

Half-yearly Financial Report
(unaudited) for the six months to
30 September 2008

08

Close Brothers
Venture Capital Trust PLC

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Company Information

Company number	3142609
Directors	D J Watkins MBA (Harvard), Chairman (US citizen) J M B L Kerr ACMA J G T Thornton MBA, FCA J Warren ACCA, MCT
Manager	Close Ventures Limited 10 Crown Place London EC2A 4FT Tel: 020 7422 7830 www.closeventures.co.uk
Secretary and registered office	Close Ventures Limited 10 Crown Place London EC2A 4FT
Registrar	Capita Registrars Limited Northern House Penistone Road Fenay Bridge Huddersfield HD8 0LA
Registered auditors	PKF (UK) LLP Farringdon Place 20 Farringdon Road London EC1M 3AP
Taxation adviser	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RN

Close Brothers Venture Capital Trust is a member of the Association of Investment Companies.

Shareholder information	For help relating to dividend payments, shareholdings and share certificates please contact Capita Registrars plc: Tel: 0871 664 0300 (calls cost 10p per minute plus network extras) Email: ssd@capitaregistrars.com Website: www.capitaregistrars.com For enquiries relating to the performance of the Fund please contact Close Ventures Limited: Tel: 020 7422 7830 Email: enquiries@closeventures.co.uk Website: www.closeventures.co.uk
IFA information	Independent financial advisors with questions please contact Close Ventures Limited: Tel: 08442 579 722 (calls cost 4p per minute plus network extras) Email: enquires@closeventures.co.uk Website: www.closeventures.co.uk

Investment Objectives

Close Brothers Venture Capital Trust PLC (“Close Brothers VCT” or the “Company”) 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 C Shares merged with the Ordinary Shares in 2001. 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. Funds managed or advised by Close Ventures Limited typically own 50 per cent. of the equity of the investee company;
- other than the loan stock issued to funds managed or advised by Close Ventures Limited and, in certain circumstances, temporary bridging finance prior to further investment by funds managed or advised by Close Ventures Limited, investee companies do not normally have external borrowings; and
- a clear strategy for the realisation of each qualifying unquoted investment within five years or shortly thereafter, is identified from the outset.

Financial Calendar

Record date for second dividend	5 December 2008
Payment of second dividend	9 January 2009
Financial year end	31 March 2009

Financial Highlights

	Unaudited six months ended 30 September 2008 (pence)	Unaudited six months ended 30 September 2007 (pence)	Audited year ended 31 March 2008 (pence)
Net asset value per share	100.0	116.0	109.9
Dividend paid	5.0	5.0	10.0
Revenue return per share	2.2	1.9	4.2
Capital return per share	(7.2)	(1.1)	(4.5)

	Ordinary shares (pence)	C shares (pence)
Total shareholder net asset value return to 30 September 2008:		
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 dividends paid during the year ended 31 March 1999	11.05	8.75
Net revenue dividends paid during the year ended 31 March 2000	3.00	2.70
Net revenue 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 year ended 31 March 2006	11.75	11.75
Net revenue and capital dividends paid during the year ended 31 March 2007	10.00	10.00
Net revenue and capital dividends paid during the year ended 31 March 2008	10.00	10.00
Net revenue and capital dividends paid during the six months ended 30 September 2008	5.00	5.00
Total dividends paid to 30 September 2008	99.80	88.25
Net asset value as at 30 September 2008	100.00	100.00
Total shareholder net asset value return to 30 September 2008	199.80	188.25

In addition to the above dividends, the Company will pay a second dividend from Revenue reserves of 5.0 pence per share on 9 January 2009 to shareholders on the register at 5 December 2008.

Notes

- 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.
- 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.
- All dividends paid by the Company are free of income tax. It is an Inland Revenue requirement that dividend vouchers indicate the tax element should dividends have been subject to income tax. Investors should ignore this figure on their dividend voucher and need not disclose any income they receive from a VCT on their tax return.
- The net asset value of the Company is not its share price as quoted on the official list of the London Stock Exchange. The share price of the Company can be found in the Investment Companies section of the Financial Times on a daily basis.

Interim Management Report

Introduction

In line with the worsening general economic environment, the Company saw a total negative return of 5.0 pence per share for the six months to 30 September 2008 resulting in a decline in net asset value, after payment of the first interim dividend of 5.0 pence per share, to 100.0 pence. This was mainly a result of pressure on the valuations of investments, driven by a decline in the market level of valuation multiples and the start of the recession in the general economy seen during the autumn. This, has led to a more circumspect view of our investee companies' trading prospects.

