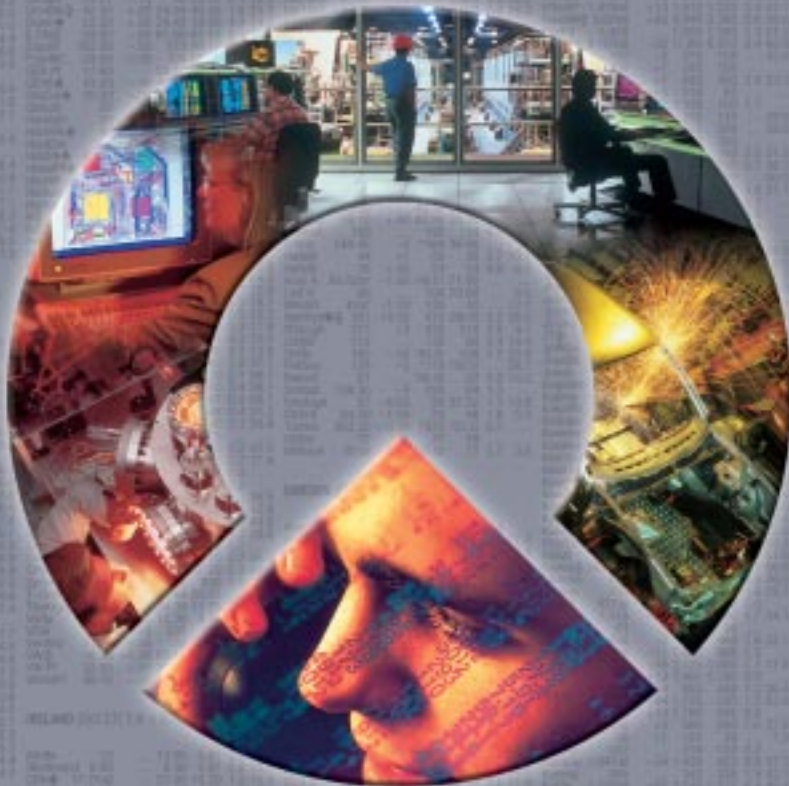


Close Technology & General VCT PLC



Interim Report
for six months to
30 June 2003

CLOSE TECHNOLOGY & GENERAL VCT PLC

Interim Report for six months to 30 June 2003

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Directors and Administration

Directors

Dr N E Cross, Chairman
Lt. Gen. Sir Edmund Burton KBE
M J Hart
K J N Meek

Investment Manager

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Technology Adviser

Reabourne Technology Investment
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Registrar

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Independent Reporting Accountants

Deloitte & Touche LLP
London

Taxation Adviser

Ernst & Young
Rolls House
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Fetter Lane
London EC4A 1NH

Chairman's Statement

Introduction

Close Technology & General VCT has raised £14.4 million from private investors since its launch in January 2001 and offers investors the opportunity to participate in a balanced portfolio of technology and non-technology businesses. It is intended that the Company's investment portfolio will be split approximately as follows:

- 50% to be invested in technology companies, of which:
 - 20% will be invested in quoted investments in international technology stocks; and
 - 30% will be invested in unquoted UK technology-related companies.
- 50% to be invested in unquoted investments in UK non-technology companies.

Investment Progress

The six months to 30 June 2003 have seen a marked improvement in the Company's net asset value. This has been partly market-driven, with the portfolio of international quoted and UK AIM investments showing a strong recovery as markets have risen. In addition, the unquoted portfolio has risen in value, due principally to the excellent performance of Active Hotels, which moved strongly into profit during the period.

At 30 June 2003, the Company's unaudited net asset value stood at 83.0 pence per share compared to 74.8 pence six months earlier. At 31 August 2003 the unaudited net asset value had risen further, due to the continued strong performance of the quoted portfolio.

The revenue return before taxation for the six months to 30 June 2003 amounted to £101,762 compared to £211,019 for the first half of last year, resulting in a reduction of the interim dividend from 1 penny to 0.5 pence per share. The principal reason for this decrease was the decision taken to provide against the income from two investments, Leisure Links and Q Gardens, where the equity in each case has already been fully provided for. Your Company does, however, remain committed to providing shareholders with a regular and predictable dividend yield, and it is hoped that this decline in the dividend will only be short term in nature.

During the period, the principal investments made have been in support of existing investee companies with a view to funding further growth. The Company's third anniversary since launch is 31 December 2003, and we are now within 1% of achieving the 70% level of qualifying investments required by that date.

