

CLOSE TECHNOLOGY & GENERAL VCT PLC

Interim Report for the Six Months to 30 June 2004 (Unaudited)

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Directors and administration

Directors

Dr N E Cross, Chairman
Lt. Gen. Sir Edmund Burton KBE
M J Hart
P H Reeve

Investment manager

Close Venture Management Limited
4 Crown Place
London EC2A 4BT
Tel: 020 7422 7830

Technology adviser

Rebourne Technology
Investment Management Limited
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London EC2A 4BT

Secretary and registered office

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10 Crown Place
London EC2A 4FT

Registrar

Capita Registrars Limited
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Penistone Road
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Huddersfield, HD8 0LA
Tel: 0870 162 3100

Independent reporting accountants

Deloitte & Touche LLP
London

Taxation adviser

Ernst & Young LLP
1 More London Place
London SE1 2AF

Financial highlights

Six months to
30 June 2004

Dividends per Ordinary Share	1.00 pence
Net asset value per Ordinary Share	107.40 pence

Shareholder return per share since launch:

Pence per share⁽ⁱⁱ⁾

Total dividends for the period ended 31 December 2001 ⁽ⁱ⁾	2.00
Total dividends for the year ended 31 December 2002	2.00
Total dividends for the year ended 31 December 2003	2.00
Interim dividend for the six months to 30 June 2004	<u>1.00</u>
Total dividends	7.00
Net asset value at 30 June 2004	<u>107.40</u>
Total	<u>114.40</u>

Notes

- (i) 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.
- (ii) Excludes tax benefits upon subscription.

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 2004 have been encouraging for your Company. Net assets per share have been steady at just over 107 pence, while there has been a recovery in net revenue enabling the Company to declare an interim dividend of 1 penny per share compared with 0.5 pence for the six months to 30 June 2003.

Performance has continued to be strong at the Company's largest investment by value, Active Hotels, with profits running at over twice last year's levels, though a general decline in valuation in the quoted sector has led us not to alter the investment's value from its level at the end of 2003. Automotive Technik is also performing well, with a substantial increase in its order book leading to an increase in holding value. These two increases have been balanced by a decline in the value of the Company's international quoted and AIM portfolios, and partial provisions against Consolidated Communications and Q Gardens.

£527,000 was invested in qualifying companies during the period. This was principally accounted for by investments in Grosvenor Healthcare, a business providing healthcare outsourcing services to large corporates and Bold Pub Company, which owns and operates a group of public houses in the North West of England. Our holding in Leisure Links International was sold shortly after the period end, at a price equal to the prevailing written down value, realising a loss of £210,000.

Results and dividend

As at 30 June 2004 the net asset value of the Company was £15.05 million (30 June 2003: £11.90 million), equivalent to 107.4 pence per share (30 June 2003: 83.0p per share). Net income after taxation was £146,000 for the period enabling the board to declare a net interim dividend of 1.0 pence per share (30 June 2003: 0.5p per share). Dividends will be payable on 21 October 2004 to those shareholders registered on 24 September 2004.

Dr N E Cross
Chairman

14 September 2004

Portfolio summary

The following is a summary of the qualifying investments made at 30 June 2004.

Technology Investments

	Invested to date at cost £'000	Valuation at 30 June 2004 £'000
Active Hotels Limited		
Founded in 1998, Active Hotels has developed internet based software to act as an intermediary to the hotel industry, enabling hotels to post their room availability on on-line, real time booking sites. Active Hotels has built up a large portfolio of both hotel operators principally in the UK and France, and internet based distribution partners.	500	4,247
Advanced Medical Solutions PLC (AIM Listed)		
Advanced Medical Solutions Group designs, develops and manufactures products for the advanced wound care market.	300	300
AIT Group PLC (AIM Listed)		
AIT Group is a provider of IT solutions principally for the retail financial sector.	310	374
Bond International PLC (AIM Listed)		
Bond International provides software, hardware and related support services, principally to the recruitment industries.	70	83
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 as well as providing high level technology consulting to the telecoms and financial sectors.	500	619
Deltex Medical Group PLC (AIM Listed)		
Deltex develops, manufactures and markets the 'CardioQ', an oesophageal device which monitors in real time the heart's response to medical treatment.	101	181
Intelligent Environment Group PLC (AIM Listed)		
iE is a leading provider of integrated e-finance for the credit and wealth management market.	270	578
OneClickHR PLC (AIM Listed)		
OneClickHR develops and markets human resources software under the 'Vizual' brand.	58	7
Peakdale Molecular Limited		
Peakdale Molecular is principally engaged in research, processing and the supply of chemical compounds to the major pharmaceutical companies. It operates from a substantial freehold site in Chapel-en-le-Frith, Derbyshire (see also page 7).	360	180

