

**Close Brothers
Venture Capital Trust PLC**



**Report & Accounts
for the year to
31 March 2002**

The Mailbox, Birmingham



Holiday Inn Express, Bristol



Glory Mill Health & Fitness Club



Churchfields Residential Home



Fryers Walk Residential Home





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DIRECTORS AND ADMINISTRATION

Directors

D J Watkins MBA (Harvard), Chairman
(US citizen)
R M Davidson
J M B L Kerr ACMA
J G T Thornton MBA, FCA

Investment Manager

Close Venture Management
(formerly Close VCT Management)
12 Appold Street
London EC2A 2AW
Tel: 020 7426 4000

Secretary and Registered Office

J M Gain
12 Appold Street
London EC2A 2AW

Registrar

Capita IRG plc
Balfour House
390/398 High Road
Ilford
Essex IG1 1NQ
Tel: 020 8478 8241

Auditors

Deloitte & Touche
Stonecutter Court
1 Stonecutter Street
London EC4A 4TR

Safe Custodians

RBSI Custody Bank Ltd
Liberte House
19-23 La Motte Street
St Helier
Jersey JE4 5RL

Capita Trust Company Ltd
Guildhall House
81-87 Gresham Street
London EC2V 7QE



INVESTMENT OBJECTIVES

Close Brothers Venture Capital Trust PLC (“Close Brothers VCT”) is a venture capital trust which raised a total of £39.7 million through an issue of Ordinary Shares in the spring of 1996 and through an issue of “C” Shares in the following year. The Company offers tax-paying investors substantial tax benefits at the time of investment, on payment of dividends and on the ultimate disposal of the investment. Its investment strategy is to minimise the risk to investors whilst maintaining an attractive yield. This is achieved as follows:

- Qualifying unquoted investments are predominantly in specially-formed companies which provide a high level of asset backing for the capital value of the investment.
- Close Brothers VCT invests alongside selected partners with proven experience in the sectors concerned.
- Investments are normally structured as a mixture of equity and loan stock. The loan stock represents the majority of the finance provided, and is secured on the assets of the investee company. Close Brothers VCT typically owns 50% of the equity of the investee company.
- Other than the loan stock issued to Close Brothers VCT and, in certain circumstances, temporary bridging finance prior to further investment by Close Brothers VCT, investee companies do not normally have external borrowings.
- A clear strategy for the realisation of each qualifying unquoted investment within five years or shortly thereafter is identified from the outset.

The minimum performance objectives of Close Brothers VCT are as follows:

- To achieve an annual dividend yield of at least five pence per share.
- To achieve a net asset value equivalent to at least 100 pence per share within five years of the date of issue of each class of share.

Funds raised under the Ordinary Share offers in 1996 and funds raised under the “C” Share offers in 1997 were managed as entirely separate pools of funds until 31 May 2000, when the two classes of share were merged.



FINANCIAL HIGHLIGHTS

	Year ended 31 March 2002	Year ended 31 March 2001
Total return per share	11.70p	8.80p
Net dividends per share	7.50p	7.50p
Net asset value per share	106.24p	101.95p

Shareholder value created for each class of share since launch:

	Note	Ordinary Shares pence per share	“C” Shares pence per share
Gross dividends for the year ended 31 March 1997		5.00	–
Gross dividends for the year ended 31 March 1998		6.00	5.00
Gross first and second interim dividends and net final dividend for the year ended 31 March 1999	(i)	7.75	6.25
Net revenue and capital dividends for the year ended 31 March 2000	(ii)	8.55	4.50
Net revenue and capital dividends for the year ended 31 March 2001		7.50	7.50
Net revenue dividends for the year ended 31 March 2002		7.50	7.50
Net asset value at 31 March 2002		106.24	106.24
Total		<u>148.54</u>	<u>136.99</u>

Notes:

- (i) Dividends paid before 5 April 1999 were paid to qualifying shareholders inclusive of the associated tax credit. The dividends for the year to 31 March 1999 were maximised in order to take advantage of this tax credit.
- (ii) The capital dividend of 2.55 pence in the year to 31 March 2000 enabled the Ordinary Shares and the “C” Shares to merge on an equal basis.

FINANCIAL CALENDAR

Ex date for dividend	26 June 2002
Record date for final dividend	28 June 2002
Annual General Meeting	1 August 2002
Posting of dividend cheques in respect of the final dividend	2 August 2002
Announcement of interim results for the six months ended 30 September 2002	November 2002
Payment of interim dividend	December 2002



CHAIRMAN'S STATEMENT

Introduction

The progress of your Company's investment portfolio during the year has been encouraging. As the portfolio has matured, not only have the values risen, but also the level of income generated by investments has increased substantially. This has allowed the Company's total dividend to be maintained at last year's level of 7.5 pence, despite the fact that, unlike last year, no payments are being made out of realised capital profits. Looking forward, the board intends to continue its strategy of a progressive dividend policy and of building on the current level of pay out, by utilising profits generated both from revenue and from profits on disposal of investments.

Although no investments were made in new companies during the year, two investments with a cost of £2.15 million were disposed of and a further £4.6 million was invested in existing investee companies, either under arrangements in respect of amounts reserved for investment, or where further funds were deemed justified to enhance the overall value. It is particularly pleasing to note that, in market conditions that have not been easy, your Company's net asset value per Share has risen by over 4% to 106.2 pence, which, when combined with the revenue return, has resulted in an overall total return of 11.7 pence per Share. This builds on strong returns over previous year and your Company is now shown to have the highest total return of all VCTs launched in the 1995/6 and 1996/7 tax years [Source: Allenbridge].

Review of Investments

Our key investment areas continue to be the hotel, residential property development and care home sectors, with other asset-based areas continuing to be reviewed, as characterised by our investment in our Cambridge cinema and our Beaconsfield health and fitness club.

In the hotel sector, despite the tragic events of 11 September last year, our units have continued to perform well. Following the receivership of Premier Hotels Limited, our partner in Premier VCT (Bristol) which operates the Express by Holiday Inn in central Bristol, we elected to take full control of the Company by buying Premier's stake. This means that the investment is no longer qualifying for VCT purposes, and we are in the process of disposing of the unit. Its continued strong performance has led to another increase in its carrying value and, if negotiations currently underway bear fruition, we will see a further increase in its value on sale. The receiver of Premier Hotels Limited continues to hold the remaining 50% of Premier VCT (Mailbox), which owns and operates the 90 room Days Inn hotel in the Mailbox development in central Birmingham. This unit continues to be valued at slightly below cost, though we remain optimistic for its future prospects. The 50 room Hawkwell House Hotel in Oxford continues to perform well, and we, in conjunction with the other 50% shareholder Regal Hotels PLC, have recently put the unit on the market with a view to a sale.

There are currently a variety of interesting potential new investments in the hotel sector which are under review, and the Manager considers that, despite the challenging environment for hotels overall, carefully selected and well managed units can be a continuing source of profits for your Company.

