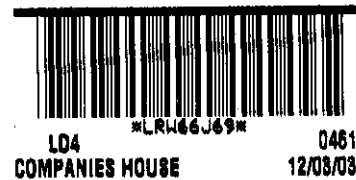




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## CLOSE TECHNOLOGY & GENERAL VCT PLC

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### DIRECTORS AND ADMINISTRATION

<b>Directors</b>	Dr N E Cross, Chairman Lt. Gen. Sir Edmund Burton KBE M J Hart K J N Meek
<b>Investment Manager</b>	Close Venture Management 12 Appold Street London, EC2A 2AW Tel: 020 7426 4000
<b>Technology Adviser</b>	Rebourne Technology Investment Management Limited 12 Appold Street London, EC2A 2AW
<b>Secretary and Registered Office</b>	J M Gain 12 Appold Street London, EC2A 2AW
<b>Registrar</b>	Northern Registrars Limited Northern House Penistone Road Fenay Bridge Huddersfield, HD8 0LA Tel: 01484 606664
<b>Custodian</b>	Capita Trust Company Limited Guildhall House 81-87 Gresham Street London, EC2V 7QE
<b>Independent Auditors</b>	Deloitte & Touche London
<b>Taxation Adviser</b>	Ernst & Young Rolls House 7 Rolls Buildings Fetter Lane London, EC4A 1NH



FINANCIAL HIGHLIGHTS

	<b>Year ended 31 December 2002</b>
Dividends per Ordinary Share <sup>(i)</sup>	2.00 pence
Net asset value per Ordinary Share	74.76 pence
<b>Shareholder value per share since launch <sup>(ii)</sup>:</b>	<b>Pence per share</b>
Total dividends for the year ended 31 December 2001 <sup>(i)</sup>	2.00
Interim dividend for the year ended 31 December 2002	1.00
Final dividend for the year ended 31 December 2002	1.00
Net asset value at 31 December 2002	<u>74.76</u>
Total	<u>78.76</u>

**Notes**

- (i) assuming 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 benefit upon subscription.

FINANCIAL CALENDAR

Ex dividend date	19 March 2003
Record date for final dividend	21 March 2003
Annual General Meeting	29 April 2003
Posting of dividend cheques in respect of the final dividend	30 April 2003
Announcement of interim results for the six months ended 30 June 2003	September 2003
Payment of interim dividend	October 2003

INVESTMENT OBJECTIVES

Close Technology & General VCT has raised £14.3 million from private investors since its launch in December 2000 and offers investors the opportunity to participate in a balanced portfolio of technology and non-technology businesses. Once fully invested, it is expected that the Company's investment portfolio will be split approximately as follows:

- 50% in technology companies, with:
  - 20% in quoted international technology stocks; and
  - 30% in unquoted UK technology-related companies.
- 50% in unquoted UK non-technology companies.



CHAIRMAN'S STATEMENT

**Investment progress**

The year under review has seen considerable falls in the world markets, and Close Technology & General VCT has not been immune from this upheaval. The decline in net asset value per share of 25.6 per cent. over the year compares to a decline in the techMARK Index of 55.9 per cent., and a decline in the Nasdaq 100 Index of 37.6 per cent. over the same period. During the year the FT-SE 100 Index fell 24.5 per cent. I am pleased that we are able to maintain our total revenue dividend of 2 pence per share for the year.

Investment progress in qualifying investments has been strong with over £4 million invested in 10 new private or AIM quoted companies and in one existing investee company during the year. Despite more difficult trading conditions, many of our investee companies continue to perform strongly. These include Active Hotels (web-based hotel reservation systems) where booking levels are currently increasing at 10% per cent. per month, Consolidated Communications (consumer-related PR agency) which is strongly profitable in a challenging market, Careforce Staffing (domiciliary care services) which continues its rapid growth in helping to consolidate its sector and Automotive Technik (military vehicles) which is seeing a strong rise in its order book. It is too early in the life of those investments, however, to consider a material increase in our holding value.

Against this, our AIM-quoted investments have fallen 21.7 per cent. over the year, against a fall in the FTSE AIM index of 32.9 per cent., while partial provisions have been made against sparesFinder (pooled inventory solutions) and Cassium (web-service solutions) reflecting the general slow down in IT spending, and also against Leisure Links International (golf courses) reflecting the tightening market for consumer spending. Most disappointing of all is Fastrack Resources Group (temporary recruitment services), which has been placed into creditors' voluntary liquidation. Although we had a first charge over a portion of the debtor book and over the goodwill of the business, we have deemed it prudent at this stage to make a full provision against our investment.

The value of the portfolio of quoted international technology stocks fell from £2.43 million at the start of the year to £944,000 at the year end, though the Company has, since launch, made net realised profits less realised losses of £412,000 on this section of the VCT's investment portfolio.

**Outlook**

Overall, we are encouraged by the performance of the portfolio in adverse market conditions and consider that there is the potential of considerable uplift in value in many of both our quoted and our unquoted investments. We anticipate that the current climate will give rise to interesting investment opportunities at attractive valuations though particular attention will be paid to trading prospects. We look forward to continuing our strategy of seeking to balance the opportunities offered by the high growth potential of technology stocks with income-generating non-technology stocks.

**Results and dividend**

As at 31 December 2002 and following revaluations the net asset value of the Company was £10.7 million or 74.8 pence per share, compared to net assets at 31 December 2001 of £14.2 million or 100.6 pence per share. The dividend will be paid on 30 April 2003 to shareholders on the register on 21 March 2003.

Net income after taxation was £368,000 (2001: £247,000) for the year enabling the board to declare a net final dividend of 1.00 pence per share, making a total dividend of 2.00 pence for the year (2001: 2.00 pence).

Dr Neil Cross  
Chairman

11 March 2003



THE BOARD OF DIRECTORS

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

**Dr Neil Cross (57)** was formerly an executive director of 3i Group plc, from 1989 to 1996, having spent 27 years in a variety of investment and managerial roles, latterly in charge of the group's international operations. He is currently a non-executive director of Alliance UniChem Plc, Taylor Nelson Sofres plc and Dawson Holdings PLC as well as a number of private companies.

**Lieutenant General Sir Edmund Burton KBE (59)** was Deputy Chief of Defence Staff (Systems) from 1997 to 1999, with specific responsibility for developing a balanced and affordable equipment and research programme for the United Kingdom Armed Forces. His military career prior to that included three years as Commandant of the Royal Military College of Science at Shrivenham and two years as military attaché at the British Embassy in Washington. He is currently the Executive Chairman of the Police Information Technology Organisation.

