT (if applicable) and (b) a performance fee which is outlined in more detail below.

The Manager will be responsible for external costs, such as legal and accounting fees, incurred in relation to the negotiation and, if applicable, completion of all VCT-qualifying investments. The Manager retains the right to charge arrangement, monitoring, syndication, exit and directors' fees to the businesses in which the Company invests. Such charges are in line with industry practice and typically amount to between 1% and 3% of the amount of each investment plus VAT (if applicable). The Manager will normally nominate one of its directors to act as a director of each Events Company.

Performance Related Incentive Fee

In respect of the C Shares, D Shares, E Shares, F Shares and G Shares, the Manager will receive a fee equal to 19% of the cumulative cash (prior to calculation of the performance fee) returned to C Shareholders, D Shareholders, E Shareholders, F Shareholders and G Shareholders by the Company of between 100p and 120p per C Share, D Share, E Share, F Share and G Share respectively and a fee equal to 29% of the cumulative cash (prior to calculation of the performance fee) returned to C Shareholders, D Shareholders, E Shareholders, F Shareholders and G Shareholders by the Company in excess of 120p per C Share, D Share, E Share, F Share and G Share respectively. This fee is to be paid in cash and can be assigned by the Manager to some or all of the investment team.

Administrative Services Agreement

On 19 October 2010, the Company entered into an agreement with the Manager, under which the Manager has agreed to provide administrative services to the Company. Under this agreement, the Manager will receive a fixed fee of £175,000 per annum (plus VAT, if applicable), such fee to be adjusted annually by reference to the movement in the Retail Prices Index. This agreement is for an initial period ending 5 years from admission of the G Shares and may be terminated thereafter by either party on 12 months' notice, such notice to be served at the end of the initial period or at any time thereafter.

Annual Running Costs

Annual running costs of the Company will include, inter alia, the management and administration fees described above (excluding the performance fee), Directors' remuneration, company secretarial and accounting fees, administration fees, audit, taxation advice, sponsor's and registrar's fees and the costs of communicating with the Company's shareholders.

Total annual operating expenses of the Company (excluding the Manager's performance incentive fee, irrecoverable VAT and costs of any significant corporate activity) have been capped at 3.0% of the net asset value of the Company with any excess being borne by the Manager.

Share Capital

On 1 March, 5 April and 9 June 2010 a total of 29,611,437 F Shares were allotted and issued for cash to various subscribers who submitted valid applications under the offers for subscription made through a prospectus dated November 2009.

At a general meeting of the Company held on 24 November 2010, it was resolved that: (a) the authorised share capital of the Company be increased to £67,500,000 by the creation of 60,000,000 G Shares and 40,000,000 Deferred Shares of 10p each having the rights and being subject to the restrictions set out in the new Articles of Association; and (b) the new Articles of Association be adopted.

The Company operates a policy of buying back shares for cancellation. During the year 200,000 F Shares were bought back at a price of 84p per F Share.

As at 28 February 2011, 13,328,599 C Shares of 10p each, 19,228,838 D Shares of 10p each, 9,858,732 E Shares of 10p each and 29,411,437 F Shares of 10p each of the Company were in issue.

Substantial Shareholdings

As at the date of this report the Company was aware of the undernoted individual shareholdings exceeding 3% of the issued share capital:

- UBS Private Banking Nominees Limited - 4.69%
- Chase Nominees Limited - 3.82%

Authority to make Market Purchases of Shares

By a special resolution of the Company passed at a general meeting of the Company held on 11 August 2010, the Company was generally and unconditionally authorised (in accordance with section 701 of the Companies Act) to make market purchases of up to 14.99% of the issued C Share capital, 14.99% of the issued D Share capital, 14.99% of the issued E Share capital and 14.99% of the issued F Share capital. The price paid must not be less than 10p per share nor more than 5 per cent above the average of the middle market quotations for a share as derived from the Official List of the London Stock Exchange for the five business days immediately preceding the date on which the shares are purchased.

The authority expires at the conclusion of the 2011 annual general meeting but renewal of the authority will be sought at that meeting.

By a special resolution of the Company passed at a general meeting of the Company held on 24 November 2010, the Company was generally and unconditionally authorised (in accordance with section 701 of the Companies Act) to make market purchases of up to 14.99% of the issued G Share capital as at the date of the final closing of the Offer. The price paid must not be less than 10p per share nor more than 5 per cent above the average of the middle market quotations for a share as derived from the Official List of the London Stock Exchange for the five business days immediately preceding the date on which the shares are purchased.

The authority expires at the conclusion of the 2011 annual general meeting but renewal of the authority will be sought at that meeting.

Cancellation of Share Premium Account

At a general meeting of the Company held on 16 December 2009, it was resolved that, subject to the approval of the High Court of Justice, the share premium account of the Company in respect of the F Shares be cancelled.

Such High Court approval was granted in September 2010 and the share premium account was cancelled.

The cancellation of the share premium account will create a special reserve that can be used, amongst other things, to fund buy-backs of the Company's shares when the Board considers that it is in the best interests of the Company to do so.

At a general meeting of the Company held on 24 November 2010, it was resolved that, subject to the approval of the High Court of Justice, the share premium account of the Company in respect of the G Shares be cancelled.

Such High Court approval has not yet been obtained.

Disclosure of Information to Auditors

The Directors who held office at the date of the approval of this Directors' Report confirm that, so far as they are aware: there is no relevant audit information of which the Company's auditors are unaware and the Directors have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Creditor Payment Policy

The Company's policy is to pay all suppliers' invoices in accordance with agreed terms. There were three trade creditors as at 28 February 2011.

2011 Annual General Meeting and Class Meetings

The Company's fifth annual general meeting will be held in August 2011 at the offices of Howard Kennedy, 19 Cavendish Square, London.

Class meetings of holders of C Shares, D Shares, E Shares, F Shares and G Shares will also be held in August 2011.

Notices of the annual general meeting and class meetings will be mailed to the Company's shareholders later in the year.

By Order of the Board,

The City Partnership (UK) Limited
Company Secretary

29 June 2011

Directors' Remuneration Report

This report has been prepared by the Directors in accordance with the requirements of the Companies Act 2006 and The Large and Medium sized Company and Groups (Accounts and Reports) Regulations 2008. A resolution to approve the report will be proposed at the forthcoming annual general meeting.

The Company's auditors, Scott-Moncrieff, are required to give their opinion on certain information included in this report. The disclosures which have been audited are indicated as such. Their report is set out on page 28.

Remuneration Committee

During the year under review, the members of the Company's remuneration committee, a fully constituted board committee, were Sir Robin Miller, Michael Eaton and Julian Paul. The committee's remit regarding remuneration is included in the Statement of Corporate Governance which is set out on pages 25 to 26.

The committee met once in the year ended 28 February 2011 to consider the level of the Directors' fees.

The committee has not received any advice or services from any person in respect of the Directors' remuneration during the period.

