

CLOSE BROTHERS
VENTURE CAPITAL TRUST PLC



Interim Report
for the six months to
30 September 2005



**Interim Report
for the six months to
30 September 2005
(Unaudited)**

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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 Limited 4 Crown Place London EC2A 4BT Tel: 020 7422 7830
Secretary and registered office	Close Venture Management Limited 10 Crown Place London EC2A 4FT
Registrar	Capita Registrars PLC Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA Tel: 0870 162 3100
Independent reporting accountants	Deloitte & Touche LLP Chartered Accountants London
Taxation adviser	Ernst & Young 1 More London Place London SE1 2AF
Company number	3142609



FINANCIAL HIGHLIGHTS

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

Shareholder value created per share since launch⁽ⁱ⁾:	Ordinary shares (Pence)	'C' shares⁽ⁱⁱ⁾ (Pence)
Gross revenue dividends paid during the year ended 31 March 1997	2.00	–
Gross revenue dividends paid during the year ended 31 March 1998	5.20	2.00
Gross interim dividends and net final dividend paid during the year ended 31 March 1999	11.05	8.75
Net revenue and capital dividends paid during the year ended 31 March 2000	3.00	2.70
Net revenue and capital dividends paid during the year ended 31 March 2001	8.55	4.80
Net revenue and capital dividends paid during the year ended 31 March 2002	7.60	7.60
Net revenue and capital dividends paid during the year ended 31 March 2003	7.70	7.70
Net revenue and capital dividends paid during the year ended 31 March 2004	8.20	8.20
Net revenue and capital dividends paid during the year ended 31 March 2005	9.75	9.75
Net revenue and capital dividends paid during the period ended 30 September 2005	4.75	4.75
Total dividends paid or declared to 30 September 2005	67.80	56.25
Net asset value	117.61	117.61
Total return to 30 September 2005	185.41	173.86

(i) The change in presentation of the above table in comparison to prior periods reflects the adoption of FRS 21 which requires only approved dividends to be recognised during each period. See note 3 to the accounts for further explanation.

(ii) The 'C' Shares were raised in 1997 and were converted into Ordinary Shares on 31 May 2000. A 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.

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.

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.



CHAIRMAN'S STATEMENT

During the 6 months to 30 September 2005, the Company made further strong progress in replacing the investments successfully disposed of during the previous financial year. A total of £2.0 million was invested or reserved for investment during the period in five new and one existing investee companies. The principal new investments were £350,000 into two freehold cinemas, in Exeter and Brixton, London with our partners City Screen Limited and £1 million in the Weybridge Club Limited, with a further £150,000 reserved for investment, to develop a health and fitness club on a 30 acre freehold site in Weybridge, Surrey. £460,000 was invested in three further pub companies building up freehold portfolios in the South West, Central and North West England.

The investment programme subsequent to the half year has continued, with a further £3.6 million invested, including £2.5 million invested or reserved for investment in the Crown Hotel, Harrogate, which will undergo a major refurbishment.

The performance of the portfolio overall continues to be encouraging, although in line with the market there has been a continued slow down in sales from our residential development companies. The performance of the Express by Holiday Inn Hotel at Stansted has been particularly strong, and the former Days Inn at the Mailbox Centre in Birmingham has recently been rebranded as a Ramada.

As a result of the disposal programme in the year to 31 March 2005, income has fallen slightly with a result that revenue profits before tax were £1.43 million as opposed to £1.46 million for the 6 months to 30 September 2004. Nevertheless, in line with the Company's progressive dividend policy, the Board has declared a net interim dividend of 4.5 pence per share (2004: 4.25 pence per share).

The current financial period is the transition period for the introduction of new Financial Reporting Standards (FRS), which have been issued by the Accounting Standards Board to begin the process of converging UK standards with International Financial Reporting Standards. The main impact has been to change the way that dividends and investments are recognised in the accounts. The comparative historic figures in this report have been restated to reflect these accounting changes. More details are shown in note 3 to the Interim Report.

It is the Company's intention to declare a second interim dividend in March 2006 payable in April 2006 in place of a final dividend for the year.

Results and dividend

As at 30 September 2005 the net asset value of the Company was £42.20 million or 117.6 pence per share, which compares with a net asset value at 31 March 2005 of £43.29 million as restated (or £41.60 million as previously published) and 120.6 pence per share as restated (or 115.9 pence per share as previously published). Net revenue income before taxation was £1.43 million (2004: £1.46 million). The Board has declared a first interim dividend of 4.5 pence per share, including 1.5 pence out of realised capital reserves, for the six months to 30 September 2005 (2004: 4.25 pence per share). The first interim dividend will be paid on 20 January 2006 to shareholders registered on 23 December 2005.