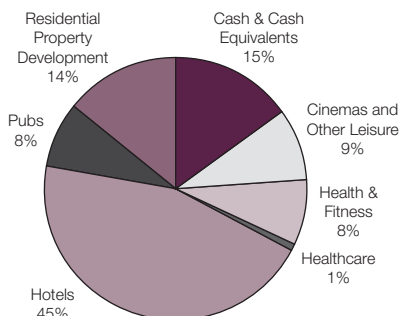
Investment Progress, Performance and Prospects

Investment activity during the period comprised some £2.0 million invested into six existing and two new investee companies. We also made some realisations during the period; £2.2 million was returned from our residential development investments and a £140,000 loan stock repayment was made by Kew Green VCT (Stansted) Limited during the period. We expect to receive back further sums from these sources during the second half of the financial year.

During the period, trading across our portfolio of companies was reasonably resilient. Certain companies, however, have seen a sharper fall from their previous strong trading, particularly over the last three months. These include some of our hotels, which have been responsible for the majority of our investment write-downs. Looking forward, we anticipate concentrating our investment activities on the healthcare sector, where we are seeing a number of interesting opportunities which would provide a degree of counter-balance to the consumer and business orientation of the rest of the portfolio.

We now think that it is unlikely that we will sell our Stansted hotel at the current time due to adverse market conditions. The absence of this sale, as well as the pressure on investment income being experienced as a result of the tightening economic environment means that whilst our dividend objective of 10.0 pence per annum will be maintained this year, it is likely that our objective will be reduced to 5.0 pence for the year to 31 March 2010.

The investment portfolio valuation at 30 September 2008, by sector, is shown as:



Source: Close Ventures Limited

Recovery of historic VAT

As a result of intensive lobbying by the Association of Investment Companies, the welcome review of the position regarding the exemption of management fees from VAT by HM Revenue & Customs in July 2008 has meant that the Manager is able to reclaim historic VAT that it had previously charged to the Company.

The Board has been in discussions with the Manager regarding the reclaim of historic VAT, and a net sum of £347,000 has been credited to the accounts in respect of the prospective repayment, though the final settlement may be a little higher than this. Further details regarding this claim, and its disclosure, are shown in note 5 to the Half-yearly Financial Report. With effect from 1 October 2008, all management and administration fees are considered exempt from VAT.

Related Party Transactions

Details of material related party transactions for the reporting period can be found in note 14 to this Half-yearly Financial Report.

Risks and Uncertainties

The negative outlook for the UK economy continues to be the key risk affecting our Company and, as mentioned above, we are beginning to see the effects of this in certain sectors of our portfolio.

Interim Management Report (continued)

Nevertheless, the portfolio as a whole remains cash generative, while no investment has external bank borrowings. This leads us to anticipate that, over the longer term, the current reductions in valuation represent value deferred rather than value permanently lost, although valuations may come under further pressure in the short term. Other key risks and uncertainties remain unchanged and are as detailed on page 17 of the Annual Report and Financial Statements for the year ended 31 March 2008. These include investment risk, venture capital trust approval risk, compliance risk, internal control risk, reliance upon third party risk and financial risk.

Share buy-backs

In the absence of a sale of the Stansted hotel, and given the need to allocate cash resources between dividends, new investments and share buy-backs, the Company's buy-back policy has been amended. The Company will limit the cash available for share buy-backs to up to £500,000 for the period to 31 March 2009. Once this limit has been reached, the Board will review its policy in the light of cash available for new investments and for dividends to existing shareholders. Given the high level of volatility apparent in all markets, the discount to net asset value per share at which shares are bought back is likely to widen from that applied historically.

Results and Dividends

As at 30 September 2008, the net asset value was £35.3 million or 100.0 pence per share compared to £39.2 million or 109.9 pence per share at 31 March 2008 and £41.6 million or 116.0 pence per share at 30 September 2007. Revenue return before taxation was £1,049,000 for the period compared to £992,000 for the period to 30 September 2007.

The Board now declares a second dividend of 5.0 pence per share which will be paid on 9 January 2009 to shareholders on the register on 5 December 2008. This brings the total dividend for the year to 10.0 pence per share, although, as mentioned above, this level is not likely to be maintained next year. It also means that those shareholders, who originally subscribed for Ordinary shares on the VCTs launch in April 1996, will have received a total of 104.8 pence per share in dividends.