**Michael Hart (61)** is currently executive chairman of AFA Systems PLC, the techMARK quoted developer of treasury software for financial institutions which he founded in 1995. Prior to that, he was managing director of ACT Group PLC which he joined in 1989 after 15 years at Siemens Nixdorf. He is currently a non-executive director of ASW plc.

**Kip Meek (47)** is managing director of Spectrum Strategy Consultants Limited, a consultancy specialising in telecommunications, media and technology, which he founded in 1993. Spectrum advises both substantial and smaller companies, including early stage and start up businesses. Before setting up Spectrum he worked at Coopers & Lybrand where he was partner in charge of the strategy practice within its Communication Division. Prior to that he was Deputy Director of Marketing at BT, having previously worked at McKinsey & Co and the Boston Consulting Group.

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 Technology & General VCT. In addition to Close Technology & General VCT it manages three further venture capital trusts: Close Brothers Venture Capital Trust PLC which raised approximately £40 million in 1996 and 1997, which now invests in Close Brothers Protected VCT PLC which raised approximately £28 million in 1997 in qualifying loans guaranteed by the Royal Bank of Scotland, asset based businesses, and in shares issued by companies quoted on AIM; and Close Brothers Development VCT PLC which raised £14.5 million in 1999 and is currently raising up to £20 million through a 'C' share issue, to provide development capital for small unquoted companies.

The Manager's ultimate parent company is Close Brothers Group plc, a substantial independent merchant banking group listed on the London Stock Exchange.

The following are specifically responsible for the management and administration of the VCTs managed by Close Venture Management:

**Patrick Reeve, (42), 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, (37), 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 (31), 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, (32), 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.



### TECHNOLOGY ADVISER

The Manager has appointed Reabourne Technology Investment Management Limited (which is regulated by the FSA), with its specialist team, as its Technology Adviser. Reabourne advise the Manager on the technology aspects of the unquoted technology-orientated portfolio, as well as advising the Manager regarding the selection and management of the portfolio of international technology stocks.

Reabourne is investment adviser to Finsbury Technology Trust PLC, Technology and Universal Life Sciences sub-funds which form part of Close Finsbury Global Investment Funds PLC, the Consulta Technology Fund and the Pulsar Technology Fund. In addition Reabourne advises Finsbury Life Sciences Investment Trust PLC, the Close Finsbury EuroTech Trust and the First Close Technology Fund.

The Reabourne team includes

**Michael Bourne (44) BA, ACA.** who founded Reabourne in 1995. He was formerly a director of Henderson Investment Management, a division of Henderson Administration Group plc, where his responsibilities included the joint fund management of two top performing funds, HTR Global Technology Unit Trust and TR Technology Plc. Previously (from 1988 and 1992) he was the fund manager of Prolific Technology Unit Trust which won Micropal awards in 1991 and 1992.

**Andrew Clark, (43) PhD.** who jointly founded Reabourne with Michael Bourne. He was formerly a biotechnology and pharmaceutical analyst with Barings Securities Limited. Previously he was with Smith Newcourt Securities Limited (from 1991 to 1994) providing quantitative support and technical information for the Japanese derivatives desk. Prior to that he was a post-doctoral research fellow at Oxford University.



THE PORTFOLIO OF INVESTMENTS

	At 31 December 2002			
	Equity held	Invested at cost	Unrealised appreciation / (depreciation)	Valuation
Qualifying investments		£'000	£'000	£'000
<u>Technology</u>				
Active Hotels Limited	7.25%	500	-	500
Cassium Technologies Limited	12.5%	500	(250)	250
Advanced Medical Solutions Group PLC*	2.0%	300	18	318
Intelligent Environments Plc*	6.0%	297	-	297
Peakdale Molecular Limited	6.2%	267	(42)	225
Tepnel Life Sciences Plc *	2.0%	328	(193)	135
sparesFinder Limited	5.0%	500	(375)	125
Pilat Media Global Plc*	2.0%	150	(26)	124
AIT Group Plc*	1.0%	240	(144)	96
Deltex Medical Group Plc*	2.0%	191	(126)	65
Warthog plc*	0.4%	90	(59)	31
OneclickHR Plc*	0.2%	58	(49)	9
Total		3,421	(1,246)	2,175
<u>Non-technology</u>				
Consolidated Communications Management Limited	10.8%	1,000	70	1,070
The Q Garden Company Limited	30.0%	1,000	(45)	955
Automotive Technik (Holdings) Limited	13.3%	720	8	728
Leisure Links International Limited	22.8%	950	(277)	673
Careforce Group Limited	7.3%	600	13	613
Peakdale Molecular Limited	N/a	533	42	575
City Screen (Liverpool) Limited	4.5%	50	-	50
Fastrack Resources Group Limited	16.0%	660	(660)	-
Total		5,513	(849)	4,664
<b>Total qualifying investments</b>		<b>8,934</b>	<b>(2,095)</b>	<b>6,839</b>

\* AIM listed investments

**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.



**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 under the Active Web and Active Forms Names.

**Advanced Medical Solutions Group PLC**

Advanced Medical Solutions Group, designs, develops and manufactures products for the advanced wound care market. The company is listed on AIM.

**Intelligent Environments Group PLC**

iE is a leading provider of integrated e-finance products for the credit and wealth management market. The company is listed on AIM.

**sparesFinder Limited**

Founded in 1999, sparesFinder Limited provides clients with a pooled inventory solutions service accessed via the internet. Its service allows registered clients to share inventories, locate and purchase goods or spare parts anywhere throughout the world using the sparesFinder shared database of inventories. Clients using the system include BAT, BP and Alsthom.

**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.

**Tepnel Life Sciences Plc**

Tepnel Life Sciences, an AIM listed investment, is a biotechnology company committed to the commercialisation of DNA technologies, developing automated systems for use in life science research, clinical diagnosis and food testing.

**Pilat Media Global Plc**

The company develops, markets and supports business operations software for the media industry. It is listed on AIM.

**AIT Group Plc**

AIT Group is listed on Aim, and is a provider of IT solutions principally for the retail financial sector.

**Deltex Medical Group Plc**

Deltex develops, manufactures and markets the 'CardioQ', an oesophageal device which monitors in real time the heart's response to medical treatment. Deltex is listed on AIM.

**Warthog plc**

Warthog is listed on AIM and is a leading independent games software developer.

**OneclickHR Plc**

OneclickHR is listed on AIM, it develops and markets a range of human resources software under the 'Vizual' brand.

**Consolidated Communications Management Limited**

Consolidated Communications is a management buy-out of an established public relations agency, formed in 1991, with a broad range of 'blue-chip' clients. In November 2001 the company was named "Consultancy of the Year" at the PR Week Awards.