In the residential development sector, which is restricted to 20% of the portfolio, we currently have four companies established with separate developers. During the year we sold our holding in Portland Homes (Woodside Green) at a small profit, and the proceeds were re-invested in our other residential development companies. These have continued to be a useful source of income for your Company, with particularly good results from Country & Metropolitan VCT, which develops residential units in and around Yorkshire.



In the care home sector our principal area of investment during the year continued to be homes for people with learning disabilities in East Anglia. The first four of such homes in which we have invested, in Witham in Essex, in Bury St Edmunds, in Thetford in Norfolk and in Ipswich are performing well, with the first showing a substantial increase in value over last year. Our fifth home in March, in Cambridgeshire opened during the year and we continue to review further opportunities in the sector. We disposed of one of our homes for the frail and elderly, the Harnham Croft nursing home in Salisbury, where performance continued to be disappointing and we recorded a small loss on sale of £128,000. The 55 bed nursing home in Hornchurch, however, is now full and performing in accordance with our original expectations; the value of the home has been written up accordingly and is now valued at above cost.

As regards our other areas for investment, the Cambridge Picture House cinema has now been open for 30 months and is performing according to plan, while the health club owned by Odyssey Glory Mill, which opened in April 2001, continues to perform above expectations. It now has a membership of over 3,900, although its value has fallen slightly since last year, in line with a general softening of values in the health and fitness market.

Results and Dividend

As at 31 March 2002 the net asset value was £41.5 million or 106.2 pence per share, which compares with a net asset value at 31 March 2001 of £39.9 million or 101.9 pence per Ordinary Share. Net income before taxation was £3.4 million (2001: £3.2 million) enabling the board to declare a net final revenue dividend of 4.9 pence per share, making 7.5 pence for the full year (2001: 6.25 revenue dividend and a special capital dividend of 1.25 pence per share). The increase in management fees over the period reflects provisions made in respect of the management performance incentive, which now amounts to £598,000 and which reflects the out performance of the Company against its original targets. Further information is given on page 15.

The final dividends for the year ended 31 March 2002 will be paid on 2 August 2002 to shareholders registered on 28 June 2002.

Members Resolution at the Annual General Meeting and Extraordinary General Meeting

Under the terms of your Company's articles of association, members have the opportunity, at the time of this year's annual general meeting, and every five years thereafter, to confirm that they wish the Company to continue as a venture capital trust, and Shareholders will notice that an appropriate resolution is included in the business to be considered at the Annual General Meeting. Given the performance of the Company, and in particular the strong tax free dividend stream it generates, your board hopes that shareholders will vote for the VCT to continue. Therefore, accompanying these accounts is a circular to shareholders giving information on the issue. Accordingly, if a majority of shareholders vote to support the continuation of the Company's activities your Board is proposing at an Extraordinary General Meeting, to be held immediately after the AGM, a Tender Offer by which the Company may purchase or procure purchasers for up to 10% of the Company's shares at a price of 100 pence per share. Further details of this, along with proposals to increase the Company's borrowing powers, are also included in the enclosed circular to Shareholders.

David Watkins
Chairman

18 June 2002



THE BOARD OF DIRECTORS

The following are the Directors of the Company, all of whom operate in a non-executive capacity.

David Watkins (57) MBA (Harvard), Chairman. From 1972 until 1991 he worked at Goldman Sachs, where he was Head of Euromarkets Syndication and Head of the European Real Estate Department. He subsequently joined Mountleigh Group PLC where he worked as a director for 12 months on the restructuring of the business. Until late 1995 he worked at Baring Securities Limited as Head of Equity Capital Markets – London, before leaving to join Capital Risk Strategies (UK) Limited, a consultancy formed to provide risk management solutions to large corporations. From 1985 to 1990 he was a director of the Association of International Bond Dealers, and from 1986 to 1990 was a member of the Council of the London Stock Exchange.

Roderick Davidson (64). He joined B S Stock & Co stockbrokers, in Bristol in 1960, becoming a partner in 1965 and managing director of Stock Beech & Co. Limited in 1985. In 1990 he joined Albert E Sharp where he managed investment portfolios on behalf of pension funds, charitable trusts and private investors. He retired in the spring of 1998. He is chairman of Close Brothers Development VCT PLC.

John Kerr (59) ACMA. He recently retired as finance director of Ambion Brick, a building material company bought out from Istock PLC. Prior to this he was chief executive of Price & Pierce Limited, which acts as the UK agent for overseas producers of forestry products. From 1985 to 1992, he was the managing director of SUMIT Equity Ventures Limited, an independent Midlands based venture capital company. Before that, he held a number of finance and general management posts in manufacturing industries both in the UK and USA.

Jonathan Thornton (55), MBA, FCA. He retired as a director of Close Brothers Group plc and as chairman of Close Brothers Investment Limited, the Manager, in 1998. In 1984 he was responsible for establishing Close Investment Management Limited, the venture capital fund management arm of Close Brothers Group. Prior to this he worked for both 3i plc and Cinven. He is a director of Close Brothers Development VCT PLC.

THE MANAGER

Close Venture Management, a division of Close Brothers Investment Limited, is the Manager of Close Brothers Venture Capital Trust PLC. In addition to Close Brothers Venture Capital Trust, it manages a further three VCT's: Close Brothers Protected VCT PLC, which raised £27.9 million in 1997 to invest principally in qualifying loans guaranteed by the Royal Bank of Scotland, and in shares issued by companies quoted on AIM; Close Brothers Development VCT PLC, which raised £14.6 million in 1999 to provide development capital to unquoted companies; and Close Technology & General VCT which has raised £14.3 million to invest in both 'old economy' and 'new economy' businesses.

The Manager's ultimate parent company is Close Brothers Group plc, a substantial independent merchant banking group listed on the London Stock Exchange. Close Brothers Group has extensive experience in asset-based finance over a range of specialised lending activities.



THE PORTFOLIO OF INVESTMENTS

The following is a summary of qualifying investments made at 31 March 2002, comprising amounts invested and scheduled for investment, and after including the revaluations referred to in the Chairman's statement above:

Investee Company	Investment			
	Investment at Cost £'000	Revaluation £'000	Total £'000	Reserved for investment £'000
Care Homes				
Broadoaks VCT Ltd	1,450	94	1,544	135
Churchcroft VCT Ltd	1,550	390	1,940	–
Drummond Court VCT Ltd	1,500	303	1,803	–
Fryers Walk VCT Ltd	1,575	236	1,811	–
Hornchurch VCT Ltd	2,850	28	2,878	–
Lombardy Court VCT Ltd	1,275	19	1,294	–
Hotels				
Hawkwell VCT Ltd	3,380	727	4,107	–
Premier VCT (Mailbox) Ltd	3,000	(243)	2,757	1,000
Residential Development				
Chase Midland VCT Ltd	1,600	–	1,600	–
Country & Metropolitan VCT Ltd	3,000	–	3,000	–
Saxon VCT Ltd	2,200	–	2,200	–
Youngs VCT Ltd	1,200	–	1,200	–
Other Investments				
City Screen (Cambridge) Ltd	1,210	(61)	1,149	–
Odyssey Glory Mill Ltd	3,000	1,190	4,190	1,000
Total	28,790	2,683	31,473	2,135



Non-qualifying investments

Investee Company	Investment		
	Investment at Cost £'000	Revaluation £'000	Total £'000
Hotel			
Premier VCT (Bristol) Ltd	4,321	1,784	6,105
Residential Development			
Cathedral Homes Ltd	40	–	40
Total	4,361	1,784	6,145

Further details of Qualifying Investments, including details of the other shareholder in each of the investee companies and the current amounts invested and reserved for investment, are given below.