D J Watkins

Chairman

26 November 2008

Responsibility Statement

The Directors have chosen to prepare this Half-yearly Financial Report for the Company in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP").

In preparing these summarised financial statements for the period to 30 September 2008, the Directors of the Company, as shown on page 2, confirm that to the best of their knowledge:

- (a) the summarised set of financial statements has been prepared in accordance with the pronouncement on interim reporting issued by the Accounting Standards Board;
- (b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year);

- (c) the summarised set of financial statements gives a true and fair view in accordance with UK GAAP of the assets, liabilities, financial position and profit and loss of the Company for the six months ended 30 September 2008 and comply with UK GAAP and Companies Act 1985 and;
- (d) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

This Half-yearly Financial Report has not been audited or reviewed by the auditors.

By order of the Board

D J Watkins

Chairman

26 November 2008

Portfolio of Investments

The following is a summary of investments as at 30 September 2008:

	Investment at cost £'000	Cumulative movement in carrying/fair value ⁽ⁱ⁾ £'000	Total carrying/fair value £'000
Fixed asset investments			
Hotels			
Kew Green VCT (Stansted) Limited	4,860	2,781	7,641
The Crown Hotel Harrogate Limited	3,100	(794)	2,306
Sky Hotel Heathrow Limited	2,000	–	2,000
The Bear Hungerford Limited	2,088	(417)	1,671
The Place Sandwich VCT Limited	1,640	(35)	1,605
Total investment in the hotel sector	13,688	1,535	15,223
Pubs			
The Charnwood Pub Company (Hotels) Limited	1,138	(309)	829
Clear Pub Company VCT (Hotels) Limited	888	(218)	670
Clear Pub Company VCT Limited	517	(81)	436
Bravo Inns Limited	450	(131)	319
GB Pub Company Limited	271	(110)	161
The Dunedin Pub Company VCT Limited	215	(67)	148
The Charnwood Pub Company Limited	160	(14)	146
Novello Pub Limited	184	(72)	112
Bravo Inns II Limited	70	1	71
The Pelican Inn Limited	5	(1)	4
Total investment in the pub sector	3,898	(1,002)	2,896
Cinemas and other leisure			
City Screen (Cambridge) Limited	1,210	454	1,664
CS (Greenwich) Limited	1,005	(101)	904
CS (Brixton) Limited	250	26	276
City Screen (Liverpool) Limited	200	60	260
Premier Leisure (Suffolk) Limited	380	(204)	176
CS (Exeter) Limited	100	(22)	78
CS (Norwich) Limited	50	(11)	39
Total investment in the cinema and other leisure sector	3,195	202	3,397
Health and fitness clubs			
The Weybridge Club Limited	1,330	87	1,417
Kensington Health Clubs Limited	1,100	(130)	970
Tower Bridge Health Clubs Limited	344	(2)	342
River Bourne Limited	70	(4)	66
Total investment in the health and fitness clubs sector	2,844	(49)	2,795
Healthcare			
Droxford Hospital Limited	313	–	313
Total investment in the healthcare sector	313	–	313
Residential property development			
G&K Smart Developments VCT Limited	3,000	(249)	2,751
Prime VCT Limited	1,540	(500)	1,040
Chase Midland VCT Limited	720	(53)	667
Youngs VCT Limited	540	–	540
Total investment in the residential property development sector	5,800	(802)	4,998
Total fixed asset investments	29,738	(116)	29,622

(i) Included in this movement is net capital depreciation of equity instruments amounting to £246,000 (2007: appreciation £3,069,000) and an appreciation of £130,000 for loans and receivables (2007: appreciation £368,000).

Portfolio of Investments (continued)

	Investment at cost £'000	Cumulative movement in carrying/fair value ⁽ⁱ⁾ £'000	Total carrying/fair value £'000
Current asset investment			
Nationwide FRN 07/06/2010	1,497	(21)	1,476

(i) The movement comprises net capital depreciation of floating rate note instruments amounting to £21,000.