**The Q Garden Company Limited**

The Q Garden Company is a chain of garden centres based in the south of England. It currently owns four centres located in Fareham (Hampshire), Chinnor (Oxfordshire), Stow-on-the-Wold (Gloucestershire) and Nazeing (Essex).

**Automotive Technik (Holdings) Limited**

The company 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.

**Leisure Links International Limited**

Leisure Links owns and operates two golf clubs, located at the Test Valley course in Hampshire and the Chelsfield Downs course outside Stevenage.

**Careforce Group Limited**

Careforce Group 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. Careforce currently operates nine branches around the UK.

**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.





## CLOSE TECHNOLOGY & GENERAL VCT PLC

### City Screen (Liverpool) Limited

The Company was formed to own and operate a three screen 'art house' cinema in the centre of Liverpool, which opened in February 2003.

### Fastrack Resources Group Limited

Fastrack provided recruitment services in respect of both temporary and permanent staff, with a particular specialisation in the rail sector. The company is being placed into creditors' voluntary liquidation.

### Non-qualifying portfolio

Company	Country of incorporation	Listing exchange	Share Holding	Cost £000's	Unrealised appreciation/ (devaluation) £000's	Value £000's
Applied Materials Inc.	USA	Nasdaq	10,000	97	(16)	81
Network Associates Inc.	USA	NYSE	8,000	84	(4)	80
Take Two Software	UK	Nasdaq	5,000	70	3	73
Digital River Inc.	USA	Nasdaq	9,300	29	40	69
Technomatix Technologies Ltd.	USA	Nasdaq	12,200	74	(6)	68
Agere Systems Inc - A	USA	NYSE	58,500	113	(61)	52
Melexis	Belgium	Esdaq	12,000	57	(11)	46
Nortel Networks Corp.	Canada	NYSE	42,200	164	(122)	42
Amdocs Ltd.	USA	NYSE	6,200	88	(50)	38
Taiwan Semiconductor	Taiwan	NYSE	7,920	45	(10)	35
Advance Fibre Communications	USA	Nasdaq	3,000	39	(8)	31
Citrix Systems Inc	USA	Nasdaq	4,000	21	9	30
Ascential Software Corp	USA	Nasdaq	20,000	32	(2)	30
Orbotech	Israel	Nasdaq	3,100	59	(31)	28
Eriasson LM-B	Sweden	Stockholm	64,000	80	(52)	28
Wind River Systems Inc	USA	Nasdaq	10,000	36	(10)	26
Veritas Software Corp.	USA	Nasdaq	2,500	33	(9)	24
Chordiant Software Inc.	USA	Nasdaq	23,188	30	(9)	21
Crucell N.V.	Netherlands	Amsterdam	10,300	51	(31)	20
Stellent Inc	USA	Nasdaq	6,500	17	1	18
Powerwave	USA	Nasdaq	4,500	16	(1)	15
Borland	USA	Nasdaq	1,900	20	(5)	15
Optical Robotics 'A'	Canada	Nasdaq	3,600	62	(48)	14
TTI Telecom international	Israel	Nasdaq	3,900	17	(4)	13
Brooks Automation	USA	Nasdaq	1,750	23	(10)	13
Qiagen	Netherlands	Frankfurt	3,300	51	(40)	11
Forgent	USA	Nasdaq	9,900	23	(13)	10
Burntsand	Canada	Toronto	75,000	95	(88)	7
OneClickHR	UK	LSE AIM	85,500	43	(37)	6
Peregrine Systems Inc.	USA	Nasdaq	7,300	74	(74)	-
<b>Total non-qualifying international quoted technology stocks</b>				<b>1,643</b>	<b>(699)</b>	<b>944</b>
<b>Floating Rate Notes</b>						
Bradford & Bingley due November 2005				<b>1,500</b>	<b>(1)</b>	<b>1,499</b>
<b>Total non-qualifying investments</b>				<b>3,143</b>	<b>(700)</b>	<b>2,443</b>

### Note

Listings on the following exchanges were translated upon purchase at prevailing exchange rates, whilst valuations were translated at the following rates as listed in the Financial Times at close of business on 31 December 2002.

Listing exchange	Currency	Closing rate 31 December 2002
Nasdaq, NYSE	US\$	1.610
Frankfurt, Amsterdam, Paris	EUR	1.534
Stockholm	SEK	14.030
LSE AIM	£	1.000



REPORT OF THE DIRECTORS

The Directors submit the Report and Accounts of the Company for the year ended 31 December 2002.

**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 an investment trust in accordance with Section 842AA of the Income and Corporation Taxes Act 1988 for the year ended 31 December 2001. 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 December 2002 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 an investment company as defined in Section 266 of the Companies Act 1985.

**Future developments**

It is considered that the Company's activities will continue in accordance with the objectives set out on page 2. The directors will continue to monitor the performance of the Company and any risks that may arise in the future.

**Results and dividends**

	<b>£'000</b>
Revenue return for the year ended 31 December 2002 available for distribution	368
Interim dividend of 1.00 pence per share paid 9 October 2002	(143)
Final proposed dividend for the year of 1.00 pence per share payable on 30 April 2003 to shareholders on the register at the close of business on 5 April 2002.	<u>(144)</u>
Transferred to revenue reserve	<u>81</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 December 2002 Ordinary Shares	31 December 2002 Percentage	31 December 2001 Ordinary Shares	31 December 2001 Percentage
Dr. Neil Cross	50,000	0.3%	50,000	0.3%
Lt. Gen. Sir Edmund Burton KBE	19,660	0.2%	10,000	0.1%
Michael Hart	50,000	0.3%	50,000	0.3%
Kip Meek	10,000	0.1%	10,000	0.1%

There have been no changes in the holdings of the Directors between the year end and the date of this document. Lieutenant General Sir Edmund Burton purchased 9,660 shares in the company on 4 April 2002 at 103.5 pence per share.

All Directors were re-appointed on 1 May 2002.  
 No Director has a service contract with the Company.  
 The Company does not have any employees.  
 All Directors are members of the Audit Committee, of which Dr. Neil Cross is the Chairman.



### **Management Agreement**

The Company and Close Brothers Investment Limited, of which Close Venture Management, the Manager, is a division, have entered into a management agreement for an initial fixed term expiring 31 December 2005, which may be terminated thereafter by either party on 12 months' notice. Under this agreement, the Manager will also provide 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. Under the terms of the Management Agreement, the Manager will be paid an annual fee equal to 2.5 per cent. (plus any applicable VAT) of the net asset value of the Company. The fee will be payable quarterly in arrears.

Close Venture Management has entered into a sub-agreement with Rebourne Limited in respect of the non-qualifying portfolio. This fee is payable from the fee received by Close Venture Management from the Company.

