



Close Income & Growth VCT PLC



Interim Report and Accounts
for the six months to 31 March 2007



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DIRECTORS AND ADMINISTRATION

Company number	5132495
Directors	Friedrich Ternofsky, Chairman Mary Anne Cordeiro John Kerr Patrick Reeve David Watkins
Company secretary and registered office	Close Ventures Limited 10 Crown Place London, EC2A 4FT
Investment manager	Close Ventures Limited 10 Crown Place London, EC2A 4FT Tel: 020-7422-7830 Fax: 020-7422-7849 www.closeventures.co.uk enquiries@closeventures.co.uk
Registrar	Capita Registrars Limited Northern House Penistone Road Fenay Bridge Huddersfield, HD8 0LA Tel: 0870-162-3124 Fax: 0870-162-3199 Email: shareholder.service@capitaregistrars.com
Shareholder assistance	
Independent auditors	Deloitte & Touche LLP Stonecutter Court 1 Stonecutter Street London, EC4A 4TR
Taxation adviser	Ernst & Young LLP 1 More Place London SE1 2AF



FINANCIAL HIGHLIGHTS

	31 March 2007	31 March 2006
Dividends paid per Ordinary share (pence)	1.75	1.35
Revenue return per Ordinary share	1.70	1.42
Capital loss per Ordinary share	(1.94)	(0.65)
Net asset value per Ordinary share (pence)	92.00	94.55

Shareholder value since launch	pence per share
Total dividends paid during the period ended 30 September 2005 (i)	0.65
Total dividends paid during the year ended 30 September 2006	2.60
Total dividends paid during the period to 31 March 2007	1.75
Total dividends paid to 31 March 2007	5.00
Net asset value as at 31 March 2007	92.00
Total cumulative shareholder value as at 31 March 2007	97.00

In addition to the dividend paid above the Board has declared a second dividend of 1.70 pence per share to be paid on 13 July 2007 to shareholders on the register on 15 June 2007.

Notes

- (i) Investors subscribing by 31 December 2004 and remaining on the register at 1 July 2005 were entitled to a dividend. Investors subscribing thereafter were not entitled to the first dividend.
- (ii) Excludes tax benefits upon subscription of 40% income tax relief.
- (iii) All dividends paid by the Company are free of income tax. It is an HM Revenue & Customs 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.
- (iv) 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. Investors are reminded that it is common for shares in VCTs to trade at a discount to their net asset value, primarily as a result of the initial tax relief which is non-transferable.



CHAIRMAN'S STATEMENT

Investment progress

Your Company continues to make good progress towards building up a portfolio divided between higher growth companies, including those involved in technology, and property-based companies in the leisure sector. During the six month period to 31 March 2007, Close Income & Growth VCT made 10 investments with a total value, including amounts reserved for investment, of £7.8 million. The key investments included a total commitment of £3 million to Kensington Health Clubs, which is developing a 29,000 square foot health club on a 999 year lease at Olympia in West London; £1.7 million committed to Chichester Holdings, a leading distributor of drinks to airport lounges and cruise ships; and £570,000 to Rostima, which provides software for complex staff scheduling applications. 47% of the VCT's portfolio is currently invested in growth companies, with the balance in property-based leisure investments.

The VCT is now 61% invested, including amounts reserved for investment over the next few months in existing investee companies. Further investments currently in progress will ensure that we exceed the 70% level by the due date of 30 September 2007.

Overall, the investment portfolio is performing satisfactorily though the net asset value has fallen since the last year end due to continuing difficult, though manageable, trading conditions in three of our investee companies. Certain other of our investee companies, however, have strong prospects which have yet to be reflected in their valuations.

Results and dividends

As at 31 March 2007 the net asset value of the Company was £41.6 million or 92 pence per share compared with £42.6 million or 94 pence per share at 30 September 2006. The Company recorded revenue before tax of £1.1 million compared to £925,000 for the equivalent period from the previous financial year. In the light of the results, the Board is pleased to declare a second dividend for the year of 1.70 pence per share which, when added to the first dividend of 1.75 pence, comes close to our target of 3.5 pence per share once the Company is fully invested. The dividend will be paid to shareholders on 13 July 2007 to shareholders on the register on 15 June 2007.