Directors' Remuneration Policy

The remuneration committee considers that directors' fees should reflect the time commitment required and the high level of responsibility borne by directors, and should be broadly comparable to the fees paid by similar companies.

At a general meeting held on 24 November 2010, it was resolved that:

the maximum aggregate amount which may be paid out of the funds of the Company as fees to directors of the Company who are not managing or executive directors is:

(i) in respect of the Company's financial year ending 28 February 2011, £110,000 (exclusive of VAT); and

(ii) in respect of each subsequent accounting period of the Company, the maximum amount applicable to the immediately preceding accounting period of the Company, increased by the percentage increase (if any) during such preceding accounting period in the general index of retail prices for all items (RP02) published by the Office for National Statistics (exclusive of VAT).

Prior to this resolution, the Company's Articles of Association had placed an overall annual limit of £75,000 on the Directors' remuneration.

None of the Directors is eligible for pension benefits, share options, bonuses or other benefits in respect of their services as non-executive directors of the Company.

The Company operates a performance related incentive scheme from which two Directors may benefit.

In respect of the C Share, D Share, E Share, F Share and G Share funds, the Manager will receive a fee equal to 19% of the cumulative dividends (prior to calculation of the performance fee) distributed to C, D, E, F and G shareholders respectively in excess of 100p per C, D, E, F and G Share respectively and a fee equal to 29% of the cumulative dividends (prior to calculation of the performance fee) distributed to C, D, E, F and G shareholders respectively in excess of 120p per C, D, E, F and G Share respectively for 70p invested (the effective cost to the investor if 30% income tax relief is obtained on the sum subscribed). This fee is to be paid in cash and can be assigned by the Manager to some or all of the Manager's investment team. David Glick will benefit through his shareholding in the Manager.

Under his letter of appointment, Sir Robin Miller is entitled, in respect of the C, D, E, F and G Share funds, to receive a performance fee of 1% (calculated on the same basis as the Manager's performance fee).

Directors' Fees

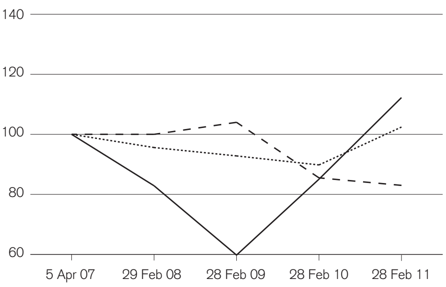
The fees payable to individual Directors in respect of the period ended 28 February 2011 are shown in the table below. Sir Robin Miller's, Julian Paul's, Michael Eaton's and David Glick's fees were paid to RMC Limited, Julian Paul & Co, MusicLore Limited and Edge Media Services Limited respectively in consideration for their services.

Director	Fee for year ended 28 February 2011 £	Annual fee £	Fee for year ended 28 February 2010 £	Annual fee £
Sir Robin Miller	20,000	20,000	15,000	15,000
Michael Eaton	15,000	15,000	12,500	12,500
Julian Paul*	17,500	17,500	16,250	12,500
Frank Presland	15,000	15,000	12,500	12,500
David Glick	15,000	15,000	12,500	12,500
Kevin Falconer (wef 19 January 2011)	1,685	15,000	-	-

* The amount payable to Julian Paul includes £2,500 in respect of his role as chairman of the audit committee. Julian Paul also receives an annual consultancy fee which does not arise in connection with his role as a director of the Company.

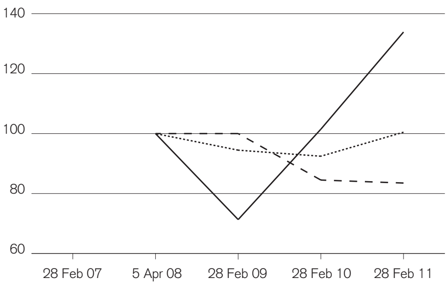
C Shares

period from 5 April 07 to 28 Feb 11



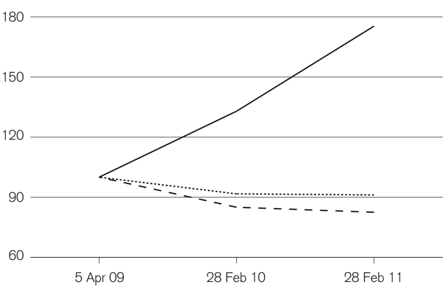
D Shares

5 April 08 to 28 Feb 11



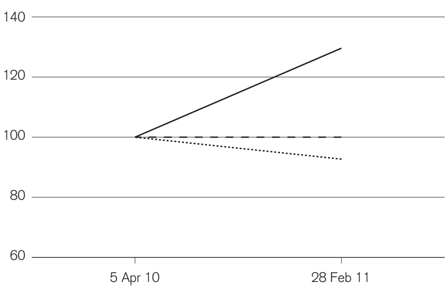
E Shares

5 April 09 to 28 Feb 11



F Shares

period from 5 April 10 to 28 Feb 11



— Index
...... NAV total return per share
-- Share price total return

Terms of Appointment

The Articles of Association provide that the Directors shall retire and be subject to re-election at least every three years. None of the Directors has a service contract with the Company. On being appointed or re-elected, Directors receive a letter from the Company setting out the terms of their appointment and their specific duties and responsibilities. A Director's appointment may be terminated by the Director or by the Company on the expiry of six months' notice in writing given by the Director or the Company as the case may be.

Company Performance

The graphs below compare the share price total returns for the C, D, E and F Shares and the net asset value total returns per share for the C, D, E and F Shares with the total returns from a notional investment of 100p in the FT All Share Media Index over the same periods. This index is considered to be the most appropriate broad equity market index for comparative purposes.

The share price total return and net asset value total return per share comprise the share price and net asset value per share respectively together with the cumulative dividends paid.

By Order of the Board,

The City Partnership (UK) Limited
Company Secretary
29 June 2011

Statement of Corporate Governance

Statement of Compliance

The Directors confirm that the Company has taken appropriate action to enable it to comply with the Principles of the Combined Code on Corporate Governance (2006) ("the Code").

As a venture capital trust, most of the Company's day-to-day responsibilities are delegated to third parties and the Directors are all non-executive. Thus, not all the provisions of the Code are directly applicable to the Company. Apart from the matters referred to in the following paragraphs, the requirements of the Code were complied with throughout the year ended 28 February 2011.

In view of its non-executive nature and the requirements of the Company's Articles of Association that all Directors retire by rotation at the annual general meeting, the Board considers that the Directors need not be appointed for a specific term as recommended by the Code. All Directors have rolling term appointments with a six months' notice period. Full details of duties and obligations are provided at the time of appointment and are supplemented by further details as necessary. In light of the responsibilities retained by the Board and its committees and of the responsibilities delegated to Edge Investment Management Limited and the company secretary, the Company has not appointed a chief executive, deputy chairman or a senior independent non-executive director. There is no formal induction programme for Directors.

Board of Directors

The Company has a board of five non-executive directors, four of whom are considered to be independent. The remaining Director, David Glick, is also a director of the Investment Manager, Edge Investment Management Limited. The Company has no staff.