In line with common practice, the Manager will also be entitled to an arrangement fee, payable by each investee company, of approximately 2 per cent. on each investment made.

### **Management Performance Incentive**

In order to provide the Manager with an incentive to maximise the return to investors, the Company has entered into a management performance incentive arrangement with the Manager. Under the incentive arrangement, if the net asset value per Share at the end of a financial period, when added to the aggregate dividends per Share (both revenue and capital) paid to that date, exceed £1 as increased at the compound rate of 8 per cent. per annum since the Company's commencement of trading, then the Manager will be entitled to an incentive fee equal to 20% of such excess (plus VAT if applicable). In the event that the performance of the Company falls short of the target in any period, such shortfall must be made up in future periods before the Manager is entitled to any incentive in respect of such future periods. The fee if applicable, will be payable annually, with the first payment being in respect of the year to 31 December 2005.

### **Auditors**

Deloitte & Touche were appointed as auditors during the year and they have expressed their willingness to continue in office as auditors.

### **Substantial Interests**

As at 31 December 2002 the Company was not aware of any beneficial interest in the Company 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.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for systems of internal control and safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors confirm that applicable accounting standards have been followed in the financial statements accompanying this report.



**Suppliers 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 December 2002 (2001: 20 days).

**Annual General Meeting**


The Annual General Meeting will be held at 12 Appold Street, London EC2A 2AW at 2.30 p.m. on 29 April 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 special resolution, number 5 in the notice of meeting, will give the Company authority to purchase in the market and cancel up to 1,434,013 of the Company's issued shares (equivalent to 10 per cent. of the share capital in issue at 31 December 2002).

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.

By Order of the Board.

  
I. Gain  
Company Secretary  
12 Appold Street  
London EC2A 2AW

11 March 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, all of whom are independent. Dr Cross 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 for it and meets quarterly. 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.

Directors are appointed for specified terms, subject to re-election and to the provisions of the Companies Act. In accordance with the Company's Articles of Association, directors stand for election at the first annual general meeting following their appointment and every director stands for re-election every two years thereafter.

**Remuneration Committee**

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 of which Dr. Neil Cross is the Chairman. Written terms of reference have been constituted for the Audit Committee. It meets as required throughout the year. The Committee overviews 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 comes 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 reasonable 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 December 2002 with all the relevant provisions set out in Section 1 of the 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 December 2002.

The following information is unaudited except where specified.

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

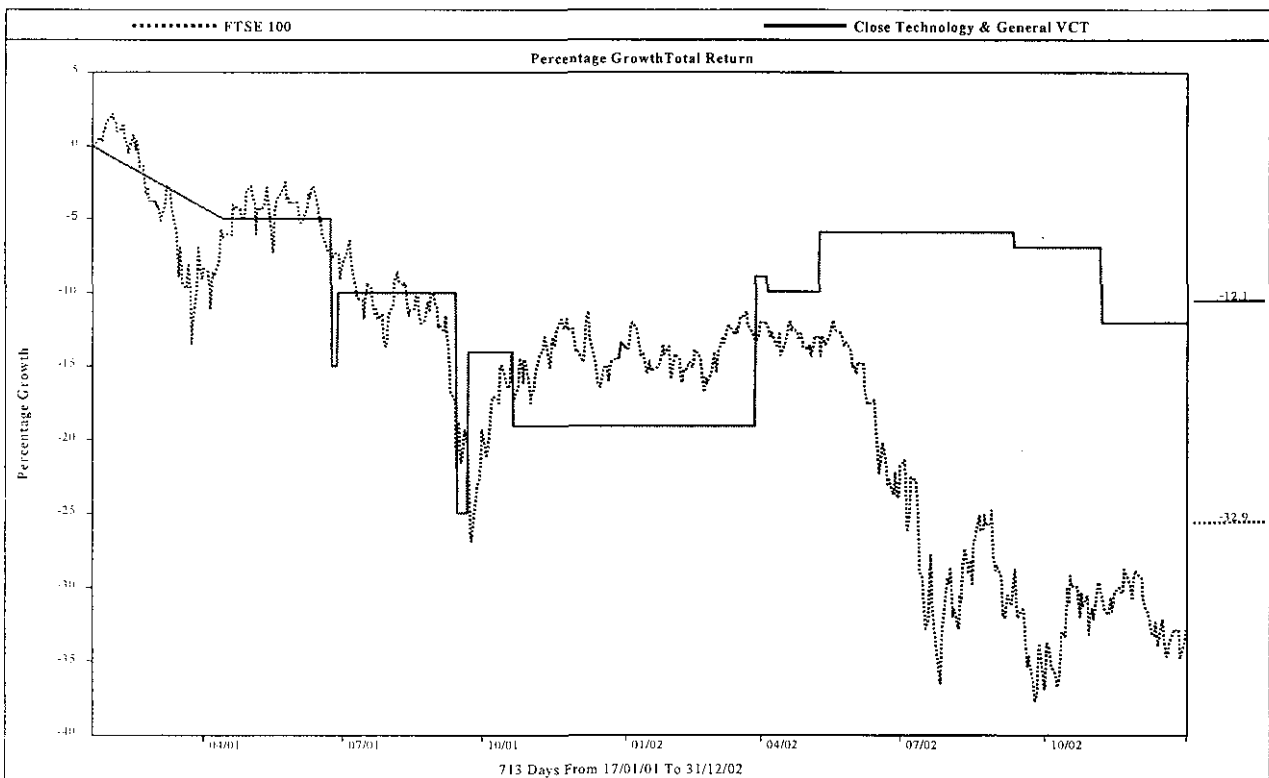
The Company's policy is that fees payable to non-executive directors should reflect their expertise, responsibilities and time spent on Company matters. In determining the level of non-executive remuneration market equivalents are considered in comparison to the overall activities and size of the Company.

The 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 £75,000 per annum.

Performance graph

The below graph shows the performance of Close Technology & General VCT PLC's share price against the FTSE 100 index, in both instances with dividends reinvested, for the two years since the launch of the fund in January 2001. The directors consider this an 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 presentation below.



Source: Lipper. Produced using Hindsight 5 by Close Fund Management Ltd. Hindsight is a registered trademark of Reuters Limited.



**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.

	Year ended 31 December 2002			Period 16 January 2001 to 31 December 2001		
	Fees £'000	Expenses £'000	Total £'000	Fees £'000	Expenses £'000	Total £'000
Dr Neil Cross	13	-	13	12	-	12
Michael Hart	13	-	13	13	-	13
K Meek	13	-	13	12	-	12
Lt Gen Sir Edmund Burton	<u>14</u>	<u>-</u>	<u>14</u>	<u>12</u>	<u>-</u>	<u>12</u>
	<u>53</u>	<u>-</u>	<u>53</u>	<u>49</u>	<u>-</u>	<u>49</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.

