

Close Technology & General VCT PLC



Interim Report and Accounts
for the six months to
30 June 2006



CONTENTS

	Page
Directors and administration	2
Financial highlights	3
Chairman's statement	4
Portfolio of investments	5
Independent review report	9
Income statement	10
Balance sheet	13
Reconciliation of movements in shareholders' funds	16
Cash flow statement	18
Notes to the interim accounts	21



DIRECTORS AND ADMINISTRATION

Company number	04114310
Directors	Dr N E Cross, Chairman Lt. Gen. Sir Edmund Burton KBE M J Hart P H Reeve
Investment manager	Close Ventures Limited 10 Crown Place London EC2A 4FT Tel: 020 7422 7830
Technology adviser	Rebourne Technology Investment Management Limited 10 Exchange Square Primrose Street London EC2A 2BY
Secretary and registered office	Close Ventures Limited 10 Crown Place London EC2A 4FT
Registrar	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA Tel: 0870 162 3124
Registered auditors	Deloitte & Touche LLP London
Taxation adviser	Ernst & Young LLP 1 More London Place London SE1 2AF



FINANCIAL HIGHLIGHTS

	Ordinary Shares 30 June 2006	C Shares 30 June 2006
Net asset value per share (pence)	113.5	94.4 (i)
	Pence per Ordinary share (ii)	Pence per C share (ii)
Shareholder value created per share since launch*:		
Total dividends paid during the year ended 31 December 2001 (iii)	1.00	–
Total dividends paid during the year ended 31 December 2002	2.00	–
Total dividends paid during the year ended 31 December 2003	1.50	–
Total dividends paid during the year ended 31 December 2004	7.50	–
Total dividends paid during the year ended 31 December 2005	9.00	–
Total dividends paid during the period ended 30 June 2006	4.00	–
Total dividends paid to 30 June 2006	25.00	–
Net asset value at 30 June 2006	113.5	94.4
Total return to 30 June 2006	138.5	94.4

*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 accounted for in each period.

Notes

- (i) Compares to the opening net asset value per share of 94.5 pence (after costs) immediately following the closing of the Offer.
- (ii) Excludes tax benefits upon subscription
- (iii) Based on subscription by the first closing on 16 January 2001. Investors subscribing thereafter, up to 30 June 2001 received 0.5 pence per share.

In addition to the dividends paid as detailed, Directors have declared a second dividend of 4 pence per Ordinary Share (1.5 pence to be paid out of revenue profits and 2.5 pence out of capital profits) and 0.5 pence per C Share (out of revenue profits) to be paid on 3 November 2006 to shareholders on the register as at 6 October 2006.



CHAIRMAN'S STATEMENT

Introduction

Close Technology & General VCT PLC raised £14.4m through an Ordinary share issue launched in January 2001 and a further £35m with a C share issue launched in November 2005. The Company's strategy is to offer investors the opportunity to participate in a balanced portfolio of technology and non-technology businesses, with the investment portfolio broadly split as follows:

- 40% in technology companies, with 15% in quoted "international" stocks and 25% in unquoted UK technology related companies; and
- 60% in unquoted UK non-technology companies.

Investment progress

The key event in the first six months of the year was the successful closing of the C share issue which was fully subscribed at £35m. On behalf of the Board, I would like to welcome all of our new shareholders.

Ordinary Share portfolio

After the strong performance of the last two years, where the excellent performance of the Ordinary Shares was driven in large part by three successful trade sales and a flotation, the first six months of this year represented a period of consolidation, and there was a negative total return for the period of 3.4 pence per share. Some £800,000 was invested in existing and new investee companies within the Ordinary Share portfolio, further details of which are given below. Within the existing portfolio, however, provision needed to be made against two investments, Peakdale Molecular, and Evolutions Television (which was reduced to cost). In both cases, previous strong growth slowed in the early months of the year. Other businesses, however, continued to perform strongly. In particular Xceleron (the drugs testing business), and Lowcosttravel Group (the online travel business), both of whose sales have increased sharply since our investment in 2005, and also The Bold Pub Company, whose profits generated from its freehold estate continued to climb. We anticipate that these strong performances will in due course be reflected in the valuations.

