

**Close Brothers
Venture Capital Trust PLC**



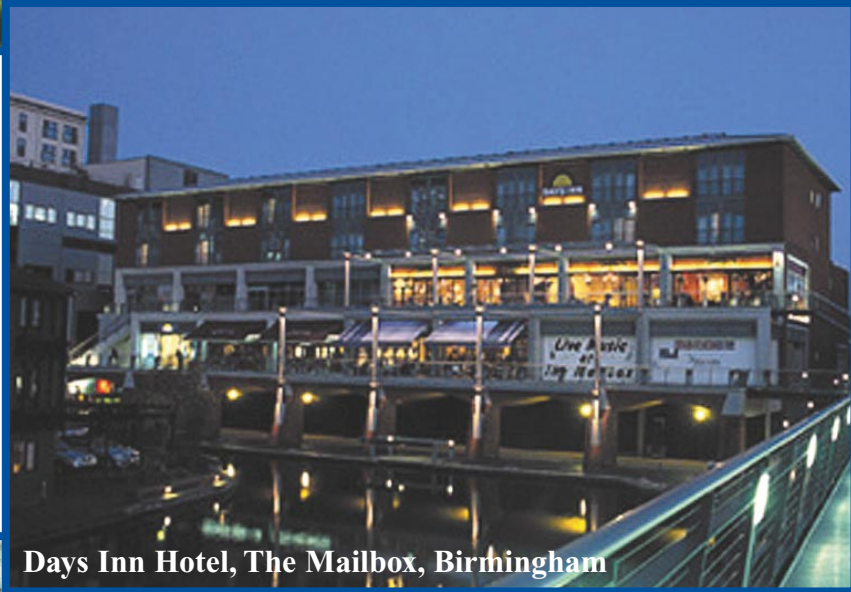
**Report & Accounts
for the year to
31 March 2003**



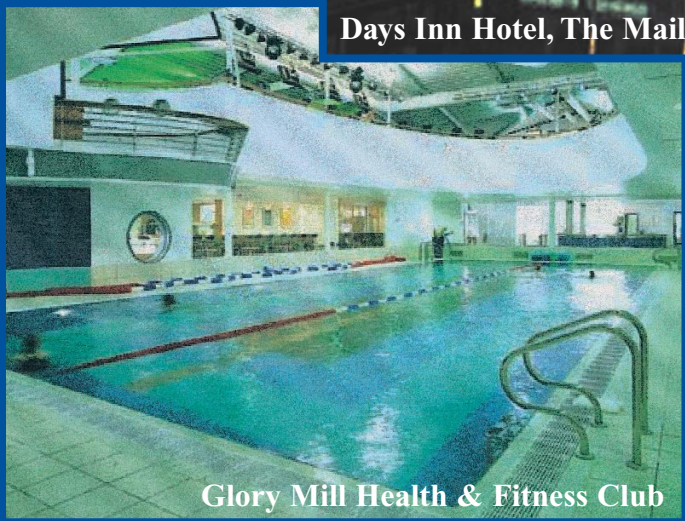
Lombardy Park Care Home, Ipswich



Residential development at Rodley, Leeds



Days Inn Hotel, The Mailbox, Birmingham



Glory Mill Health & Fitness Club



Cambridge Arts Picture House



CONTENTS

Page	
2	Directors and administration
3	Investment objectives
4	Financial highlights and financial calendar
5	Chairman's statement
7	The Board of Directors
8	The Manager
9	The portfolio of investments
17	Report of the Directors
22	Statement of corporate governance
24	Directors' remuneration report
26	Independent auditors' report
28	Statement of total return (incorporating the revenue account)
29	Balance sheet
30	Cash flow statement
31	Notes to the Financial Statements
40	Notice of meeting



DIRECTORS AND ADMINISTRATION

Directors

D J Watkins MBA (Harvard), Chairman
(US citizen)
R M Davidson
J M B L Kerr ACMA
J G T Thornton MBA, FCA

Investment Manager

Close Venture Management
12 Appold Street
London EC2A 2AW
Tel: 020 7426 4000

Secretary and Registered Office

J M Gain
12 Appold Street
London EC2A 2AW

Registrar

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Auditors

Deloitte & Touche
London

Custodians

RBSI Custody Bank Ltd
Liberte House
19-23 La Motte Street
St Helier
Jersey JE4 5RL

Capita Trust Company Ltd
Guildhall House
81-87 Gresham Street
London EC2V 7QE



INVESTMENT OBJECTIVES

Close Brothers Venture Capital Trust PLC (“Close Brothers VCT”) is a venture capital trust which raised a total of £39.7 million through an issue of Ordinary Shares in the spring of 1996 and through a issue of “C” Shares in the following year. The Company offers tax-paying investors substantial tax benefits at the time of investment, on payment of dividends and on the ultimate disposal of the investment. Its investment strategy is to minimise the risk to investors whilst maintaining an attractive yield. This is achieved as follows:

- qualifying unquoted investments are predominantly in specially-formed companies which provide a high level of asset backing for the capital value of the investment;
- Close Brothers VCT invests alongside selected partners with proven experience in the sectors concerned;
- investments are normally structured as a mixture of equity and loan stock. The loan stock represents the majority of the finance provided, and is secured on the assets of the investee company. Funds managed or advised by Close Venture Management typically own 50 per cent. of the equity of the investee company;
- other than the loan stock issued to funds managed or advised by Close Venture Management and, in certain circumstances, temporary bridging finance prior to further investment by funds managed or advised by Close Venture Management, investee companies do not normally have external borrowings; and
- a clear strategy for the realisation of each qualifying unquoted investment within five years or shortly thereafter is identified from the outset.



FINANCIAL HIGHLIGHTS

	Year ended 31 March 2003	Year ended 31 March 2002
Total return per share	9.9p	11.7p
Net dividends per share	8.0p	7.5p
Net asset value per share	108.91p	106.24p

Shareholder value created for each class of share since launch:

	Note	Ordinary Shares pence per share	“C” Shares pence per share
Gross dividends for the year ended 31 March 1997		5.00	–
Gross dividends for the year ended 31 March 1998		6.00	5.00
Gross first and second interim dividends and net final dividend for the year ended 31 March 1999	(i)	7.75	6.25
Net revenue and capital dividends for the year ended 31 March 2000	(ii)	8.55	4.50
Net revenue and capital dividends for the year ended 31 March 2001		7.50	7.50
Net revenue dividends for the year ended 31 March 2002		7.50	7.50
Net revenue and capital dividends for the year ended 31 March 2003		<u>8.00</u>	<u>8.00</u>
Total dividends to 31 March 2003		50.30	38.75
Net asset value at 31 March 2003		<u>108.91</u>	<u>108.91</u>
Total return to 31 March 2003		<u>159.21</u>	<u>147.66</u>

Notes:

- i) Dividends paid before 5 April 1999 were paid to qualifying shareholders inclusive of the associated tax credit. The dividends for the year to 31 March 1999 were maximised in order to take advantage of this tax credit.
- ii) The capital dividend of 2.55 pence in the year to 31 March 2000 enabled the Ordinary Shares and the C Shares to merge on an equal basis.

FINANCIAL CALENDAR

Ex date for dividend	2 July 2003
Record date for final dividend	4 July 2003
Annual General Meeting	28 July 2003
Posting of dividend cheques in respect of the final dividend	29 July 2003
Announcement of interim results for the six months ended 30 September 2003	November 2003
Payment of interim dividend	December 2003