Each director of the Company is remunerated personally, save for Kip Meek whose services are provided by Spectrum Strategy Limited and Lieutenant General Sir Edmund Burton, whose services are provided by Sir Edmund Burton KBE (sole trader).

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

11 March 2003





**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF CLOSE TECHNOLOGY & GENERAL VCT PLC**

We have audited the financial statements of Close Technology & General VCT PLC for the year ended 31 December 2002 which comprise the statement of total return, the balance sheet, the cash flow statement, the statement of accounting policies and the related notes 1 to 22. 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 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 group'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 December 2002 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

11 March 2003



Statement of Total Return  
(incorporating the revenue account)  
for the year to 31 December 2002

	Notes	Year ended 31 December 2002			Period 16 January 2001 to 31 December 2001		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments	1 & 2	-	(3,622)	(3,622)	-	997	997
Income	3	632	-	632	504	-	504
Investment management fees	1 & 4	(67)	(202)	(269)	(87)	(260)	(347)
Other expenses	1 & 5	(106)	-	(106)	(108)	-	(108)
Return on ordinary activities before tax		459	(3,824)	(3,365)	309	737	1,046
Tax on ordinary activities	7	(91)	40	(51)	(62)	52	(10)
Return attributable to equity shareholders		368	(3,784)	(3,416)	247	789	1,036
Dividends	8	(287)	-	(287)	(230)	-	(230)
Transfer to/(from) reserves		81	(3,784)	(3,703)	17	789	806
Return per share	9	2.6p	(26.6)p	(24.0)p	2.0p	6.4p	8.4p

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

The accompanying notes are an integral part of this statement.

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

No operations were acquired or discontinued in the year/period.

Balance Sheet  
at 31 December 2002

	Notes	31 December 2002 £'000	31 December 2001 £'000
<b>Fixed asset investments</b>			
Qualifying		6,839	4,831
Non-qualifying		<u>2,443</u>	<u>2,430</u>
<b>Total fixed asset investments</b>	10	9,282	7,261
<b>Current assets</b>			
Debtors	12	8	18
Short term money market deposits		<u>1,688</u>	<u>7,208</u>
		1,696	7,226
<b>Creditors: due within one year</b>	13	<u>(257)</u>	<u>(241)</u>
<b>Net current assets</b>		<u>1,439</u>	<u>6,985</u>
<b>Net assets</b>		<u>10,721</u>	<u>14,246</u>
<b>Represented by:</b>			
Called up share capital	14	7,170	7,080
Share premium	15	165	73
Special reserve	15	6,258	6,267
Capital redemption reserve	15	25	20
Capital reserve			
<i>realised</i>		(622)	91
<i>unrealised</i>		(2,373)	698
Revenue reserve	15	<u>98</u>	<u>17</u>
<b>Total equity shareholders' funds</b>	17	<u>10,721</u>	<u>14,246</u>
<b>Net asset value per share</b>	16	74.8p	100.6p

The financial statements on pages 17 to 28 were approved by the Board of Directors on 11 March 2003.

Signed on behalf of the Board of Directors

Dr Neil Cross  
Chairman



**Cash Flow Statement**  
for the year to 31 December 2002

	Notes	Year to 31 December 2002 £'000	Period 16 January 2001 to 31 December 2001 £'000
<b>Operating activities</b>			
Investment income received		383	48
Deposit interest received		54	405
Other income		-	2
Investment management fees paid		(249)	(337)
Other cash payments		<u>(112)</u>	<u>(69)</u>
<b>Net cash inflow from operating activities</b>	19	76	49
<b>Taxation</b>			
UK corporation tax paid		(10)	-
<b>Capital expenditure and financial investments</b>			
Purchase of qualifying investments		(4,089)	(4,877)
Purchase of non-qualifying investments		(5,053)	(2,011)
Disposals of non-qualifying investments		<u>3,671</u>	<u>687</u>
<b>Net cash outflow from investing activities</b>		(5,471)	(6,201)
<b>Equity dividends paid</b>			
Dividends paid on ordinary shares	8	<u>(285)</u>	<u>(88)</u>
<b>Net cash outflow before financing</b>		(5,690)	(6,240)
<b>Financing</b>			
Issue of equity net of expenses		179	13,498
Cancellation of share capital		(9)	(32)
Cancellation of share premium		<u>-</u>	<u>(18)</u>
<b>Net cash inflow from financing</b>		170	13,448
<b>(Outflow)/inflow of cash in the year/period</b>	18	<u>(5,520)</u>	<u>7,208</u>

The accompanying notes are an integral part of this statement.



**Notes to the financial statements**  
**For the year ended 31 December 2002**

**1. ACCOUNTING POLICIES**

The principal accounting policies of the Company, all of which have been applied consistently throughout the year 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 year. Unquoted investments are stated at a valuation determined by the directors in accordance with the British Venture Capital Association guidelines. Other than amounts accrued under redemption premium on secured loan stock, 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. Amounts accrued under redemption premium are accounted for in the revenue return.

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 (other than on non-equity shares) is included in revenue when the investment is quoted ex-dividend. Any fixed returns on non-equity shares or debt securities are recognised on a time apportionment basis. Amounts accrued under redemption premium are recognised on a time apportioned basis in the revenue return. Total expenses including Management fees will not exceed 3.5% of net asset value at the year end.

**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.

**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 Statement No. 4.

**Taxation**

The interim financial information has been prepared on the basis of accounting policies consistent with those applied in the 2001 financial statements. Taxation associated with capital expenses is applied in accordance with recommended practise.

Deferred taxation is considered in accordance with FRS 19 on timing differences that result in an obligation at the balance sheet date to pay more 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.

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

**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 year end are reported at the rates of exchange prevailing at the year 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 whether the gain or loss is of a capital or revenue nature respectively.

