

CLOSE BROTHERS
VENTURE CAPITAL TRUST PLC



Interim Report
for the six months to
30 September 2003

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Directors and administration

Directors	D J Watkins MBA (Harvard), Chairman R M Davidson J M B L Kerr ACMA J G T Thornton MBA, FCA
Investment Manager	Close Venture Management 4 Crown Place London EC2A 4BT Tel: 020 7655 3220
Secretary and Registered Office	J M Gain 10 Crown Place London EC2A 4BT
Registrar	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Independent Reporting Accountants	Deloitte & Touche LLP London
Taxation Adviser	Ernst & Young Rolls House 7 Rolls Buildings Fetter Lane London EC4A 1NH
Safe Custodians	Capita Trust Company Ltd Guildhall House 81-87 Gresham Street London EC2V 7QE

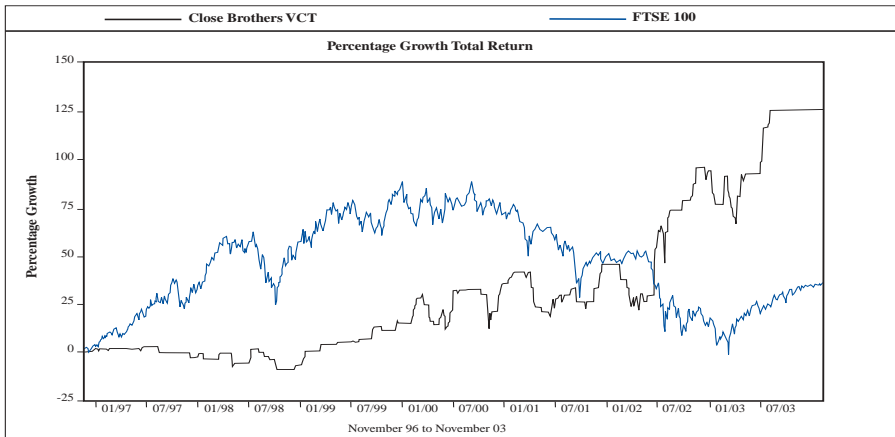
Chairman's Statement

Introduction

Having disposed of three significant investments in the year to 31 March 2003, during the six months to 30 September 2003 your company has concentrated on investment opportunities in both existing and new investee companies. Additional investments of £600,000 in Premier VCT (Mailbox) Limited and £500,000 in Odyssey Glory Mill Limited were made during the six months, whilst initial new investments of £68,000 in Prospective Developments VCT Limited and £15,000 in Applecroft Care Home Limited were completed.

The following investments have been completed since the half year. A further investment of £985,000 in Applecroft Care Home Limited has been made following the half year; with a commitment to invest a further £1 million within the next year this company has contracted to acquire and operate a care home in Dover. Additionally, £1 million of a £2.3 million commitment has been invested in Barleycroft Care Home Limited, which will build and operate a care home in Romford. A further £1 million, meanwhile, has been invested in Kew Green VCT (Stansted) Limited, which is developing an Express by Holiday Inn hotel at Stansted airport. In the leisure sector an investment of up to £850,000 has been committed in City Centres Breweries Limited, which owns and operates a brewery and pub in central Bristol and is intending to build up a chain of pubs in the South West of England.

It is the Company's policy to obtain professional third party valuations for the properties underlying its investments at the year end. In the absence of any disposals during the interim period, therefore, there has been no change in the valuation of the portfolio other than in their net current assets, though overall our investment portfolio is performing well across all sectors. I am pleased to say, that in line with your Company's progressive dividend policy, we have been able to increase the interim dividend from 2.8 pence to 3.0 pence per ordinary share, an increase of 7%, part of which was funded from the Company's reserve of realised capital profits. This means the total dividends payable on the ordinary shares since launch have amounted to 53.3 pence and for the 'C' Shares total dividends amount to 41.75 pence per share. A comparison of the total return of the Ordinary Shares against the FT-SE is shown in the chart below.



Source: Lipper. Produced using Hindsight 5 by Close Fund Management Ltd. Hindsight is a registered trademark of Reuters Limited. The value of investments can fall as well as rise. Past performance is no guarantee of future performance.

A summary of the Company's investments at 30 September, 2003 is set out below:

Investee Company	Investment at cost £'000	Revaluation £'000	Investment at valuation £'000	Reserved for investment £'000	Revaluation since 31 March 2003 £'000
<i>Care Homes</i>					
Applecroft Care Home Ltd	15	–	15	1,910	–
Barleycroft Care Home Ltd	–	–	–	2,275	–
Broadoaks VCT Ltd	1,865	201	2,066	–	(25)
Churchcroft VCT Ltd	1,550	528	2,078	–	12
Drummond Court Ltd	2,500	428	2,928	–	(30)
Fryers Walk VCT Ltd	2,575	435	3,010	–	(32)
Lombardy Court VCT Ltd	1,450	45	1,495	–	(45)
Prospective Developments VCT Ltd	68	–	68	–	–
<i>Hotels</i>					
Premier VCT (Mailbox) Ltd	4,600	676	5,276	–	11
Kew Green VCT (Stansted) Ltd	1,000	–	1,000	4,000	–
<i>Residential Development</i>					
Chase Midland VCT Ltd	1,600	–	1,600	–	–
Country & Metropolitan VCT Ltd	3,000	–	3,000	–	–
Prime VCT Ltd	2,200	–	2,200	–	–
Youngs VCT Ltd	1,200	–	1,200	–	–
<i>Other</i>					
City Centres Breweries Ltd	–	–	–	850	–
City Screen (Cambridge) Ltd	1,210	(15)	1,195	–	35
Odyssey Glory Mill Ltd	4,500	893	5,393	–	35
City Screen (Liverpool) Ltd	200	–	200	–	–
Total at 30 September 2003	29,533	3,191	32,724	9,035	(39)
Total at 31 March 2003	28,350	3,230	31,580	5,100	–

Results and Dividend

As at 30 September 2003 the net asset value of the Company was £38.68 million or 107.8 pence per share, which compares with a net asset value at 31 March 2003 of £39.07 million or 108.9 pence per share. Net income before taxation was £1.4 million (2002: £1.6 million), enabling the board to declare a net interim dividend of 3.0 pence per share, including 0.2 pence out of realised capital reserves, for the six months to 30 September 2003 (2002: 2.8 pence per share). The interim dividend will be paid on 28 January 2004 to shareholders registered on 30 December 2003.

The following is an analysis of dividends paid in respect of each class of share since their respective launches, together with net asset value.

	Ordinary Shares pence per share	“C” Shares pence per share
Gross dividend for the year to 31 March 1997	5.00	-
Gross dividend for the year to 31 March 1998	6.00	5.00
Gross first and second interim dividends and net final dividend for the year to 31 March 1999	7.75	6.25
Net dividend for the year to 31 March 2000	8.55	4.50
Net dividend for the year to 31 March 2001	7.50	7.50
Net dividend for the year to 31 March 2002	7.50	7.50
Net dividend for the year to 31 March 2003	8.00	8.00
Net dividend for the six months to 30 September 2003	3.00	3.00
Total dividends	<u>53.30</u>	<u>41.75</u>
Net asset value per share at 30 September 2003	107.87	107.87
Total	<u>161.17</u>	<u>149.62</u>

Notes

1. Note 1: following the cessation of tax credits on 5 April 1999, dividends paid by VCTs no longer benefit from tax free tax credits for qualifying UK shareholders.
2. Note 2: the above table does not take into account the income tax relief of 20% nor the capital gains tax deferral relief of 40% upon subscription for shares in the Company.

David Watkins
Chairman

16 December 2003

Independent review report by the auditors on the interim information to Close Brothers Venture Capital Trust PLC

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 September 2003 which comprises the statement of total return, the balance sheet, the cash flow statement and related notes 1 to 5. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom auditing standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2003.

Deloitte & Touche LLP

Chartered Accountants
London
16 December 2003

Unaudited Statement of Total Return

(incorporating the profit and loss account)
for the six months to 30 September 2003

	Six months to 30 September 2003			Six months to 30 September 2002			Year to 31 March 2003		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Realised gains on investments	–	–	–	–	194	194	–	541	541
Unrealised (losses)/gains on investments	–	(39)	(39)	–	59	59	–	1,302	1,302
Income	1,694	–	1,694	1,935	–	1,935	3,941	–	3,941
Investment management fees (note 1)	(223)	(290)	(513)	(302)	(274)	(576)	(459)	(605)	(1,064)
Other expenses	(62)	(58)	(120)	(73)	(62)	(135)	(135)	(122)	(257)
Return on ordinary activities before tax	1,409	(387)	1,022	1,560	(83)	1,477	3,347	1,116	4,463
Finance charge	(27)	–	(27)	–	–	–	(36)	–	(36)
Return on ordinary activities before tax	1,382	(387)	995	1,560	(83)	1,477	3,311	1,116	4,427
Tax on ordinary activities	(390)	97	(293)	(521)	91	(430)	(975)	191	(784)
Return attributable to shareholders	992	(290)	702	1,039	8	1,047	2,336	1,307	3,643
Dividends (note 2)	(1,004)	(72)	(1,076)	(1,007)	–	(1,007)	(2,334)	(538)	(2,872)
Transfer to reserves	(12)	(362)	(374)	32	8	40	2	769	771
Return per ordinary share (note 3)	2.8p	(0.8)p	2.0p	2.7p	0.0p	2.7p	6.3p	3.6p	9.9p