C Share portfolio

Just under £2m was invested in new investee companies during the first six months of the year. The key investments, which were shared with the Ordinary Share portfolio, include RFI Global Services, which provides testing facilities to mobile phone manufacturers worldwide; Blackbay, which provides systems for field force and supply chain logistics; and Dexela, which has designed a potentially revolutionary form of imaging system for the screening of breast cancer.

Results and dividend

At 30 June 2006 the net asset value of the Company's Ordinary Shares was £15.4m (30 June 2005: £16.4m) equivalent to 113.5p per share (30 June 2005: 118.5p). Net revenue return after taxation was £202,000 (2005: £222,000). The second dividend for the current financial year will be 4p per Ordinary share of which 1.5p will be paid out of revenue profits and 2.5p paid out of capital profits.

As at 30 June 2006 the net asset value of the C Shares was £33.5m equivalent to 94.4p per share, compared to opening net asset value of 94.5p per share (after costs) following completion of the C share Offer. Net income after taxation was £226,000 enabling the Company to declare an inaugural dividend for the C Shares of 0.5p per share.

Both dividends will be paid on 3 November to shareholders on the register at 6 October 2006.



PORTFOLIO OF INVESTMENTS

Ordinary Share Portfolio

The following is a summary of the qualifying technology investments at 30 June 2006.

	Investment at cost £'000	Cumulative movement in carrying/fair value ⁽¹⁾ £'000	Total carrying/fair value £'000
Xceleron Ltd	500	23	523
Intelligent Environments Plc*	257	165	422
Pilat Media Global Plc*	168	203	371
Advanced Medical Solutions Group Plc*	300	52	352
Blackbay Group Ltd	250	3	253
RFI Global Services Ltd	180	–	180
Peakdale Molecular Ltd	428	(273)	155
Bond International Plc*	48	89	137
Lowcosttravelgroup Ltd	120	5	125
Tepnel Life Sciences Plc*	328	(222)	106
Portrait Software Plc*	310	(205)	105
Red-M Group Ltd	75	2	77
sparesFinder Ltd	675	(609)	66
Dexela Ltd	65	–	65
Palm Tree Technology plc	25	1	26
OneclickHR Plc*	58	(54)	4
Total technology investments	3,787	(820)	2,967

⁽¹⁾ Included in this movement is capital depreciation of equity instruments of £856,000 and movement in carrying value of loans and receivables of £36,000.

* AIM quoted investments



PORTFOLIO OF INVESTMENTS (continued)

Ordinary Share Portfolio (continued)

The following is a summary of the qualifying non-technology investments at 30 June 2006.

	Investment at cost £'000	Cumulative movement in carrying/fair value ⁽¹⁾ £'000	Total carrying/fair value £'000
Evolutions Television Ltd	1,530	(53)	1,477
Consolidated Communications Management Ltd	1,000	92	1,092
The Q Garden Company Ltd	2,068	(1,048)	1,020
Grosvenor Health Ltd	415	291	706
Peakdale Molecular Ltd ⁽¹⁾	533	167	700
The Bold Pub Company Ltd	580	86	666
Careforce Group Plc*	314	269	583
The Weybridge Club Ltd	500	23	523
Tower Bridge Health Clubs Ltd	183	–	183
CS (Brixton) Ltd	150	8	158
Churchill Taverns VCT Ltd	145	12	157
GB Pub Company Ltd	160	(10)	150
The Rutland Pub Company Ltd	110	5	115
CS (Greenwich) Ltd	100	(10)	90
The Independent Pub Company VCT Ltd	120	(36)	84
The Independent Beer Company Ltd	100	(20)	80
The Dunedin Pub Company Ltd	80	–	80
CS (Exeter) Ltd	60	1	61
City Screen (Liverpool) Ltd	50	5	55
Total non-technology investments	8,198	(218)	7,980
Total qualifying investments	11,985	(1,038)	10,947

⁽¹⁾ Included in this movement is capital depreciation of equity instruments of £58,000 and negative movement in carrying value of loans and receivables of £160,000.

* AIM quoted investment

⁽¹⁾ This part of the Peakdale investment is in loan stock secured against debtors and property and is classified as a non-technology holding.



PORTFOLIO OF INVESTMENTS (continued)

Ordinary Share Portfolio (continued)

The following is a summary of the non-qualifying investments at 30 June 2006.