Care Homes

1. Broadoaks VCT Limited

Broadoaks VCT has been established to develop and operate a 30 bed purpose-built home for residents with learning disabilities in March, Cambridgeshire. The home opened in April 2002.

Date of investment:	September 2000
Other 50% shareholder:	InterCare Residential Limited
Amount invested at 31 March 2002:	£1.45 million
Further amount reserved for investment:	£135,000

2. Churchcroft VCT Limited

Churchcroft VCT owns a 34 bed purpose-built home for residents with learning disabilities in Witham, Essex. The home is trading satisfactorily.

Date of investment:	June 1998
Other 50% shareholder:	InterCare Residential Limited
Amount invested at 31 March 2002:	£1.55 million
Further amount reserved for investment:	Nil

3. Drummond Court VCT Limited

Drummond Court VCT is a 36 bed home for residents with learning disabilities in Bury St. Edmunds, Suffolk. The home opened in 1999, and is trading above expectations.

Date of investment:	September 1998
Other 50% shareholder:	InterCare Residential Limited
Amount invested at 31 March 2002:	£1.5 million
Further amount reserved for investment:	Nil



4. Fryers Walk VCT Limited

Fryers Walk VCT owns and operates a 34 bed home for residents with learning disabilities in Thetford, Norfolk, which opened in 2001. It is currently trading in line with expectations.

Date of investment:	March 1999
Other 50% shareholder:	InterCare Residential Limited
Amount invested at 31 March 2002:	£1.575 million
Further amount reserved for investment:	Nil

5. Hornchurch VCT Limited

This company was established to develop and operate a new nursing home at Hornchurch in Essex, some three miles within the M25. The 55 bed home opened in January 1998. After a slow build up in occupancy, the home is now approaching 100% full and is trading in line with initial expectations. The home has consequently been revalued to a small premium over cost.

Date of investment:	September 1996
Other 50% shareholder:	ANS plc
Amount invested at 31 March 2002:	£2.85 million
Further amount reserved for investment:	Nil

6. Lombardy Court VCT Limited

The company owns and operates a 24 bed home for residents with learning disabilities in the centre of Ipswich. The home opened in 2001 and is in the process of filling.

Date of investment:	January 2000
Other 50% shareholder:	InterCare Residential Limited
Amount invested at 31 March 2002:	£1.275 million
Further amount reserved for investment:	Nil

Hotels

7. Hawkwell VCT Limited

This company owns and operates a 50 room three star hotel at Iffley in Oxford. The hotel, which caters for a range of private and corporate clients and also serves the strong conference market in the Oxford area, is performing well and has recently been put on the market with a view to a sale.

Date of investment:	July 1997
Other 50% shareholder:	Regal Hotels plc
Amount invested at 31 March 2002:	£3.38 million
Further amount reserved for investment:	Nil

8. Premier VCT (Mailbox) Limited

This company was formed to build and operate a 90 room hotel operating under the Days Inn brand at the Mailbox site in the centre of Birmingham. Cost increases and a delay in opening led to a write down against cost. Nevertheless the hotel is now performing in line with expectations.

Date of investment:	December 1999
Other 50% shareholder:	Premier Hotels Limited
Amount invested at 31 March 2002:	£3 million
Further amount reserved for investment:	£1 million



Residential Development

9. Chase Midland VCT Limited

The company has now completed construction of its fourth development comprising 11 homes in the Walmley, Sutton Coldfield area of Birmingham, all of which have been sold or reserved. It is currently assessing a 4 unit development in central Nottingham.

Date of investment:	March 1997
Other 50% shareholder:	Chase Midland plc
Amount invested at 31 March 2002:	£1.6 million
Further amount reserved for investment:	Nil

10. Country & Metropolitan VCT Limited

The company is close to completing its seventh development, a 21 apartment scheme in the Moor Allerton area of Leeds and has commenced work on a 40 unit scheme in the Rodley area of Leeds.

Date of investment:	November 1996
Other 50% shareholder:	Country & Metropolitan Homes plc
Amount invested at 31 March 2002:	£3 million
Further amount reserved for investment:	Nil

11. Saxon VCT Limited

This company is currently undertaking its fourth and fifth developments, comprising an 11 unit scheme in Dorchester and a 2 home scheme in Henley-on-Thames. A suitable follow on site is being sought.

Date of investment:	September 1996
Other 50% shareholder:	Saxon Developments Ltd
Amount invested at 31 March 2002:	£2.2 million
Further amount reserved for investment:	Nil

12. Youngs VCT Limited

Following a very successful first development of 8 apartments overlooking the Isle of Wight at Lee-on-the-Solent, the Company is currently selling a 4 bedroom house at Steep Marsh, near Petersfield and is converting a Grade II Listed hall in Funtington, near Chichester, into 4 units.

Date of investment:	March 2000
Other 50% shareholder:	Youngs Developments Ltd
Amount invested at 31 March 2002:	£1.2 million
Further amount reserved for investment:	Nil



Other Investments

13. City Screen (Cambridge) Limited

The company was formed to develop and operate a three screen “art-house” cinema in the centre of Cambridge. The cinema opened in August 1999 and cash subsequently generated enabled the Company to pay a management fee of £50,000 to each shareholder.

Date of investment:	July 1999
Other 50% shareholder:	City Screen Limited
Amount invested at 31 March 2002:	£1.21 million
Further amount reserved for investment:	Nil

14. Odyssey Glory Mill Limited

The company was formed to develop and operate a 32,000 square foot health and fitness club on a five acre site outside Beaconsfield. The club opened in April 2001 and now has approximately 3,900 members.

Date of investment:	December 1999
Other 50% shareholder:	Odyssey Clubs Group Plc
Amount invested at 31 March 2002:	£3 million
Further amount reserved for investment:	£1 million



REPORT OF THE DIRECTORS

The Directors submit the Report and Accounts of the Company for the year to 31 March 2001.

Principal Activity and Status

The principal activity of the Company is that of a venture capital trust. Details of the principal investments made by the Company are given above in the review of the portfolio of investments. A review of the Company's business during the period is contained in the Chairman's Statement.

The Company is no longer an investment company as defined in Section 266 of the Companies Act 1985. The Company revoked its investment company status on 11 May 2000 to enable the Company to pay dividends from realised capital profits.

