CLOSE BROTHERS

VENTURE CAPITAL TRUST PLC

Interim Report
for the six months to
30 September 2004

CLOSE BROTHERS
VENTURE CAPITAL TRUST PLC

Interim Report
for the six months to
30 September 2004

CONTENTS

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	C Kinnear 10 Crown Place London EC2A 4FT
Registrar	Capita Registrars PLC The Registry 34 Beckenham Road Beckenham Kent BR3 4TU Tel: 0870 162 3100
Independent Reporting Accountants	Deloitte & Touche LLP London
Taxation Adviser	Ernst & Young 1 More London Place London SE1 2AF
Safe Custodian	Capita Trust Company Ltd Guildhall House 81-87 Gresham Street London EC2V 7QE
Company number	3142609

Chairman's statement

Introduction

The principal event during the six months to 30 September 2004 was the sale shortly after the year end of the five homes for people with learning disabilities. As reported in my Chairman's statement in the annual report and accounts, this realised a profit of £4 million on cost of £9.9 million. This was accounted for in the year end accounts as an unrealised profit. The realisation further boosts the level of realised capital reserves that are available for distribution.

The Company made one new investment of £900,000 during the period, in CS (Greenwich) Limited, as part of a total investment by funds managed or advised by Close Venture Management Limited of £2.5 million. CS (Greenwich) Limited was established to redevelop a redundant cinema in the heart of Greenwich in London into a five-screen art house cinema with bars and restaurant in conjunction with City Screen Limited which operates the cinemas owned by City Screen (Cambridge) Limited and City Screen (Liverpool) Limited in which the Company is already an investor. The Greenwich cinema is expected to re-open in the autumn of 2005.

In addition, the Company has made follow on investments of £1 million in Kew Green VCT (Stansted) Limited, which is developing an Express by Holiday Inn hotel at Stansted Airport; £1 million in Barleycroft Care Home Limited, which is developing a care home in Romford; £925,000 in Applecroft Care Home Limited, which owns a care home in Dover; and £140,000 in The Bold Pub Company Limited, to enable it to buy a further pub in the North West of England. Subsequent to the half year a further £860,000 has been invested in the Bold Pub Company Limited, as part of additional investment of £3.5 million by funds managed or advised by the Manager to enable it to acquire two further portfolios of pubs, taking the total number of pubs owned by it to 26.

The principal change in valuation over the six months has been to Premier VCT (Mailbox) Limited, which operates the Days Hotel in the Mailbox development in the centre of Birmingham. A restructuring of the company in conjunction with the acquisition of the shares belonging to our previous partner, Premier Hotels, by our new partner, has enabled an uplift of over £700,000 in the valuation of the Company's investment. Additionally the Company's holding in the Bold Pub Company was revalued upwards at the time of the additional investment following strong performance. The other changes in valuation since 31 March 2004 reflect changes in the underlying companies' net current assets.

In the residential property development sector, we have seen some slowing in the rate of sales but dividends were received from three out of four of the investee companies during the period.

A summary of the Company's investments at 30 September, 2004 is set out below:

Investee Company	Investment at cost £'000	Revaluation £'000	Investment at valuation £'000	Reserved for investment £'000	Revaluation since 31 March 2004 £'000
Hotels					
Premier VCT (Mailbox) Ltd	4,600	1,807	6,407	–	719
Kew Green VCT (Stansted) Ltd	3,000	–	3,000	2,000	–
Care Homes					
Applecroft Care Home Ltd	1,925	–	1,925	–	–
Barleycroft Care Home Ltd	2,000	–	2,000	275	–
Leisure					
City Screen (Cambridge) Ltd	1,210	158	1,368	–	32
Odyssey Glory Mill Ltd	4,500	912	5,412	–	(36)
City Screen (Liverpool) Ltd	200	(25)	175	–	(6)
CS (Greenwich)Ltd	900	–	900	–	–
The Bold Pub Company Ltd	400	49	449	860	49
Residential Development					
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	–	–
Total at 30 September 2004	26,735	2,901	29,636	3,135	758
Total at 31 March 2004	32,710	6,180	38,890	5,340	–

Results and Dividend

As at 30 September 2004 the net asset value of the Company was £40.64 million or 113.3 pence per share, which compares with a net asset value at 31 March 2004 of £40.58 million or 113.1 pence per share. Net income before taxation was £1.46 million (2003: £1.38 million). In view of the level of realised capital reserves and the relatively predictable levels of revenue the Board has decided to make the levels of the interim and final dividends more equal. Accordingly, within the Company's broader aim of a progressive dividend policy, the board has declared a net interim dividend of 4.25 pence per share, including 1.45 pence out of realised capital reserves, for the six months to 30 September 2004 (2003: 3.00 pence per share). The interim dividend will be paid on 7 January 2005 to shareholders registered on 24 December 2004.

The following is an analysis of dividends paid in respect of each class of shares 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 year to 31 March 2004	8.50	8.50
Net dividend for the six months to 30 September 2004	4.25	4.25
Total dividends	63.05	51.50
Net asset value per share at 30 September 2004	113.27	113.27
Total	176.32	164.77

Notes

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.

David Watkins
Chairman

14 December 2004

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 2004 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 2004.