Summary Income Statement

	Note	Unaudited six months ended 30 September 2008			Unaudited six months ended 30 September 2007			Audited year ended 31 March 2008		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on investments	3	-	(2,584)	(2,584)	-	(125)	(125)	-	(1,081)	(1,081)
Investment income	4	1,148	-	1,148	1,266	-	1,266	2,443	-	2,443
Management fees		(106)	(332)	(438)	(131)	(393)	(524)	(250)	(749)	(999)
Recovery of VAT	5	121	375	496	-	-	-	-	-	-
Other expenses		(114)	-	(114)	(143)	-	(143)	(289)	-	(289)
Return/(loss) on ordinary activities before taxation		1,049	(2,541)	(1,492)	992	(518)	474	1,904	(1,830)	74
Tax (charge)/ credit on ordinary activities		(282)	(13)	(295)	(297)	118	(179)	(401)	225	(176)
Return/(loss) attributable to equityholders		767	(2,554)	(1,787)	695	(400)	295	1,503	(1,605)	(102)
Basic and diluted return/(loss) per share (pence)	7	2.2	(7.2)	(5.0)	1.9	(1.1)	0.8	4.2	(4.5)	(0.3)

Comparative figures have been extracted from the unaudited Half-yearly Financial Report for the six months ended 30 September 2007 and the audited statutory accounts for the year ended 31 March 2008.

The accompanying notes on pages 16 to 21 form an integral part of this Half-yearly Financial Report.

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

The total column of this Summary Income Statement represents the profit and loss account of the Company.

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

Note of Historical Cost Profits and Losses

	Unaudited six months ended 30 September 2008 £'000	Unaudited six months ended 30 September 2007 £'000	Audited year ended 31 March 2008 £'000
Total (loss)/return on ordinary activities before taxation	(1,492)	474	74
Add back: unrealised losses on investments	2,584	720	1,563
Historical cost return on ordinary activities before taxation	1,092	1,194	1,637
Historical cost loss for the period after taxation and dividends	(985)	(779)	(2,127)

Summary Balance Sheet

	Note	Unaudited 30 September 2008 £'000	Unaudited 30 September 2008 £'000	Audited 31 March 2008 £'000
Fixed asset investments				
Investments	8	<u>29,622</u>	<u>33,765</u>	<u>32,546</u>
		29,622	33,765	32,546
Current assets				
Current asset investments	8	1,476	1,497	1,475
Debtors		590	98	94
Cash at bank	12	<u>4,202</u>	<u>6,793</u>	<u>5,409</u>
		6,268	8,388	6,978
Creditors: amounts falling due within one year		<u>(592)</u>	<u>(536)</u>	<u>(349)</u>
Net current assets		<u>5,676</u>	<u>7,852</u>	<u>6,629</u>
Net assets		<u>35,298</u>	<u>41,617</u>	<u>39,175</u>
Capital and reserves				
Called up share capital	9	17,964	17,939	17,939
Special reserve		14,110	14,110	14,110
Capital redemption reserve		1,914	1,914	1,914
Share premium account		23	–	–
Realised capital reserve		200	3,210	1,952
Unrealised capital reserve		(410)	3,018	2,174
Own treasury shares reserve		(608)	–	(252)
Revenue reserve		<u>2,105</u>	<u>1,426</u>	<u>1,338</u>
Shareholders' funds		<u>35,298</u>	<u>41,617</u>	<u>39,175</u>
Net asset value per share (pence) excluding treasury shares		<u>100.0</u>	<u>116.0</u>	<u>109.9</u>

Comparative figures have been extracted from the unaudited Half-yearly Financial Report for the six months ended 30 September 2007 and the audited statutory accounts for the year ended 31 March 2008.

The accompanying notes on pages 16 to 21 form an integral part of this Half-yearly Financial Report.

The financial statements on pages 10 to 21 were approved and authorised for issue by the Board of Directors on 26 November 2008.