**Capital 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 year end
- (ii) unrealised exchange differences of a capital nature

2.	Gains and losses on investments	Year	Period
		ended	16 January 2001
		31 December	to
		2002	31 December
		£'000	2001
			£'000
	Realised gains/(losses)	(551)	306
	Commission on purchase/disposal	(2)	-
	Net movement on foreign exchange	2	(7)
	Unrealised gains/(losses)	<u>(3,071)</u>	<u>698</u>
		<u>(3,622)</u>	<u>997</u>
3.	Income		
		Year	Period
		ended	16 January 2001
		31 December	to
		2002	31 December
		£'000	2001
			£'000
	<b>Income from investments</b>		
	UK unfranked investment income	381	54
	Foreign unfranked investment income	3	-
	Redemption Premium	197	40
	Other income	-	<u>2</u>
		581	96
	<b>Other income</b>		
	Deposit income	<u>51</u>	<u>408</u>
	<b>Total income</b>	<u>632</u>	<u>504</u>
	<b>Total income comprises:</b>		
	Interest	432	464
	Redemption Premium	197	40
	Dividends	<u>3</u>	-
	Total	<u>632</u>	<u>504</u>
	<b>Income from investments:</b>		
	Listed	110	-
	Unlisted	<u>522</u>	<u>504</u>
	Total	<u>632</u>	<u>504</u>



## Notes to the financial statements (continued)

## 4. Investment management fee

	Year ended 31 December 2002 £'000	Period 16 January 2001 to 31 December 2001 £'000
Charged to Revenue	67	87
Charged to Capital	<u>202</u>	<u>260</u>
Total	<u>269</u>	<u>347</u>

Total management fees include irrecoverable VAT totalling £41,123. 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

	Year ended 31 December 2002 £'000	Period 16 January 2001 to 31 December 2001 £'000
Directors' fees	53	50
Auditors' remuneration – audit fees	12	12
Other	40	45
Exchange losses	<u>1</u>	<u>1</u>
	<u>106</u>	<u>108</u>

## 6. Directors' fees

The remuneration of the chairman, which was equal to that received by the other directors, was £12,488 for the year, exclusive of any National Insurance, VAT and expenses.

Mr K Meek provides his services through Spectrum Strategy Consultants Ltd and Lieutenant General Sir Edmund Burton through Sir Edmund Burton KBE (sole trader).

Total directors' fees amounted to £52,502.

## 7. Tax on ordinary activities

	Year ended 31 December 2002			Period 16 January 2001 to 31 December 2001		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Total						
UK corporation tax at 20%	51	-	51	10	-	10
Tax attributable to capitalised expenses	<u>40</u>	<u>(40)</u>	<u>-</u>	<u>52</u>	<u>(52)</u>	<u>-</u>
	<u>91</u>	<u>(40)</u>	<u>51</u>	<u>62</u>	<u>(52)</u>	<u>10</u>

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 20%.

	Year ended 31 December 2002			Period 16 January 2001 to 31 December 2001		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Total						
Profit before taxation	459	(3,824)	(3,365)	309	737	1,036
Tax on profit at the standard rate	91	(765)	(674)	62	147	209
Factors affecting the charge						
Losses/(gains) on investments	<u>-</u>	<u>725</u>	<u>725</u>	<u>-</u>	<u>(199)</u>	<u>(199)</u>
	<u>91</u>	<u>(40)</u>	<u>51</u>	<u>62</u>	<u>(52)</u>	<u>10</u>



Notes to the financial statements (continued)

7. Tax on ordinary activities (continued)

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 20% 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/period.

8. Dividends and other appropriations

	Year ended 31 December 2002 £'000	Period 16 January 2001 to 31 December 2001 £'000
<u>Dividends on equity shares:</u>		
Interim revenue dividend paid of 1.00p per share (2001:1.00p) <sup>(i)</sup>	143	88
Final proposed revenue dividend proposed of 1.00p per share (2001:1.00p)	144	142
Total revenue dividends	<u>287</u>	<u>230</u>

<sup>(i)</sup> assuming subscription by the first closing on 16 January 2001. Investors subscribing thereafter, up to 30 June 2001 received 0.5 pence per share.

9. Return per share

	Year ended 31 December 2002			Period from 16 January 2001 to 31 December 2001		
	Revenue	Capital	Total	Revenue	Capital	Total
	2.6 pence	(26.6) pence	(24.0) pence	2.0 pence	6.4 pence	8.4 pence

Revenue return per share is based on the net profit on ordinary activities after taxation but before deduction of dividends and other appropriations of £368,000 (2001: £247,000) in respect of the weighted average number of shares in issue during the year, being 14,251,513 shares, (2001: 12,244,517).

Capital return per ordinary share is based on net capital loss for the year of £3,784,000 (2001: profit of £789,000) in respect of the same weighted average number of shares in issue as shown above.

10. Investments

	31 December 2002 £'000	31 December 2001 £'000
Qualifying unlisted technology investments	1,100	1,767
Qualifying AIM listed technology investments	1,075	500
Qualifying unlisted non-technology investments	4,664	2,564
Non-qualifying technology investments listed on recognised Investment Exchanges	944	2,430
Non-qualifying Floating Rate Notes	<u>1,499</u>	-
Total	<u>9,282</u>	<u>7,261</u>





CLOSE TECHNOLOGY & GENERAL VCT PLC

Notes to the financial statements (continued)

	Qualifying Technology £'000	Qualifying Non- Technology £'000	Non qualifying Technology £'000	Non qualifying Listed £'000	Total £'000
<b>Valuation basis</b>					
Opening valuation	1,767	3,064	2,430	-	7,261
Additions at cost	1,578	2,480	555	4,498	9,111
Disposals					
- proceeds	-	-	(666)	(2,999)	(3,665)
- realised profit/ loss	-	(660)	108	1	(551)
Increase in redemption premium	9	188	-	-	197
Decrease in unrealised appreciation	<u>(1,179)</u>	<u>(408)</u>	<u>(1,483)</u>	<u>(1)</u>	<u>(3,071)</u>
Closing valuation	<u>2,175</u>	<u>4,664</u>	<u>944</u>	<u>1,499</u>	<u>9,282</u>
Opening unrealised (depreciation)/ appreciation	(77)	31	784	-	738
Redemption Premium appreciation	9	188	-	-	197
Change in unrealised depreciation	<u>(1,179)</u>	<u>(408)</u>	<u>(1,483)</u>	<u>(1)</u>	<u>(3,071)</u>
Closing unrealised depreciation	<u>(1,247)</u>	<u>(189)</u>	<u>(699)</u>	<u>(1)</u>	<u>(2,136)</u>
<i>Closing unrealised depreciation realised by:</i>					
Accrued Redemption Premium	9	188	-	-	197
Unrealised depreciation	<u>(1,256)</u>	<u>(377)</u>	<u>(699)</u>	<u>(1)</u>	<u>(2,333)</u>
	<u>(1,247)</u>	<u>(189)</u>	<u>(699)</u>	<u>(1)</u>	<u>(2,136)</u>
<b>Historical cost basis</b>					
Opening book cost	1,844	3,033	1,646	-	6,523
Additions at cost	1,578	2,480	555	4,498	9,111
Disposals at cost	-	(660)	(558)	(2,998)	(4,216)
Closing book cost	<u>3,422</u>	<u>4,853</u>	<u>1,643</u>	<u>1,500</u>	<u>11,418</u>

In addition Close Technology & General VCT Plc holds 15,000 Warrants in Consolidated Communications Management Ltd exercisable for 15,000 shares at £15 per share. The directors' valuation of the Warrants is nil.