	Investment at cost £'000	Cumulative movement in carrying/fair value ⁽¹⁾ £'000	Total carrying/fair value £'000
Unquoted non-qualifying investments:			
Smiles Pub Company Ltd	233	(13)	220
Smiles Brewing Company Ltd	72	(38)	34
	<hr/>	<hr/>	<hr/>
Total unquoted non-qualifying investments	305	(51)	254
Portfolio of International quoted technology investments	1,416	83	1,499
Portfolio of non-qualifying AIM quoted technology investments	96	(92)	4
	<hr/>	<hr/>	<hr/>
Total non-qualifying investments	1,817	(60)	1,757
	<hr/>	<hr/>	<hr/>

⁽¹⁾ Included in this movement is capital depreciation of equity instruments of £43,000 and negative movement in carrying value of loans and receivables of £17,000.



PORTFOLIO OF INVESTMENTS (continued)

C Share Portfolio

The following is a summary of investments at 30 June 2006.

	Investment at cost £'000	Cumulative movement in carrying/fair value ⁽¹⁾ £'000	Total carrying/fair value £'000
Qualifying technology investments			
Blackbay Group Ltd	600	7	607
Dexela Ltd	440	–	440
RFI Global Services Ltd	100	3	103
	<hr/>	<hr/>	<hr/>
Total technology investments	1,140	10	1,150
	<hr/>	<hr/>	<hr/>
Qualifying non-technology investments			
The Rutland Pub Company Ltd	370	9	379
Churchill Taverns VCT Ltd	340	8	348
Evolutions Television Ltd	70	(9)	61
	<hr/>	<hr/>	<hr/>
Total non-technology investments	780	8	788
	<hr/>	<hr/>	<hr/>
Total qualifying investments	1,920	18	1,938
	<hr/>	<hr/>	<hr/>

⁽¹⁾ Included in this movement is capital depreciation of equity instruments of £4,000 and movement in carrying value of loans and receivables of £22,000.

	Investment at cost £'000	Cumulative movement in fair value ⁽¹⁾ £'000	Total fair value £'000
Non-qualifying investments			
Nationwide FRN	5,007	(1)	5,006
The Royal Bank of Scotland FRN	5,003	(2)	5,001
Abbey National FRN	5,001	(1)	5,000
Alliance & Leicester FRN	4,999	(1)	4,998
Rabobank FRN	5,000	(4)	4,996
Portfolio of International quoted technology investments	306	2	308
	<hr/>	<hr/>	<hr/>
Total non-qualifying investments	25,316	(7)	25,309
	<hr/>	<hr/>	<hr/>

⁽¹⁾ This movement is made up of net capital depreciation of £7,000.



INDEPENDENT REVIEW REPORT
to Close Technology & General VCT PLC

We have been instructed by the Company to review the financial information for the six months ended 30 June 2006 which comprises the income statements, the balance sheets, the reconciliation of movements in shareholders' funds, the cash flow statements and related notes 1 to 11. 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 the preparation of 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 International Standards on Auditing (UK and Ireland) 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 2006.

Deloitte & Touche LLP
Chartered Accountants
London
26 September 2006

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.



INCOME STATEMENT

Ordinary Shares

	Notes	Unaudited Six months to 30 June 2006			Unaudited Six months to 30 June 2005			Audited Year to 31 December 2005		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments	3	–	(545)	(545)	–	1,609	1,609	–	2,412	2,412
Investment income		414	–	414	421	–	421	812	–	812
Investment management fees		(60)	(179)	(239)	(54)	(161)	(215)	(126)	(381)	(507)
Other expenses		(30)	–	(30)	(72)	–	(72)	(128)	–	(128)
Return/(loss) on ordinary activities before tax		324	(724)	(400)	295	1,448	1,743	558	2,031	2,589
Tax on ordinary activities		(122)	63	(59)	(73)	49	(24)	(133)	105	(28)
Return/(loss) attributable to equity holders		202	(661)	(459)	222	1,497	1,719	425	2,136	2,561
Basic and diluted return/(loss) per share (pence)	5	1.5	(4.9)	(3.4)	1.5	10.5	12.0	3.1	15.4	18.5

The accompanying notes on pages 21 to 25 form an integral part of these interim results.