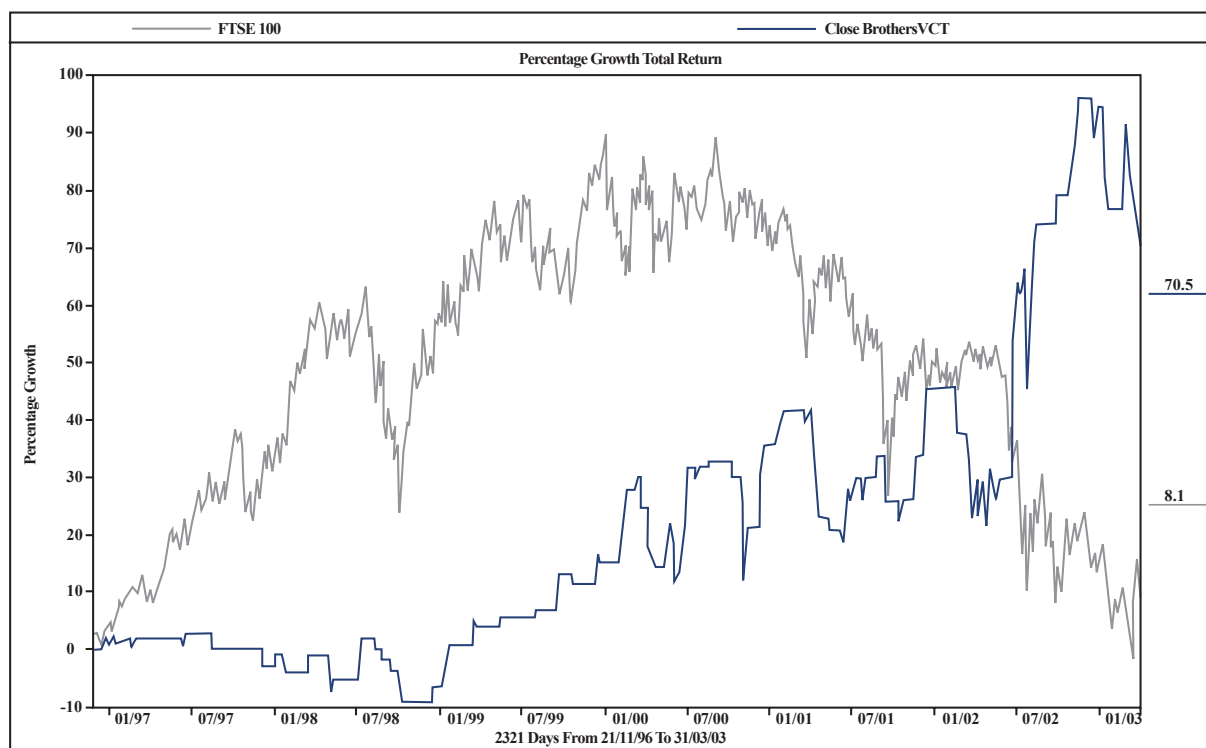
CHAIRMAN'S STATEMENT

Introduction

The progress of your Company's investment portfolio during the year has continued to be encouraging. As the portfolio has matured we have taken the opportunity to dispose of three of our investments. This has meant that, by continuing its strategy of a progressive dividend policy and of building on the current level of pay out by utilising profits generated both from revenue and from profits on disposal of investments, the Company's total dividend has increased from last year's 7.50 pence per share to 8.00 pence per share for the year to 31 March 2003.

The three investments sold realised profits of £3 million on a cost of £10.7 million, while the provision for unrealised appreciation increased by £1.3 million over the year. This in turn means that, in market conditions that have not been easy, your Company's net asset value per share has risen by a further 2.5 per cent. to 108.9 pence per share which, when combined with the revenue return, has resulted in an overall return of 9.9 pence per share for the year. This builds on strong returns over the previous years and your Company has now paid or declared total dividends since launch for the Ordinary Shares and 'C' Shares (now converted) amounting to 50.30 pence and 38.75 pence per share respectively.

The performance of the market value of the Ordinary Shares against the FTSE 100 Index, with dividends reinvested, in both cases, is shown below.



As mentioned in the interim report the year under review also witnessed a key milestone in the history of the Company. At the AGM held in August of last year, shareholders voted overwhelmingly for the Company to continue as a VCT for a further five years. At the same time, we instituted a tender offer to purchase or procure purchasers for up to 10 per cent. of the Company's shares at a price of 100 pence per share in order to provide liquidity for those who wished to realise their investment. In the event 9.3 per cent. of the Company's shares were tendered, meaning that all applications were satisfied in full. Since the completion of the tender offer, the liquidity of the Company's shares has increased markedly. Following Shareholders' approval for the change in the Company's borrowing powers, £1 million has now been drawn down from the borrowing facility provided by the Royal Bank of Scotland of up to £5 million.



Review of Investments

Our key investment areas continue to be the hotel, residential property development and care home sectors, with other asset-based areas continuing to be reviewed, as characterised by our investment in our Cambridge cinema and Beaconsfield health and fitness club.

In the hotel sector, we committed to invest up to £5 million in a new 175 room Express by Holiday Inn hotel at Stansted Airport. In addition, we sold our investment in Premier VCT (Bristol) Ltd, which owned the Express by Holiday Inn hotel in Bristol city centre, for a profit of £2 million on a cost of £4.3 million. We also completed the sale of our investment in Hawkwell VCT Ltd, which owned the Hawkwell House Hotel in Oxford, for a profit of £840,000 on cost of £3.4 million. The overall return was further enhanced by the fact that, in both cases, our investment had been providing the Company with an income yield of around 10 per cent. on cost per annum. There are currently a variety of interesting potential new investments in the hotel sector which are under review, and the manager considers that, despite the challenging environment for hotels overall, carefully selected and well managed units can be a continuing source of profits for your Company.

In the residential development sector, which is restricted to 20 per cent. of the portfolio, we currently have four companies established with separate developers. These have continued to be a useful source of income for your Company, with particularly good results from Country & Metropolitan VCT, which develops residential homes in and around Yorkshire.

In the care home sector our principal area of investment during the year continued to be homes for people with learning disabilities in East Anglia. There are now five such homes in which we have invested, in Witham, Bury St. Edmunds, Thetford, Ipswich and March, all of which are performing well, and showing a substantial increase in value over the last year as the market has strengthened. We invested a further £2.75 million in the homes during the year to provide further facilities and capacity.

Meanwhile we disposed of our remaining home for the frail and elderly, the 55 bed Hornchurch Nursing Home, realising a profit of £250,000 on cost of £2.85 million; again, the investment also generated an income yield of 10 per cent. per annum. We believe that the prospects for the care home sector, both in the generalist area of the frail and elderly and the specialist area of learning disabilities, continue to be positive and we are reviewing a number of new opportunities.

As regards our other areas for investment, the Cambridge Picture House cinema continues to perform well, resulting in a decision to invest £200,000 in City Screen (Liverpool) Ltd in conjunction with Close Brothers Protected VCT, Close Brothers Development VCT and the Close Technology & General VCT to develop a new art house cinema in the FACT Centre in Liverpool. The health club owned by Odyssey Glory Mill, which opened in April 2001, continues to perform strongly with a membership of over 4,000, although its value has again fallen, by £332,000 since last year, in line with a continued softening of values in the health and fitness market.

Results and Dividend

As at 31 March 2003 the net asset value was £39.07 million or 108.9 pence per share, which compares with a net asset value at 31 March 2002 of £41.5 million or 106.2 pence per ordinary share. Under the tender offer 3.1 million shares were bought in for cancellation, resulting in a reduction in net assets of £3.1 million. Net income before taxation was £3.3 million (2002: £3.4 million) enabling the board to declare a net final revenue dividend of 3.70 pence per share and a net final capital dividend of 1.50 pence per share, resulting in total revenue dividends of 6.50 pence and total capital dividends of 1.50 pence, or 8.0 pence per share in total, (2002: revenue dividends of 7.50 pence per share). The final dividends for the year ended 31 March 2003 will be paid on 29 July 2003 to shareholders registered on 4 July 2003.

David Watkins
Chairman

20 June 2003



THE BOARD OF DIRECTORS

The following are the Directors of the Company, all of whom operate in a non-executive capacity:

David Watkins (58) MBA (Harvard), Chairman. From 1972 until 1991 he worked at Goldman Sachs, where he was Head of Euromarkets Syndication and Head of the European Real Estate Department. He subsequently joined Mountleigh Group PLC where he worked as a director for 12 months on the restructuring of the business. Until late 1995 he worked at Baring Securities Limited as Head of Equity Capital Markets - London, before leaving to join Capital Risk Strategies (UK) Limited, a consultancy formed to provide risk management solutions to large corporations. From 1985 to 1990 he was a director of the Association of International Bond Dealers, and from 1986 to 1990 was a member of the Council of the London Stock Exchange.

Roderick Davidson (65). He joined B S Stock & Co, stockbrokers in Bristol in 1960, becoming a partner in 1965 and managing director of Stock Beech & Co. Limited in 1985. In 1990 he joined Albert E Sharp where he managed investment portfolios on behalf of pension funds, charitable trusts and private investors. He retired in the spring of 1998. He is chairman of Close Brothers Development VCT PLC.

John Kerr (60) ACMA. He recently retired as finance director of Ambion Brick, a building material company bought out from Istock PLC. Prior to this he was chief executive of Price & Pierce Limited, which acts as the UK agent for overseas producers of forestry products. From 1985 to 1992, he was the managing director of SUMIT Equity Ventures Limited, an independent Midlands based venture capital company. Before that, he held a number of finance and general management posts in manufacturing industries both in the UK and USA.

Jonathan Thornton (56) MBA, FCA. He retired as a director of Close Brothers Group plc and as chairman of Close Brothers Investment Limited, of which Close Venture Management is a division, in 1998. In 1984 he was responsible for establishing Close Investment Management Limited, the venture capital fund management arm of Close Brothers Group. Prior to this he worked for both 3i plc and Cinven. He is a director of Close Brothers Development VCT PLC.