Results and Dividend

As at 30 June 2003 the net asset value of the Company was £11.89 million (2002: £12.89 million), equivalent to 83.0 pence per share (2002: 89.9p per share). Net income after taxation was £82,000 for the period enabling the board to declare a net interim dividend of 0.5 pence per share (2002: 1.0p per share). Dividends will be payable on 24 October 2003 to those shareholders registered on 3 October 2003.

Dr N E Cross

Chairman

25 September 2003

Portfolio Summary

The following is a summary of the qualifying investments made at 30 June 2003.

<u>Technology Investments</u>	Invested to date at cost £'000	Valuation at 30 June 2003 £'000
Active Hotels Ltd Active Hotels has developed internet based software to act as an intermediary to the hotel industry enabling hotels to post their room availability on-line in real time through booking sites.	500	1,200
Advanced Medical Solutions PLC (AIM Listed) Advanced Medical Solutions designs, develops and manufactures novel high-performance polymers (both natural and synthetic) for the healthcare market.	300	318
AIT Group plc (AIM Listed) AIT Group is a provider of IT solutions principally for the retail financial sector.	240	103
Cassium Technologies Limited Cassium is an IT services company which provides web service solutions using Microsoft.NET technology. The company has developed a suite of proprietary products under the Active Web and Active Forms Names.	500	250
Deltex Medical Group Plc (AIM Listed) Deltex develops, manufactures and markets the 'CardioQ', an oesophageal device which monitors the heart's response to medical treatment.	266	175
Intelligent Environment Group PLC (AIM Listed) The company's activity is the provision of integrated e-business software and services to allow Credit Cards and Wealth Management organisations to disseminate information, integrate disparate systems and deliver market leading e-business applications.	298	616
OneClickHR plc (AIM Listed) OneClickHR develops, markets and sells human resource software, offering companies a range of solutions enabling them to manage their HR functions.	58	8
Peakdale Molecular Ltd Peakdale Molecular is a Derbyshire based contract chemistry company, developing and providing pharmaceutical customers with novel compounds for use in later stage drug discovery.	360	358

Unquoted Technology Investments (continued)

	Invested to date at cost £'000	Valuation at 30 June 2003 £'000
Pilat Media Global PLC (AIM Listed) The company develops, markets and supports business operations software for the media industry.	150	191
sparesFinder Ltd SparesFinder has developed a software suite which enables multinational, multi-site customers to trace and control their inventory.	500	125
Tepnel Life Sciences PLC (AIM Listed) Tepnel Life Sciences develops automated systems for DNA purification and offers a broad range of DNA related services such as genotyping.	328	246
Warthog PLC (AIM Listed) Warthog is a leading independent games software developer.	90	34
Total unquoted qualifying technology investments	3,590	3,624
Percentage of Portfolio on cost	28%	
Target investment level	30%	

Unquoted Non-Technology Investments**Automotive Technik Holdings Ltd**

The company holds the exclusive worldwide licence to manufacture the Pinzgauer off-road vehicle. Automotive Technik's main clients include the UK Ministry of Defence and overseas armed forces.

720 612

Careforce Staffing Group Ltd

Careforce Staffing was established in 1999 to build, both organically and through acquisition, a group providing home care services to the elderly, principally on behalf of local authorities.

950 989

City Screen (Liverpool) Ltd

The company was formed to own and operate a three screen 'art house' cinema in the centre of Liverpool, which opened in February 2003.

50 50

Consolidated Communications Management Ltd

Consolidated Communications is a management buy-out of an established public relations company with a broad range of 'blue chip' clients.

1,000 1,072

Leisure Links International Ltd

Leisure Links was formed to manage and operate golf clubs. It currently owns two courses, the Test Valley course near Basingstoke and the Chesfield Downs course near Stevenage.

950 673

Peakdale Molecular Ltd

This part of the Peakdale investment (as discussed above) is in loan stock secured against debtors and property and is classified as a non-technology holding.

533 594

Unquoted Non-Technology Investments (continued)

	Invested to date at cost £'000	Valuation at 30 June 2003 £'000
The Q Garden Company Ltd		
The Q Garden Company operates a chain of garden centres based in the south of England.	1,000	667
Total unquoted qualifying non-technology investments	5,203	4,657
Percentage of Portfolio on cost	41%	
Target investment level	50%	
Total qualifying investments	8,793	8,281
Total percentage of portfolio on cost	69%	
Total target qualifying investment level	80%	

Non-Qualifying Technology Investments

Ten largest holdings by value of non-qualifying international quoted technology stocks.