Results and Dividends

	£'000
Revenue return attributable to shareholders for the year ended 31 March 2002	2,945
Net interim revenue dividend of 2.60p per share paid 14 December 2001	(1,015)
Net final revenue dividend of 4.90p per share payable on 2 August 2001 to shareholders on the register at the close of business on 28 June 2002	<u>(1,915)</u>
Total transferred to revenue reserve	<u>15</u>
Realised capital return attributable to shareholders for the year ended 31 March 2002	(128)
Unrealised capital return attributable to shareholders for the year ended 31 March 2002	<u>1,776</u>
Total transferred to capital reserve	<u>1,648</u>
Total transferred to reserves	<u>1,663</u>



Purchase of Own Shares

The purchase of shares by the Company is intended to reduce the discount at which shares trade in the market because the Company will be a new source of demand for shares. Since it is anticipated that any purchases will be made at a discount to net asset value at the time of purchase, the net asset value of the remaining shares in issue should increase.

The Company purchased, for cancellation, the following shares with a nominal value of 50p:

Date	Price (pence)	Shares purchased No.
23 July 2001	81	10,000
3 October 2001	80	50,000
8 October 2001	80	20,000
14 February 2002	90	<u>20,000</u>
		<u>100,000</u>
Percentage of share capital cancelled		<u>0.3%</u>

Directors

The Directors who held office throughout the year, and their interests in the shares of the Company (together with those of their immediate family) were:

	31 March 2002 Shares held	31 March 2001 Shares held
D J Watkins	10,000	10,000
R M Davidson	5,000	5,000
J M B L Kerr	9,109	5,109
J G T Thornton	20,220	10,220

The following Directors purchased shares in the Company during the year as follows;

J M B L Kerr purchased 4,000 shares on 19 September 2001 at 80 pence per share.

J G T Thornton purchased 5,000 shares on 9 July 2001 at 81 pence per share.

No director has a service contract with the Company. The Company does not have any employees.

All directors are members of the Audit Committee.



Management Agreement

The Company and Close Brothers Investment Limited (the “Manager”) entered into a management agreement for an initial fixed period to 3 April 2000 which may now be terminated by either party on 12 months’ notice. Under this agreement, the Manager also provides secretarial and administrative services to the Company. The management agreement is subject to earlier termination in the event of certain breaches or on the insolvency of either party. The following fees are payable to the Manager by the Company under the terms of the agreement:

- Non-Qualifying Investments

A fee equal to 0.25% of funds invested in non-qualifying investments in respect of the first year following the fund-raising attributable to the relevant class of share and 0.5% per annum thereafter. This includes funds invested in cash deposits, financial instruments and fixed interest securities held prior to investment in qualifying investments.

- Qualifying Investments

A fee equal to 1.5% of funds invested in qualifying investments for the first year following the fund-raising attributable to the relevant class of share rising to 1.8% per annum thereafter.

- Secretarial and administrative services

A fee of £32,195 per annum, rising annually in line with the Retail Prices Index.

The Manager is also entitled to an arrangement fee, payable by each company in which the Company invests, of in the region of 2% on each investment made.

Management Performance Incentive

On flotation in 1996 the Manager entered into an agreement with the Company whereby the Manager was granted options to subscribe for new shares equivalent to eight per cent. of the total shares issued by the Company. Under this arrangement the options could be exercised in whole or in part during the period 2001 to 2004 in respect of the Ordinary Shares and during the period 2002 to 2005 in respect of the “C” Shares. Under the incentive arrangements the subscription price per share was 100 pence less the amount by which the actual return to shareholders, including dividends received, exceeds the minimum performance objectives, subject to a minimum subscription price of 80 pence per share.

In the light of subsequent changes in legislation in the 1998 Budget which prohibits the issue of new shares by venture capital trusts which invest in certain asset-based activities, in particular those in which the Company invests, the Board has elected not to issue further new shares. In these circumstances, under the terms of the original option agreement, the Manager is entitled to a cash sum equal to the value of the shares to which the Manager would otherwise have been entitled, less the subscription price. Although full provision for this payment has been made by the Company, the cash sum will be payable over the remaining life of options in annual tranches. The value of each tranche will be determined with reference to the prevailing share value, which in the current year has been taken to be the Tender Offer price of 100 pence per share.



Auditors

Deloitte & Touche are the appointed auditors. They have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be submitted at the Annual General Meeting.

Substantial Interests

As at 18 June 2002 the Company was not aware of any beneficial interest exceeding 3% of the issued share capital.

Statement of Directors' Responsibilities

United Kingdom company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether all applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which 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 1985. They are also responsible for the system of internal control, 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 applicable accounting standards have been followed in the financial statements accompanying this report.

Annual General Meeting

The Annual General Meeting will be held at 10 Crown Place, London EC2A 4FT at 11 a.m. on 1 August 2002. The notice of the Annual General Meeting is at the end of this document. A resolution will be proposed as special business at the Annual General Meeting for the following purposes:

Purchase of Own Shares

A resolution concerning special business, number 4 in the notice of meeting, will renew the authority to purchase in the market and cancel up to 3,907,769 of the Company's issued shares (equivalent to 10% of the share capital currently in issue). This is in addition to the special resolution contained in the notice of EGM in the enclosed circular to shareholders, approving a Tender Offer to purchase or procure purchases for 10% of the Company's Share Capital.

Purchases of shares will be made within guidelines established from time to time by the Board, but only if it is considered that such purchases would be to the advantage of the Company and its shareholders taken as a whole. Purchases will only be made in the market for cash at prices below the prevailing net asset value per Ordinary Share. Under the rules of the London Stock Exchange the maximum price which can be paid by the Company is 5% above the average of the relevant market value of the shares for the



5 business days preceding the purchase. Shares which are purchased will be cancelled. In making purchases the Company will deal only with member firms of the London Stock Exchange. Purchases of shares will be funded from distributable reserves. To the extent that the Company purchases shares at a discount to net asset value, the net asset value of the remaining shares in issue will increase.

Continuation of the Company as a venture capital trust

A further resolution concerning special business number 5 in the notice of meeting, is tabled in respect of the proposed continuation of the Company as a venture capital trust.

When the Company was originally launched in the Spring of 1996, it was considered appropriate that Shareholders should have the opportunity to review the future of the Company at appropriate intervals. Accordingly, the Articles of Association of the Company, as amended following the approval of the C Share issue in 1997, contain a provision requiring the Directors to propose an ordinary resolution at the Company's Annual General Meeting in 2002 to seek confirmation from members that it should continue as a venture capital trust. If passed, such resolution will again be proposed at five year intervals thereafter.

If the resolution to continue is not passed, the Directors are required within the following four months to convene an extraordinary general meeting at which proposals for the reorganisation, reconstruction or voluntary winding up of the Company will be submitted to members, as is deemed appropriate at that time.