THE MANAGER

Close Venture Management, a division of Close Brothers Investment Limited which is authorised and regulated by the Financial Services Authority, is the Manager of Close Brothers Venture Capital Trust PLC. In addition to Close Brothers Venture Capital Trust, it manages a further three VCTs: Close Brothers Protected VCT PLC, which raised £27.9 million in 1997 to invest principally in qualifying loans guaranteed by the Royal Bank of Scotland, which are now over time being replaced by co-investments alongside Close Brothers Venture Capital Trust PLC, and in shares issued by companies quoted on AIM; Close Brothers Development VCT PLC, which raised £14.6 million in 1999 and a further £11.5 million in 2002/3 to provide development capital to unquoted companies; and Close Technology & General VCT which has raised £14.3 million to invest in both 'old economy' and 'new economy' businesses.

Close Venture Management also manages Bamboo Investments PLC, which specialises in technology investments, and acts as investment adviser to the Healthcare and Leisure Property Fund PLC, which co-invests in asset-based businesses alongside Close Brothers Venture Capital Trust PLC. Close Brothers was voted 'VCT Group' of the year at the Growth Company Awards 2003.

The Manager's ultimate parent company is Close Brothers Group plc, a substantial independent merchant banking group incorporated in the United Kingdom and listed on the London Stock Exchange. Close Brothers Group has extensive experience in asset-based finance over a range of specialised lending activities.

The following are specifically responsible for the management and administration of the VCTs managed by Close Venture Management, including Close Brothers Venture Capital Trust PLC:

Patrick Reeve, (43), MA, ACA. He qualified as a chartered accountant with Deloitte Haskins & Sells before joining Cazenove & Co where he spent three years in the corporate finance department. He joined the Close Brothers Group in 1989, initially in the development capital subsidiary, where he was a director specialising in the financing of smaller unquoted companies. He joined the corporate finance division in 1991, where he was also a director. He established Close Venture Management with the launch of Close Brothers Venture Capital Trust PLC in the spring of 1996.

Ole Bettum, (39), BSc, MBA. After three years as a research economist for the Saudi Government, he graduated from Columbia Business School with an MBA. He worked in the corporate finance department of Price Waterhouse from 1994 and joined Close Brothers Investment in 1996 to help establish Close Venture Management .

Henry Stanford, (38), MA, ACA. He qualified as a chartered accountant with Arthur Andersen before joining the corporate finance division of the Close Brothers Group in 1992. He became an assistant director in 1996 and transferred to Close Venture Management in 1998 to concentrate on VCT investment.

Will Fraser-Allen (32), BA (Hons), ACA qualified as a chartered accountant with Cooper Lancaster Brewers in 1996 before specialising in corporate finance and investigation. He joined Close Venture Management in 2001.

Emil Gigov, (33), BA (Hons), ACA qualified as a chartered accountant with KPMG in 1997 and subsequently worked in KPMG's corporate finance division. He joined Close Venture Management in 2000.



THE PORTFOLIO OF INVESTMENTS

The following is a summary of qualifying investments at 31 March 2003, comprising amounts invested and scheduled for investment, and after including the revaluations referred to in the Chairman's statement above:

Investee Company	Investment			
	Investment at Cost £'000	Revaluation £'000	Total £'000	Reserved for investment £'000
Care Homes				
Broadoaks VCT Ltd	1,865	226	2,091	–
Churchcroft VCT Ltd	1,550	516	2,066	–
Drummond Court VCT Ltd	2,500	458	2,958	–
Fryers Walk VCT Ltd	2,575	467	3,042	–
Lombardy Court VCT Ltd	1,450	90	1,540	–
Hotels				
Kew Green VCT (Stansted) Ltd	1,000	–	1,000	4,000
Premier VCT (Mailbox) Ltd	4,000	665	4,665	600
Residential Development				
Chase Midland VCT Ltd	1,600	–	1,600	–
Country & Metropolitan VCT Ltd	3,000	–	3,000	–
Saxon VCT Ltd	2,200	–	2,200	–
Youngs VCT Ltd	1,200	–	1,200	–
Other Investments				
City Screen (Cambridge) Ltd	1,210	(50)	1,160	–
City Screen (Liverpool) Ltd	200	–	200	–
Odyssey Glory Mill Ltd	4,000	858	4,858	500
Total	28,350	3,230	31,580	5,100

Note: All valuations, other than for the residential property development companies (which typically distribute profits upon completion of developments) and for Kew Green VCT (Stansted) Limited and City Screen (Liverpool) Limited (which have also both been held at cost) are based upon independent valuations.



Care Homes

1. Broadoaks VCT Limited

Broadoaks VCT was established to develop and operate a 30 bed purpose-built home for residents with learning disabilities in March, Cambridgeshire. The home opened in April 2002, and it is currently being extended to a total of 38 beds.

Date of initial investment:	September 2000
Operating partner:	InterCare Residential Limited
Amount invested at 31 March 2003:	£1.87 million
Further amount reserved for investment:	Nil
Proportion of capital and voting rights held:	50%

Latest audited financial information: 30 September 2002

	£
Turnover for the year	159,000
Loss before taxation for the year	144,000
Accumulated retained losses	118,000
Net assets	424,000

In the year to 30 September 2002 the company made an operating loss before management fees, depreciation and interest of £68,000.

2. Churchcroft VCT Limited

Churchcroft VCT owns a 34 bed purpose-built home for residents with learning disabilities in Witham, Essex.

Date of initial investment:	June 1998
Operating partner:	InterCare Residential Limited
Amount invested at 31 March 2003:	£1.55 million
Further amount reserved for investment:	Nil
Proportion of capital and voting rights held:	50%

Latest audited financial information: 30 September 2002

	£
Turnover for the year	1,151,000
Loss before taxation for the year	41,000
Accumulated retained losses	50,000
Net assets	407,000

In the year to 30 September 2002 the company made an operating profit before management fees, depreciation and interest of £275,000.



3. Drummond Court VCT Limited

Drummond Court VCT owns a 36 bed home for residents with learning disabilities in Bury St. Edmunds, Suffolk. The home opened in 1999.

Date of initial investment:	September 1998
Operating partner:	InterCare Residential Limited
Amount invested at 31 March 2003:	£2.5 million
Further amount reserved for investment:	Nil
Proportion of capital and voting rights held:	50%

Latest audited financial information: 30 September 2002

	£
Turnover for the year	1,085,000
Loss before taxation for the year	22,000
Accumulated retained losses	101,000
Net assets	341,000

In the year to 30 September 2002 the company made an operating profit before management fees, depreciation and interest of £339,000.

4. Fryers Walk VCT Limited

Fryers Walk VCT owns and operates a 34 bed home for residents with learning disabilities in Thetford, Norfolk, which opened in 2001.

Date of initial investment:	March 1999
Operating partner:	InterCare Residential Limited
Amount invested at 31 March 2003:	£2.58 million
Further amount reserved for investment:	Nil
Proportion of capital and voting rights held:	50%

Latest audited financial information: 30 September 2002

	£
Turnover for the year	885,000
Profit before taxation for the year	17,000
Accumulated retained profits	14,000
Net assets	486,000

In the year to 30 September 2002 the company made an operating profit before management fees, depreciation and interest of £292,000.



5. Lombardy Court VCT Limited

The company owns and operates a 24 bed home for residents with learning disabilities in the centre of Ipswich which opened in 2001. A further 4 beds are under construction, taking the total capacity to 28 beds.

Date of initial investment: January 2000
Operating partner: InterCare Residential Limited
Amount invested at 31 March 2003: £1.45 million
Further amount reserved for investment: Nil
Proportion of capital and voting rights held: 50%

Latest audited financial information: 30 September 2002

	£
Turnover for the year	668,000
Loss before taxation for the year	41,000
Accumulated retained losses	106,000
Net assets	268,000

In the year to 30 September 2002 the company made an operating profit before management fees, depreciation and interest of £139,000.

Hotels

6. Kew Green VCT (Stansted) Limited

Kew Green VCT (Stansted) was established to develop and operate an Express by Holiday Inn hotel at Stansted Airport. Detailed planning permission is currently being sought and the company has therefore yet to start trading.

Date of initial investment: March 2003
Operating partner: Kew Green Hotels Limited
Amount invested at 31 March 2003: £1 million
Further amount reserved for investment: £4 million
Proportion of capital and voting rights held: 50%

There is no financial information available as the company has yet to start trading.

Subsequent to 31 March 2003, Healthcare & Leisure Property Fund PLC, which is advised by Close Venture Management, has invested in the company and it is intended that Close Brothers Protected VCT PLC, which is managed by Close Venture Management, will also co-invest.



7. Premier VCT (Mailbox) Limited

This company was formed to build and operate a 90 room hotel operating under the Days Inn brand at the Mailbox development in the centre of Birmingham. It opened in April 2001.

Date of initial investment:	December 1999
Operator:	Hospitality Management International Ltd
Amount invested at 31 March 2003:	£4 million
Further amount reserved for investment:	£0.6 million
Proportion of capital and voting rights held:	50%

Latest audited financial information: 30 June 2002

	£
Turnover for the year	1,378,000
Loss before taxation for the year	68,000
Accumulated retained losses	212,000
Net assets	688,000

In the year to 30 June 2002 the company made an operating profit before management fees, depreciation and interest of £559,000.