Four of the non-executive Directors have signed letters confirming the terms of their appointment as non-executive Directors with effect from 18 January 2006; the fifth non-executive director has signed such a letter with effect from 19 January 2011.

At each annual general meeting of the Company, at least one-third of the Directors shall retire from office by rotation. A retiring Director is eligible for re-election.

Directors are provided with key information on the Company's activities including regulatory and statutory requirements and internal controls by the Company's solicitors, the Company's VCT status adviser, the company secretary and the Manager. The Board has direct access to corporate governance advice and compliance services through the company secretary, who is responsible for ensuring that board procedures are followed and compliance requirements are met.

All Directors may take independent professional advice in furtherance of their duties as necessary. Any newly appointed Director will be given a comprehensive introduction to the Company's business including meeting the Company's advisers.

When Directors have concerns that cannot be resolved about the running of the Company or a proposed action, they are asked to ensure that their concerns are recorded in a board minute. On resignation, a Director who has any such concerns is encouraged to provide a written statement to the Chairman, for circulation to the Board.

The Board is responsible to shareholders for the proper management of the Company and aims to meet at least quarterly. It has formally adopted a schedule of matters which must be brought to it for decision, thus ensuring that it maintains full and effective control over appropriate strategic, financial, operational and compliance issues. The chairman together with the company secretary establishes the agenda for each board meeting and all necessary papers are distributed in advance of the meetings. The Board considers all matters not included within the remits of the board committees.

All the Directors are equally responsible for the proper conduct of the Company's affairs. In addition, the Directors are responsible for ensuring that the policies and operations are in the best interests of the Company's shareholders and that the best interests of creditors and suppliers to the Company are properly considered.

Board Committees

There are three board committees: an audit committee, a remuneration committee and a nomination committee. Copies of their terms of reference are available from the company secretary.

Audit Committee

This is a fully constituted board committee which has the following key duties: to review the half-year and annual financial statements; to review the Company's internal control and risk management systems; and to recommend the appointment and remuneration of external auditors.

The committee shall comprise at least two independent Directors. The members of the committee are Michael Eaton and Kevin Falconer (chairman, appointed 1 May 2011). The latter replaced Julian Paul who chaired the committee throughout the year under review.

A quorum shall be two members.

Remuneration Committee

This is a fully constituted board committee established primarily to determine each Director's remuneration.

The committee shall comprise at least two independent Directors. The members of the committee are Michael Eaton and Sir Robin Miller. Julian Paul was a member throughout the year under review.

A quorum shall be two members.

Nomination Committee

This is a fully constituted board committee established primarily to identify and nominate, for the approval of the Board, candidates to fill board vacancies as and when they arise and to monitor and review the effectiveness and performance of individual Directors.

The committee shall comprise at least two members, no less than one of whom shall be an independent Director. The members of the committee are Michael Eaton and Sir Robin Miller. Julian Paul was a member throughout the year under review.

A quorum shall be two members.

Attendance at Board and Committee Meetings

The Directors' attendance at the board meetings convened to consider general business is noted below.

Director	Board	Audit Committee	Remuneration Committee	Nomination Committee
Robin Miller	5/5		1/1	1/1
Michael Eaton	5/5	2/2	1/1	1/1
David Glick	5/5			
Frank Presland	5/5			
Julian Paul	4/5	2/2	1/1	1/1
Kevin Falconer	1/1			

During the year ended 28 February 2011 there were:

- Five board meetings convened to consider general business (and several other board meetings convened to consider business specific to the offers for subscription made by the Company during the period under review)
- Two meetings of the audit committee
- One meeting of the remuneration committee
- One meeting of the nomination committee

Internal Control

The Board has established an ongoing process for the identification, evaluation and management of the significant risks faced by the Company. The Board acknowledges that it is responsible for the Company's internal control systems and for reviewing their effectiveness. Internal controls are designed to manage the particular needs of the Company and the risks to which it is exposed. The internal control systems aim to ensure the maintenance of proper accounting records, the reliability of the financial information on which business decisions are made and which is used for publication, and that the assets of the Company are safeguarded. They can by their nature provide only reasonable and not absolute assurance against material misstatement or loss. The financial controls operated by the Board include regular reviews of both the financial results and investment performance.

The Board has delegated to third parties the provision of: investment management services; legal and VCT status advisory services; day-to-day accounting, company secretarial and administration services; and share registration services.

Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered. The Board receives and considers regular reports from the investment manager. Ad hoc reports and information are supplied to the Board as required. The Board keeps under review the terms of the agreement with the investment manager.

Review of Internal Control

The process adopted by the Board for identifying, evaluating and managing the risks faced by the Company includes an annual review of the control systems. The review covers a consideration of the significant risks in each of five areas: statutory and regulatory compliance, financial reporting, investment strategy, investment performance and reputation.

Each risk is considered with regard to; the likelihood of occurrence, the probable impact on the Company and the controls exercised at source, through reporting and at Board level.

The Board is satisfied with the effectiveness of the Company's controls.

Relations with Shareholders

The Board welcomes the views of shareholders and puts a premium on effective communication with the Company's members. All written communication with shareholders is reviewed by the Board to ensure that shareholder enquiries are promptly and adequately resolved.

Shareholders are encouraged to attend the Company's general meetings where the Directors and representatives of the Company's advisers will be available to answer any questions members may have. The notice of the Company's fifth annual general meeting accompanies this report – separate resolutions are proposed for each substantive issue.

The Board also communicates with shareholders through interim and annual reports which will include a chairman's statement and an investment manager's report both of which are reviewed and approved by the Board to ensure that they present a fair assessment of the Company's position and future prospects.

Accountability and Audit

The statement of the Directors' responsibility in respect of the financial statements and the report of the independent auditor are presented on pages 27 and 28 respectively of this report.

Internal Audit

The Company does not have an independent internal audit function. Such a function is thought by the Board to be unnecessary at this time given the size of the Company and the nature of its business. However, the audit committee considers annually whether an independent internal audit function should be introduced and reports its conclusions to the Board.

Going Concern

After making enquiries, the Directors are satisfied that the Company has adequate resources to continue to operate for the foreseeable future. For this reason, the going concern basis has been adopted in the preparation of the Company's financial statements.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether all applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors confirm that they have complied with these requirements.

Under applicable law and regulations, the directors are also responsible for preparing a Directors' Report (including Business Review), Directors' Remuneration Report and Statement of Corporate Governance that complies with law and those regulations.

In the case of each of the persons who are directors of the Company at the date of approval of this report:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditors are unaware.
- the directors have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. The work carried out by Scott-Moncrieff as independent auditors of the Company does not involve consideration of the maintenance and integrity of the website and accordingly they accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Responsibility Statement of the Directors in Respect of the Annual Financial Report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company; and
- the directors' report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face.