In the event of a voluntary winding up, it is currently estimated that it would take up to two years to return all the funds to members. Each qualifying investment is structured such that an exit can usually be expected after five years following the initial investment. Many investments would be likely to be sold sooner than this, although the investment manager would need flexibility in order to maximise the sale proceeds. Your Board estimates that the cost of the exercise, including fees payable to the liquidator and the costs of disposing of the qualifying investments, will amount to approximately 3 pence per Share.

Further details in this regard are set out in the enclosed circular to Shareholders.

Suppliers Payment Policy

The Company's policy is to pay all supplier invoices within 30 days of the invoice date, or as otherwise agreed. There were no overdue trade creditors at 31 March 2002 (2001 – nil).

By Order of the Board

J M Gain
Secretary
12 Appold Street
London EC2A 2AW

18 June 2002



STATEMENT OF CORPORATE GOVERNANCE

Background

The Financial Services Authority requires all listed companies to disclose how they have applied the principles and complied with the provisions of the Combined Code (“the Code”).

Application of the Principles of the Code

The Board attaches importance to matters set out in the Code and applies its principles. However, as a venture capital trust company, 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.

Board of Directors

The Board consists solely of non-executive Directors. Mr Watkins is the Chairman and senior independent Director. All Directors are able to take independent professional advice in furtherance of their duties if necessary.

The Board has a formal schedule of matters reserved to it and meets quarterly or as may be necessary. The management agreement between the Company and its Manager sets out the matters over which the Manager has authority and the limits beyond which Board approval must be sought. These include the management of the investment portfolio, the organisation of custodial services, accounting, secretarial and administrative services. All other matters are reserved for the approval of the Board of Directors.

The Articles of Association require that all Directors are subject to re-election procedures by rotation at the Annual General Meeting. All Directors, in accordance with the Code, will submit themselves for re-election at least once every three years.

Directors’ Remuneration

Since the Company has no executive Directors, the detailed Directors’ Remuneration disclosure requirements set out in Listing Rules 12.43A(a), 12.43A(b) and 12.43A(c) as they relate to Combined Code Provisions B.1 to B.3, B1.1 to B1.10, B2.1 to B2.6 and B3.1 to B3.5 are not relevant.

Audit Committee

The Audit Committee consists of all Directors. Written terms of reference have been constituted for the Audit Committee. It meets as required throughout the period. The Committee oversees the Company’s accounting policies and financial reporting and provides a forum through which the Company’s external auditors report to the Board. The Audit Committee also undertakes the duties of the Engagement Committee, and therefore also reviews all matters arising under the management agreement.

Nomination Committee

A Nomination Committee has not been formed as the size of the Board does not warrant its formulation.



Internal Control

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process is subject to regular review by the Board and accords with the Internal Control Guidance for Directors on the Combined Code published in September 1999 (“the Turnbull guidance”). The process is now fully in place. The Board is responsible for the Company’s system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risks of failure to achieve the Company’s business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board, assisted by the Manager, undertook a full review of the Company’s business risks. The Board receives each year from the Manager a formal report which details the steps taken to monitor the areas of risk, including those that are not directly the responsibility of the Manager, and which reports the details of any known internal control failures. Steps will continue to be taken to embed the system of internal control and risk management into the operations and culture of the Company and its key suppliers, and to deal with areas of improvement which come to management’s and the Board’s attention.

The Company does not have an internal audit function but it does have access to the internal audit department of Close Brothers Group which reports on the Manager’s activities. The Board will continue to monitor its system of internal control in order to provide assurance that it operates as intended.

Going Concern

After making enquiries the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors have adopted the going concern basis in preparing the accounts.

Statement of Compliance

The Directors consider that the Company has complied throughout the year ended 31 March 2002 with all the relevant provisions set out in Section 1 of the Combined Code on Corporate Governance issued by the Financial Services Authority. The Company continues to comply with the Code as at the date of this report.



**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CLOSE BROTHERS VENTURE CAPITAL TRUST PLC**

We have audited the financial statements of Close Brothers Venture Capital Trust for the year ended 31 March 2002 which comprise the statement of total return, the balance sheet, the cash flow statement, and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and auditors

As described in the statement of Directors' responsibilities, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements, auditing standards, and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Company is not disclosed.

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

We read the Directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the Company, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 March 2002 and of the total return of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

18 June 2002

Deloitte & Touche
Chartered Accountants
and Registered Auditors

Stonecutter Court
1 Stonecutter Street
London EC4A 4TR



Close Brothers Venture Capital Trust PLC
Statement of Total Return (incorporating the revenue account)
for the year ended 31 March 2002

	Note	Year ended 31 March 2002			Year ended 31 March 2001		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	2	–	2,306	2,306	–	1,388	1,388
Investment income	3	4,018	–	4,018	3,700	–	3,700
Investment management fees	4	(519)	(787)	(1,306)	(373)	(407)	(780)
Other expenses	5	(85)	(85)	(170)	(90)	(90)	(180)
Return on ordinary activities before tax		3,414	1,434	4,848	3,237	891	4,128
Tax on ordinary activities	7	(469)	214	(255)	(763)	107	(656)
Return attributable to shareholders		2,945	1,648	4,593	2,474	998	3,472
Dividends	8	(2,930)	–	(2,930)	(2,448)	(489)	(2,937)
Transfer to/(from) reserves		15	1,648	1,663	26	509	535
Return per share (pence)	9	7.5	4.2	11.7	6.3	2.5	8.8

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

No operations were acquired or discontinued in the year.



Close Brothers Venture Capital Trust PLC
Balance Sheet at 31 March 2002

	Note	31 March 2002 £'000	31 March 2001 £'000
Fixed asset investments			
Qualifying:			
Scheduled for investment		33,608	37,147
less: uninvested		<u>(2,135)</u>	<u>(4,500)</u>
Net investments to date		31,473	32,647
Non-qualifying investments:		<u>6,145</u>	<u>2,040</u>
Total fixed asset investments	10	37,618	34,687
Current assets			
Debtors	12	700	225
Short term money market deposits	18	<u>6,250</u>	<u>7,577</u>
		6,950	7,802
Creditors: due within one year	13	<u>(3,051)</u>	<u>(2,552)</u>
Net current assets		<u>3,899</u>	<u>5,250</u>
Total assets less current liabilities		<u>41,517</u>	<u>39,937</u>
Capital and reserves			
Called up share capital	14	19,539	19,589
Special reserve	15	17,324	17,407
Capital redemption reserve	15	314	264
Realised capital reserve	15	27	503
Unrealised capital reserve	15	4,109	1,985
Profit and Loss account	15	<u>204</u>	<u>189</u>
Total shareholders' funds	17	<u>41,517</u>	<u>39,937</u>
Net asset value per share (pence)	16	106.2	101.9

The financial statements on pages 21 to 31 were approved by the Board of Directors on 18 June 2002.