Healthcare & Leisure Property Fund PLC, which is advised by Close Venture Management, has invested £250,000 in loan stock in the Company.

Residential Development

8. Chase Midland VCT Limited

The company is currently undertaking its fifth and sixth developments comprising a 4 apartment new build development within the curtilage of a listed former convent in central Nottingham and the conversion of two former Victorian houses into 12 apartments in the Edgbaston area of Birmingham.

Date of initial investment:	March 1997
Developer partner:	Chase Midland plc
Amount invested at 31 March 2003:	£1.6 million
Further amount reserved for investment:	Nil
Proportion of capital and voting rights held:	50%

Latest audited financial information: 30 June 2002

	£
Turnover for the year	1,749,000
Profit before taxation for the year	64,000
Accumulated retained profits	78,000
Net assets	797,000



9. Country & Metropolitan VCT Limited

The company is close to completing its eighth development, a 40 unit scheme in the Rodley area of Leeds and has recently commenced a part conversion, part new build 21 apartment scheme in York. It will also shortly commence a 24 apartment scheme on a former warehouse site in the Pudsey area of Leeds.

Date of initial investment:	November 1996
Developer partner:	Country & Metropolitan plc
Amount invested at 31 March 2003:	£3 million
Further amount reserved for investment:	Nil
Proportion of capital and voting rights held:	43%

Latest audited financial information: 31 August 2002

	£
Turnover for the year	3,373,000
Profit before taxation for the year	240,000
Accumulated retained profits	10,000
Net assets	1,373,000

Healthcare & Leisure Property Fund PLC, which is advised by Close Venture Management, has invested £500,000 in the company.

10. Saxon VCT Limited

This company successfully completed its fourth and fifth developments, comprising an 11 unit scheme in Dorchester and a 2 house scheme in Henley-on-Thames. It is intended that the shares held by Saxon Developments Limited will be sold to Prime Residential Limited, which is controlled by the former managing director of Saxon Developments, and the company will be renamed Prime VCT Limited. It will shortly commence a 12 apartment scheme in Hertford.

Date of initial investment:	September 1996
Developer partner:	Saxon Development Limited
Amount invested at 31 March 2003:	£2.2 million
Further amount reserved for investment:	Nil
Proportion of capital and voting rights held:	50%

Latest audited financial information: 30 September 2002

	£
Turnover for the year	2,618,000
Profit before taxation for the year	158,000
Accumulated retained profits	17,000
Net assets	1,017,000



11. Youngs VCT Limited

The company recently completed converting a Grade II Listed Hall in Funtington, near Chichester, into 4 houses, of which two have been sold to date. It has commenced construction of an 11 apartment scheme at Lee-on-the-Solent, overlooking the Isle of Wight.

Date of initial investment:	March 2000
Developer partner:	Youngs Developments Ltd
Amount invested at 31 March 2003:	£1.2 million
Further amount reserved for investment:	Nil
Proportion of capital and voting rights held:	27%

Latest audited financial information: 31 December 2001

	£
Turnover for the year	1,735,000
Profit before taxation for the year	358,000
Accumulated retained profits	38,000
Net assets	583,000

Subsequent to 31 December 2001, Close Brothers Protected VCT PLC, which is managed by Close Venture Management, invested £1 million in the company.

Other investments

12. City Screen (Cambridge) Limited

The company was formed to develop and operate a three screen “art-house” cinema in the centre of Cambridge. The cinema opened in August 1999. Close Brothers Venture Capital Trust has received management fees of £125,000 to date in addition to its running return of approximately 10% from loan stock.

Date of initial investment:	July 1999
Operating partner:	City Screen Limited
Amount invested at 31 March 2003:	£1.21 million
Further amount reserved for investment:	Nil
Proportion of capital and voting rights held:	50%

Latest audited financial information: 31 December 2002

	£
Turnover for the year	1,373,000
Loss before taxation for the year	28,000
Accumulated retained losses	264,000
Net assets	99,000

In the year to 31 December 2002 the company made an operating profit before management fees, depreciation and interest of £369,000.



13. City Screen (Liverpool) Limited

The company was formed to develop and operate a three screen “art-house” cinema in the FACT centre in Liverpool. The cinema commenced trading in February 2003.

Date of initial investment:	November 2002
Operating partner:	City Screen Limited
Amount invested at 31 March 2003:	£0.2 million
Further amount reserved for investment:	Nil
Proportion of capital and voting rights held:	18%

Latest audited financial information: 31 December 2002

	£
Turnover for the year	Nil
Loss before taxation for the year	5,000
Accumulated retained losses	5,000
Net assets	243,000

Close Brothers Protected VCT PLC, Close Brothers Development VCT PLC and Close Technology & General VCT PLC, which are all managed by Close Venture Management, have invested £250,000, £50,000 and £50,000 respectively.

14. Odyssey Glory Mill Limited

The company was formed to develop and operate a 32,000 square foot health and fitness club on a five acre site outside Beaconsfield. The club opened in April 2001 and has over 4,000 members.

Date of initial investment:	December 1999
Operating partner:	Odyssey Clubs Group Plc
Amount invested at 31 March 2003:	£4 million
Further amount reserved for investment:	£0.5 million
Proportion of capital and voting rights held:	50%

Latest audited financial information: 30 September 2002

	£
Turnover for the year	2,193,000
Loss before taxation for the year	15,000
Accumulated retained losses	376,000
Net assets	1,394,000

In the year to 30 September 2002 the company made an operating profit before management fees, depreciation and interest of £850,000.



REPORT OF THE DIRECTORS

The Directors submit the Report and Accounts of the Company for the year to 31 March 2003.

Principal Activity and Status

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 842 of the Income and Corporation Taxes Act 1988 and in the opinion of the Directors, the Company has subsequently conducted its affairs so as to enable it to continue to obtain such approval. Approval for the year ended 31 March 2003 is subject to review should there be any subsequent enquiry under corporation tax self assessment. 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 year is contained in the Chairman's Statement.

The Company is no longer an investment company as defined in Section 266 of the Companies Act 1985. The Company revoked its investment company status on 11 May 2000 to enable the Company to pay dividends from realised capital profits.

Results and Dividends

	£'000
Revenue return attributable to shareholders for the year ended 31 March 2003	2,336
Net interim revenue dividend of 2.80p per share paid on 29 January 2003	(1,007)
Net final revenue dividend of 3.70p per share payable on 29 July 2003 to shareholders on the register at the close of business on 4 July 2003	<u>(1,327)</u>
Total transferred to revenue reserve	<u>2</u>
Realised capital return attributable to shareholders for the year ended 31 March 2003	3,073
Realisation of revaluation gains from previous years	(2,532)
Net final capital dividend of 1.50p per share payable on 29 July 2003 to shareholders on the register at the close of business on 4 July 2003	(538)
Realised capital loss attributable to shareholders on expenses for the year ended 31 March 2003	(536)
Unrealised capital return attributable to shareholders for the year ended 31 March 2003	<u>1,302</u>
Total transferred to capital reserve	<u>769</u>
Total transferred to reserves	<u>771</u>



Purchase of Own Shares

The purchase of shares by the Company is intended, inter alia, to provide a market for the shares and thereby to reduce the discount at which shares may trade. Since any purchases are made at a discount to net asset value at the time of purchase, the net asset value per share of the remaining shares in issue should increase.

The Company purchased, for cancellation, the following shares with a nominal value of 50p:

Date	Price (pence)	Shares purchased No.
18 July 2002	100.00	3,102,967
31 March 2003	95.00	<u>96,500</u>
		<u>3,199,467</u>
Percentage of share capital cancelled		<u>8.2%</u>

Directors

The Directors who held office throughout the year, and their interests in the shares of the Company (together with those of their immediate family) were:

	31 March 2003 Shares held	31 March 2002 Shares held
D J Watkins	10,000	10,000
R M Davidson	5,000	5,000
J M B L Kerr	13,109	9,109
J G T Thornton	31,218	31,218

J M B L Kerr purchased 4,000 shares on 28 January 2003 at 101 pence per share.

No Director has a service contract with the Company. The Company does not have any employees.

All Directors are members of the Audit Committee.



Management Agreement

The Company and Close Brothers Investment Limited (the “Manager”) entered into a management agreement for an initial fixed period to 3 April 2000 which may now be terminated by either party on 12 months’ notice. Under this agreement, the Manager also provides secretarial and administrative services to the Company. The management agreement is subject to earlier termination in the event of certain breaches or on the insolvency of either party. The following fees are payable to the Manager by the Company under the terms of the agreement:

- Non-Qualifying Investments

A fee equal to 0.50 per cent. of funds invested in non-qualifying investments.

- Qualifying Investments

A fee equal to 1.8 per cent. of funds invested in qualifying investments.