Sir Robin Miller
Chairman

29 June 2011

Report of the Independent Auditor
to the Shareholders of Edge Performance VCT plc

We have audited the financial statements of Edge Performance VCT plc for the year ended 28 February 2011, which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities on page 27, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material mistatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 28 February 2011 and of its return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement in compliance with rules 7.2.5 and 7.2.6 in the Disclosure and Transparency Rules sourcebook issued by the Financial Services Authority (information about internal control and risk management systems in relation to financial reporting processes and about share capital structures) is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Graham Scrimgeour
(Senior Statutory Auditor)
For and on behalf of Scott-Moncrieff,
Statutory Auditor
Exchange Place 3
Semple St
Edinburgh
EH3 8BL

30 June 2011

Income Statement

for the year ended 28 February 2011

	Note	Year ended 28 February 2011 Revenue £'000	Capital £'000	Total £'000	Year ended 28 February 2010 Revenue £'000	Capital £'000	Total £'000
Realised/unrealised							
movements on investments		-	3,440	3,440	-	(98)	(98)
Income	2	1,184	-	1,184	156	-	156
Investment manager's fees	3	(269)	(806)	(1,075)	(168)	(502)	(670)
Other expenses	4	(573)	-	(573)	(477)	(118)	(595)
Return on ordinary activities before tax		342	2,634	2,976	(489)	(718)	(1,207)
Tax on ordinary activities	6	(72)	72	-	-	-	-
Return attributable to equity shareholders		270	2,706	2,976	(489)	(718)	(1,207)
Transfer to reserves		270	2,706	2,976	(489)	(718)	(1,207)
Return per share							
Return per ordinary share	8	n/a	n/a	n/a	(0.90)p	(3.08)p	(3.98)p
Return per C Share	8	(0.62)p	13.25p	12.63p	(0.65)p	(2.36)p	(3.01)p
Return per D Share	8	0.36p	7.65p	8.01p	(1.23)p	(0.79)p	(2.02)p
Return per E Share	8	0.51p	(1.07)p	(0.56)p	(1.24)p	(0.62)p	(1.86)p
Return per F Share	8	0.84p	(1.54)p	(0.70)p	n/a	n/a	n/a

The total column of this statement represents the profit and loss account of the Company. All revenue and capital items in the above statement derive from continuing operations. The Company has only one class of business and derives its income from investments made in shares, securities and bank deposits. The Company has no gains and losses other than those recognised in the Income Statement above and has not therefore prepared a separate statement of recognised gains and losses.

The accompanying notes on pages 35 to 46 are an integral part of the financial statements.

Income Statement

for the year ended 28 February 2011

Unaudited Non-Statutory Analysis between the C, D, E and F Share Funds

	Revenue £'000	Capital £'000	C Share fund Total £'000	Revenue £'000	Capital £'000	D Share fund Total £'000
Realised/unrealised movements on investments	-	1,887	1,887	-	1,668	1,668
Income	24	-	24	315	-	315
Investment manager's fees	(44)	(133)	(177)	(73)	(215)	(288)
Other expenses	(85)	-	(85)	(156)	-	(156)
Return on ordinary activities before tax	(105)	1,754	1,649	86	1,453	1,539
Tax on ordinary activities	22	12	34	(18)	19	1
Return attributable to equity shareholders	(83)	1,766	1,683	68	1,472	1,540
Transfer to reserves	(83)	1,766	1,683	68	1,472	1,540
Return per share	(0.62)p	13.25p	12.63p	0.36p	7.65p	8.01p

	Revenue £'000	Capital £'000	E Share fund Total £'000	Revenue £'000	Capital £'000	F Share fund Total £'000
Realised/unrealised movements on investments	-	3	3	-	(118)	(118)
Income	193	-	193	652	-	652
Investment manager's fees	(39)	(118)	(157)	(113)	(340)	(453)
Other expenses	(90)	-	(90)	(242)	-	(242)
Return on ordinary activities before tax	64	(115)	(51)	297	(458)	(161)
Tax on ordinary activities	(14)	11	(3)	(62)	30	(32)
Return attributable to equity shareholders	50	(104)	(54)	235	(428)	(193)
Transfer to reserves	50	(104)	(54)	235	(428)	(193)
Return per share	0.51p	(1.07)p	(0.56)p	0.84p	(1.54)p	(0.70)p

Balance Sheet
as at 28 February 2011

	Note	As at 28 February 2011 £'000	As at 28 February 2010 £'000
Fixed assets			
Investments	1 & 9	23,261	11,078
Current assets			
Debtors	11	2,359	157
Corporate bond & other liquidity funds	1	36,541	23,744
Cash at bank		1,052	793
		39,952	24,694
Creditors: amounts falling due within one year	12	(218)	(241)
Net current assets		39,734	24,453
Net assets		62,995	35,531
Capital and reserves			
Called up share capital	13	7,178	4,237
Share premium account	14	45	45
Special reserve	14	54,402	32,855
Realised capital reserve	14	(1,361)	(1,194)
Unrealised capital reserve	14	2,826	(47)
Revenue reserves	14	(95)	(365)
		62,995	35,531
Net asset value per C Share, pence	15	81.42	75.80
Net asset value per D Share, pence	15	86.46	85.45
Net asset value per E Share, pence	15	84.13	91.68
Net asset value per F Share, pence	15	92.69	-

The accompanying notes on pages 35 to 46 are an integral part of the financial statements.

The financial statements were authorised for issue by the Directors on 29 June 2011 and signed on their behalf by:

Sir Robin Miller
Director

David Glick
Director

Unaudited Non-Statutory Analysis between the C, D, E and F Share Funds Balance Sheet

as at 28 February 2011

	C Share fund £'000	D Share fund £'000	E Share fund £'000	F Share fund £'000
Fixed assets				
Investments	8,487	13,527	1,247	-
Current assets				
Debtors	1,602	1,989	952	373
Corporate bond & other liquidity funds	1,825	2,908	6,189	25,619
Cash at bank	57	(739)	364	1,370
	3,484	4,158	7,505	27,362
Creditors: amounts falling due within one year	(1,118)	(1,060)	(496)	(101)
Net current assets	2,366	3,098	7,009	27,261
Net assets	10,853	16,625	8,256	27,261
Capital and reserves				
Called up share capital	1,333	1,923	981	2,941
Share premium account	-	45	-	-
Special reserve	8,901	13,495	7,493	24,513
Realised capital reserve	(711)	(260)	(117)	(273)
Unrealised capital reserve	1,471	1,551	(42)	(154)
Revenue reserves	(141)	(129)	(59)	234
	10,853	16,625	8,256	27,261
Net asset value per C Share, pence	81.42			
Net asset value per D Share, pence		86.46		
Net asset value per E Share, pence			84.13	
Net asset value per F Share, pence				92.69

Reconciliation of Movements in Shareholders' Funds

for the year ended 28 February 2011

	2011 £'000	2010 £'000
Total net assets attributable at 28 February	35,531	33,091
Capital per share issues	29,240	9,716
Expenses of issue	(1,608)	(545)
Expenses of share premium cancellation	(10)	(10)
Expenses of O Share conversion and cancellation	-	(8)
F Share buyback	(168)	-
Return for the year	2,976	(1,207)
Dividends	(2,966)	(5,506)
Closing shareholders' funds at 28 February	62,995	35,531