Future prospects

As mentioned above, we remain positive about the prospects for the investment portfolio despite the slight fall in net asset value. It is encouraging to see that the dividend target has nearly been met, ahead of schedule, and we would hope that this can be further enhanced in future years once investments begin to mature and the VCT can build up a store of net realised capital profits.

Friedrich Ternofsky
Chairman

4 June 2007



PORTFOLIO OF INVESTMENTS

Portfolio of qualifying investments as at 31 March 2007

Investee company	Investment at cost £'000	Cumulative* movement in carrying/fair value £'000	Total carrying/fair value £'000
Property-based leisure investments			
The Weybridge Club Limited	2,000	69	2,069
Tower Bridge Health Club Limited	1,075	216	1,291
Premier Leisure (Suffolk) Limited	1,000	12	1,012
Chichester Holdings Limited	1,000	10	1,010
Kensington Health Clubs Limited	1,000	9	1,009
The Bold Pub Company Limited	690	122	812
The Rutland Pub Company Limited	610	100	710
CS (Brixton) Limited	650	51	701
The Dunedin Pub Company VCT Limited	770	(101)	669
Churchill Taverns VCT Limited	640	20	660
G B Pub Company VCT Limited	675	(69)	606
Novello Pub Limited	466	(158)	308
River Bourne Health Club Limited	280	4	284
CS (Exeter) Limited	250	21	271
Pelican Inn Limited	186	(48)	138
Total property-based leisure investments	11,292	258	11,550



PORTFOLIO OF INVESTMENTS (continued)

Portfolio of qualifying investments as at 31 March 2007 (continued)

Investee company	Investment at cost £'000	Cumulative* movement in carrying/fair value £'000	Total carrying/fair value £'000
High growth unquoted investments			
Evolutions Television Limited	2,170	(250)	1,920
Xceleron Limited	1,500	343	1,843
Blackbay Limited	1,500	60	1,560
Grosvenor Health Limited	885	122	1,006
Lowcosttravelgroup Limited	560	220	780
RFI Global Services Limited	950	(201)	749
Rostima Limited	570	1	571
Helveta Limited	430	6	436
Dexela Limited	400	–	400
Palm Tree Technology PLC	235	17	252
Red-M Group Limited	467	(268)	199
FlexNLock Limited	110	–	110
	_____	_____	_____
Total high growth investments	9,777	49	9,826
	_____	_____	_____
Total qualifying investments	21,069	307	21,376
	_____	_____	_____

* Included in this movement on qualifying investments is capital depreciation of equity, loan stock and floating rate notes of (£464,000) and movement in carrying value of loans and receivables of £771,000.



PORTFOLIO OF INVESTMENTS (continued)

Portfolio of non-qualifying investments as at 31 March 2007

Investee company	Investment at cost £'000	Cumulative* movement in carrying/fair value £'000	Total carrying/fair value £'000
FRN Bank of Nova Scotia	5,002	1	5,003
FRN Abbey National	5,001	1	5,002
FRN Rabobank	5,000	1	5,001
	_____	_____	_____
Total non-qualifying investments	15,003	3	15,006
	_____	_____	_____
Total investments	36,072	310	36,382
	_____	_____	_____

* Included in this movement on non-qualifying investments is capital appreciation of floating rate notes of £3,000.



STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors have chosen to prepare the financial statements for the Company in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP").

Company law requires the Directors to prepare financial statements for each financial period which give a true and fair view in accordance with the UK GAAP of the state of affairs of the Company and of the profit and loss of the Company for that period and comply with UK GAAP and the Companies Act 1985.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether all applicable accounting standards have been followed.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The accounting policies applied to this Interim Report and Accounts have been consistently applied in current and prior periods and are as described in the Report and Financial Statements for the year ended 30 September 2006.

This Interim Report and Accounts has not been audited or reviewed by the auditors.

By Order of the Board

Close Ventures Limited
Company Secretary
4 June 2007



INCOME STATEMENT

	Note	Unaudited six months to 31 March 2007			Unaudited six months to 31 March 2006			Audited year ended 30 September 2006		
		Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
(Losses)/gains on investments	3	–	(554)	(554)	–	20	20	–	4	4
Investment income		1,354	–	1,354	1,168	–	1,168	2,406	–	2,406
Investment management fees		(155)	(465)	(620)	(157)	(471)	(628)	(314)	(942)	(1,256)
Other expenses		(98)	–	(98)	(86)	–	(86)	(179)	–	(179)
Return/(loss) on ordinary activities before tax		1,101	(1,019)	82	925	(451)	474	1,913	(938)	975
Tax (charge)/credit on ordinary activities		(330)	139	(191)	(282)	154	(128)	(586)	266	(320)
Return/(loss) attributable to equity holders		771	(880)	(109)	643	(297)	346	1,327	(672)	655
Basic and diluted return/(loss) per share (pence)	5	1.70	(1.94)	(0.24)	1.42	(0.65)	0.77	2.90	(1.50)	1.40

* Comparative figures have been extracted from the interim accounts for the period ended 31 March 2006 and the statutory accounts for the year ended 30 September 2006.