Signed on behalf of the Board of Directors by

D J Watkins
Chairman

Summary Reconciliation of Movements in Shareholders' Funds

	Called up share capital £'000	Special reserve £'000	Capital redemption reserve £'000	Share premium account £'000	Own treasury shares reserve £'000	Realised capital reserve £'000	Unrealised capital reserve £'000	Revenue reserve £'000	Total £'000
As at 1 April 2008	17,939	14,110	1,914	–	(252)	1,952	2,174	1,338	39,175
Purchase of own shares for treasury	–	–	–	–	(356)	–	–	–	(356)
Issue of equity (net of costs)	25	–	–	23	–	–	–	–	48
Capitalised investment management and performance fee	–	–	–	–	–	(332)	–	–	(332)
VAT recoverable on management and performance fees	–	–	–	–	–	375	–	–	375
Taxation	–	–	–	–	–	(13)	–	–	(13)
Movement in unrealised appreciation	–	–	–	–	–	–	(2,584)	–	(2,584)
Revenue return attributable to equityholders	–	–	–	–	–	–	–	767	767
Dividends paid	–	–	–	–	–	(1,782)	–	–	(1,782)
As at 30 September 2008	<u>17,964</u>	<u>14,110</u>	<u>1,914</u>	<u>23</u>	<u>(608)</u>	<u>200</u>	<u>(410)</u>	<u>2,105</u>	<u>35,298</u>
As at 1 April 2007	17,939	14,110	1,914	–	–	4,021	3,737	1,395	43,116
Net realised gains on investments in the period	–	–	–	–	–	594	–	–	594
Capitalised investment management and performance fee (net of tax)	–	–	–	–	–	(275)	–	–	(275)
Movement in unrealised appreciation	–	–	–	–	–	–	(719)	–	(719)
Revenue return attributable to equityholders	–	–	–	–	–	–	–	695	695
Dividends paid	–	–	–	–	–	(1,130)	–	(664)	(1,794)
As at 30 September 2007	<u>17,939</u>	<u>14,110</u>	<u>1,914</u>	<u>–</u>	<u>–</u>	<u>3,210</u>	<u>3,018</u>	<u>1,426</u>	<u>41,617</u>

Summary Reconciliation of Movements in Shareholders' Funds (continued)

	Called up share capital £'000	Special reserve £'000	Capital redemption reserve £'000	Share premium account £'000	Own treasury shares reserve £'000	Realised capital reserve £'000	Unrealised capital reserve £'000	Revenue reserve £'000	Total £'000
As at 1 April 2007	17,939	14,110	1,914	–	–	4,021	3,737	1,395	43,116
Purchase of own shares for treasury	–	–	–	–	(252)	–	–	–	(252)
Net realised gains on investments in the year	–	–	–	–	–	482	–	–	482
Capitalised investment management and performance fee (net of tax)	–	–	–	–	–	(523)	–	–	(523)
Movement in unrealised appreciation	–	–	–	–	–	–	(1,563)	–	(1,563)
Revenue return attributable to equityholders	–	–	–	–	–	–	–	1,503	1,503
Dividends paid	–	–	–	–	–	(2,028)	–	(1,560)	(3,588)
As at 31 March 2008	<u>17,939</u>	<u>14,110</u>	<u>1,914</u>	<u>–</u>	<u>(252)</u>	<u>1,952</u>	<u>2,174</u>	<u>1,338</u>	<u>39,175</u>

Summary Cash Flow Statement

	Note	Unaudited six months ended 30 September 2008 £'000	Unaudited six months ended 30 September 2007 £'000	Audited year ended 31 March 2008 £'000
Operating activities				
Investment income received		1,077	917	1,845
Deposit interest received		111	230	479
Other income		56	–	143
Investment management fees paid		(460)	(537)	(1,079)
Expenses paid		(137)	(125)	(279)
Net cash inflow from operating activities	11	647	485	1,109
Taxation				
UK corporation tax (paid)/received		(15)	64	(155)
VAT paid		(1)	(13)	–
		(16)	51	(155)
Capital expenditure and financial investments				
Purchase of investments		(2,093)	(4,994)	(5,011)
Disposal of investments		2,340	1,979	2,240
Net cash inflow/(outflow) from investing activities		247	(3,015)	(2,771)
Equity dividends paid				
Dividends paid on Ordinary shares	6	(1,782)	(1,794)	(3,588)
Net cash outflow before financing		(904)	(4,273)	(5,405)
Financing				
Equity issued		53	–	–
Purchase of own shares for treasury		(356)	–	(252)
Net cash outflow from financing		(303)	(4,273)	(252)
Decrease in cash	12	(1,207)	(4,273)	(5,657)

Notes to the summarised Financial Statements for the six months to 30 September 2008

1. Accounting convention

The financial statements have been prepared in accordance with the historical cost convention, modified to include the revaluation of investments, in accordance with applicable United Kingdom law and 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 and revised in December 2005. Accounting policies have been applied consistently in current and prior periods.