Unaudited Non-Statutory Analysis between the C, D, E and F Share Funds Reconciliation of Movements in Shareholders' Funds

for the year ended 28 February 2011

	C Share fund £'000	D Share fund £'000	E Share fund £'000	F Share fund £'000
Opening shareholders' funds	10,102	16,431	8,998	-
Share capital subscribed for in the year	-	-	-	29,240
Expenses of issue	-	-	-	(1,608)
Expenses of share premium cancellation	-	-	-	(10)
F Share buyback	-	-	-	(168)
Return for the year	1,683	1,540	(54)	(193)
Dividends	(932)	(1,346)	(688)	-
Closing shareholders' funds at 28 February 2011	10,853	16,625	8,256	27,261

Cash Flow Statement

for the year ended 28 February 2011

	Note	Year ended 28 February 2011 £'000	Year ended 28 February 2011 £'000	Year ended 28 February 2010 £'000	Year ended 28 February 2010 £'000
Operating activities					
Investment income received		11		60	
Deposit and similar interest received		5		1	
Other cash receipts (VAT recovery)		-		92	
Investment manager's fees paid		(1,075)		(888)	
Company secretarial fees paid		(68)		(72)	
Administration fees paid		(106)		(101)	
Cash paid to and on behalf of directors		(99)		(85)	
Other cash payments		(151)		(108)	
Net cash inflow/(outflow) from operating activities	16		(1,483)		(1,101)
Financial investment					
Purchase of unquoted investments		(688)		(6,776)	
Sale of unquoted investments				4,122	
Loans		(2,196)		(347)	
Purchase of liquidity funds		(28,655)		(8,600)	
Sale of liquidity funds		8,904		10,189	
Net cash outflow from financial investment			(22,635)		(1,412)
Tax & dividends					
Tax				-	
Equity dividends paid		(2,966)		(6,887)	
Net cash outflow from tax & dividends			(2,966)		(6,887)
Net cash outflow before financing		(27,084)		(9,400)	
Financing					
Cancellation of share premium accounts		(10)		(10)	
Conversion and cancellation of O Shares				(2)	
Buyback and cancellation of shares		(168)			
New share issues		28,943		9,730	
Share issue expenses		(1,424)		(459)	
Net cash inflow from financing			27,341		9,259
(Decrease)/Increase in cash			257		(141)

The accompanying notes on pages 35 to 46 are an integral part of the financial statements.

1. Accounting policies

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

a) Basis of Accounting

The accounts have been prepared in accordance with applicable Accounting Standards and with the Statement of Recommended Practice, 'Financial Statements of Investment Trust Companies' ("SORP"), revised in January 2009.

b) Investments

The Company did not hold any listed investments at any time during the period under review. In accordance with UK Generally Accepted Accounting Practice ("UK GAAP"), investments in unlisted companies, other than those traded on AIM/PLUS, are valued at fair value by the Directors with reference to the following guidelines:

- Investments which have been made within the last twelve months are valued at cost except where the company's performance against plan is significantly below the expectations on which the investment was made, in which case provision against cost is made as appropriate
- Where a company is in the early stage of development, it will normally continue to be held at cost on the basis described above
- Where a company is well established after one year from the date of investment the shares may be valued by applying a suitable price-earnings ratio to that company's historical post tax earnings. The ratio used is based on a comparable listed company or sector but discounted to reflect lack of marketability. Alternative methods of valuation will include cost, provision against cost or net asset value where such factors apply that make one of these methods more appropriate.

Alternatively, where a value is indicated by a material arm's-length transaction by a third party in the shares of a company, the valuation will normally be based on this.

Investments in companies traded on AIM/PLUS will be valued at their bid prices as appropriate.

Realised surpluses or deficits on the disposal of investments and impairments in the value of investments are taken to realised capital reserves, and unrealised surpluses and deficits on the revaluation of investments are taken to unrealised capital reserves.

c) Income

Dividends receivable on listed equity shares are brought into account on the ex-dividend date. Dividends receivable on unlisted equity shares are brought into account when the Company's right to receive payment is established and there is no reasonable doubt that payment will be received. Fixed returns on non-equity shares and debt securities 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.

d) Expenses

All expenses (inclusive of VAT where appropriate) 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, and with the exception that 75% of the fees payable to Edge Investment Management Limited are charged against capital.

e) Deferred Tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or right to pay less, tax in the future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent periods. Due to the Company's status as a Venture Capital Trust, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising in the revaluation or disposal of investments.

f) Financial Instruments

The Company's financial instruments comprise its investment portfolio and cash balances. The Company holds financial assets that comprise investments in corporate bonds. The fair value is not materially different from the carrying value for all financial assets and liabilities.

2. Income

	2011 £'000	2010 £'000
Interest receivable		
- from Rothschild Preferred Income Fund	-	4
- from cash and cash equivalents	1,184	152
	1,184	156

3. Investment Manager's Fees

	2011 £'000	2010 £'000
Edge Investment Management	1,075	670

The Company entered into an agreement dated 3 February 2006 with the Manager, which has responsibility for the management of the Company's portfolio of investments. The agreement has been amended and replaced with each new share class issue.

At a general meeting held on 24 November 2010, the agreement was again replaced with a new agreement continuing for an initial period ending 5 years from Admission of the G Shares and which may be terminated thereafter by either party on 12 months' notice, such notice to be served at the end of the initial period or at any time thereafter.

The Manager will receive: an annual management fee of 1.75% of the net asset value attributable to the C Shares, D Shares, E Shares, F Shares and G Shares, in each case plus VAT (if applicable); and (b) a performance fee which is outlined in more detail below. Annual running costs of the Company will include, inter alia, the management fees described above (excluding the performance fee), Directors' remuneration, company secretarial and accounting fees, audit, taxation advice, sponsor's and registrar's fees and the costs of communicating with the Shareholders.

The Manager will be responsible for external costs, such as legal and accounting fees, incurred in relation to the negotiation and, if applicable, completion of all VCT-qualifying investments. The Manager retains the right to charge arrangement, monitoring, syndication, exit and directors' fees to the businesses in which the Company invests. Such charges are in line with industry practice and typically amount to between 1% and 3% of the amount of each investment plus VAT (if applicable). The Manager will normally nominate one of its directors to act as a director of each Events Company.

Total annual operating expenses of the Company (excluding EIM's performance incentive fee, trail commission, irrecoverable VAT and costs of any significant corporate activity) have been capped at 3.0% of the net asset value of the Company with any excess being borne by the Manager.