Signed on behalf of the Board of Directors

David Watkins
Chairman



Close Brothers Venture Capital Trust PLC
Cash Flow Statement
for the year ended 31 March 2002

	Note	Year ended 31 March 2002 £'000	Year ended 31 March 2001 £'000
Operating activities			
Investment income received		3,102	3,107
Dividend income received		297	280
Deposit interest received		221	299
Other income received		250	50
Investment management fees paid		(767)	(714)
Other cash payments		(175)	(183)
Net cash inflow from operating activities	19	2,928	2,839
Taxation			
UK corporation tax paid		(569)	(662)
Investing activities			
Purchase of qualifying investments		(4,646)	(6,265)
Disposals of qualifying investments		2,021	6,759
Disposals of non-qualifying investments		2,000	1,215
Net cash (outflow)/inflow from investing activities		(625)	1,709
Equity dividends paid			
Revenue dividends paid on ordinary shares		(2,489)	(2,174)
Capital dividends paid on ordinary shares		(489)	(612)
Net cash (outflow)/inflow before financing		(1,244)	1,100
Financing			
Capital restructuring expenses		–	(6)
Redemption of own shares		(83)	(205)
Net cash outflow from financing		(83)	(211)
(Decrease)/increase in cash and cash equivalents	18	<u>(1,327)</u>	<u>889</u>

The accompanying notes are an integral part of these statements.



Close Brothers Venture Capital Trust PLC
Notes to the financial statements
for the year ended 31 March 2002

1. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention, modified by the revaluation of certain investments.

True and fair override

The Company is no longer an investment company within the meaning of s266, Companies Act 1985. However, it conducts its affairs as a venture capital trust for taxation purposes under s842AA of the Income and Corporation Taxes Act 1988.

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" (SORP). Ordinarily, the absence of Section 266 status would require the Company to adopt a different presentation of the accounts than that recommended by the Association of Investment Trust Companies. However, the Directors consider it appropriate to continue to present the accounts in accordance with the SORP. Under the SORP, the financial performance of the trust is presented in a statement of total return in which the revenue column is the profit and loss account of the Company. The revenue column excludes certain capital items, which since the Company is no longer an investment company, the Companies Act 1985 would ordinarily require to be included in the profit and loss account: net profits on disposal of investments, calculated by reference to their previous carrying amount, permanent diminution in value of investments, management expenses charged to capital, less tax relief thereon and the distribution of capital profits.

In the opinion of the Directors the presentation adopted enabled the Company to report in a manner consistent with the sector within which it operates. The Directors therefore consider that these departures from the specific provisions of Schedule 4 of the Companies Act relating to the form and content of accounts for companies other than investment companies and these departures from accounting standards are necessary to give a true and fair view. The departures have no effect on the total return or balance sheet. The particular accounting policies adopted are described below.

Capital reserves

Realised reserves

The following are accounted for in this reserve;

- gains and losses on the realisation of investments
- expenses and finance costs, together with the related taxation effect, and
- realised gains and losses on transactions undertaken to hedge an exposure of a capital nature

Unrealised reserve

The following are accounted for in this reserve;

- increases and decreases in the valuation of investments held at the year end, and
- realised gains and losses on transactions undertaken to hedge an exposure of a capital nature

Special reserve

This reserve is distributable and is primarily used for the cancellation of the Company's share capital

Investments

Listed investments are stated at market value based upon middle market prices at the end of the accounting period. Unquoted investments are stated at a valuation determined by the directors as supported, where appropriate, by independent professional valuations. The unrealised depreciation or appreciation on the valuation of investments are dealt with in the unrealised reserve and gains and losses arising on the disposal of investments are dealt with in the realised capital reserve.

It is not the Company's policy to exercise controlling or significant influence over investee companies. Therefore the results of these companies are not incorporated into the revenue account except to the extent of any income accrued.

Income and expenses

All income and expenses are treated on the accruals basis and dividend income (other than on non-equity shares) is included in revenue when the investment is quoted ex-dividend. The fixed returns on non-equity shares and on debt securities are recognised on a time apportionment basis. Income received is treated in accordance with Financial Reporting Standard No. 16.



Close Brothers Venture Capital Trust PLC

Notes to the financial statements (continued)

1. ACCOUNTING POLICIES continued

Management expenses

50 per cent. of management expenses, representing the proportion of the investment management fee and other expenses attributable to the enhancement of the value of the investments of the Company, has been charged to capital reserves, net of corporation tax. The balance is charged to the revenue account.

Management performance incentive

A percentage of the management performance incentive fee, determined by the current net asset value and capital dividends distributed are charged to capital reserves, net of corporation tax. The balance, representing dividends paid out of revenue, is charged to the revenue account.

Taxation

Taxation is applied on a current basis in accordance with Financial Reporting Standard No.16. Taxation associated to capital expenses is applied in accordance with the SORP. Financial Reporting Standard 19 "Deferred Tax" has been adopted in these financial statements. Provision is made for taxation at current rates on the excess of taxable income over expenses. Where applicable, a provision is made on all material timing differences between the recognition of income in the financial statements and their recognition in the Company's annual tax returns. Deferred tax is recognised to the extent that it is probable that an actual liability will crystallise or an asset be recoverable.

2. Gains/(losses) on investments

	31 March 2002 £'000	31 March 2001 £'000
Realised (losses)/gains for the year	(128)	1,531
Unrealised gains for the year	2,434	307
Permanent diminution	—	(450)
	<u>2,306</u>	<u>1,388</u>

3. Investment income

	31 March 2002 £'000	31 March 2001 £'000
Income from investments		
UK franked investment income	268	280
UK unfranked investment income	3,213	3,068
	<u>3,481</u>	<u>3,348</u>
Other income		
Deposit interest	222	302
Other income	315	50
Total income	<u>4,018</u>	<u>3,700</u>
Total income comprises		
Dividends	268	280
Interest	3,435	3,370
Other	315	50
	<u>4,018</u>	<u>3,700</u>
Income from investments		
Listed	94	134
Unlisted	3,387	3,214
	<u>3,481</u>	<u>3,348</u>



Close Brothers Venture Capital Trust PLC
Notes to the financial statements (continued)

4. Investment management fee

	31 March 2002			31 March 2001		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	385	385	770	359	359	718
Performance incentive fee provision	134	402	536	14	48	62
	<u>519</u>	<u>787</u>	<u>1,306</u>	<u>373</u>	<u>407</u>	<u>780</u>

Further details of the Management Agreement under which the investment management fee is paid are given in the Report of the Directors.

5. Other expenses

	31 March	31 March
	2002 £'000	2001 £'000
Secretarial and Administrative fee	38	37
Directors' fees	66	66
Auditors' remuneration – audit fees	16	22
Other	50	55
	<u>170</u>	<u>180</u>

6. Directors' fees

The remuneration of the Chairman, which was equal to that received by each of the other Directors, was £16,100 (2001: £16,100), exclusive of statutory deductions or VAT.