Technology Investments (continued)

	Invested to date at cost £'000	Valuation at 30 June 2004 £'000
Pilat Media Global PLC (AIM Listed) The company develops, markets and supports business operations software for the media industry.	168	306
sparesFinder Limited SparesFinder has developed a software suite which enables multinational, multi-site customers to trace and control their inventory.	500	158
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	127
Warthog PLC (AIM Listed) Warthog is a leading independent games software developer.	90	3
Total qualifying technology investments	3,555	7,163
Percentage of portfolio on cost	31%	

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

Automotive Technik holds the exclusive world-wide licence to manufacture the Pinzgauer off-road vehicle. Automotive Technik's main clients include the UK Ministry of Defence and overseas armed forces.	1,020	1,262
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Careforce Staffing Group Limited

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.	1,080	1,158
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City Centres Breweries Limited

City Centres Breweries was formed to purchase the Smiles Brewery in central Bristol and thereafter to provide a base for building up an integrated brewery and pub business based in the South West.	350	298
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City Screen (Liverpool) Limited

City Screen was formed to own and operate a three screen 'art house' cinema in the centre of Liverpool, which opened in February 2003.	50	45
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Leisure Links International Limited

Leisure Links was formed to manage and operate golf clubs. It currently owns the Test Valley Golf Course near Basingstoke.	950	740
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Unquoted Non-Technology Investments (continued)

	Invested to date at cost £'000	Valuation at 30 June 2004 £'000
Peakdale Molecular Limited		
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	631
The Bold Pub Company Limited		
The Bold Pub Company is a management buy-in of a freehold pub operator in the North West of England.	100	111
The Q Garden Company Limited		
The Q Garden Company operates a chain of garden centres based in the south of England.	1,167	250
Total unquoted qualifying non-technology investments	6,525	5,760
Percentage of portfolio on cost	57%	
Total qualifying investments	10,080	12,923
Total percentage of portfolio on cost	88%	

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 2004 £'000
Digital River Inc	E-commerce outsourcing	20	117
Infovista S.A.	Data processing	40	94
Nortel Networks Communication Corp	Software	125	88
Tecnomatix Technologies Limited	Software	74	88
Ericsson B	Telecommunications	64	84
Amdocs Limited	Software	88	80
Melexis N.V.	Microelectronics	51	68
Wind River Systems Inc	Software applications development	36	65
Verisign Inc	Internet and telecommunications services	29	56
Applied Materials Inc	Semiconductor	48	54
		575	794
27 other non-qualifying international quoted technology stocks		779	632
Total non-qualifying investments		1,354	1,426
Total percentage of portfolio on cost		12%	

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 2004 which comprises the statement of total return, the balance sheet, 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 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 2004.

Deloitte & Touche LLP Chartered Accountants

London

14 September 2004

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.

Statement of total return
(incorporating the profit and loss account)
for the six months to 30 June 2004

	Note	Unaudited Six months to 30 June 2004			Unaudited Six months to 30 June 2003			Audited Year to 31 December 2003		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments	3	–	(17)	(17)	–	1,267	1,267	–	4,959	4,959
Investment income	4	305	–	305	198	–	198	556	–	556
Investment management fees	2	(50)	(150)	(200)	(37)	(112)	(149)	(93)	(278)	(371)
Other expenses		(64)	–	(64)	(59)	–	(59)	(120)	–	(120)
Return on ordinary activities before tax		191	(167)	24	102	1,155	1,257	343	4,681	5,024
Tax on ordinary activities	5	(45)	38	(7)	(20)	22	2	(70)	58	(12)
Return attributable to equity shareholders		146	(129)	17	82	1,177	1,259	273	4,739	5,012
Dividends	6	(138)	–	(138)	(72)	–	(72)	(286)	–	(286)
Transfer to/(from) reserves		8	(129)	(121)	10	1,177	1,187	(13)	4,739	4,726
Return per share	7	1.0p	(0.9)p	0.1p	0.6p	8.2p	8.8p	1.9p	33.1p	35.0p

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.

No operations were acquired nor discontinued during the period.