The total column of this Income Statement represents the profit and loss account of the Ordinary Shares.

All of the Company's activities derive from continuing operations.

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.



INCOME STATEMENT (continued)

C Shares

	Notes	Unaudited Six months to 30 June 2006		
		Revenue £'000	Capital £'000	Total £'000
Losses on investments	3	–	(11)	(11)
Investment income		515	–	515
Investment management fees		(122)	(367)	(489)
Other expenses		(70)	–	(70)
Return/(loss) on ordinary activities before tax		323	(378)	(55)
Tax on ordinary activities		(97)	110	13
Return/(loss) attributable to equity holders		226	(268)	(42)
Basic and diluted return/(loss) per share (pence)	5	1.0	(1.2)	(0.2)

The accompanying notes on pages 21 to 25 form an integral part of these interim results.

The total column of this Income Statement represents the profit and loss account of the C Shares.

All of the Company's activities derive from continuing operations.

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.



INCOME STATEMENT (continued)

Total

	Notes	Unaudited Six months to 30 June 2006			Unaudited Six months to 30 June 2005			Audited Year to 31 December 2005		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments	3	–	(556)	(556)	–	1,609	1,609	–	2,412	2,412
Investment income		929	–	929	421	–	421	812	–	812
Investment management fees		(182)	(546)	(728)	(54)	(161)	(215)	(126)	(381)	(507)
Other expenses		(100)	–	(100)	(72)	–	(72)	(128)	–	(128)
Return/(loss) on ordinary activities before tax		647	(1,102)	(455)	295	1,448	1,743	558	2,031	2,589
Tax on ordinary activities		(219)	173	(46)	(73)	49	(24)	(133)	105	(28)
Return/(loss) attributable to equity holders		428	(929)	(501)	222	1,497	1,719	425	2,136	2,561
Basic and diluted return/(loss) per share (pence)	5	2.5	(6.1)	(3.6)	1.5	10.5	12.0	3.1	15.4	18.5

The accompanying notes on pages 21 to 25 form an integral part of these interim results.

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

All of the Company's activities derive from continuing operations.

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.



BALANCE SHEET

Ordinary Shares

		Unaudited 30 June 2006 £'000	Unaudited 30 June 2005 £'000	Audited 31 December 2005 £'000
	Note			
Fixed asset investments				
Qualifying		10,947	8,674	10,438
Non-qualifying		1,757	1,673	1,847
Total fixed asset investments		12,704	10,347	12,285
Current Assets				
Debtors		43	318	45
Cash at bank		3,113	6,446	4,754
		3,156	6,764	4,799
Creditors: amounts falling due within one year		(435)	(745)	(420)
Net current assets		2,721	6,019	4,379
Net assets		15,425	16,366	16,664
Capital and reserves				
Called up share capital	6	6,795	6,908	6,908
Share premium		165	165	165
Special reserve		5,555	5,785	5,785
Capital redemption reserve		400	287	287
Realised capital reserve		3,751	4,974	4,311
Unrealised capital reserve		(1,678)	(1,779)	(1,027)
Revenue reserve		437	26	235
Total shareholders' funds		15,425	16,366	16,664
Net asset value per share (pence)		113.5	118.5	120.6



BALANCE SHEET
C Shares

		Unaudited 30 June 2006 £'000
	Note	
Fixed asset investments		
Qualifying		1,938
Non-qualifying		25,309
Total fixed asset investments		27,247
Current Assets		
Debtors		414
Cash at bank		6,131
		6,545
Creditors: amounts falling due within one year		(306)
Net current assets		6,239
Net assets		33,486
Capital and reserves		
Called up share capital	6	17,740
Special reserve		15,788
Realised capital reserve		(257)
Unrealised capital reserve		(11)
Revenue reserve		226
Total shareholders' funds		33,486
Net asset value per share (pence)		94.4