7. Tax on ordinary activities

	31 March 2002			31 March 2001		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Tax adjustments for prior years	(368)	–	(368)	–	–	–
UK corporation tax at 30%	623	–	623	656	–	656
Tax attributable to capital expenses	214	(214)	–	107	(107)	–
	<u>469</u>	<u>(214)</u>	<u>255</u>	<u>763</u>	<u>(107)</u>	<u>656</u>

NOTES

- (i) Venture Capital Trusts are not subject to corporation tax on capital gains.
- (ii) Tax relief on expenses charged to capital has been determined by allocating tax relief to all expenses proportionately by reference to the applicable corporation tax rate of 30 per cent. and allocating the relief in the same ratio as expenses between revenue and capital.
- (iii) No deferred tax asset or liability has arisen in the year.
- (iv) Tax is provided at the current rate of 30 per cent.

8. Dividends and other appropriations

	31 March	31 March
	2002 £'000	2001 £'000
Dividends on equity shares:		
– interim revenue dividend of 2.60p per share (2001: 2.50p per Ordinary Share)	1,017	979
– final revenue dividend of 3.75p per share (2001: 3.75p per Ordinary Share)	1,913	1,469
– final capital dividend of nil per Ordinary share (2001: 1.25p per Ordinary Share)	–	489
	<u>2,930</u>	<u>2,937</u>



Close Brothers Venture Capital Trust PLC
Notes to the financial statements (continued)

9. Return per share

	31 March 2002			31 March 2001		
	Revenue	Capital	Total	Revenue	Capital	Total
Equity Shares	7.5 pence	4.2 pence	11.7 pence	6.3 pence	2.5 pence	8.8 pence

Revenue return per share is based on the net revenue on ordinary activities after taxation but before deduction of dividends and other appropriations of £2,945,000 (2001: £2,474,000) in respect of 39,113,969 (2001: 39,282,196) shares, being the weighted average number of shares in issue during the year.

Capital return per ordinary share is based on net capital profit for the financial year of £1,648,000 (2001: £998,000), based on the same weighted average number of shares as for revenue return shown above.

10. Investments

	31 March 2002	31 March 2001
	£'000	£'000
Qualifying unlisted investments	31,473	32,647
Non-qualifying listed investments	–	2,000
Non-qualifying unlisted investments	6,145	40
Total	<u>37,618</u>	<u>34,687</u>

	Qualifying Unlisted	Non-Qualifying Unlisted	Non-Qualifying Listed	Total
	£'000	£'000	£'000	£'000
Valuation basis				
Opening valuation: 1 April 2001	32,647	40	2,000	34,687
Purchases at cost	4,235	411	–	4,646
Reclassification of investments at cost	(3,910)	3,910	–	–
Reclassification of investments gains	(708)	708	–	–
Sales – proceeds	(2,021)	–	(2,000)	(4,021)
– realised losses on disposal	(129)	–	1	(128)
Realisation of revaluation gains from previous years	(316)	–	(1)	(317)
Increase in unrealised appreciation	1,675	1,076	–	2,751
Closing valuation: 31 March 2002	<u>31,473</u>	<u>6,145</u>	<u>–</u>	<u>37,618</u>
Historic cost basis				
Opening book cost	30,615	40	1,999	32,654
Purchases at cost	4,235	411	–	4,646
Disposals at cost	(2,150)	–	(1,999)	(4,149)
Reclassification of investments	(3,910)	3,910	–	–
Closing book cost	<u>28,790</u>	<u>4,361</u>	<u>–</u>	<u>33,151</u>
Unrealised appreciation				
Opening unrealised appreciation	2,032	–	1	2,033
Increase/(decrease)	1,359	1,076	(1)	2,434
Reclassification of investments gains	(708)	708	–	–
Closing unrealised appreciation	<u>2,683</u>	<u>1,784</u>	<u>–</u>	<u>4,467</u>



Close Brothers Venture Capital Trust PLC
Notes to the financial statements (continued)

11. Significant interests

Details of investments in which the company has an interest of 10% or more of the nominal value of the allotted shares of any class, or of the net assets at 31 March 2002, are as follows:

Name of Undertaking	Country of incorporation	Description of shares held	Percentage held
Broadoaks VCT Limited	UK	Ordinary shares	50%
Cathedral Homes VCT Limited	UK	Ordinary shares	50%
Chase Midland VCT Limited	UK	Ordinary shares	50%
Churchcroft VCT Limited	UK	Ordinary shares	50%
City Screen (Cambridge) Limited	UK	Ordinary shares	50%
Country & Metropolitan VCT Limited	UK	Ordinary shares	50%
Drummond Court VCT Limited	UK	Ordinary shares	50%
Fryers Walk VCT Limited	UK	Ordinary shares	50%
Hawkwell VCT Limited	UK	Ordinary shares	50%
Hornchurch VCT Limited	UK	Ordinary shares	50%
Lombardy Court VCT Limited	UK	Ordinary shares	50%
Odyssey Glory Mill Limited	UK	Ordinary shares	50%
Premier VCT (Bristol) Limited	UK	Ordinary shares	100%
Premier VCT (Mailbox) Limited	UK	Ordinary shares	50%
Saxon VCT Limited	UK	Ordinary shares	50%
Youngs VCT Limited	UK	Ordinary shares	50%

12. Debtors

	31 March 2002 £'000	31 March 2001 £'000
Prepayments and accrued income	372	225
Other debtors	328	–
	<u>700</u>	<u>225</u>

13. Creditors: amounts falling due within one year

	31 March 2002 £'000	31 March 2001 £'000
UK corporation tax payable	121	146
Proposed dividend	1,915	1,958
Other creditors	1,015	448
	<u>3,051</u>	<u>2,552</u>

14. Called up Share Capital

	31 March 2002 £'000	31 March 2001 £'000
Authorised:		
68,000,000 shares of 50p each (2001: 68,000,000 shares)	<u>34,000</u>	<u>34,000</u>
Allotted, called up and fully paid:		
39,077,695 shares of 50p each (2001: 39,177,695 shares)	<u>19,539</u>	<u>19,589</u>

Details of the shares bought by the company for cancellation can be found on page 14.



Close Brothers Venture Capital Trust PLC
Notes to the financial statements (continued)

15. Reserves

	Special reserve £'000	Realised Capital reserve £'000	Unrealised Capital reserve £'000	Capital redemption reserve £'000	Revenue reserve £'000	Total £'000
Ordinary Shares						
Beginning of year	17,407	503	1,985	264	189	20,348
Realised losses from previous years	–	(317)	–	–	–	(317)
Realised gains in current year	–	189	–	–	–	189
Purchase of own shares	(83)	–	–	50	–	(33)
Increase in unrealised appreciation	–	–	2,434	–	–	2,434
Costs charged to capital net of tax	–	(348)	(310)	–	–	(658)
Retained net revenue for the year	–	–	–	–	15	15
End of year	<u>17,324</u>	<u>27</u>	<u>4,109</u>	<u>314</u>	<u>204</u>	<u>21,985</u>

16. Net asset value per share

The net asset value per share and the net asset values at the period end calculated in accordance with the Articles of Association were as follows:

	31 March 2002 pence	31 March 2001 pence
Net asset value per share	106.2	101.9

The movements during the year of the assets attributable were as follows:

	31 March 2002 £'000	31 March 2001 £'000
Total assets attributable at beginning of year	39,937	39,618
Total return for the period	4,593	3,472
Dividends appropriated in the year	(2,930)	(2,937)
Expense of capital reconstruction	–	(6)
Purchase of own shares for cancellation	(83)	(210)
Total net assets attributable at end of year	<u>41,517</u>	<u>39,937</u>

Net asset value per share is based on net assets at the year end, and on 39,077,695 shares, being the number of shares in issue at the year end.