Performance related incentive fee

In respect of the C Shares, D Shares, E Shares, F Shares and G Shares, the Manager will receive a fee equal to 19% of the cumulative cash (prior to calculation of the performance fee) returned to C Shareholders, D Shareholders, E Shareholders, F Shareholders and G Shareholders by the Company of between 100p and 120p per C Share, D Share, E Share, F Share and G Share respectively and a fee equal to 29% of the cumulative cash (prior to calculation of the performance fee) returned to C Shareholders, D Shareholders, E Shareholders, F Shareholders and G Shareholders by the Company in excess of 120p per C Share, D Share, E Share, F Share and G Share respectively. This fee is to be paid in cash and can be assigned by the Manager to some or all of the investment team.

4. Other Expenses

	2011 £'000	2010 £'000
Directors' remuneration (inc expenses)	90	70
Company secretarial & accountancy fees	60	50
Administration fees (payable to EIM)	125	88
Audit fees – for audit services	11	13
VCT status adviser fees	6	7
Printing & stationery	15	16
Other costs	214	317
Irrecoverable VAT	52	34
	573	595

In the year, investment acquisition costs of £nil (£8,050) were incurred. At the year-end, any such costs were transferred from fixed assets to unrealised adjustments in value of investments.

The Company has no employees.

5. Directors' Fees

	2011 £'000	2010 £'000
Frank Presland	15.1	12.5
Amounts paid and payable to third parties for the services of:		
Sir Robin Miller	20.3	15.0
*Julian Paul	22.8	16.25
Michael Eaton	15.1	12.5
David Glick	15.1	12.5
Kevin Falconer	1.7	n/a
	90.1	68.75

No pension scheme contributions or other retirement benefit contributions were paid. There are no share option contracts held by the Directors. Since all of the fee-earning Directors are non-executive, the other disclosures required by the Listing Rules are not relevant.

* The amount payable to Julian Paul comprises a consultancy fee of £5,000 and a director's fee of £17,500 (which includes £2,500 in respect of his role as Chairman of the audit committee).

6. Tax on Ordinary Activities

a) Analysis of tax charge

	2011 £'000	2010 £'000
Revenue charge	(71,901)	-
Credited to capital return	71,901	-
Current and total tax charge (note (b))	-	-

b) Factors affecting tax charge for the year

	2011 £'000	2010 £'000
Total return on ordinary activities before tax	2,975,547	(1,207,518)
Add: unrealised losses/(gains)	(2,872,280)	(491,510)
Less: non-taxable realised gains	(567,217)	-
Add: transaction costs and investment management expense charged to capital	806,336	619,881
Revenue return on ordinary activities before taxation	342,386	(1,079,147)
Corporation tax at 21% (2010: 21%)	(71,901)	-
Taxation on revenue return	(71,901)	-
Allowable expenditure charged to capital return	806,336	619,881
Taxation on allowable expenditure charged to capital return	(169,331)	(130,175)
Unrelieved expenses	97,430	130,175
Credited to capital return	71,901	-
Tax charge for year (note (a))	-	-

Tax relief relating to investment management fees is allocated between revenue and capital where such relief can be utilised.

No asset or liability has been recognised for deferred tax in relation to capital gains or losses on revaluing investments as the Company is exempt from corporation tax in relation to capital gains or losses as a result of qualifying as a venture capital trust.

There is no potential liability to deferred tax (2010: nil). There is an unrecognised deferred tax asset of £227,605 (2010: £130,175). The deferred tax asset relates to unutilised expenses.

7. Dividends Paid and Proposed

	2011 £'000	2010 £'000
Amounts recognised as distributions to C, D and E Share equity holders in the year	2,966	5,506

The final dividends per C, D and E Share in respect of the year ended 28 February 2010 were approved at the annual general meeting held on 11 August 2010. The record and payment dates for the dividends were 29 October 2010 and 12 November 2010.

The Directors recommend final dividends of 7p per C Share, 7p per D Share, 7p per E Share and 7p per F Share to be paid on 21 October 2011 to all C shareholders, D shareholders, E shareholders and F shareholders respectively on the register as at close of business on 7 October 2011. The proposed dividends are subject to approval by the shareholders at the annual general meeting and have not been included as a liability in these financial statements.

The total dividend payable in respect of the financial year is set out below.

	2011 £'000	2010 £'000
Interim dividend – nil p per C Share (2010: 0.2p)	-	13
Proposed final dividend - 7p per C Share (2010: 7p)	933	933
Proposed final dividend - 7p per D Share (2010: 7p)	1,346	1,346
Proposed final dividend - 7p per E Share (2010: 7p)	687	687
Proposed final dividend - 7p per F Share (2010: nil p)	2,073	-
Totals	5,039	2,979

8. Return per Share

	Revenue	Capital	2011 Total	Revenue	Capital	2010 Total
Return per Ordinary Share	n/a	n/a	n/a	(0.90)p	(3.08)p	(3.98)p
Return per C Share	(0.62)p	13.25p	12.63p	(0.65)p	(2.36)p	(3.01)p
Return per D Share	0.36p	7.65p	8.01p	(1.23)p	(0.79)p	(2.02)p
Return per E Share	0.51p	(1.07)p	(0.56)p	(1.24)p	(0.62)p	(1.86)p
Return per F Share	0.84p	(1.54)p	(0.70)p	n/a	n/a	n/a

The Ordinary Shares were converted into Deferred Shares, repurchased and then cancelled on 21 December 2009.

Basic revenue return per C Share is based on the net revenue loss (2010: loss) from ordinary activities after taxation of £(82,765) (2010: £(86,903)) and on 13,328,599 C Shares, being the weighted average number of shares in issue during the period from 1 March 2010 to 28 February 2011. Basic capital return per C Share is based on the net capital profit after taxation of £1,765,887 (2010: £(314,385)) and on 13,328,599 C Shares, being the weighted average number of shares in issue during the period from 1 March 2010 to 28 February 2011.

Basic revenue return per D Share is based on the net revenue profit (2010: loss) from ordinary activities after taxation of £68,431 (2010: £(235,400)) and on 19,228,838 D Shares, being the weighted average number of shares in issue during the period from 1 March 2010 to 28 February 2011. Basic capital return per D Share is based on the net capital profit after taxation of £1,472,226 (2010: £(152,706)) and on 19,228,838 D Shares, being the weighted average number of shares in issue during the period from 1 March 2010 to 28 February 2011.

Basic revenue return per E Share is based on the net revenue profit from ordinary activities after taxation of £50,567 (2010: £(109,558)) and on 9,813,732 E Shares, being the weighted average number of shares in issue during the period from 1 March 2010 to 28 February 2011. Basic capital return per E Share is based on the net capital loss after taxation of £(104,831) (2010: £(54,075)) and on 9,813,732 E Shares, being the weighted average number of shares in issue during the period from 1 March 2010 to 28 February 2011.

Basic revenue return per F Share is based on the net revenue profit from ordinary activities after taxation of £234,953 (2010: n/a) and on 27,731,802 F Shares, being the weighted average number of shares in issue during the period from 1 March 2010 to 28 February 2011. Basic capital return per F Share is based on the net capital loss after taxation of £(427,235) (2010: n/a) and on 27,731,802 F Shares, being the weighted average number of shares in issue during the period from 1 March 2010 to 28 February 2011.