David Watkins

Chairman

13 December 2005



PORTFOLIO OF INVESTMENTS

A summary of the Company's investments at 30 September 2005 is set out below:

Sector and investment	Investment at cost £'000	Cumulative movement in carrying value £'000	Carrying/ fair value 30 September 2005 £'000
Hotels			
Kew Green VCT (Stansted) Limited	4,000	1,103	5,103
Premier VCT (Mailbox) Limited	4,600	2,142	6,742
The Bear Hungerford Limited	1,700	–	1,700
The Place Sandwich VCT Limited	1,000	5	1,005
Total investment in the hotel sector	11,300	3,250	14,550
Care Homes			
Applecroft Care Home Limited	1,925	92	2,017
Barleycroft Care Home Limited	2,275	19	2,294
Total investment in the care home sector	4,200	111	4,311
Leisure			
Churchill Taverns VCT Limited	180	1	181
City Screen (Cambridge) Limited	1,210	297	1,507
City Screen (Liverpool) Limited	200	(22)	178
CS (Brixton) Limited	250	1	251
CS (Exeter) Limited	100	–	100
CS (Greenwich) Limited	900	–	900
GB Pub Company Limited	180	1	181
The Bold Pub Company Limited	1,390	57	1,447
The Independent Beer Company Limited	150	3	153
The Independent Pub Company (VCT) Limited	290	(46)	244
The Weybridge Club Limited	1,000	8	1,008
Total investment in the leisure sector	5,850	300	6,150
Residential property development			
Chase Midland VCT Limited	1,600	–	1,600
Country & Metropolitan VCT Limited	3,000	–	3,000
Prime VCT Limited	2,200	(51)	2,149
Youngs VCT Limited	1,200	–	1,200
Total investment in the residential property development sector	8,000	(51)	7,949
Total qualifying investments	29,350	3,610	32,960



PORTFOLIO OF INVESTMENTS
(continued)

Sector and investment	Investment at cost £'000	Cumulative movement in carrying value £'000	Carrying/ fair value 30 September 2005 £'000
Non-qualifying investments			
Premier VCT (Mailbox) Limited – Preference shares	<u>2</u>	<u>–</u>	<u>2</u>
Total non-qualifying investments	<u>2</u>	<u>–</u>	<u>2</u>
Total Investments	<u>29,352</u>	<u>3,610</u>	<u>32,962</u>



INDEPENDENT REVIEW REPORT 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 2005, which comprises the statement of total return, the balance sheet, the cash flow statement and related notes 1 to 9. 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 2005.

Deloitte & Touche LLP

Chartered Accountants
London
13 December 2005

Neither an audit nor a review provides assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.

Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.



STATEMENT OF TOTAL RETURN (UNAUDITED)
for the six months to 30 September 2005

	Note	Six months to 30 September 2005			Six months to 30 September 2004 (restated)*			Year ended 31 March 2005 (restated)*		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments		–	(87)	(87)	–	758	758	–	2,684	2,684
Investment income		1,639	–	1,639	1,693	–	1,693	3,384	–	3,384
Investment management fees	2	(120)	(361)	(481)	(97)	(292)	(389)	(263)	(788)	(1,051)
Administration expenses		(86)	–	(86)	(129)	–	(129)	(232)	–	(232)
Return/(loss) on ordinary activities before interest and tax		1,433	(448)	985	1,467	466	1,933	2,889	1,896	4,785
Finance charge		–	–	–	(5)	(16)	(21)	(5)	(16)	(21)
Return/(loss) on ordinary activities before tax		1,433	(448)	985	1,462	450	1,912	2,884	1,880	4,764
Tax (charge)/credit on ordinary activities		(437)	67	(370)	(422)	92	(330)	(778)	241	(537)
Return/(loss) attributable to shareholders		996	(381)	615	1,040	542	1,582	2,106	2,121	4,227
Amounts recognised as distributions to equity shareholders in the period		(1,059)	(646)	(1,705)	(628)	(1,345)	(1,973)	(1,632)	(1,865)	(3,497)
Transfer (from)/to reserves		(63)	(1,027)	(1,090)	412	(803)	(391)	474	256	730
Basic and diluted return per share (pence)	5	2.8	(1.1)	1.7	2.9	1.5	4.4	5.9	5.9	11.8

*Comparative figures have been extracted from the unaudited interim accounts for the period ended 30 September 2004 and the statutory accounts for the year ended 31 March 2005 and have been restated in accordance with FRS 21 in respect of declared dividends and FRS 26 in respect of accrued interest on loans and receivables as disclosed in notes 2 and 3 to the Interim Results.

The accompanying notes are an integral part of this statement.

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

No operations were acquired or discontinued during the period.

The Company has no recognised gains or losses other than those disclosed above. Accordingly a statement of total recognised gains or losses is not required.