- Secretarial and administrative services

A fee of £32,625 per annum, plus VAT, rising annually in line with the Retail Prices Index.

The Manager is also entitled to an arrangement fee, payable by each company in which the Company invests, of in the region of two per cent. on each investment made.

Management Performance Incentive

On flotation in 1996 the Manager entered into an agreement with the Company whereby the Manager was granted options to subscribe for new shares equivalent to eight per cent. of the total shares issued by the Company. Under this arrangement the options could be exercised in whole or in part during the period 2001 to 2004 in respect of the Ordinary Shares and during the period 2002 to 2005 in respect of the “C” Shares. Under the incentive arrangements the subscription price per share was 100 pence less the amount by which the actual return to shareholders, including dividends received, exceeds the minimum performance objectives, subject to a minimum subscription price of 80 pence per share.

In the light of subsequent changes in legislation in the 1998 Budget which prohibits the issue of new shares by venture capital trusts which invest in certain asset-based activities, in particular those in which the Company invests, the Board has elected not to issue further new shares. In these circumstances, under the terms of the original option agreement, the Manager is entitled to a cash sum equal to the value of the shares to which the Manager would otherwise have been entitled, less the subscription price. Although full provision for this payment has been made by the Company, the cash sum will be payable over the remaining life of options in annual tranches.

Auditors

Deloitte & Touche are the appointed auditors. They have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be submitted at the Annual General Meeting.

Substantial Interests

As at 20 June 2003 the Company was not aware of any beneficial interest exceeding 3 per cent. of the issued share capital.



Statement of Directors' Responsibilities

United Kingdom company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period. 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;
- state whether all applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Re-appointment of directors

At the forthcoming Annual General Meeting, as required by the Articles of Association, all directors retire and being eligible offer themselves for re-election.

Annual General Meeting

The Annual General Meeting will be held at 12 Appold Street, London EC2A 2AW at 10 a.m. on 28 July 2003. The notice of the Annual General Meeting is at the end of this document. A resolution will be proposed as special business at the Annual General Meeting for the following purpose:

Purchase of own shares

A resolution concerning Special Business, number 6 in the notice of meeting, will renew the authority to purchase in the market and cancel up to 3,587,822 of the Company's issued shares (equivalent to 10 per cent. of the share capital currently in issue).

Purchases of shares will be made within guidelines established from time to time by the Board, but only if it is considered that such purchases would be to the advantage of the Company and its shareholders taken as a whole. Purchases will only be made in the market for cash at prices below the prevailing net asset value per Ordinary Share. Under the rules of the London Stock Exchange the maximum price which can be paid by the Company is 5 per cent. above the average of the relevant market value of the shares for the five business days preceding the purchase. Shares which are purchased will be cancelled. In making purchases the Company will deal only with member firms of the London Stock Exchange. Purchases of shares will be funded from distributable reserves. To the extent that the Company purchases shares at a discount to net asset value, the net asset value of the remaining shares in issue will increase.



Supplier payment policy

The Company's policy is to pay all supplier invoices within 30 days of the invoice date, or as otherwise agreed. There were no overdue trade creditors at 31 March 2003 (2002 - nil).

By Order of the Board

J M Gain
Secretary
12 Appold Street
London EC2A 2AW

20 June 2003



STATEMENT OF CORPORATE GOVERNANCE

Background

The Financial Services Authority requires all listed companies to disclose how they have applied the principles and complied with the provisions of the Combined Code (“the Code”).

Application of the Principles of the Code

The Board attaches importance to matters set out in the Code and applies its principles. However, as a venture capital trust company, most of the Company’s day-to-day responsibilities are delegated to third parties and the Directors are all non-executive. Thus, not all the provisions of the Code are directly applicable to the Company.

Board of Directors

The Board consists solely of non-executive Directors. Mr Watkins is the Chairman and senior independent Director. All Directors are able to take independent professional advice in furtherance of their duties if necessary.

The Board has a formal schedule of matters reserved to it and meets quarterly or as may be necessary. The management agreement between the Company and its Manager sets out the matters over which the Manager has authority and the limits beyond which Board approval must be sought. These include the management of the investment portfolio, the organisation of custodial services, accounting, secretarial and administrative services. All other matters are reserved for the approval of the Board of Directors.

The Articles of Association require that all Directors are subject to re-election procedures by rotation at the Annual General Meeting. All Directors, in accordance with the Code, will submit themselves for re-election at least once every three years.

Directors’ Remuneration

Since the Company has no executive Directors, the detailed Directors’ Remuneration disclosure requirements set out in Listing Rules 12.43A(a), 12.43A(b) and 12.43A(c) as they relate to Combined Code Provisions B.1 to B.3, B1.1 to B1.10, B2.1 to B2.6 and B3.1 to B3.5 are not relevant.

Audit Committee

The Audit Committee consists of all Directors. Written terms of reference have been constituted for the Audit Committee. It meets as required throughout the period. The Committee oversees the Company’s accounting policies and financial reporting and provides a forum through which the Company’s external auditors report to the Board. The Audit Committee also undertakes the duties of the Engagement Committee, and therefore also reviews all matters arising under the management agreement.

Nomination Committee

A Nomination Committee has not been formed as the size of the Board does not warrant its formation.



Internal Control

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process is subject to regular review by the Board and accords with the Internal Control Guidance for Directors on the Combined Code published in September 1999 (“the Turnbull guidance”). The process is now fully in place. The Board is responsible for the Company’s system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risks of failure to achieve the Company’s business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board, assisted by the Manager, undertook a full review of the Company’s business risks. The Board receives each year from the Manager a formal report which details the steps taken to monitor the areas of risk, including those that are not directly the responsibility of the Manager, and which reports the details of any known internal control failures. Steps will continue to be taken to embed the system of internal control and risk management into the operations and culture of the Company and its key suppliers, and to deal with areas of improvement which come to management’s and the Board’s attention.

The Company does not have an internal audit function but it does have access to the internal audit department of Close Brothers Group which reports on the Manager’s activities. The Board will continue to monitor its system of internal control in order to provide assurance that it operates as intended.

Going Concern

After making enquiries the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors have adopted the going concern basis in preparing the accounts.

Statement of Compliance

The Directors consider that the Company has complied throughout the year ended 31 March 2003 with all the relevant provisions set out in Section 1 of the Combined Code on Corporate Governance issued by the Financial Services Authority. The Company continues to comply with the Code as at the date of this report.



DIRECTORS' REMUNERATION REPORT

Introduction

This report is submitted in accordance with the Directors' Remuneration Report Regulations 2002 in respect of the year ended 31 March 2003.

Remuneration Committee

Since the Company has no executive Directors and consists solely of non-executive Directors, a remuneration committee is not warranted.

Directors' remuneration policy

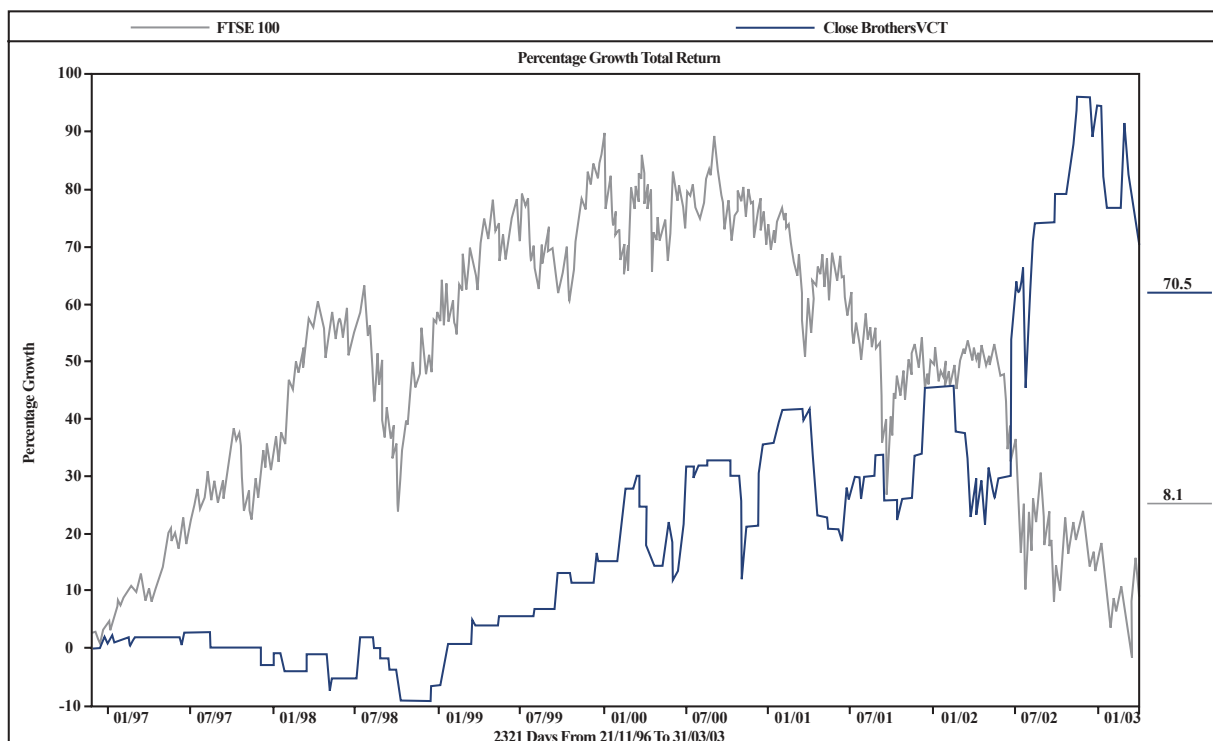
The Company's policy is that fees payable to non-executive Directors should reflect their expertise, responsibilities and time spent on Company matters. In determining the level of non-executive remuneration market equivalents are considered in comparison to the overall activities and size of the Company.