Company	Sector	Invested to date at cost £'000	Valuation at 30 June 2003 £'000
Digital River Inc	E-commerce outsourcing	29	108
Amdocs Limited	Software	88	90
Agere Systems A	Wireless technology	113	83
Nortel Network Communication	Communications network technology	164	69
Melexis	Microelectronics	57	64
Network Associates Inc	Software	84	62
Ascential Software Corp	Provider of integration solutions	32	53
Take Two Interactive Software	Software	42	51
Taiwan Semiconductor Ads	Semi-conductors	45	48
Tecnomatix Technologies Ltd	Software	74	82
		728	710
19 other non-qualifying international quoted technology stocks		983	659
Total non-qualifying international quoted technology stocks		1,711	1,369
Percentage of portfolio on cost		13%	
Target non-qualifying investment level		20%	
Floating Rate Notes			
Bradford & Bingley		1,499	1,501
Total non-qualifying investments		3,210	2,870
Percentage of portfolio on cost		32%	
Target non-qualifying investment level		20%	

Independent review report to Close Technology & General VCT PLC

Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 June 2003 which comprises the profit and loss account, the balance sheets, 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 group 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 June 2003.

Deloitte & Touche

London

25 September 2003

Notes: A review does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on 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.

Unaudited Statement of Total Return

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

	Note	Six months to 30 June 2003			Six months to 30 June 2002			Year to 31 December 2002		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments	3	–	1,267	1,267	–	(1,454)	(1,454)	–	(3,622)	(3,622)
Investment income	4	198	–	198	306	–	306	632	–	632
Investment management fees	2	(37)	(112)	(149)	(43)	(130)	(173)	(67)	(202)	(269)
Other expenses		(59)	–	(59)	(52)	–	(52)	(106)	–	(106)
Return on ordinary activities before tax		102	1,155	1,257	211	(1,584)	(1,373)	459	(3,824)	(3,365)
Tax on ordinary activities	5	(20)	22	2	(42)	26	(16)	(91)	40	(51)
Return attributable to equity shareholders		82	1,177	1,259	169	(1,558)	(1,389)	368	(3,784)	(3,416)
Dividends	6	(72)	–	(72)	(144)	–	(144)	(287)	–	(287)
Transfer to/(from) reserves		10	1,177	1,187	25	(1,558)	(1,533)	81	(3,784)	(3,703)
	7	0.6p	8.2p	8.8p	1.2p	(10.9)p	(9.7)p	2.6p	(26.6)p	(24.0)p

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

The revenue column of this statement is the profit and loss account of the Company.

The accompanying notes are an integral part of this statement.

Unaudited Summary Balance Sheet

at 30 June 2003

	Note	30 June 2003 £'000	30 June 2002 £'000	31 December 2002 £'000
Fixed asset investments	2			
Qualifying investments				
Unquoted technology		1,933	1,014	1,100
AIM technology stocks		1,691	1,321	1,075
Unquoted non-technology		4,657	4,596	4,664
Total qualifying investments		8,281	6,931	6,839
Non-qualifying investments				
Quoted international technology stocks		1,369	1,261	944
Floating rate notes		1,501	4,497	1,499
Total non-qualifying investments		2,870	5,758	2,443
Total investments		11,151	12,689	9,282
Current assets				
Debtors		64	30	8
Cash: short term money market deposits		916	453	1,688
		980	483	1,696
Creditors: due within one year		(236)	(281)	(257)
Net current assets		744	202	1,439
Net assets		11,895	12,891	10,721
Represented by:				
Share capital		7,160	7,170	7,170
Share premium account		165	165	165
Special reserve		6,245	6,258	6,258
Capital redemption reserve		35	25	25
Capital reserve	2			
<i>realised</i>		(702)	149	(622)
<i>unrealised</i>		(1,116)	(918)	(2,373)
Revenue reserve		108	42	98
Total equity shareholders' funds		11,895	12,891	10,721
Net asset value per share		83.0p	89.9p	74.8p

The accompanying notes are an integral part of this balance sheet.

This interim report was approved by the Board of Directors on 25 September 2003

Signed on behalf of the Board of Directors by

Dr N E Cross

Chairman

Unaudited Cash Flow Statement

six months to 30 June 2003

	Six months to 30 June 2003 £'000	Six months to 30 June 2002 £'000	Six months to 31 December 2002 £'000
Operating activities			
Investment income received	140	145	383
Deposit interest received	21	42	54
Investment management fees paid	(93)	(109)	(249)
Other cash payments	(68)	(62)	(112)
Net cash inflow from operating activities	—	16	76
Taxation			
UK corporation tax paid	—	—	(10)
Investing activities			
Purchase of investments	(744)	(7,262)	(9,142)
Disposal of investments	129	454	3,671
Net cash outflow from investing activities	(615)	(6,808)	(5,471)
Equity dividends paid			
Dividends paid on ordinary shares	(144)	(142)	(285)
Net cash outflow before financing	(759)	(6,934)	(5,690)
Financing			
Issue of shares net of expenses	—	188	179
Redemption of own shares	(13)	(9)	(9)
Net cash (outflow)/inflow from financing	(13)	179	170
Decrease in cash	(772)	(6,755)	(5,520)

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. 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 an investment company as defined in Section 266 of the Companies Act 1985.