The accompanying notes on pages 14 to 16 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 or losses is not required.



BALANCE SHEET

		Unaudited 31 March 2007 £'000	Unaudited 31 March 2006 £'000	Audited 30 September 2006 £'000
	Note			
Investments				
Qualifying		21,376	12,960	15,060
Non-qualifying		15,006	25,005	25,002
	2	36,382	37,965	40,062
Current assets				
Debtors		111	311	110
Cash at bank		6,347	11,611	3,483
		6,458	11,922	3,593
Current liabilities				
Creditors		(1,203)	(7,022)	(1,049)
Net current assets		5,255	4,900	2,544
Net assets		41,637	42,865	42,606
Called up share capital		22,667	22,667	22,667
Capital redemption reserve		14	14	14
Special reserve		20,148	20,148	20,148
Own treasury shares reserve		(67)	—	—
Realised capital reserve		(1,439)	(758)	(1,118)
Unrealised capital reserve		(463)	112	96
Revenue reserve		777	682	799
Total shareholders funds		41,637	42,865	42,606
Net asset value (pence per share excluding treasury shares)		92.00	94.55	93.98

* Comparative figures have been extracted from the interim accounts for the period ended 31 March 2006 and the statutory accounts for the year ended 30 September 2006.

The accompanying notes on pages 14 to 16 form an integral part of these financial statements.

The interim report was approved by the Board of Directors on 4 June 2007.

Signed on behalf of the Board of Directors by

Friedrich Ternofsky
Chairman



RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS (unaudited)

	Called up share capital £'000	Special reserve £'000	Capital redemption reserve £'000	Realised capital reserve £'000	Unrealised capital reserve £'000	Own treasury shares reserve £'000	Revenue reserve £'000	Total £'000
As at 1 October 2006	22,667	20,148	14	(1,118)	96	—	799	42,606
Purchase of treasury shares	—	—	—	—	—	(67)	—	(67)
Capitalised investment management fees	—	—	—	(465)	—	—	—	(465)
Tax on capitalised investment management fees	—	—	—	139	—	—	—	139
Realised gains on investments	—	—	—	5	—	—	—	5
Unrealised gains on investments	—	—	—	—	(559)	—	—	(559)
Revenue return attributable to equityholders	—	—	—	—	—	—	771	771
Dividend paid to equityholders	—	—	—	—	—	—	(793)	(793)
As at 31 March 2007	22,667	20,148	14	(1,439)	(463)	(67)	777	41,637

	Called up share capital £'000	Special reserve £'000	Capital redemption reserve £'000	Realised capital reserve £'000	Unrealised capital reserve £'000	Own treasury shares reserve £'000	Revenue reserve £'000	Total £'000
As at 1 October 2005 (restated and adjusted)	22,681	20,186	—	(442)	92	—	651	43,168
Purchase of own shares	(14)	(26)	14	—	—	—	—	(26)
Cost of cancellation of share premium account	—	(12)	—	—	—	—	—	(12)
Capitalised investment management fees	—	—	—	(471)	—	—	—	(471)
Tax on capitalised investment management fees	—	—	—	154	—	—	—	154
Unrealised gains on investments	—	—	—	—	20	—	—	20
Revenue return attributable to equityholders	—	—	—	—	—	—	643	643
Dividend paid to equityholders	—	—	—	—	—	—	(612)	(612)
As at 31 March 2006	22,667	20,148	14	(758)	112	—	682	42,865