The maximum level of non-executive directors' remuneration is fixed by the Company's Articles of Association, amendment to which is by way of a special resolution subject to ratification by shareholders. The Articles of Association provide for aggregate non-executive Directors' fees not to exceed £70,000 per annum.

Performance graph

The graph below shows the performance of Close Brothers Venture Capital Trust PLC's share price against the FTSE 100 Index, in both instances with dividends reinvested, over the last six years. The directors consider this to be the most appropriate benchmark, however, would remind investors that shares in VCTs generally continue to trade at a discount to the actual net asset value of the Company.

There are no options, issued or exercisable, in the Company which would distort the graphical representation below.





Service contracts

No Director has a service contract with the Company.

Directors' remuneration

The following items have been audited

The following table shows a breakdown of the remuneration of individual Directors, inclusive of National Insurance or VAT:

	Year ended 31 March 2003			Year ended 31 March 2002		
	Fees £'000	Expenses £'000	Total £'000	Fees £'000	Expenses £'000	Total £'000
David Watkins	16	–	16	16	–	16
Roderick Davidson	18	–	18	18	–	18
John Kerr	16	–	16	16	–	16
Jonathan Thornton	16	–	16	16	–	16
	<u>66</u>	<u>–</u>	<u>66</u>	<u>66</u>	<u>–</u>	<u>66</u>

The Company does not confer any share options, long term incentives or retirement benefits to any director, nor does it make a contribution to any pension scheme on behalf of the Directors.

Roderick Davidson and John Kerr are remunerated personally.
Jonathan Thornton's services are provided by Jonathan Thornton Limited.
David Watkins services are provided by Shippan Point LLP.

In addition to Directors' remuneration, the Company pays annual premiums in respect of Directors' liability insurance.

By Order of the Board

J M Gain
Secretary

20 June 2003



**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CLOSE BROTHERS VENTURE CAPITAL TRUST PLC**

We have audited the financial statements of Close Brothers Venture Capital Trust PLC for the year ended 31 March 2003 which comprise the statement of total return, the balance sheet, the cash flow statement and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the part of the Directors' remuneration report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of Directors' responsibilities, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. They are also responsible for the preparation of the other information contained in the annual report including the Directors' remuneration report. Our responsibility is to audit the financial statements and the part of the Directors' remuneration report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read the Directors' report and the other information contained in the annual report for the above year as described in the contents section including the unaudited part of the Directors' remuneration report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' remuneration report described as having been audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the Company, consistently applied and adequately disclosed.



We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' remuneration report described as having been audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' remuneration report described as having been audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company as at 31 March 2003 and the total return for the year then ended; and
- the financial statements and part of the Directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants
and Registered Auditors
London
20 June 2003



Close Brothers Venture Capital Trust PLC
Statement of Total Return (incorporating the revenue account)
for the year ended 31 March 2003

	Note	Year ended 31 March 2003			Year ended 31 March 2002		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	2	–	1,843	1,843	–	2,306	2,306
Investment income	3	3,941	–	3,941	4,018	–	4,018
Investment management fees	4	(459)	(605)	(1,064)	(519)	(787)	(1,306)
Other expenses	5	(135)	(122)	(257)	(85)	(85)	(170)
Return on ordinary activities before interest and tax		3,347	1,116	4,463	3,414	1,434	4,848
Finance interest	7	(36)	–	(36)	–	–	–
Return on ordinary activities before tax		3,311	1,116	4,427	3,414	1,434	4,848
Tax on ordinary activities	8	(975)	191	(784)	(469)	214	(255)
Return attributable to shareholders		2,336	1,307	3,643	2,945	1,648	4,593
Dividends	9	(2,334)	(538)	(2,872)	(2,930)	–	(2,930)
Transfer to reserves		2	769	771	15	1,648	1,663
Return per share (pence)		6.3p	3.6p	9.9p	7.5p	4.2p	11.7p

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

No operations were acquired or discontinued in the year.

The revenue column represents the profit and loss account of the Company.



Close Brothers Venture Capital Trust PLC
Balance Sheet at 31 March 2003

	Note	31 March 2003 £'000	31 March 2002 £'000
Fixed asset investments			
Qualifying:			
Scheduled for investment		36,680	33,608
less: uninvested		<u>(5,100)</u>	<u>(2,135)</u>
Net investments to date		31,580	31,473
Non-qualifying investments:		<u>—</u>	<u>6,145</u>
Total fixed asset investments	11	31,580	37,618
Current assets			
Debtors and accrued income	13	655	700
Cash at banks	19	<u>10,651</u>	<u>6,250</u>
		11,306	6,950
Creditors: due within one year	14	<u>(2,811)</u>	<u>(3,051)</u>
Net current assets		<u>8,495</u>	<u>3,899</u>
Creditors: due after more than one year		<u>(1,000)</u>	<u>—</u>
Total assets less liabilities		<u>39,075</u>	<u>41,517</u>
Capital and reserves			
Called up share capital	15	17,939	19,539
Special reserve	16	14,111	17,324
Capital redemption reserve	16	1,914	314
Realised capital reserve	16	2,165	27
Unrealised capital reserve	16	2,740	4,109
Revenue reserve	16	<u>206</u>	<u>204</u>
Equity shareholders' funds	18	<u>39,075</u>	<u>41,517</u>
Net asset value per share (pence)	17	108.9p	106.2p

The financial statements on pages 28 to 39 were approved by the Board of Directors on 20 June 2003.

Signed on behalf of the Board of Directors

Roderick Davidson
 Director



Close Brothers Venture Capital Trust PLC
Cash Flow Statement
for the year ended 31 March 2003

	Note	Year ended 31 March 2003 £'000	Year ended 31 March 2002 £'000
Operating activities			
Investment income received		3,413	3,102
Dividend income received		220	297
Deposit interest received		272	221
Other income received		62	250
Investment management fees paid		(1,098)	(767)
Other cash payments		<u>(373)</u>	<u>(175)</u>
Net cash inflow from operating activities	20	2,496	2,928
Finance interest paid		(27)	–
Taxation			
VAT paid		(13)	–
UK corporation tax paid		(822)	(569)
Investing activities			
Purchase of qualifying investments		(5,790)	(4,646)
Disposals of qualifying investments		7,332	2,021
Disposals of non-qualifying investments		<u>6,376</u>	<u>2,000</u>
Net cash inflow/(outflow) from investing activities		7,918	(625)
Equity dividends paid			
Revenue dividends paid on ordinary shares		(2,922)	(2,489)
Capital dividends paid on ordinary shares		<u>–</u>	<u>(489)</u>
Net cash inflow/(outflow) before financing		6,630	(1,244)
Financing			
Loan drawdown		1,000	–
Capital restructuring expenses		(108)	–
Redemption of own shares		<u>(3,121)</u>	<u>(83)</u>
Net cash outflow from financing		<u>(2,229)</u>	<u>(83)</u>
Increase/(decrease) in cash and cash equivalents	19	<u>4,401</u>	<u>(1,327)</u>

The accompanying notes are an integral part of these statements.



Close Brothers Venture Capital Trust PLC

Notes to the financial statements

for the year ended 31 March 2003

1. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical 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 United Kingdom Accounting Standards and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" (SORP). 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 enabled 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:

- 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. 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 No. 16.



Close Brothers Venture Capital Trust PLC
Notes to the financial statements (continued)

1. ACCOUNTING POLICIES continued

Management expenses

50 per cent. of management expenses, representing the proportion of the investment management fee and other expenses attributable to the enhancement of the value of the investments of the Company, has been charged to capital reserves, net of corporation tax. The balance is charged to the revenue account.

Management performance incentive

A percentage of the management performance incentive fee, determined by the current net asset value and capital dividends distributed are charged to capital reserves, net of corporation tax. The balance, representing dividends paid out of revenue, is charged to the revenue account.