2. Accounting policies

Fixed and current asset investments

Unquoted equity investments

In accordance with FRS 26 "Financial Instruments: Recognition and Measurement", unquoted equity investments are designated as fair value through profit or loss ("FVTPL"). Unquoted investments' fair value is determined by the Directors in accordance with the International Private Equity and Venture Capital Valuation Guidelines (IPEVCV guidelines).

Fair value movements on equity investments and gains and losses arising on the disposal of investments are reflected in the capital column of the Income Statement in accordance with the AITC SORP. Realised gains or losses on the sale of investments will be reflected in the Realised capital reserve, and unrealised gains or losses arising from the revaluation of investments will be reflected in the Unrealised capital reserve.

Unquoted loan stock

Unquoted loan stock is classified as loans and receivables in accordance with FRS 26 and carried at amortised cost using the Effective Interest Rate method ("EIR") less impairment. Movements in the amortised cost relating to interest income are reflected in the revenue column of the Income Statement, and hence are reflected in the Revenue reserve, and movements in respect of capital provisions are reflected in the capital column of the Income Statement, and are reflected in the Realised capital reserve following sale, or in the Unrealised capital reserve on revaluation.

Loan stocks which are not impaired or past due are considered fully performing in terms of contractual interest and capital repayments and the Board does not consider that there is a current likelihood of a shortfall on security cover for these assets. For unquoted loan stock, the amount of the impairment is the difference between the asset's cost and the present

value of estimated future cash flows, discounted at the effective interest rate.

Floating rate notes

In accordance with FRS 26, floating rate notes are designated as fair value through profit or loss. Floating rate notes are valued at market bid price at the balance sheet date. Floating rate notes are treated as current asset investments.

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.

Dividend income is not recognised as part of the fair value movement of an investment, but is recognised separately as investment income through the Revenue reserve when a share becomes ex-dividend.

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 reporting period.

It is not the Company's policy to exercise control or significant influence over investee companies. Therefore in accordance with the exemptions under FRS 9 "Associates and joint ventures", those undertakings in which the Company holds more than 20 per cent. of the equity are not regarded as associated undertakings.

Investment income

Unquoted equity income

Dividend income is included in revenue when the investment is quoted ex-dividend.

Unquoted loan stock income

The fixed returns on non-equity shares and debt securities are recognised on a time apportionment basis using an effective interest rate over the life of the financial instrument.

Bank interest income

Interest income is recognised on an accruals basis using the rate of interest agreed with the bank.

Floating rate note income

Floating rate note income is recognised on an accruals basis using the interest rate applicable to the floating rate note at that time.

Notes to the summarised Financial Statements for the six months to 30 September 2008 (continued)

Investment management fees and other expenses

All expenses have been accounted for on an accruals basis. Expenses are charged through the Revenue account except the following which are charged through the Realised capital reserve:

- 75 per cent. of management fees are allocated to the Capital account to the extent that these relate to an enhancement in the value of the investments. This is in line with the Board's expectation that over the long term 75 per cent. of the Company's investment returns will be in the form of capital gains; and
- expenses which are incidental to the purchase or disposal of an investment are charged through the Realised capital reserve.

Taxation

Taxation is applied on a current basis in accordance with FRS 16 "Current tax". Taxation associated with capital expenses is applied in accordance with the SORP. In accordance with FRS 19 "Deferred tax", 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.

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

Performance incentive fee

In the event that a performance incentive fee crystallises, the fee will be allocated between Revenue and Realised capital reserves based upon the proportion to which the calculation of the fee is attributable to revenue and capital returns.

Reserves

Realised capital reserves

The following are disclosed in this reserve:

- gains and losses compared to cost on the realisation of investments;
- expenses, together with the related taxation effect, charged in accordance with the above policies; and
- dividends paid to equityholders.

Unrealised capital reserves

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

Special reserve

The cancellation of the share premium account has created a special reserve that can be used to fund market purchases and the subsequent cancellation of own shares and for other distributable purposes.

Capital redemption reserve

This reserve accounts for amounts by which the issued share capital is diminished through the repurchase of the Company's own shares.

Share premium account

This reserve accounts for the difference between the nominal value of the new shares issued and the issue price less any costs associated with the issue of share capital.

Own treasury shares held reserve

This reserve accounts for amounts by which the distributable reserves of the Company are diminished through the repurchase of the Company's own shares for treasury.

Dividends

In accordance with FRS 21 "Events after the balance sheet date", dividends declared by the Company are accounted for in the period in which the dividend has been paid or approved by shareholders in an Annual General Meeting.