BALANCE SHEET

Total

		Unaudited 30 June 2006 £'000	Unaudited 30 June 2005 £'000	Audited 31 December 2005 £'000
	Note			
Fixed asset investments				
Qualifying		12,885	8,674	10,438
Non-qualifying		27,066	1,673	1,847
Total fixed asset investments		39,951	10,347	12,285
Current Assets				
Debtors		457	318	45
Cash at bank		9,244	6,446	4,754
		9,701	6,764	4,799
Creditors: amounts falling due within one year		(741)	(745)	(420)
Net current assets		8,960	6,019	4,379
Net assets		48,911	16,366	16,664
Capital and reserves				
Called up share capital	6	24,535	6,908	6,908
Share premium		165	165	165
Special reserve		21,343	5,785	5,785
Capital redemption reserve		400	287	287
Realised capital reserve		3,494	4,974	4,311
Unrealised capital reserve		(1,689)	(1,779)	(1,027)
Revenue reserve		663	26	235
Total shareholders' funds		48,911	16,366	16,664

The interim information on pages 10 to 25 were approved by the Board of Directors on 26 September 2006.

Signed on behalf of the Board of Directors by

Dr N E Cross
Chairman



**RECONCILIATION OF MOVEMENTS
IN SHAREHOLDERS' FUNDS**

Ordinary Shares

	Called up share capital £'000	Share premium £'000	Special reserve £'000	Capital Redemption reserve £'000	Realised capital reserve £'000	Unrealised capital reserve £'000	Revenue reserve £'000	Total £'000
As at 1 July 2005	6,908	165	5,785	287	4,974	(1,779)	26	16,366
Net realised gains on investments in the year	–	–	–	–	54	–	–	54
Capitalised investment management and performance fees	–	–	–	–	(220)	–	–	(220)
Tax relief on costs charged to capital	–	–	–	–	56	–	–	56
Movement in unrealised appreciation	–	–	–	–	–	752	–	752
Revenue return attributable to shareholders	–	–	–	–	–	–	209	209
Dividends	–	–	–	–	(553)	–	–	(553)
As at 31 December 2005	6,908	165	5,785	287	4,311	(1,027)	235	16,664
Net realised gains on investments in the year	–	–	–	–	106	–	–	106
Capitalised investment management and performance fees	–	–	–	–	(179)	–	–	(179)
Tax relief on costs charged to capital	–	–	–	–	63	–	–	63
Share redemptions	(113)	–	(230)	113	–	–	–	(230)
Movement in unrealised appreciation	–	–	–	–	–	(651)	–	(651)
Revenue return attributable to shareholders	–	–	–	–	–	–	202	202
Dividends	–	–	–	–	(550)	–	–	(550)
As at 30 June 2006	6,795	165	5,555	400	3,751	(1,678)	437	15,425



RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS (continued)

C Shares

	Called up share capital £'000	Share premium £'000	Special reserve £'000	Redemption reserve £'000	Capital Realised capital reserve £'000	Unrealised capital reserve £'000	Revenue reserve £'000	Total £'000
As at 31 December 2005	-	-	-	-	-	-	-	-
Capitalised investment management and performance fees	-	-	-	-	(367)	-	-	(367)
Tax relief on costs charged to capital	-	-	-	-	110	-	-	110
Issue of share capital	17,740	17,740	-	-	-	-	-	35,480
Issue costs	-	(1,952)	-	-	-	-	-	(1,952)
Cancellation of share premium account	-	(15,788)	15,788	-	-	-	-	-
Movement in unrealised appreciation	-	-	-	-	-	(11)	-	(11)
Revenue return	-	-	-	-	-	-	226	226
As at 30 June 2006	17,740	-	15,788	-	(257)	(11)	226	33,486



CASH FLOW STATEMENT

Ordinary Shares

	Unaudited Six months to 30 June 2006 £'000	Unaudited Six months to 30 June 2005 £'000	Audited Year to 31 December 2005 £'000
Operating activities			
Investment income received	243	398	614
Deposit interest received	52	42	112
Other cash receipt	112	–	174
Investment management fees paid	(130)	(158)	(389)
Other cash payments	(69)	(84)	(136)
Net cash inflow from operating activities	208	198	375
Taxation			
UK corporation tax paid	2	–	(25)
Capital expenditure and financial investments			
Purchase of investments	(1,404)	(3,484)	(4,599)
Disposal of investments	332	5,159	5,537
Net cash (outflow)/inflow from investing activities	(1,072)	1,675	938
Equity dividends paid			
Dividends paid on ordinary shares	(550)	(139)	(1,244)
Net cash (outflow)/inflow before financing	(1,412)	1,734	44
Financing			
Cancellation of share capital	(229)	(107)	(109)
Net cash outflow from financing	(229)	(107)	(109)
Cash (outflow)/inflow in the year	(1,641)	1,627	(65)