BALANCE SHEET (UNAUDITED)
as at 30 September 2005

		30 September 2005	30 September 2004 (Restated)*	31 March 2005 (Restated)*
	Note	£'000	£'000	£'000
Fixed asset investments				
Qualifying investments		32,960	29,668	29,148
Non-qualifying investments		2	62	2
Total fixed asset investments	2	32,962	29,730	29,150
Current assets				
Debtors and accrued income		33	226	194
Cash at bank and in hand		10,061	12,808	14,737
		10,094	13,034	14,931
Creditors: amounts due within one year		(860)	(601)	(795)
Net current assets		9,234	12,433	14,136
Total assets less current liabilities		42,196	42,163	43,286
Capital and reserves				
Called up share capital		17,939	17,939	17,939
Special reserve		14,110	14,110	14,110
Capital redemption reserve		1,914	1,914	1,914
Capital reserves				
<i>realised</i>		3,184	3,674	4,124
<i>unrealised</i>		3,423	2,901	3,510
Revenue reserve		1,626	1,625	1,689
Total equity shareholders' funds		42,196	42,163	43,286
Net asset value (pence per share)		117.6	117.5	120.6

*Comparative figures have been extracted from the unaudited interim accounts for the period ended 30 September 2004 and the statutory accounts for the year ended 31 March 2005 and have been restated in accordance with FRS 21 in respect of declared dividends and FRS 26 in respect of accrued interest on loans and receivables as disclosed in notes 2 and 3 to the Interim Results.

This interim report was approved by the Board of Directors on 13 December 2005.

Signed on behalf of the Board of Directors by

David Watkins
Chairman



CASH FLOW STATEMENT
for the six months to 30 September 2005

	Unaudited Six months to 30 September 2005 £'000	Unaudited Six months to 30 September 2004 £'000	Audited Year ended 31 March 2005 £'000
Operating activities			
Investment income received	1,359	1,399	2,693
Dividend income received	12	65	197
Deposit interest received	260	190	433
Other income received	2	12	13
Investment management fees paid	(627)	(1,032)	(1,284)
Administrative expenses paid	(138)	(121)	(218)
Net cash inflow from operating activities	868	513	1,834
Servicing of finance			
Finance interest	–	(31)	(31)
Taxation			
UK corporation tax paid	(115)	(355)	(743)
VAT repaid/(paid)	5	(32)	(53)
Capital expenditure and financial investment			
Purchase of investments	(3,785)	(4,026)	(7,683)
Disposal of investments	55	13,977	20,125
Net cash (outflow)/inflow from investing activities	(3,730)	9,951	12,442
Equity dividends paid			
Dividends paid on ordinary shares	(1,704)	(1,973)	(3,497)
Net cash (outflow)/inflow before financing	(4,676)	8,073	9,952
Financing			
Repayment of loan facilities	–	(1,000)	(950)
Net cash outflow from financing	–	(1,000)	(950)
(Decrease)/increase in cash	(4,676)	7,073	9,002



NOTES TO THE INTERIM RESULTS for the six months to 30 September 2005

1. Accounting convention

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) issued by the Association of Investment Trust Companies ("AITC") in January 2003.

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, of the 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 absence of Section 266 status does not preclude the Company from presenting its accounts in accordance with the AITC's SORP and furthermore 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 total column is the profit and loss account of the Company. Since the Company is no longer an investment company, the revenue column excludes certain capital items, which 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 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 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.

2. Accounting policies

The financial statements are prepared in accordance with applicable UK Accounting Standards. The particular accounting policies adopted are described below.

Change in accounting policies

Accounting policies consistent with revised UK GAAP, and specifically with Financial Reporting Standards (FRS) 21-26 which have been issued by the Accounting Standards Board to begin the process of converging UK standards with International Financial Reporting Standards ("IFRS"), have been applied with effect from 1 April 2005. The effects of the relevant accounting policies are disclosed in the respective notes below, and restatement of the comparative figures are detailed in note 3.

Investments

In accordance with FRS 26, equity investments are designated as fair value through profit or loss account (FVTPL). Investments listed on recognised exchanges are stated at market value based upon the bid price at the end of the accounting period. Unquoted investments' fair value is determined by the directors in accordance with the British Venture Capital Association (BVCA) guidelines. Movements in valuation of equity investments and gains and losses arising on the disposal of investments are reflected in the capital column of the Statement of Total Return for the period.

Loan stock is designated as loans and receivables in accordance with FRS 26 and valued at amortised cost less impairments. Movements in the amortised cost relating to interest income are reflected in the revenue column of the Statement of Total Return and movements in respect of capital provisions are reflected in the capital column of the Statement of Total Return for the period. Loan stock accrued interest is recognised in the balance sheet as part of the carrying value of the loans and receivables at the end of each period.