9. Investments

Movements in qualifying investments during the period are summarised as follows:

	Venture capital - unquoted £'000	Venture capital - quoted £'000	Total £'000
Book cost at 28 February 2010	11,523	250	11,773
Unrealised gains/(losses) at 28 February 2010	(656)	(39)	(695)
Valuation at 28 February 2010	10,867	211	11,078
Movements in the year:			
- Purchases at cost	9,983	370	10,353
- Disposals-proceeds	(1,504)	-	(1,504)
- Net realised gains/(losses)	-	-	-
Movement in unrealised gains/(losses)	3,218	116	3,334
Valuation at 28 February 2011	22,564	697	23,261
Comprising:			
- Book cost at 28 February 2011	20,002	620	20,622
- Unrealised gains/(losses) at 28 February 2011	2,562	77	2,639

During the year the Company incurred disposal transaction costs of £nil (2010: £nil).

As at 28 February 2011, the Company had no intention to dispose of any of its holdings.

The Company is required to report the category of fair value measurements used in determining the value of its investments, to be disclosed by the source of inputs, using a three-level hierarchy:

Quoted market prices in active markets – "Level 1"

Inputs to Level 1 fair values are quoted prices in active markets for identical assets. An active market is one in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. The Company's only investment classified in this category is Coolabi plc, an AIM-traded company

Valued using models with significant observable market parameters – "Level 2"

Inputs to Level 2 fair values are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. The Company has no investments classified in this category.

Valued using models with significant unobservable market parameters – "Level 3"

Inputs to Level 3 fair values are unobservable inputs for the asset. Unobservable inputs may have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset at the measurement date (or market information for the inputs to any valuation models). As such, unobservable inputs reflect the assumptions the Company considers that market participants would use in pricing the asset. The Company's unquoted equities and loan stock are classified within this category. As explained in Note 1, unquoted investments are valued in accordance with the International Private Equity and Venture Capital Association guidelines.

10. Significant interests

As at 28 February 2011, the Company held significant investments, amounting to 3% or more of the equity capital, in the following companies:

Company	Equity investment (ordinary shares) £	Loan stock £	Total investment £	Percentage of investee company's total equity, %
B&W Events Limited	300,000	700,000	1,000,000	49.0
Challi Productions Limited	600,000	1,400,00	2,000,000	49.5
HTM Promotions Limited	600,000	1,400,000	2,000,000	49.5
MK Ultrasound Limited	600,000	1,400,000	2,000,000	50.0
Saravid Promotions Limited	600,000	1,400,000	2,000,000	49.5
TRP 2009 Limited	300,000	700,000	1,000,000	50.0
Coolabi plc	620,137	-	620,137	16.7
Granon Entertainment Limited	520,500	1,214,500	1,735,000	50.0
North Promotions Limited	600,000	1,400,000	2,000,000	50.0
South Productions Limited	600,000	1,400,000	2,000,000	50.0
Rose Promotions Limited	390,000	910,000	1,300,000	50.0
Global Dawn Limited	2,943,980	-	2,943,980	13.9

Total investment excludes investment costs of £22,758 across four investments.

11. Debtors

	2011 £'000	2010 £'000
Amounts falling due within one year:		
Accrued interest and other accrued income	382	3
Amounts due from the Investment Manager	4	102
Prepayments and other debtors	1,973	52
	2,359	157

12. Creditors: Amounts Falling Due Within One Year

	2011 £'000	2010 £'000
Sundry creditors and accruals	218	206
Amounts due to the Investment Manager	-	35
	218	241

13. Called-up Share Capital

	2011 £'000	2010 £'000
Authorised:		
300,000,000 Ordinary Shares of 10p each	30,000	30,000
25,000,000 C Shares of 10p each	2,500	2,500
60,000,000 D Shares of 10p each	6,000	6,000
50,000,000 E Shares of 10p each	5,000	5,000
60,000,000 F Shares of 10p each	6,000	6,000
60,000,000 G Shares of 10p each	6,000	n/a
120,000,000 Deferred Shares of 10p each (2010: 80,000,000)	12,000	8,000
	67,500	57,500
Allotted, called-up and fully paid:		
13,328,599 C Shares of 10p each	1,333	1,333
19,228,838 D Shares of 10p each	1,923	1,923
9,813,732 E Shares of 10p each	981	981
29,411,437 F Shares of 10p each	2,941	-
	7,178	4,237

During the year, the Company issued 29,611,437 F Shares at a price of £1 per share and bought back 200,000 F Shares which were cancelled. The shares were bought back under the Company's share buy back policy at a price of 84p per F Share. 200,000 F Shares represented 0.68% of the F Shares in issue and 0.28% of all shares in issue.

14. Reserves

	Share premium £'000	Special reserve £'000	Capital reserve (realised) £'000	Capital reserve (unrealised) £'000	Revenue reserves £'000	Total £'000
At 1 March 2010	45	32,855	(1,194)	(47)	(365)	31,294
F Share issue	26,279	-	-	-	-	26,279
F Share issue expenses	(1,608)	-	-	-	-	(1,608)
Cancellation of F Share premium account	(24,671)	24,671	-	-	-	-
Fee re cancellation of share premium account	-	(10)	-	-	-	(10)
Buyback of F Shares	-	(148)	-	-	-	(148)
Dividends paid	-	(2,966)	-	-	-	(2,966)
Movement in reserves	-	-	(167)	2,873	270	2,976
At 28 February 2011	45	54,402	(1,361)	2,826	(95)	55,817

15. Net Asset Value per Share

The net asset values per share at the year-end were as follows:

	2011 Net asset values attributable Net assets	2011 Net asset values attributable Net assets per share	2010 Net asset values attributable Net assets	2010 Net asset values attributable Net assets per share
C Shares	£10.9m	81.42p	£10.1m	75.80p
D Shares	£16.6m	86.46p	£16.4m	85.45p
E Shares	£8.3m	84.13p	£9.0m	91.68p
F Shares	£27.3m	92.69p	-	-

Net asset value per share is based on net assets at the year end and on the number of shares in each class in issue at the year end C Shares 13,328,599; D Shares 19,228,838, E Shares 9,858,732 and F Shares 29,411,437.

16. Reconciliation of Net Return before Taxation to Net Cash Outflow from Operating Activities

	2011 £'000	2010 £'000
Net return before taxation for the year	2,976	(1,207)
(Gains)/losses on investments	(3,440)	98
Adjustment to return for non-operating income	(849)	(91)
Adjustment to return for non-operating expenditure	64	62
(Increase)/decrease in debtors	(2,202)	416
Increase/(decrease) in creditors and accruals	(23)	(1,325)
Adjustment to decrease in debtors for capital-related balances	1,881	(398)
Adjustment to decrease in creditors for capital-related balances	110	1,344
Net cash inflow/(outflow) from operating activities	(1,483)	(1,101)

17. Analysis of Changes in Net Funds

	Cash £'000	Liquid funds £'000	Total £'000
At 1 March 2010	*795	23,744	24,539
Cash flows	257	13,263	13,520
Unrealised adjustments in fair value	n/a	(466)	(466)
At 28 February 2011	1,052	36,541	37,593

* The cash balance as at 1 March 2010, per the Company's balance sheet, was £792,895.77 but this included £(1,940.40) in respect of the O Share portfolio. If this balance is excluded, then the balance becomes £794,836.17 ie £795,000 to the nearest thousand.