Close Brothers Venture Capital Trust PLC
Notes to the financial statements (continued)

17. Reconciliation of movements in shareholders' funds

	31 March	31 March
	2002	2001
	£'000	£'000
Opening shareholders' funds	39,937	39,618
Decrease in share capital	(50)	(118)
Expense of capital reconstruction	–	(6)
Expenses of share purchases	(33)	(92)
Total return to shareholders before dividends	4,593	3,472
Dividend	(2,930)	(2,937)
Closing shareholders' funds	<u>41,517</u>	<u>39,937</u>

18. Analysis of changes in cash and cash equivalents during the year

	31 March	31 March
	2002	2001
	£'000	£'000
Beginning of year	7,577	6,688
Net cash (outflow)/inflow	(1,327)	889
End of year	<u>6,250</u>	<u>7,577</u>

19. Reconciliation of net revenue before finance costs and taxation to net cash inflow from operating activities

	31 March	31 March
	2002	2001
	£'000	£'000
Net revenue before finance costs and taxation	3,414	3,237
Investment management fee charged to capital	(385)	(360)
Performance incentive fee charged to capital	(402)	(47)
Other expenses charged to capital	(85)	(90)
(Increase)/decrease in debtors	(147)	49
Increase in creditors	533	78
Tax on investment income	–	(28)
Net cash inflow from operating activities	<u>2,928</u>	<u>2,839</u>



Close Brothers Venture Capital Trust PLC

Notes to the financial statements (continued)

20. Financial instruments and risk management

The Company's financial instruments, other than derivatives, comprise investments in unquoted companies, floating rate notes, cash and liquid resources. The main purpose of these financial instruments is to generate revenue and capital appreciation for the Company's operations. Investments in unquoted companies comprise equity and fixed rate loan stock.

The Company has also entered into derivative transactions (comprising an interest rate swaptions). The purpose of such transactions was to manage interest rate risk. These have now expired. The Company had not entered into any further such transactions.

The principal risks arising from the Company's operations are:

- interest rate risk;
- investment risk.

The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged since the beginning of the financial year.

Interest rate risk

The Company's policy is to accept a degree of interest rate risk on non-qualifying investments. On the basis of the Company's analysis, it is estimated that a fall of one percentage point in interest rates would have reduced profit before tax to 31 March 2002 by approximately 2% (2001: 2%).

Investment risk

As a venture capital trust, it is the Company's specific business to evaluate and control the investment risk in its portfolio of unquoted companies, the results of which are detailed in the Chairman's statement.

Financial assets

The Company's interest rate risk on its financial assets are as follows;

Currency	31 March 2002				31 March 2001			
	Fixed	Floating	No	Total	Fixed	Floating	No	Total
	Rate	Rate	Interest		Rate	Rate	Interest	
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Sterling	<u>22,234</u>	<u>–</u>	<u>10,868</u>	<u>33,102</u>	<u>19,792</u>	<u>1,999</u>	<u>10,823</u>	<u>32,614</u>

- Fixed rate assets bear interest at rates based on predetermined yield targets. The weighted average interest rate at 31 March 2002 was 14.5% (2001: 14.5%)
- Floating rate assets bear interest at rates based predominantly on quarterly LIBOR.

Financial liabilities

The Company's only financial liabilities comprise the guarantees detailed in note 21 below.

Currency exposure

As at 31 March 2002, the Company has no foreign currency exposures (2001: £nil).

Borrowing facilities

The Company has no committed borrowing facilities as at 31 March 2002 (2001: £nil).

Fair values of financial assets and financial liabilities

All the Company's financial assets and liabilities as at 31 March 2002 are stated at fair value. See note 1 to the accounts.

21. Contingencies, guarantees and financial commitments

There are no contingencies, guarantees and financial commitments of the Company at the year end which have not been accrued except for scheduled investments as detailed in the balance sheet, and guarantees given to The Royal Bank of Scotland plc relating thereto totalling £3.7 million.

22. Related party transactions

Under the terms of an agreement dated 13 February 1996 (as varied by a supplemental agreement dated 3 February 1997), the Company has appointed Close Brothers Investment Limited, a subsidiary of Close Brothers Group plc, to provide investment management, accounting, secretarial and administrative services. Details of the arrangements are given in the Report of the Directors.



NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of Close Brothers Venture Capital Trust PLC will be held at 11 a.m. at 12 Appold Street, London EC2A 2AW on 1 August 2002 for the purpose of dealing with the following business, of which items 4 and 5 are special business.

Ordinary Business

- 1 To receive and adopt the accounts and the reports of the Directors and Auditors for the year ended 31 March 2002.
- 2 To reappoint Deloitte & Touche as Auditors for the ensuing year and to authorise the Directors to fix their remuneration.
- 3 To declare a net final revenue dividend of 4.90 pence per share, payable to Shareholders on the register at the close of business on 28 June 2002.

Special Business

To consider and, if thought fit, pass the following resolutions of which resolution 4 will be proposed as a Special Resolution and resolution 5 as an Ordinary Resolution:

- 4 That the Company be generally and unconditionally authorised to make one or more market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of Ordinary Shares of 50p in the capital of the Company ("Shares") provided that:
 - (a) the maximum aggregate number of Shares authorised to be purchased is 3,907,769 (representing approximately 10% of the issued share capital);
 - (b) the minimum price which may be paid for a Share is 50p;
 - (c) the maximum price which may be paid for a Share is an amount equal to 5% above the average of the middle market quotations for an Ordinary in the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that Share is purchased;
 - (d) this authority expires at the conclusion of the next Annual General Meeting of the Company or eighteen months from the date of the passing of this resolution whichever is earlier; and
 - (e) the Company may make a contract or contracts to purchase Shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of Shares in pursuance of any such contract or contracts.
- 5 That the Company should continue as a venture capital trust until the Annual General Meeting of the Company in 2007 at which a further resolution regarding the continuation of the Company will be proposed.

BY ORDER OF THE BOARD

J M Gain
Secretary
Registered Office
12 Appold Street, London EC2A 2AW

Date: 18 June 2002

NOTES

1. A shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote in his stead. Such proxy need not be a member of the Company.
2. A form of proxy is enclosed and to be valid must be lodged with the Registrars of the Company not less than 48 hours before the time fixed for the meeting.
3. The register of interests of directors kept by the Company in accordance with Section 325 of the Companies Act 1985 will be open for inspection at the meeting.
4. No director has a contract of service with the Company.



Close Brothers Venture Capital Trust PLC