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

Unaudited Summary Balance Sheet

at 30 September 2003

	30 September 2003 £'000	30 September 2002 £'000	31 March 2003 £'000
Fixed asset investments			
Qualifying investments	32,724	33,947	31,580
Non-qualifying investments	–	114	–
Total fixed asset investments	<u>32,724</u>	<u>34,061</u>	<u>31,580</u>
Current assets			
Debtors	428	360	655
Cash at bank and in hand	8,667	7,266	10,651
	<u>9,095</u>	<u>7,626</u>	<u>11,306</u>
Creditors: due within one year	<u>(2,119)</u>	<u>(2,252)</u>	<u>(2,811)</u>
Net current assets	<u>6,976</u>	<u>5,374</u>	<u>8,495</u>
Creditors: due greater than one year	<u>(1,000)</u>	<u>(1,000)</u>	<u>(1,000)</u>
Net assets	<u>38,700</u>	<u>38,435</u>	<u>39,075</u>
Represented by:			
Called up share capital	17,939	17,987	17,939
Special reserve	14,111	14,203	14,111
Capital redemption reserve	1,914	1,865	1,914
Capital reserve			
<i>realised</i>	1,917	1,821	2,165
<i>unrealised</i>	2,625	2,323	2,740
Revenue reserve	194	236	206
Total equity shareholders' funds	<u>38,700</u>	<u>38,435</u>	<u>39,075</u>
Net asset value per ordinary share	<u>107.9p</u>	<u>106.8p</u>	<u>108.9p</u>

This interim report was approved by the Board of Directors on 16 December 2003.

Signed on behalf of the Board of Directors by

David Watkins
Chairman

Unaudited Cash Flow Statement

for the six months to 30 September 2003

	Six months to 30 September 2003 £'000	Six months to 30 September 2002 £'000	Year to 31 March 2003 £'000
Operating activities			
Investment income received	1,489	2,027	3,413
Dividend income received	–	–	220
Deposit interest received	170	84	272
Other income received	163	–	62
Investment management fees paid	(201)	(369)	(1,098)
Management performance fee paid	(351)	(184)	–
Other cash payments	(108)	(170)	(373)
Net cash inflow from operating activities	1,162	1,388	2,496
Finance interest paid	(26)	–	(27)
Taxation			
UK corporation tax paid	–	(118)	(822)
VAT paid	(20)	–	(13)
VAT received	28	–	–
	8	(118)	(835)
Investing activities			
Purchase of investments	(1,170)	(2,528)	(5,790)
Disposals of investments	–	–	7,332
Disposals of non-qualifying investments	–	6,310	6,376
Net cash inflow/(outflow) from/(to) investing activities	(1,170)	3,782	7,918
Dividends paid			
Equity dividends paid on ordinary shares	(1,866)	(1,915)	(2,922)
Net cash (outflow)/(inflow) before financing	(1,892)	3,137	6,630
Financing			
Redemption of own shares	(92)	(3,121)	(3,121)
Capital restructuring expenses	–	–	(108)
Loan drawdown	–	1,000	1,000
	(92)	(2,121)	(2,229)
(Decrease)/increase in cash	(1,984)	1,016	4,401

Notes to the interim results

1. Principal Activity

The principal activity of the Company is that of a Venture Capital Trust. It was approved by the Inland Revenue as a Venture Capital Trust in accordance with Section 842AA of the Income and Corporation Taxes Act and subsequently conducts its affairs so as to enable it to continue to retain such status. The company is not a close company for taxation purposes. A review of the Company's business during the period is contained in the Chairman's Statement.

The Company is not an investment company as defined in Section 266 of the Companies Act 1985.

2. Accounting Policies

The financial statements are prepared in accordance with applicable 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.

The presentation adopted enables 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 1985 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:

- provisions for accrued management fees;
- increases and decreases in the valuation of investments held at the year end; and
- unrealised 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

Unquoted investments are stated at a valuation determined by the directors as supported, where appropriate, by independent professional valuations and in accordance with the British Venture Capital Association (BVCA) guidelines. The unrealised depreciation or appreciation on the valuation of investments is 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.

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.

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, is charged to capital reserves, net of corporation tax. The balance, representing dividends paid out of revenue, is charged to the revenue account.

Taxation

The interim financial information has been prepared on the basis of accounting policies consistent with those applied in the 2003 financial statements. Financial Reporting Standard 19 "Deferred Tax" has been adopted in these 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.

The specific nature regarding the taxation of VCTs means that it is unlikely that any deferred tax will arise. The directors have considered the requirements of FRS 19 and do not believe any provision should be made.

2. Dividend

The interim dividend of 3.0 pence per Ordinary Share (2.8p revenue and 0.2p capital), amounting to £1,076,347, (2002: £1,007,292 or 2.8 pence per share) will be paid on 28 January 2003 to shareholders registered on 30 December 2003.

3. Return per share

Return per share has been calculated on 35,878,228 Ordinary Shares (2002: 38,077,285), being the weighted number of shares in issue for the period.

4. Other information

The information for the six months ended 30 September 2003 and 30 September 2002 does not constitute statutory accounts within the terms of section 240 of the Companies Act 1985, and is unaudited. The information for the year ended 31 March 2003 does not constitute statutory accounts within the terms of section 240 of the Companies Act 1985 and is derived from the statutory accounts for that financial year, which have been delivered to the Registrar of Companies. The auditors reported on these accounts; their report was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

5. Publication

This interim report is being sent to shareholders and copies will be made available to the public at the registered office of the Company.



Close Brothers Venture Capital Trust PLC