**RECONCILIATION OF MOVEMENTS
IN SHAREHOLDERS' FUNDS (unaudited)**

	Called up share capital £'000	Special reserve £'000	Capital redemption reserve £'000	Realised capital reserve £'000	Unrealised capital reserve £'000	Own treasury shares reserve £'000	Revenue reserve £'000	Total £'000
As at 1 October 2005 (restated and adjusted)	22,681	20,186	—	(442)	92	—	651	43,168
Purchase of own shares	(14)	(26)	14	—	—	—	—	(26)
Cost of cancellation of share premium account	—	(12)	—	—	—	—	—	(12)
Capitalised investment management fees	—	—	—	(942)	—	—	—	(942)
Tax on capitalised investment management fees	—	—	—	266	—	—	—	266
Unrealised gains on investments	—	—	—	—	4	—	—	4
Revenue return attributable to equityholders	—	—	—	—	—	—	1,327	1,327
Dividend paid to equityholders	—	—	—	—	—	—	(1,179)	(1,179)
As at 30 September 2006	22,667	20,148	14	(1,118)	96	—	799	42,606



CASH FLOW STATEMENT

	Unaudited six months to 31 March 2007 £'000	Unaudited six months to 31 March 2006 £'000	Audited year ended 30 September 2006 £'000
Operating activities			
Investment income	428	274	1,856
Interest received	644	548	557
Investment management fees paid	(631)	(625)	(1,255)
Administrative expenses paid	(87)	(87)	(157)
Net cash inflow from operating activities	354	110	1,001
Taxation	(290)	–	(121)
Capital expenditure and financial investments			
Purchase of qualifying investments	(6,344)	(4,802)	(6,752)
Purchase of non-qualifying investments	–	(18,622)	(25,003)
Sale of investments	10,004	–	–
Net cash inflow/(outflow) from investing activities	3,660	(23,424)	(31,755)
Equity dividends paid			
Dividends paid on Ordinary shares	(793)	(612)	(1,179)
Financing			
Repurchase of shares	–	(26)	(26)
Purchase of treasury shares	(67)	–	–
Net cash (outflow)/inflow from financing	(67)	(26)	(26)
Increase/(decrease) in cash	2,864	(23,952)	(32,080)



NOTES TO THE INTERIM ACCOUNTS for the six months to 31 March 2007

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.

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

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. 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.

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, 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, 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.
- 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.



NOTES TO THE INTERIM ACCOUNTS (continued)

2. Accounting policies (continued)

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.

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.

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.

Own treasury reserve

This reserve accounts for amounts paid on buying treasury shares. 75,548 treasury shares are held as at 31 March 2007.

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.

3. (Losses)/gains on investments

	Unaudited six months to 31 March 2007 £’000	Unaudited six months to 31 March 2006 £’000	Audited year ended 30 September 2006 £’000
Realised gains on investments	5	–	–
Unrealised (losses)/gains on investments	(559)	20	4
	<u>(554)</u>	<u>20</u>	<u>4</u>



NOTES TO THE INTERIM ACCOUNTS (continued)

4. Dividends paid to equity holders

	Unaudited six months to 31 March 2007	Unaudited six months to 31 March 2006	Audited year ended 30 September 2006
2007 – First interim dividend of 1.75 pence per share paid 19 January 2007 (2006: 1.35 pence per share)	793	612	612
2006 – Second interim dividend of 1.25 pence per share paid 4 August 2006	–	–	567
	<u>793</u>	<u>612</u>	<u>1,179</u>

In addition to the dividends paid above, the Board has declared a second dividend of 1.70 pence per Ordinary share to be paid on 13 July 2007 to shareholders on the register on 15 June 2007.

5. Basic and diluted return per share

Return per share has been calculated on 45,325,379 Ordinary Shares excluding Treasury shares (2006: 45,347,996) 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 Income & Growth 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.

6. Investments

Investments held at fair value through profit or loss total £22,916,000. Investments held at amortised cost total £13,466,000.

7. Contingencies, guarantees and financial commitments

The Company has given a number of guarantees to The Royal Bank of Scotland plc in respect of the borrowing of investee companies. As at 31 March 2007 the maximum exposure under these guarantees was £1.85 million. These guarantees are secured by various third party charges of deposit granted to The Royal Bank of Scotland plc over specific bank accounts with balances of £1.85million.

8. Other information

The information set out in this Interim Report does not constitute the Company's statutory accounts within the terms of section 240 of the Companies Act 1985 for the period ended 31 March 2007 and 31 March 2006, and is unaudited. The information for the year ended 30 September 2006 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.

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, Companies House, and at the FSA viewing facility.



Close Income & Growth VCT PLC