## Notes to the financial statements (continued)

## 11. Significant interests

Details of investments in which the Company has an interest of 10% or more of the nominal value of the allotted shares of any class, or of the net assets, are as follows. It is considered that, as permitted by FRS9, the below investments are held as part of an investment portfolio and their value to the Company is through their marketable value as part of a portfolio of investments. Therefore, the investments are not considered to be associated undertakings.

	Percentage of issued share capital	Country of incorporation
The Q Garden Company Limited	30.0%	United Kingdom
Leisure Links International Limited	22.8%	United Kingdom
Fastrack Resources Group Limited	16.0%	United Kingdom
Automotive Technik Limited	13.3%	United Kingdom
Cassium Technologies Limited	12.5%	United Kingdom
Consolidated Communications Management Limited	10.9%	United Kingdom

All holdings are in 'Ordinary' shares

## Extract from latest audited accounts

Name and Activity	Basis of Valuation	Turnover	Profit before Tax	Net Assets	Income received accrued over the year
		£'000	£'000	£'000	£'000
<b>Consolidated Communications Management Limited</b>	Cost				
Public relations services Year end 28 February 2002		4,847	(58)	3,072	56
<b>The Q Garden Company Limited<sup>(i)</sup></b>	Directors' devaluation				
Garden centre operator Year end 31 December 2002		2,941	(687)	703	60
<b>Automotive Technik (Holdings) Limited<sup>(i)</sup></b>	Cost				
Specialist all terrain vehicles Year end 31 December 2002		6,401	(699)	196	10
<b>Leisure Links International Limited</b>	Directors' devaluation				
Ownership operation of two golf courses Year end 31 March 2002		714	(260)	923	46
<b>Careforce Group Limited</b>	Cost				
Domiciliary care provider Year end 31 July 2002		3,998	(75)	319	23
<b>Peakdale (Liverpool) Limited</b>	Cost				
Chemistry services for drug discovery Year end 31 March 2002		1,562	(422)	972	52

<sup>(i)</sup> The figures are unaudited as at 31 December 2002.



**CLOSE TECHNOLOGY & GENERAL VCT PLC**

Notes to the financial statements (continued)

12. Debtors

	31 December 2002 £'000	31 December 2001 £'000
Prepayments and accrued income	8	18
Debtors	8	-
Provision for bad debts	<u>(8)</u>	<u>-</u>
	<u>8</u>	<u>18</u>

13. Creditors: amounts falling due within one year

	31 December 2002 £'000	31 December 2001 £'000
UK corporation tax payable	51	10
Proposed dividend	144	142
Other creditors	<u>62</u>	<u>89</u>
	<u>257</u>	<u>241</u>

14. Share Capital

	31 December 2002 £'000	31 December 2001 £'000
<b>Authorised:</b>		
30,000,000 Ordinary Shares of 50p each	<u>15,000</u>	<u>15,000</u>
<b>Allotted, called up and fully paid:</b>		
14,340,132 Ordinary Shares of 50p each	<u>7,170</u>	<u>7,080</u>

A total of 189,944 shares were issued during the year for £197,407 in cash the nominal value of which was £94,972. The Company repurchased for cancellation 10,000 shares during the year at a cost of £8,665. This represented approximately 0.072% of the share capital in issue at the date of repurchase.

15. Reserves

	Share Premium account £'000	Special reserve £'000	Capital redemption reserve £'000	Realised capital reserve £'000	Unrealised capital reserve £'000	Revenue reserve £'000
Beginning of year	73	6,267	20	91	698	17
Issue of share capital net of expenses	92	-	-	-	-	-
Redemption of share capital	-	(9)	5	-	-	-
Gains on investments	-	-	-	(551)	(3,071)	-
Commission on purchase/ disposal	-	-	-	(2)	-	-
Foreign exchange	-	-	-	2	-	-
Capitalised expenses net of tax	-	-	-	(162)	-	-
Retained net revenue	-	-	-	-	-	81
End of year	<u>165</u>	<u>6,258</u>	<u>25</u>	<u>(622)</u>	<u>(2,373)</u>	<u>98</u>

16. 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 December 2002	31 December 2001
Net asset value per share	74.8 pence	100.6 pence

The movements in the year attributable to the net asset value per share were as follows:



**CLOSE TECHNOLOGY & GENERAL VCT PLC**

Notes to the financial statements (continued)

	31 December 2002 £'000	31 December 2001 £'000
Opening net assets attributable to shareholders	14,246	-
Capital subscribed net of expenses	187	13,490
Repurchase and cancellation of own shares	(9)	(32)
Cancellation of shareholders premium	-	(6,317)
Creation of special reserve	-	6,317
Cost of share premium cancellation	-	(18)
Total return for the year/period	(3,416)	1,036
Dividends appropriated in the year/period	<u>(287)</u>	<u>(230)</u>
Closing net assets attributable to shareholders	<u>10,721</u>	<u>14,246</u>

Net asset value per share is based upon the net assets of the Company and shares in issue at the year/period end.

**17. Reconciliation of movements in shareholders' funds**

	31 December 2002 £'000	31 December 2001 £'000
Opening shareholders' funds	14,246	-
Capital subscribed net of expenses	187	13,490
Repurchase and cancellation of own shares	(9)	(32)
Cancellation of shareholders premium	-	(6,317)
Creation of special reserve	-	6,317
Cost of share premium cancellation	-	(18)
Total return for the year/period	(3,416)	1,036
Dividends appropriated in the year/period	<u>(287)</u>	<u>(230)</u>
Closing shareholders' funds	<u>10,721</u>	<u>14,246</u>

**18. Analysis of changes in cash and cash equivalents during the year/ period**

	31 December 2002 £'000	31 December 2001 £'000
Beginning of the year/period	7,208	-
Net cash (outflow)/inflow	<u>(5,520)</u>	<u>7,208</u>
End of the year/period	<u>1,688</u>	<u>7,208</u>

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

	31 December 2002 £'000	31 December 2001 £'000
Net revenue before finance costs and taxation	459	309
Investment management fee charged to capital	(202)	(260)
Increase in redemption premium	(197)	(40)
Decrease/(increase) in debtors and accrued income	2	(9)
Increase in creditors and accruals	<u>14</u>	<u>49</u>
Net cash inflow from operating activities	<u>76</u>	<u>49</u>



Notes to the financial statements (continued)

20. Financial instruments and risk management

**Financial assets and liabilities**

The Company's financial assets comprise equity and loan stock investments in unquoted companies, equity investments listed on recognised exchanges, cash balances and short term debtors which arise from its operations. The main purpose of these financial instruments is to generate revenue and capital appreciation for the Company's operations.