CASH FLOW STATEMENT (continued)

C Shares

	Unaudited Six months to 30 June 2006 £'000
Operating activities	
Investment income received	6
Deposit interest received	150
Investment management fees paid	(421)
Other cash payments	(165)
Net cash outflow from operating activities	(430)
Taxation	
UK corporation tax paid	–
Capital expenditure and financial investments	
Purchase of investments	(26,980)
Disposal of investments	–
Net cash outflow from investing activities	(26,980)
Equity dividends paid	
Dividends paid on C shares	–
Net cash outflow before financing	(27,410)
Financing	
Issue of share capital (net of costs)	33,541
Net cash inflow from financing	33,541
Cash inflow in the year	6,131



CASH FLOW STATEMENT (continued)

Total

	Unaudited Six months to 30 June 2006 £'000	Unaudited Six months to 30 June 2005 £'000	Audited Year to 31 December 2005 £'000
Operating activities			
Investment income received	249	398	614
Deposit interest received	202	42	112
Other cash receipt	112	–	174
Investment management fees paid	(551)	(158)	(389)
Other cash payments	(234)	(84)	(136)
Net cash (outflow)/inflow from operating activities	(222)	198	375
Taxation			
UK corporation tax paid	2	–	(25)
Capital expenditure and financial investments			
Purchase of investments	(28,384)	(3,484)	(4,599)
Disposals of investments	332	5,159	5,537
Net cash (outflow)/inflow from investing activities	(28,052)	1,675	938
Equity dividends paid			
Dividends paid on ordinary shares	(550)	(139)	(1,244)
Net cash (outflow)/inflow before financing	(28,822)	1,734	44
Financing			
Issue of share capital (net of costs)	33,541	–	–
Cancellation of share capital	(229)	(107)	(109)
Net cash inflow/(outflow) from financing	33,312	(107)	(109)
Cash inflow/(outflow) in the year	4,490	1,627	(65)



NOTES TO THE INTERIM ACCOUNTS for the six months to 30 June 2006

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.

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 Company is presented in an Income Statement in which the total column is the profit and loss account of the Company.

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

Investments

In accordance with FRS 26 "Financial Instruments Measurement", equity investments are designated as fair value through profit or loss ("FVTPL"). The total column of the Income Statement represents the Company's profit and loss account. Investments listed on recognised exchanges are valued at the closing bid prices at the end of the accounting period. Unquoted investments' fair value is determined by the Directors in accordance with the International Private Equity and Venture Capital Valuation 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.

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"). Movements in the amortised cost relating to interest income are reflected in the revenue column of the Income Statement and movements in respect of capital provisions are reflected in the capital column of the Income Statement. 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.

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 in accordance with the exemptions under FRS 9 "Associates and joint ventures", those undertakings in which the Company holds more than 20% of the equity are not regarded as associated undertakings.



NOTES TO THE INTERIM ACCOUNTS (continued)

Investment income

Dividends receivable on equity investments are taken to revenue on an ex-dividend basis. Fixed returns on debt securities are recognised on a time apportionment basis using an effective interest rate over the life of the financial instrument.

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% of Management fees and performance fees, net of corporation tax is allocated to the capital account, to the extent that these relate to an enhancement in the value of the investments and in line with the Board's expectation that over the long term 75% 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.

Debtors and creditors

- Debtors do not carry any interest and are short term in nature and are accordingly stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. The Directors consider that the carrying amount of debtors approximates their fair value.
- Taxation and creditors are non-interest bearing and are stated at their nominal value. The Directors consider that the carrying amount of creditors approximates their fair value.

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 mean 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.

Reserves

Realised capital reserves

The following are disclosed in 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; and
- (iii) realised exchange differences of a capital nature.

Unrealised capital reserves

Increases and decreases in the valuation of investments held at the end of the accounting period are accounted for in this reserve.

Special reserve

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



**NOTES TO THE INTERIM ACCOUNTS
(continued)**

Dividends

In accordance with FRS 21 “Events after the balance sheet date”, interim dividends are not accounted for until paid, and final dividends are accounted for when approved by shareholders at an annual general meeting.