2. Accounting policies

The principal accounting policies of the Company, all of which have been applied consistently throughout the period in the preparation of its accounts are set out below.

Accounting convention

The financial statements are prepared under the historical cost convention, modified by the revaluation of certain investments. The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" (SORP) in all material aspects. The particular accounting policies adopted are described below.

Investments

Investments listed on recognised exchanges 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 in accordance with the British Venture Capital Association guidelines. Amounts accrued under redemption premium on secured loan stock are dealt with in the fixed asset investments of the Company. The unrealised depreciation or appreciation on the valuation of investments and gains and losses arising on the disposal of investments are dealt with in the 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 is included in revenue when an investment is quoted ex-dividend. Any fixed returns on non-equity shares or debt securities are recognised on a time apportionment basis.

Management expenses

Some 75% 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. All other expenses are charged to the revenue account.

Notes to the interim results (continued)

Issue costs

Issue costs associated with the allotment of ordinary share capital have been deducted from the share premium account in accordance with Financial Reporting Statement No. 4.

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.

Foreign Currency

Transactions denominated in foreign currencies are recorded in the local currency at the actual exchange rates as at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the period end are reported at the rates of exchange prevailing at the period end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the capital reserve or in the revenue account depending on whether the gain or loss is of a capital or revenue nature respectively.

Reserves

Capital reserves – realised

The following are taken to this reserve:

- (i) gains and losses on the realisation of investments.
- (ii) realised exchange differences of a capital nature.
- (iii) expenses, together with the related taxation effect, charged in accordance with the above policies.

Capital reserves – unrealised

The following are taken to this reserve:

- (i) increases and decreases in the valuation of investments held at the period end
- (ii) unrealised exchange differences of a capital nature.

3. Gains/(losses) on investments

	Six months to 30 June 2003 £'000	Six months to 30 June 2002 £'000
Realised gains	11	162
Unrealised gains/(losses)	1,256	(1,616)
	<u>1,267</u>	<u>(1,454)</u>

Notes to the interim results (continued)

4. Income

	Six months to 30 June 2003 £'000	Six months to 30 June 2002 £'000
Interest from investments		
Qualifying investments	120	120
Non-qualifying investments	29	48
Redemption Premium	28	98
Bank deposit interest	21	40
	<u>198</u>	<u>306</u>

5. Tax on ordinary activities

	Six months to 30 June 2003			Six months to 30 June 2002		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
UK corporation tax at 20%	(2)	–	(2)	16	–	16
Tax attributable to capital expenses	22	(22)	–	26	(26)	–
	<u>20</u>	<u>(22)</u>	<u>(2)</u>	<u>42</u>	<u>(26)</u>	<u>16</u>

Notes

- (i) Venture Capital Trusts are not subject to corporation tax upon any capital gains.
- (ii) Tax relief on expenses charged to capital has been determined by allocating tax relief to all expenses marginally by reference to the applicable corporation tax rate of 20% and allocating the relief in the same ratio as expenses between revenue and capital.
- (iii) No deferred tax on any asset or liability has arisen in the year.
- (iv) Tax is provided at the current rate of 20%.

6. Dividends

The interim dividend of 0.5 pence per share, amounting in total to £71,601, will be paid on 24 October 2003 to those shareholders who are on the register on 3 October 2003.

Notes to the interim results (continued)

7. Return per share

	Six months to 30 June 2003			Six months to 30 June 2002		
	Revenue	Capital	Total	Revenue	Capital	Total
Equity shares	0.6p	8.2p	8.8p	1.2p	(10.9)p	(9.7)p

The revenue return per share is based on the net revenue on ordinary activities after taxation but before deduction of dividends on £82,000 (2002: £169,000) in respect of 14,329,523 shares (2002: 14,251,513 shares), being the weighted average number of shares in issue during the six months. The capital return per share is based on net capital gain for the period of £1,177,000 (2002: a net capital loss of £1,558,000) in respect of the same weighted average number of shares in issue over the six months.

8. Other information

The financial information set out in the announcement does not constitute the Company's statutory accounts for the six months ended 30 June 2003 or 2002. The financial information for the year ended 31 December 2002 is derived from the statutory accounts 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.

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 Technology & General VCT PLC