The Company has no financial liabilities other than short term creditors.

The Company does not use any derivatives and numerical disclosures below exclude short term debtors and creditors.

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

- interest rate risk;
- foreign currency risk; and
- market price risk.

The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies remain unchanged since the formation of the Company.

**Borrowing facilities**

The Company had no committed borrowing facilities as at 31 December 2002, either in Sterling or any foreign currency.

**Fair values of financial assets and financial liabilities**

All the Company's financial assets and liabilities as at 31 December 2002 are stated at fair value, unless otherwise stated. See note 1 of the financial statements.

**Interest rate risk**

It is the Company's policy to accept a degree of interest rate risk on its financial assets through the effect of interest rate changes. 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 for the year to 31 December 2002 by approximately 42 per cent.

The Company's financial instruments at 31 December 2002 consist of the following;

20. Financial instruments and risk management

Currency	31 December 2002			Total £'000
	Fixed Rate £'000	Floating Rate £'000	Interest Free £'000	
SEK	-	-	81	81
Canadian \$	-	-	95	95
Euro	-	-	158	158
US \$	-	-	1,267	1,267
Sterling	<u>35</u>	<u>6,804</u>	<u>4,666</u>	<u>11,505</u>
	<u>35</u>	<u>6,804</u>	<u>6,267</u>	<u>13,106</u>

Currency	31 December 2001			Total £'000
	Fixed Rate £'000	Floating Rate £'000	Interest Free £'000	
SEK	-	-	72	72
Euro	-	-	167	167
US \$	-	61	1,364	1,425
Sterling	<u>-</u>	<u>9,328</u>	<u>2,782</u>	<u>12,110</u>
	<u>-</u>	<u>9,389</u>	<u>4,385</u>	<u>13,774</u>



Notes to the financial statements (continued)

20. Financial instruments and risk management (continued)

Foreign currency exposure risk

The Company is exposed to foreign currency risk through its investment in securities listed on overseas stock markets.

The company does not normally hedge against foreign currency movements.

The manager and board regularly monitor this risk, wherever possible maintaining all cash balances in Sterling, accepting however a degree of risk upon the translation of investments.

The Company's exposure to foreign currency through its investment in overseas securities at 31 December 2002 were as follows:

	31 December 2002 £ 000	31 December 2001 £ 000
US Dollar	1,267	1,425
Euro	158	167
Canadian Dollar	95	-
Swedish Kroner	81	72

Market price risk

As a venture capital trust, it is the company's specific nature to evaluate and control the investment risk of its portfolio in both quoted investments and unquoted investments, the results of which are detailed in the Portfolio Review. The manager and board regularly monitor this risk.

21. Post balance sheet events

Since 31 December 2002 the Company has entered into the following transactions.

- Invested in five new internationally quoted technology stock for a total consideration of approximately £94,000.
- Subsequent to the year end, as discussed in the Chairman's statement a resolution was taken to place Fastrack Resources Group into creditors' voluntary liquidation. This event however has been fully accounted for in these financial statements.
- Invested a further £350,000 in Careforce Group Ltd.

In addition the Company, on a monthly basis announces to the London Stock Exchange its net asset value (NAV). As at 28 February 2003, the Company's NAV was 73p per share, after taking account of the final dividend.

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.



## CLOSE TECHNOLOGY & GENERAL VCT PLC

### NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of Close Technology & General VCT PLC will be held at 2.30 p.m. at 12 Appold Street, London EC2A 2AW on 29 April 2003 for the purpose of dealing with the following business, of which item 5 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 December 2002.
- 2 To reappoint Deloitte & Touche as Auditors for the ensuing year and to authorise the Directors to fix their remuneration.
3. To approve the directors remuneration report.
- 4 To declare a final dividend of 1.00 pence net per share of 50p each for the year ended 31 December 2002 payable to shareholders on the register at the close of business on 21 March 2003.

#### Special Business

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

5. 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 each in the capital of the Company ("Shares") provided that:
  - (a) the maximum aggregate number of Shares authorised to be purchased is 1,434,013 (representing 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 that 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: 11 March 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 forty-eight 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 service contract or contract for services with the Company.
5. The Company pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995 specifies that only those shareholders registered in the register of members of the Company as at 2:30 p.m. on 25 April 2003 or, in the event that this meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting, shall be entitled to attend or vote at this meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of members after 2:30 p.m. on 25 April 2003 or, in the event that this meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.
6. Copies of the Company's existing Articles of Association are available for inspection at the Company's registered office during normal business hours on any weekday (excluding Saturdays and public holidays) from the date of this notice until close of business on 25 April 2003 and will also be available for inspection at the place of the meeting for at least 15 minutes before, and during the meeting until the close of, the meeting.





CLOSE TECHNOLOGY & GENERAL VCT PLC

Form of proxy for the Annual General Meeting to be held on 29 April 2003

I/We.....(BLOCK CAPITALS please)
being a holder/s of Ordinary Shares in Close Technology & General VCT PLC and entitled to attend and vote at
the above Annual General Meeting, hereby appoint the duly elected Chairman\* of the Meeting or failing him

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at
2.30 p.m. on 29 April 2003 and at any adjournment thereof in respect of the resolutions set out in the Notice of
Meeting.

My/our proxy is to vote as indicated below:

Table with 3 columns: Resolution Number, Description, For, Against. Rows include Report and accounts, Appointment of independent auditors, Approve directors remuneration report, Approve final dividend, and Purchase of own shares.

..... Signed ..... Date

Notes

- 1 \*If any other proxy is preferred, strike out the reference to the Chairman stated above, add the name of the proxy you wish to appoint and initial the alteration. Failure to initial the alteration will deem the Chairman of the Meeting to be your proxy. A proxy need not be a member of the Company.
2 If the appointor is a Corporation, this form must be under its common seal or under the hand of some officer or attorney in that behalf.
3 Please insert an "X" in either the "For" or "Against" column. If both spaces are left blank, the proxy will exercise his discretion as to whether, and if so how, he votes.
4 To be valid, this form of proxy must be completed and deposited at the office of the Company's Registrars, Northern Registrars, Northern House, Penistone Road, Fenay Bridge, Huddersfield HD8 0LA not later than 48 hours prior to the time fixed for the holding of the Meeting.
5 In the case of joint holders, only one need sign but the names of all joint holders should be shown.
6 The completion and return of this form of proxy will not preclude you from attending and voting at the meeting should you subsequently decide to do so.