Notes to the summarised Financial Statements for the six months to 30 September 2008 (continued)

3. (Losses)/gains on investments

	Unaudited six months ended 30 September 2008 £'000	Unaudited six months ended 30 September 2007 £'000	Audited year ended 31 March 2008 £'000
Unrealised losses on investments held at fair value through profit and loss account	(2,460)	(669)	(1,543)
Unrealised impairments on investments held at amortised cost	(124)	(51)	(20)
Unrealised losses sub-total	(2,584)	(720)	(1,563)
Realised gains on investments held at fair value through profit and loss account	-	595	482
Realised gains sub-total	-	595	482
	(2,584)	(125)	(1,081)

Investments valued on amortised cost basis are unquoted loan stock investments.

4. Investment income

	Unaudited six months ended 30 September 2008 £'000	Unaudited six months ended 30 September 2007 £'000	Audited year ended 31 March 2008 £'000
Income recognised on investments held at fair value through profit and loss			
Floating rate note income	43	9	61
Bank deposit interest	111	224	390
Other income	52	67	95
	206	300	546
Income recognised on investments held at amortised cost			
Return on loan stock investments	942	966	1,897
	1,148	1,266	2,443

Notes to the summarised Financial Statements for the six months to 30 September 2008 (continued)

5. Recovery of VAT

HM Revenue & Customs issued a business briefing on 24 July 2008 which permitted the recovery of historic VAT that had been charged on management, performance and administration fees, and which made these fees exempt from VAT with effect from 1 October 2008.

The Manager, Close Ventures Limited will be making a claim for the historic VAT that Close Brothers Venture Capital Trust PLC has paid on management, performance and administration fees. On this basis of information provided to the Board, the Directors believe that it is virtually certain that the Company will, in the short term, receive a repayment of historic VAT of not less than £347,000 after the deduction of £149,000 of tax.

The amount of £496,000 recoverable from the Manager has been recognised as a separate item in the Income Statement, allocated between revenue and capital return in the same proportion as that at which the original VAT has been charged. An additional tax charge of £149,000 is payable on this recovery of historic VAT and this is reflected as part of the tax charge shown in the Income Statement. At 30 September 2008 the amount due to Close Brothers Venture Capital Trust from Close Ventures Limited in respect of the VAT claim was £496,000.

It is possible that further amounts may be recoverable in due course, however, the Directors are at this stage unable to quantify the amounts involved.

6. Dividends

	Unaudited six months ended 30 September 2008			Unaudited six months ended 30 September 2007			Audited year ended 31 March 2008		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Dividend paid on 15 August 2008 – 5 pence per share	-	1,782	1,782	-	-	-	-	-	-
Dividend paid on 4 January 2008 – 5 pence per share	-	-	-	-	-	-	897	897	1,794
Dividend paid on 5 April 2007 – 5 pence per share	-	-	-	663	1,131	1,794	663	1,131	1,794
Total	-	1,782	1,782	663	1,131	1,794	1,560	2,028	3,588

In addition to the dividends summarised above, the Directors have declared a second dividend of 5.0 pence per share (£1,764,000) to be paid on 9 January 2009 to shareholders on the register as at 5 December 2008.

7. Basic and diluted return per share

Return per share has been calculated on 35,546,947 Ordinary shares excluding treasury shares (30 September 2007: 35,878,229; 31 March 2008: 35,807,404) being the weighted 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.

8. Fixed and current asset investments

Fixed asset investments held at fair value through profit or loss total £10,340,000 (30 September 2007: £13,132,000; 31 March 2008: £12,202,000). Investments held at amortised cost total £19,282,000 (30 September 2007: £20,633,000; 31 March 2008: £20,344,000).

Current asset investments held at fair value through profit or loss total £1,476,000 (30 September 2007: £1,497,000; 31 March 2008: £1,475,000).