Balance sheet

as at 30 June 2004

	Note	Unaudited 30 June 2004 £'000	Unaudited 30 June 2003 £'000	Audited 31 December 2003 £'000
Fixed asset investments	2			
Qualifying investments				
Unquoted technology		5,204	1,933	5,071
AIM technology stocks		1,959	1,691	2,240
Unquoted non-technology		5,760	4,657	5,416
Total qualifying investments		12,923	8,281	12,727
Non-qualifying investments				
Quoted international technology stocks		1,426	1,369	1,512
Floating rate notes		–	1,501	–
Total non-qualifying investments		1,426	2,870	1,512
Total investments		14,349	11,151	14,239
Current assets				
Debtors		55	64	70
Cash: short term money market deposits		993	916	1,510
		1,048	980	1,580
Creditors: due within one year		(351)	(236)	(385)
Net current assets		697	744	1,195
Net assets		15,046	11,895	15,434
Represented by:				
Share capital		7,004	7,160	7,160
Share premium account		165	165	165
Special reserve		5,978	6,245	6,245
Capital redemption reserve		191	35	35
Capital reserve	2			
<i>realised</i>		(777)	(702)	(936)
<i>unrealised</i>		2,392	(1,116)	2,680
Revenue reserve		93	108	85
Total equity shareholders' funds		15,046	11,895	15,434
Net asset value per share		107.4p	83.0p	107.8p

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

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

Signed on behalf of the Board of Directors by

Dr N E Cross
Chairman

Cash flow statement

For the six months to 30 June 2004

	Six months to 30 June 2004 £'000	Six months to 30 June 2003 £'000	Six months to 31 December 2003 £'000
Operating activities			
Investment income received	160	140	341
Deposit interest received	10	21	35
Investment management fees paid	(235)	(93)	(273)
Other cash payments	(91)	(68)	(119)
Net cash inflow from operating activities	(156)	–	(16)
Taxation			
UK corporation tax received/(paid)	4	–	(52)
Investing activities			
Purchase of investments	(762)	(744)	(1,813)
Disposal of investments	801	129	1,931
Net cash flow from investing activities	39	(615)	118
Equity dividends paid			
Dividends paid on ordinary shares	(212)	(144)	(215)
Net cash outflow before financing	(325)	(759)	(165)
Financing			
Redemption of own shares	(192)	(13)	(13)
Net cash outflow from financing	(192)	(13)	(13)
Decrease in cash	(517)	(772)	(178)

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. Accrued redemption premium on secured loan stock is 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

75 per cent. 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 Standard 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. In accordance with Financial Reporting Standard No.19, 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.

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. (Losses)/gains on investments

	Six months to 30 June 2004 £'000	Six months to 30 June 2003 £'000
Realised gains	271	11
Unrealised (losses)/gains on investments	(288)	1,256
	<u>(17)</u>	<u>1,267</u>

Notes to the interim results (continued)

4. Income

	Six months to 30 June 2004 £'000	Six months to 30 June 2003 £'000
Interest from investments		
Qualifying investments	167	120
Non-qualifying investments	–	29
Redemption Premium	114	28
Bank deposit interest	24	21
	305	198

5. Tax on ordinary activities

	Six months to 30 June 2004			Six months to 30 June 2003		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
UK corporation tax at 30%	7	–	7	(2)	–	(2)
Tax attributable to capital expenses	38	(38)	–	22	(22)	–
	45	(38)	7	20	(22)	(2)

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 by reference to the applicable corporation tax rate of 30% and allocating the relief between revenue and capital in accordance with the SORP.
- (iii) No deferred tax on any asset or liability has arisen in the year.
- (iv) Tax is provided at the current rate of 30%.

6. Dividends

The interim dividend of 1.0 pence per share will be paid on 21 October 2004 to those shareholders who are on the register on 24 September 2004.

Notes to the interim results (continued)

7. Return per share

	Six months to 30 June 2004			Six months to 30 June 2003		
	Revenue	Capital	Total	Revenue	Capital	Total
Equity shares	1.0p	(0.9)p	0.1p	0.6p	8.2p	8.8p

The revenue return per share is based on the net revenue on ordinary activities after taxation but before deduction of dividends of £146,000 (2003: £82,000) in respect of 14,200,711 shares (2003: 14,329,523 shares), being the weighted average number of shares in issue during the six months. The capital return per share is based on net capital loss for the period of £129,000 (2003: a net capital gain of £1,177,000) 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 interim report does not constitute the Company's statutory accounts for the six months ended 30 June 2004 or 2003. The financial information for the year ended 31 December 2003 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.