Deloitte & Touche LLP

Chartered Accountants
London
14 December 2004

Statement of Total Return

(incorporating the profit and loss account) for the six months to 30 September 2004

	Unaudited six months to 30 September 2004			Unaudited six months to 30 September 2003			Audited year to 31 March 2004		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Realised gains on investments	–	4,037	4,037	–	–	–	–	21	21
Less: unrealised apprecition provided for in previous periods	–	(4,037)	(4,037)	–	–	–	–	–	–
Unrealised gains/(losses) on investments	–	758	758	–	(39)	(39)	–	2,950	2,950
Income	1,693	–	1,693	1,694	–	1,694	3,438	–	3,438
Investment management fees (note 1)	(97)	(292)	(389)	(223)	(290)	(513)	(419)	(478)	(897)
Other expenses	(129)	–	(129)	(62)	(58)	(120)	(151)	(131)	(282)
Return on ordinary activities before interest and tax	1,467	466	1,933	1,409	(387)	1,022	2,868	2,362	5,230
Finance charge	(5)	(16)	(21)	(27)	–	(27)	(54)	–	(54)
Return on ordinary activities before tax	1,462	450	1,912	1,382	(387)	995	2,814	2,362	5,176
Tax on ordinary activities	(422)	92	(330)	(390)	97	(293)	(802)	183	(619)
Return attributable to shareholders	1,040	542	1,583	992	(290)	702	2,012	2,545	4,557
Dividends (note 2)	(1,004)	(520)	(1,524)	(1,004)	(72)	(1,076)	(1,633)	(1,417)	(3,050)
Transfer to reserves	36	22	58	(12)	(362)	(374)	379	1,128	1,507
Return per ordinary share (note 3)	2.9p	1.5p	4.4p	2.8p	(0.8)p	2.0p	5.6p	7.1p	12.7p

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

There were no recognised gains and losses other than those disclosed above. Accordingly no statement of total recognised gains and losses is required. The accompanying notes are an integral part of this statement

Balance Sheet

as at 30 September 2004

	Unaudited 30 September 2004 £'000	Unaudited 30 September 2003 £'000	Audited 31 March 2004 £'000
Fixed asset investments			
Qualifying investments	29,636	32,724	38,890
Non-qualifying investments	62	–	–
Total fixed asset investments	29,698	32,724	38,890
Current assets			
Debtors	258	428	225
Cash at bank and in hand	12,808	8,667	5,735
	13,066	9,095	5,960
Creditors: due within one year	(2,125)	(2,119)	(3,269)
Net current assets	10,941	6,976	2,691
Creditors: due greater than one year	–	(1,000)	(1,000)
Net assets	40,639	38,700	40,581
Represented by:			
Called up share capital	17,939	17,939	17,939
Special reserve	14,110	14,111	14,110
Capital redemption reserve	1,914	1,914	1,914
Capital reserve			
realised	3,154	1,917	222
unrealised	2,901	2,625	5,811
Revenue reserve	621	194	585
Total equity shareholders' funds	40,639	38,700	40,581
Net asset value per ordinary share	113.3p	107.9p	113.1p

This interim report was approved by the Board of Directors on 14 December 2004.

Signed on behalf of the Board of Directors by

David Watkins
Chairman

Cash Flow Statement

for the six months to 30 September 2004

	Unaudited Six months to 30 September 2004 £'000	Unaudited Six months to 30 September 2003 £'000	Audited Year to 31 March 2004 £'000
Operating activities			
Investment income received	1,399	1,489	3,189
Dividend income received	65	–	208
Deposit interest received	190	170	287
Other income received	12	163	–
Investment management fees paid	(527)	(201)	(572)
Management performance fee paid	(505)	(351)	(351)
Other cash payments	(121)	(108)	(202)
Net cash inflow from operating activities	513	1,162	2,559
Finance interest paid	(31)	(26)	(53)
Taxation			
UK corporation tax paid	(355)	–	(150)
VAT paid	(33)	(20)	1
VAT received	1	28	–
	(387)	8	(149)
Investing activities			
Purchase of investments	(4,026)	(1,170)	(4,428)
Disposals of investments	13,977	–	89
Disposals of non-qualifying investments	–	–	100
Net cash inflow/(outflow) from/(to) investing activities	9,951	(1,170)	(4,239)
Dividends paid			
Equity dividends paid on ordinary shares	(1,973)	(1,866)	(2,942)
Net cash (outflow)/(inflow) before financing	8,073	(1,892)	(4,824)
Financing			
Redemption of own shares	–	(92)	(92)
Loan repayment	(1,000)	–	–
	(1,000)	(92)	(92)
Increase/(decrease) in cash and cash equivalents	7,073	(1,984)	(4,916)

Notes to the interim results

1. Accounting Policies

Accounting convention

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

True and fair override

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

The financial statements are prepared in accordance with applicable Accounting Standards and with the Statement of Recommended Practice: “Financial Statements of Investment Trust Companies” (SORP) issued by the Association of Investment Trust Companies in January 2003.

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

In the opinion of the directors the presentation adopted 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. 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 published in June 2003. 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 (FRS) No. 16.

Management expenses

75% of all the management fees including any management performance fee, have been charged to capital reserves, net of corporation tax. All of the remaining investment management fees are charged to the revenue account. The board has changed the allocation of management fees and expenses from the last year end period. This does not represent a change in accounting policy but reflects the expected long-term split of returns, in the form of capital gains and income respectively.

Taxation

The interim financial information has been prepared on the basis of accounting policies consistent with those applied in the 2004 financial statements.

2. Dividend

The interim dividend of 4.25 pence per Ordinary Share (2.8p revenue and 1.45p capital), amounting to £1,524,825, (2003: £1,076,347 or 2.8 pence per share) will be paid on 7 January 2005 to shareholders registered on 24 December 2004.

3. Return per share

Return per share has been calculated on 35,878,228 Ordinary Shares (2003: 35,878,228), being the weighted number of shares in issue for the period.

4. Other information

The information for the six months ended 30 September 2004 and 30 September 2003 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 2004 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.

9142_CBVCT 12/20/04 16:25 Page bc

Close Brothers Venture Capital Trust PLC