Notes to the summarised Financial Statements for the six months to 30 September 2008 (continued)

9. Share capital

	Unaudited 30 September 2008 £'000	Unaudited 30 September 2007 £'000	Audited 31 March 2008 £'000
Authorised			
68,000,000 Ordinary shares of 50p each (30 September 2007 and 31 March 2008: 68,000,000)	34,000	34,000	34,000
Allotted, called up and fully paid			
35,928,061 Ordinary shares of 50p each (30 September 2007 and 31 March 2008: 35,878,229)	17,964	17,939	17,939
Allotted, called up and fully paid excluding treasury shares			
35,284,007 Ordinary shares of 50p each (30 September 2007: 35,878,229; 31 March 2008: 35,633,683)	17,642	17,939	17,817

On 15 August 2008 49,832 Ordinary shares of 50 pence nominal value were issued at a price of 104.9 pence under the terms of the Dividend Reinvestment Scheme. Additional information regarding the Dividend Reinvestment Scheme can be found in the Annual Report and Financial Statements for the year ended 31 March 2008 and at www.closeventures.co.uk, under the "Our Funds" section.

10. Treasury shares

During the period to 30 September 2008 the Company purchased 399,508 Ordinary shares to be held in treasury at a cost of £354,348, representing 1.1 per cent. of its share capital as at 1 April 2008. The shares purchased for treasury were funded from the Own treasury shares held reserve. The total number of Ordinary shares held in treasury as at 30 September 2008 was 644,054 (30 September 2007: nil; 31 March 2008: 244,546) representing 1.8 per cent. of the share capital as at 1 April 2008.

11. Reconciliation of revenue return on ordinary activities before taxation to net cash inflow from operating activities

	Unaudited six months ended 30 September 2008 £'000	Unaudited six months ended 30 September 2007 £'000	Audited year ended 31 March 2008 £'000
Revenue return on ordinary activities before taxation	1,049	992	1,904
Investment management fees charged to capital	(332)	(393)	(749)
Recovery of VAT credited to capital	375	–	–
Movement in accrued amortised loan stock interest	95	(167)	(53)
(Increase)/decrease in debtors	(548)	91	53
Increase/(decrease) in creditors	8	(38)	(46)
Net cash inflow from operating activities	647	485	1,109

Notes to the summarised Financial Statements for the six months to 30 September 2008 (continued)

12. Analysis of changes in cash during the period

	Unaudited six months ended 30 September 2008 £'000	Unaudited six months ended 30 September 2007 £'000	Audited year ended 31 March 2008 £'000
Beginning of the period	5,409	11,066	11,066
Net cash outflow	(1,207)	(4,273)	(5,657)
End of the period	4,202	6,793	5,409

13. Contingencies, guarantees and financial commitments

The Company has given a number of guarantees to The Royal Bank of Scotland plc and the National Westminster Bank plc in respect of the borrowings of investee companies. As at 30 September 2008, the maximum exposure under these guarantees amounted to £nil (30 September 2007: £nil; 31 March 2008: £nil). These guarantees are secured by third party charges of deposit granted to The Royal Bank of Scotland plc and the National Westminster Bank plc over specific bank accounts with balances of £nil (30 September 2007: £nil; 31 March 2008: £nil).

14. Related party transactions

The Manager, Close Ventures Limited is considered to be a related party by virtue of the fact that it is party to a management agreement from the Company. During the period, services of a total value of £438,000 (30 September 2007: £524,000; 31 March 2008: £999,000) were purchased by the Company from Close Ventures Limited. At the financial period end, the amount due to Close Ventures Limited disclosed as accruals and deferred income was £257,000 (30 September 2007: £255,000; 31 March 2008: £241,000). The amount due from Close Venture Limited to Close Brothers Venture Capital Trust in respect of historic VAT claims can be found in note 5.

Buy-backs of shares during the period were transacted through Winterflood Securities Limited, a subsidiary of Close Brothers Group plc. A total of 399,508 shares were purchased for treasury at an average price of 88.7 pence per share. At the financial period end there was a balance of £2,000 (30 September 2007: £nil; 31 March 2008: £nil) between the Company and Winterflood Securities Limited.

15. Other information

The information set out in this Half-yearly Financial Report does not constitute the Company's statutory accounts within the terms of section 240 of the Companies Act 1985 for the periods ended 30 September 2008 and 30 September 2007, and is unaudited. The information for the year ended 31 March 2008 does not constitute statutory accounts within the terms of section 240 of the Companies Act 1985 and is derived from the statutory accounts for the financial year, which have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified and did not contain a statement under s237 (2) or (3) of the Companies Act 1985.

16. Publication

This Half-yearly Financial Report is being sent to shareholders and copies will be made available to the public at the registered office of the Company, Companies House, the FSA viewing facility and also electronically at www.closeventures.co.uk.

Close Brothers
Venture Capital Trust PLC