NOTES TO THE INTERIM RESULTS (continued)

Investments are recognised as financial assets on legal completion of the investment contract and are de-recognised on legal completion of the sale of an investment.

It is not the Company's policy to exercise control 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.

Investment Income

Dividend income is recognised when an investment is quoted ex-dividend. Fixed returns on non-equity shares and debt securities are recognised on a time apportionment basis using the effective interest rate over the life of the financial instrument.

Investment Management fees and administrative expenses

75 per cent. of management expenses, representing the proportion of the investment management fee attributable to the enhancement of the value of the investments of the Company, has been charged to capital reserves, net of corporation tax. Expenses which are incidental to the purchase or disposal of an investment are charged to the capital account. All other expenses are charged to the revenue account.

Issue costs

Issue costs associated with the allotment of Ordinary share capital have been deducted from the share premium account in accordance with FRS 4.

Taxation

Taxation is applied on a current basis in accordance with FRS 16. Taxation associated to capital expenses is applied in accordance with the SORP. In accordance with FRS 19, deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Reserves

Capital reserves – realised

The following are taken to this reserve:

- (i) Gains and losses on the realisation of investments;
- (ii) Expenses, together with the related taxation effect, charged in accordance with the above policies.

Capital reserves – unrealised

Increases and decreases in the valuation of investments held at the period end are taken to this reserve.

Special reserves

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

Dividends

In accordance with FRS 21, dividends due to be approved after the interim report date are not recognised as liabilities at the Balance Sheet date. These dividends will be recognised when approved. Comparative figures for the previous year have been restated as detailed in note 3.



NOTES TO THE INTERIM RESULTS
(continued)

3. **Adjustment to revenue and realised capital reserves as at 31 March 2005 and 30 September 2004**

In accordance with FRS 21 "Events after the balance sheet date", comparatives for revenue reserves at 31 March 2005 and 30 September 2004 have been restated in recognition of a change in accounting policy.

The effect of the above changes as at 31 March 2005 and 30 September 2004 is a decrease in the distribution liability as a result of the de-recognition of proposed dividends thereon.

A reconciliation of reserves incorporating the adjustments and restatements required by the adoption of the FRS 21 is as follows:

Reconciliation of revenue reserves	31 March 2005	30 September 2004
	£'000	£'000
Revenue reserves previously reported at period end	630	621
Adjustment as required by adoption of FRS 21 – change in recognition of dividends	<u>1,059</u>	<u>1,004</u>
Restated revenue reserves at period end	<u>1,689</u>	<u>1,625</u>
Reconciliation of realised capital reserves	31 March 2005	30 September 2004
	£'000	£'000
Realised capital reserves previously reported at period end	3,478	3,154
Adjustment as required by adoption of FRS 21 – change in recognition of dividends	<u>646</u>	<u>520</u>
Restated revenue reserves at period end	<u>4,124</u>	<u>3,674</u>

4. **Tax charge on ordinary activities**

	Six months to 30 September 2005			Six months to 30 September 2004		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
UK Corporation tax at 30%	370	–	370	330	–	330
Tax attributable to capital expenses	<u>67</u>	<u>(67)</u>	<u>–</u>	<u>92</u>	<u>(92)</u>	<u>–</u>
	<u>437</u>	<u>(67)</u>	<u>370</u>	<u>422</u>	<u>(92)</u>	<u>330</u>

5. **Dividends**

The Board has approved the first interim dividend of 4.5 pence per Ordinary Share (3 pence revenue and 1.5 pence capital), amounting to £1,614,520, (2004: 4.25 pence per share or £1,524,825) which will be paid on 20 January 2006 to shareholders registered on 23 December 2005.

6. **Basic and diluted return per share**

Return per share has been calculated on 35,878,228 Ordinary Shares (2004: 35,878,228), being the weighted average number of shares in issue for the period. There are no convertible instruments, derivatives or contingent share agreements in issue for Close Brothers Venture Capital Trust PLC hence there are no dilution effects to the return per share. The basic return per share is therefore the same as the diluted return per share.



NOTES TO THE INTERIM RESULTS
(continued)

7. Contingencies, guarantees and financial commitments

There are no contingencies, guarantees and financial commitments of the Company at the period end which have not been accrued for, except funds scheduled for investment. There is a third party charge of deposit dated 19 August 2005, granted to The Royal Bank of Scotland plc relating to a loan facility advanced by the bank to an investee company. As at 30 September 2005, as a result of a refinancing, the funds held within the specific account were £nil as was the sum owing with regard to this charge.

8. Other information

The information for the six months ended 30 September 2005 and 30 September 2004 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 2005 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.

9. 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