Taxation

Taxation is applied on a current basis in accordance with Financial Reporting Standard No.16. Taxation associated with capital expenses is applied in accordance with the SORP. Financial Reporting Standard 19 “Deferred Tax” has been adopted in these financial statements. Provision is made for taxation at current rates on the excess of taxable income over expenses. Where applicable, a provision is made on all material timing differences between the recognition of income in the financial statements and their recognition in the Company’s annual tax returns. Deferred tax is recognised to the extent that it is probable that an actual liability will crystallise or an asset be recoverable.

The specific nature regarding the taxation of VCTs means that it is unlikely that any deferred tax will arise. The directors have considered the requirements of FRS 19 and do not believe any provision should be made.

2. Gains/(losses) on investments

	31 March 2003 £'000	31 March 2002 £'000
Realised gains/(losses) for the year	541	(128)
Unrealised gains for the year	<u>1,302</u>	<u>2,434</u>
	<u>1,843</u>	<u>2,306</u>

3. Investment income

	31 March 2003 £'000	31 March 2002 £'000
Income from investments		
UK franked investment income	286	268
UK unfranked investment income	3,142	3,213
Other income	<u>246</u>	<u>315</u>
	3,674	3,796
Other income		
Deposit interest	<u>267</u>	<u>222</u>
Total income	<u>3,941</u>	<u>4,018</u>
Total income comprises:		
Dividends	286	268
Interest	3,409	3,435
Other	<u>246</u>	<u>315</u>
	<u>3,941</u>	<u>4,018</u>
Income from investments:		
Listed	–	94
Unlisted	<u>3,674</u>	<u>3,702</u>
	<u>3,674</u>	<u>3,796</u>



Close Brothers Venture Capital Trust PLC

Notes to the financial statements (continued)

4. Investment management fee

	31 March 2003			31 March 2002		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	374	374	748	385	385	770
Performance incentive fee provision	85	231	316	134	402	536
	<u>459</u>	<u>605</u>	<u>1,064</u>	<u>519</u>	<u>787</u>	<u>1,306</u>

Further details of the Management Agreement under which the investment management fee is paid are given in the Report of the Directors.

5. Other expenses

	31 March	31 March
	2003 £'000	2002 £'000
Secretarial and Administrative fee	38	38
Directors' fees	66	66
Auditors' remuneration – audit fees	20	16
Amortisation	13	–
Other	120	50
	<u>257</u>	<u>170</u>

Costs associated with the tender offer are included in 'Other' and amount to approximately £40,000.

6. Directors' fees

The remuneration of the Chairman, which was equal to that received by each of the other directors, was £16,100 (2002: £16,100), exclusive of statutory deductions or VAT. Further details can be found in the Directors' remuneration report.

7. Finance interest

	31 March	31 March
	2003 £'000	2002 £'000
Loan interest	36	–
	<u>36</u>	<u>–</u>

8. Tax on ordinary activities

	31 March 2003			31 March 2002		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Tax adjustments for prior years	95	–	95	(368)	–	(368)
UK corporation tax at 30%	689	–	689	623	–	623
Tax attributable to capital expenses	191	(191)	–	214	(214)	–
	<u>975</u>	<u>(191)</u>	<u>784</u>	<u>469</u>	<u>(214)</u>	<u>255</u>



Close Brothers Venture Capital Trust PLC
Notes to the financial statements (continued)

8. Tax on ordinary activities (continued)

	31 March 2003			31 March 2002		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Return on ordinary activities before taxation	3,311	1,116	4,427	3,414	1,434	4,848
Tax charge calculated on return on ordinary activities before taxation at the applicable rate of corporation tax of 30%	993	335	1,328	1,024	430	1,454
Effects of:						
Prior year tax adjustment	95	–	95	(368)	–	(368)
Non taxable gains on investments	–	(553)	(553)	–	(692)	(692)
Tax attributable to capital expenses	191	(191)	–	155	(214)	(59)
Expenses charged to capital	(218)	218	–	(262)	262	–
Non taxable income	(86)	–	(86)	(80)	–	(80)
	<u>975</u>	<u>(191)</u>	<u>784</u>	<u>469</u>	<u>(214)</u>	<u>255</u>

NOTES

- (i) Venture Capital Trusts are not subject to corporation tax on capital gains.
- (ii) Tax relief on expenses charged to capital has been determined by allocating tax relief to all expenses proportionately by reference to the applicable corporation tax rate of 30% and allocating the relief in the same ratio as expenses between revenue and capital.
- (iii) No deferred tax asset or liability has arisen in the year.
- (iv) Tax is provided at the current rate of 30 per cent.

9. Dividends and other appropriations

	31 March	31 March
	2003 £'000	2002 £'000
Dividends on equity shares:		
– interim revenue dividend of 2.80p per share (2002: 2.60p per Ordinary share)	1,007	1,017
– final revenue dividend of 3.70p per share (2002: 4.90p per Ordinary share)	1,327	1,913
– final capital dividend of 1.50p per share (2002: 0.00p per Ordinary share)	538	–
	<u>2,872</u>	<u>2,930</u>

10. Return per share

	31 March 2003			31 March 2002		
	Revenue	Capital	Total	Revenue	Capital	Total
Equity Shares	6.3 pence	3.6 pence	9.9 pence	7.5 pence	4.2 pence	11.7 pence

Revenue return per share is based on the net revenue on ordinary activities after taxation but before deduction of dividends and other appropriations of £2,336,000 (2002: £2,945,000) in respect of 36,901,103 (2002: 39,113,969) shares, being the weighted average number of shares in issue during the year.

Capital return per ordinary share is based on net capital profit for the financial year of £1,307,000 (2002: £1,648,000), based on the same weighted average number of shares as for revenue return shown above.



Close Brothers Venture Capital Trust PLC

Notes to the financial statements (continued)

11. Investments

	31 March 2003 £'000	31 March 2002 £'000
Qualifying unlisted investments	31,580	31,473
Non-qualifying unlisted investments	–	6,145
Total	<u>31,580</u>	<u>37,618</u>

	Qualifying unlisted £'000	Non- Qualifying unlisted £'000	Total £'000
Valuation basis			
Opening valuation: 1 April 2002	31,473	6,145	37,618
Purchases at cost	5,790	–	5,790
Sales – proceeds	(7,329)	(6,342)	(13,671)
– realised gains on disposal	1,092	1,981	3,073
Realisation of revaluation gains from previous years	(748)	(1,784)	(2,532)
Increase in unrealised appreciation	1,302	–	1,302
Closing valuation: 31 March 2003	<u>31,580</u>	<u>–</u>	<u>31,580</u>
Historical cost basis			
Opening book cost	28,790	4,361	33,151
Purchases at cost	5,790	–	5,790
Disposals at cost	(6,230)	(4,361)	(10,591)
Closing book cost	<u>28,350</u>	<u>–</u>	<u>28,350</u>
Unrealised appreciation			
Opening unrealised appreciation	2,683	1,784	4,467
Net increase/(decrease) in unrealised appreciation	547	(1,784)	(1,237)
Closing unrealised appreciation	<u>3,230</u>	<u>–</u>	<u>3,230</u>



Close Brothers Venture Capital Trust PLC
Notes to the financial statements (continued)

12. Significant interests

Details of investments in which the company has an interest of 10 per cent. or more of the nominal value of the allotted shares of any class, or of the net assets at 31 March 2003, are as follows. Greater detail of each investment is given in the Portfolio of investments.

Name of Undertaking	Country of incorporation and operation	Description of shares held	Percentage held
Broadoaks VCT Limited	UK	Ordinary shares	50%
Chase Midland VCT Limited	UK	Ordinary shares	50%
Churchcroft VCT Limited	UK	Ordinary shares	50%
City Screen (Cambridge) Limited	UK	Ordinary shares	50%
City Screen (Liverpool) Limited	UK	Ordinary shares	18%
Country & Metropolitan VCT Limited	UK	Ordinary shares	43%
Drummond Court VCT Limited	UK	Ordinary shares	50%
Fryers Walk VCT Limited	UK	Ordinary shares	50%
Kew Green VCT (Stansted) Limited	UK	Ordinary shares	50%
Lombardy Court VCT Limited	UK	Ordinary shares	50%
Odyssey Glory Mill Limited	UK	Ordinary shares	50%
Premier VCT (Mailbox) Limited	UK	Ordinary shares	50%
Saxon VCT Limited	UK	Ordinary shares	50%
Youngs VCT Limited	UK	Ordinary shares	27%

13. Debtors

	31 March 2003	31 March 2002
	£'000	£'000
Prepayments and accrued income	385	372
Other debtors	189	–
UK corporation tax	81	328
	<u>655</u>	<u>700</u>

14. Creditors: amounts falling due within one year

	31 March 2003	31 March 2002
	£'000	£'000
UK corporation tax payable	–	121
VAT	30	–
Proposed dividend	1,866	1,915
Operating creditors and accruals	804	840
Other creditors	111	175
	<u>2,811</u>	<u>3,051</u>

15. Called up Share Capital

	31 March 2003	31 March 2002
	£'000	£'000
Authorised:		
68,000,000 shares of 50p each (2002: 68,000,000 shares)	<u>34,000</u>	<u>34,000</u>
Allotted, called up and fully paid:		
35,878,228 shares of 50p each (2002: 39,077,695 shares)	<u>17,939</u>	<u>19,539</u>

Details of the shares bought by the company for cancellation can be found on page 18.