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. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. 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, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in the capital reserve.

3. (Losses)/gains on investments

	Six months to 30 June 2006			Six months to 30 June 2005		
	Ordinary	C	Total	Ordinary	C	Total
	Shares £'000	Shares £'000		Shares £'000	Shares £'000	
Realised gains	106	–	106	2,640	–	2,640
Unrealised losses	(651)	(11)	(662)	(1,031)	–	(1,031)
	<u>(545)</u>	<u>(11)</u>	<u>(556)</u>	<u>1,609</u>	<u>–</u>	<u>1,609</u>

4. Amounts recognised as distributions to equity shareholders in the period

	Ordinary shares		C shares	
	Revenue	Capital	Revenue	Capital
	£'000	£'000	£'000	£'000
First dividend of 4 pence per share paid on 26 May 2006	–	550	–	–
	<u>–</u>	<u>550</u>	<u>–</u>	<u>–</u>

The Board has declared a second dividend of 4 pence per share for the Ordinary shareholders (1.5 pence revenue and 2.5 pence capital) and of 0.5 pence per share revenue dividend for the C shareholders, which will be paid on 3 November 2006 to members on the register as at 6 October 2006.

5. Return per share

Return per share has been calculated on 13,771,468 Ordinary Shares (2005: 14,283,206) and 21,611,995 C Shares (2005: nil) 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 Technology & General VCT 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 ACCOUNTS
(continued)

6. Called up share capital

	30 June 2006 £'000	30 June 2005 £'000	31 December 2005 £'000
Authorised:			
70,000,000 Ordinary Shares of 50p each (30 June 2005: 30,000,000)	35,000	15,000	35,000
40,000,000 C Shares of 50p each	20,000	–	20,000
	<u>55,000</u>	<u>15,000</u>	<u>55,000</u>
Allotted, called-up and fully-paid:			
Ordinary Shares of 50p each	6,795	6,908	6,908
35,479,122 C Shares of 50p each	17,740	–	–
	<u>24,535</u>	<u>6,908</u>	<u>6,908</u>

At the Extraordinary General Meeting on 8 December 2005, the Company passed a special resolution to increase the authorised share capital to £55,000,000 by the creation of 40,000,000 new Ordinary shares of 50 pence each and 40,000,000 C shares of 50 pence each.

Under the terms of the authority of the ordinary and special resolutions approved by the Extraordinary General Meeting on 8 December 2005, during the period, 35,479,122 C shares of 50 pence each, with a total nominal value of £17,739,561 were allotted in accordance with the terms of the Offer for Subscription dated 7 November 2005. These were issued at a premium of 50 pence each. These shares were admitted to the Official List of the UK Listing Authority on allotment.

Schedule of allotment of C shares of nominal value 50 pence

	Number of C Shares	Nominal value £'000	Aggregate consideration received net of issue costs £'000
3 January 2006	3,240,195	1,620,097	3,061,983
3 February 2006	3,249,439	1,624,719	3,070,719
3 March 2006	7,883,669	3,941,835	7,450,068
31 March 2006	20,626,697	10,313,349	19,492,230
3 April 2006	479,122	239,561	452,770
	<u>35,479,122</u>	<u>17,739,561</u>	<u>33,527,770</u>

7. Share premium account

On 30 June 2006, the Company registered the Court Order dated 28 June 2006, which cancelled the whole of the C shares' premium account amounting to £15,788,209 as at 28 June 2006. The purpose of the cancellation was to enable the Company to fund purchases of its own C shares, to enable the Company to offset the effects of unrealised losses on future dividends. For that effect, the Company created a special reserve.



NOTES TO THE INTERIM ACCOUNTS
(continued)

8. Investments

Investments held at fair value through profit or loss account total £6,120,000 for the Ordinary Shares and £26,228,000 for the C Shares. Investments held at amortised cost total £6,584,000 for the Ordinary Shares and £1,019,000 for the C Shares.

9. Contingencies, guarantees and financial commitments

The Company did not have any contingencies or guarantees as at 30 June 2006.

10. Other information

The information set out in the Interim Report does not constitute the Company's statutory accounts for the periods ended 30 June 2006 and 30 June 2005. The financial information for the period ended 31 December 2005 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.

11. 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 and at Companies House.