18. Financial Instruments

The Company's financial instruments comprise:

- Equity, loan stock and corporate bonds
- Cash balances and liquid resources

Investments are made in a combination of equity and loans. Surplus funds are held on bank deposit or in listed money market instruments. It is not the company's policy to trade in financial instruments or derivatives.

Fixed asset investments are valued at fair value. For quoted investments this is bid price. In respect of unquoted investments, these are valued by the Directors in accordance with current industry guidelines. Where no reliable fair value can be estimated, unquoted investments are carried at cost subject to provision for impairment where necessary. The fair value of all other financial assets and liabilities is represented by their carrying value in the balance sheet.

The Company held the following categories of financial instruments, all of which are included in the balance sheet at fair value, at 28 February 2011:

	2011 (Book value) £'000	2011 (Fair value) £'000	2010 (Book value) £'000	2010 (Fair value) £'000
Assets at fair value through profit and loss				
- Investment portfolio	20,622	23,261	11,773	11,078
- Current investments	36,436	36,541	22,977	23,744
- Cash at bank	1,052	1,052	793	793
Loans and receivables				
- Accrued income	382	382	3	3
- Other debtors	1,977	1,977	154	154
- Other creditors	(218)	(218)	(241)	(241)
	60,251	62,995	35,459	35,531

Unquoted investments account for 97.0% of the investment portfolio (2010: 98.1%). The investment portfolio has a 100% concentration of risk towards small UK based, sterling denominated companies and represents 36.9% (2010: 31.2%) of net assets at the year-end.

Current investments are money market funds which represent 58.0% (2010: 66.8%) of net assets at the year-end.

The main risks arising from the Company's financial instruments are credit risk, market price risk, interest rate risk and liquidity risk. All assets and liabilities are denominated in sterling, hence there is no currency risk.

Credit risk

Credit risk is managed by settling all transactions on the basis of delivery against payment.

Market price risk

The Board manages the market risk inherent in the Company's portfolio by maintaining an appropriate spread of market risk and by ensuring full and timely access to relevant information from the Investment Manager. The Board reviews investment performance and financial results, as well as compliance with the Company's investment objectives. The Board also seeks to ensure that an appropriate proportion of the Company's portfolio is invested in cash and readily realisable securities which are sufficient to meet any funding commitments which may arise. The Company does not use derivative instruments to hedge against market risk.

The equity and fixed interest stocks of the Company's unquoted investee companies are very seldom traded and, as such, their prices are more uncertain than those of more frequently traded stocks. It is estimated that a 10% fall in the carrying value of the Company's unquoted investments would reduce profit before tax for the year by £2,326,120 and reduce the Company's net asset values per C Share, D Share, E Share and F Share by 6.37p, 7.04p, 1.26p and nil respectively.

Interest rate risk

Some of the Company's financial assets are interest bearing, some of which are at fixed rates and some at variable. As a result, the Company is exposed to interest rate risk due to fluctuations in prevailing levels of market interest rates. The Board seeks to mitigate this risk through regular monitoring of the Company's interest bearing investments. The Company does not use derivative instruments to hedge against interest rate risk.

As at 28 February 2011, the Company's financial assets by value, excluding short-term trade debtors and creditors as permitted by Financial Reporting Standard 25 "Financial Instruments: Disclosure and Presentation", comprised:

Financial assets	£000	%	Interest rate %	Weighted average interest rate %	Weighted average period for which rate is fixed, years
Ordinary shares	11,337	18.09	n/a	n/a	n/a
Loan stock – variable rate	95	0.15	Floating	n/a	n/a
Loan stock – fixed rate	5,624	8.97	14.0	14.0	n/a
Loan stock – fixed rate	605	0.97	16.0	16.0	n/a
Loan stock – no interest	5,600	8.94	Nil	Nil	n/a
On-demand loan – fixed rate	1,813	2.89	13.0	13.0	n/a
Corporate bonds	23,424	37.38	Floating	n/a	n/a
Cash equivalents	13,117	20.93	Floating	n/a	n/a
Bank deposits	1,052	1.68	Floating	n/a	n/a
	62,667	100.0			

It is estimated that a one percentage point fall in interest rates would have decreased the profit before tax for the year of £2,976,000 to a profit before tax for the year of £2,757,000. The risk from future fluctuations in interest rate movements should be mitigated by the Company's intention to complete its investment strategy and to hold a majority of its investments in instruments which are not exposed to market interest rate changes.

Liquidity risk

The investments in equity and fixed interest stocks of unquoted companies that the Company holds are not traded and thus are not readily realisable. At times the Company may be unable to realise its investments at their carrying values because of an absence of willing buyers. The Company's ability to sell investments may also be constrained by the requirements set down for VCTs. To counter such liquidity risk, sufficient cash and money market funds are held to meet running costs and other commitments. The Company invests its surplus funds in high quality liquidity funds which are all accessible on an immediate basis.

Management of capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, satisfy the relevant HMRC requirements and provide at least adequate returns for shareholders.

As a VCT, the Company must have, and must continue to have, within three years of raising its capital at least 70% by value of its investments in VCT qualifying holdings which are a relatively high risk asset class of small UK companies. In satisfying this requirement, the Company's capital management scope is restricted. Subject to this restriction, the Company may adjust dividends, return capital to shareholders, issue new shares or sell assets to maintain the level of liquidity to remain a going concern.

19. Post Balance Sheet Events

The Company's G share offer closed on 3 June 2011 – a total of 24.2m G shares were issued.

20. Geographical Analysis

The operations of the Company are wholly in the United Kingdom.

21. Contingencies, Guarantees and Financial Commitments

There were no contingencies or guarantees as at 28 February 2011.

22. Transactions with the Investment Manager

During the year ended 28 February 2011 (year ended 28 February 2010), the Company incurred costs of £2,808,322 (£906,750) (exclusive of VAT) payable to Edge Investment Management Limited, the Company's Investment Manager. This sum comprised:

An investment management fee of £1,075,115. (2010: A net investment management fee of £669,693 - a gross fee of £675,298 less a VAT recovery of £5,605 in respect of VAT on investment management fees.)

An administration fee of £125,000 (2010: £88,082).

A promotion fee of £1,608,207 in respect of the F share offer for subscription from which fee EIM met all the costs of the offer except the costs of the subscription incentives and of trail commission.

Details of the Manager's fee arrangements are given in Note 3.

Corporate Information

Directors

Sir Robin Miller (Chairman)
Michael Eaton
David Glick
Frank Presland
Kevin Falconer

All of
1 Marylebone High Street
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which is the registered office of the Company

Investment Manager

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