Close Brothers Venture Capital Trust PLC
Notes to the financial statements (continued)

16. Reserves

	Special reserve £'000	Capital redemption reserve £'000	Realised capital reserve £'000	Unrealised capital reserve £'000	Revenue reserve £'000	Total £'000
Ordinary Shares						
Beginning of year	17,324	314	27	4,109	204	21,978
Realised gains from previous years	–	–	2,532	(2,532)	–	–
Realised gains in current year	–	–	541	–	–	541
Purchase of own shares	(3,213)	1,600	–	–	–	(1,613)
Increase in unrealised appreciation	–	–	–	1,302	–	1,302
Costs charged to capital net of tax	–	–	(397)	(139)	–	(536)
Capital dividend	–	–	(538)	–	–	(538)
Retained net revenue for the year	–	–	–	–	2	2
End of year	<u>14,111</u>	<u>1,914</u>	<u>2,165</u>	<u>2,740</u>	<u>206</u>	<u>21,136</u>

17. Net asset value per share

The net asset value per share and the net asset values at the year end calculated in accordance with the Articles of Association were as follows:

	31 March 2003 pence	31 March 2002 pence
Net asset value per share	108.91	106.24

The movements during the year of the assets attributable to ordinary shareholders were as follows:

	31 March 2003 £'000	31 March 2002 £'000
Total assets attributable at beginning of year	41,517	39,937
Total return for the period	3,643	4,593
Dividends appropriated in the year	(2,872)	(2,930)
Purchase of own shares for cancellation	(3,213)	(83)
Total net assets attributable at end of year	<u>39,075</u>	<u>41,517</u>

Net asset value per share is based on net assets at the year end, and on 35,878,228 shares, being the number of shares in issue at the year end.

18. Reconciliation of movements in shareholders' funds

	31 March 2003 £'000	31 March 2002 £'000
Opening shareholders' funds	41,517	39,937
Decrease in share capital	(1,600)	(50)
Consideration for share purchases	(1,613)	(33)
Total return to shareholders before dividends	3,643	4,593
Dividends	(2,872)	(2,930)
Closing shareholders' funds	<u>39,075</u>	<u>41,517</u>



Close Brothers Venture Capital Trust PLC
Notes to the financial statements (continued)

19. Analysis of changes in cash and cash equivalents during the year

	31 March	31 March
	2003	2002
	£'000	£'000
Beginning of year	6,250	7,577
Net cash inflow/(outflow)	<u>4,401</u>	<u>(1,327)</u>
End of year	<u>10,651</u>	<u>6,250</u>

20. Reconciliation of net revenue before finance costs and taxation to net cash inflow from operating activities

	31 March	31 March
	2003	2002
	£'000	£'000
Net revenue before finance costs and taxation	3,347	3,414
Investment management fee charged to capital	(374)	(385)
Performance incentive fee charged to capital	(231)	(402)
Other expenses charged to capital	(122)	(85)
Increase in debtors	(136)	(147)
(Decrease)/ increase in creditors	(36)	533
Irrecoverable VAT	35	–
Amortisation	<u>13</u>	<u>–</u>
Net cash inflow from operating activities	<u>2,496</u>	<u>2,928</u>

21. Financial instruments and risk management

The Company's financial instruments, other than derivatives, comprise investments in unquoted companies, floating rate notes, cash and liquid resources. The main purpose of these financial instruments is to generate revenue and capital appreciation for the Company's operations. Investments in unquoted companies comprise equity and fixed rate loan stock.

The Company has also entered into derivative transactions (comprising interest rate swaptions). The purpose of such transactions was to manage interest rate risk. These have now expired. The Company had not entered into any further such transactions.

The principal risks arising from the Company's operations are:

- interest rate risk;
- investment risk.

The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged since the beginning of the financial year.

Interest rate risk

The Company's policy is to accept a degree of interest rate risk on non-qualifying investments. On the basis of the Company's analysis, it is estimated that a fall of one percentage point in interest rates would have reduced profit before tax to 31 March 2003 by approximately 2 per cent. (2002: 2 per cent.).

Investment risk

As a venture capital trust, it is the Company's specific business to evaluate and control the investment risk in its portfolio of unquoted companies, the results of which are detailed in the Chairman's statement.



Close Brothers Venture Capital Trust PLC

Notes to the financial statements (continued)

21. Financial instruments and risk management (continued)

Financial assets

The Company's interest rate risk on its financial assets is as follows;

Currency	31 March 2003				31 March 2002			
	Fixed Rate £'000	Floating Rate £'000	No Interest £'000	Total £'000	Fixed Rate £'000	Floating Rate £'000	No Interest £'000	Total £'000
Sterling	<u>19,427</u>	<u>10,651</u>	<u>8,924</u>	<u>39,002</u>	<u>22,234</u>	<u>6,250</u>	<u>10,868</u>	<u>39,352</u>

- Fixed rate assets bear interest at rates based on predetermined yield targets. The weighted average interest rate at 31 March 2003 was 14.3% (2002: 14.5%)
- Floating rate assets bear interest at rates based predominantly on base rates.

Financial liabilities

The Company's only financial liabilities comprise a loan of £1 million under the borrowing facilities referred to below bearing interest at 1.5 per cent. over LIBOR and the guarantees detailed in note 22 below.

Currency exposure

As at 31 March 2003, the Company has no foreign currency exposures (2002: £nil).

Borrowing facilities

The Company has a £5 million committed draw down borrowing facility with The Royal Bank of Scotland plc as at 31 March 2003 (2002: £nil).

Fair values of financial assets and financial liabilities

All the Company's financial assets and liabilities as at 31 March 2003 are stated in accordance with BVCA guidelines which the directors agree represents a fair value. See note 1 to the accounts.

22. Contingencies, guarantees and financial commitments

There are no contingencies, guarantees and financial commitments of the Company at the year end which have not been accrued except for scheduled investments as detailed in the balance sheet, and guarantees given to The Royal Bank of Scotland plc relating thereto totalling £1.1 million.

23. Post balance sheet events

The following amounts have been invested since 31 March 2003;

- On 30 April 2003, a further £600,000 was invested in Premier VCT (Mailbox) Limited; and
- On 30 April 2003, a further £500,000 was invested in Odyssey Glory Mill Limited.



NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of Close Brothers Venture Capital Trust PLC will be held at 10 a.m. on 28 July 2003 at 12 Appold Street, London EC2A 2AW for the purpose of dealing with the following business, of which item 6 is special business.

Ordinary Business

- 1 To receive and adopt the accounts and the reports of the Directors and Auditors for the year ended 31 March 2003.
- 2 To approve the Directors' remuneration report.
- 3 To elect the following as director each of whom retires by rotation;
 - (a) D J Watkins
 - (b) J M B L Kerr
 - (c) R M Davidson
 - (d) J G T Thornton
- 4 To reappoint Deloitte & Touche as auditors for the ensuing year and to authorise the directors to fix their remuneration.
- 5 To declare a net final revenue dividend of 3.70 pence per share and a net final capital dividend of 1.50 pence per share, payable to Shareholders on the register at the close of business on 4 July 2003.

Special Business

To consider and, if thought fit, pass the following resolution which will be proposed Special Resolution:

- 6 That the Company be generally and unconditionally authorised to make one or more market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of Ordinary Shares of 50p in the capital of the Company ("Shares") provided that:
 - (a) the maximum aggregate number of Shares authorised to be purchased is 3,587,822 (representing approximately 10 per cent of the issued share capital);
 - (b) the minimum price which may be paid for a Share is 50p;
 - (c) the maximum price which may be paid for a Share is an amount equal to 5 per cent. above the average of the middle market quotations for an Ordinary Share in the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that Share is purchased;
 - (d) this authority expires at the conclusion of the next Annual General Meeting of the Company or eighteen months from the date of the passing of this resolution whichever is earlier; and
 - (e) the Company may make a contract or contracts to purchase Shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of Shares in pursuance of any such contract or contracts.

BY ORDER OF THE BOARD

J M Gain
Secretary
Registered Office
12 Appold Street, London EC2A 2AW

Date: 20 June 2003

NOTES

1. A shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote in his stead. Such proxy need not be a member of the Company.
2. A form of proxy is enclosed and to be valid must be lodged with the Registrars of the Company not less than 48 hours before the time fixed for the meeting.
3. The register of interests of directors kept by the Company in accordance with Section 325 of the Companies Act 1985 will be open for inspection at the meeting.
4. No director has a contract of service with the Company.



Close Brothers Venture Capital Trust PLC