


# CLOSE TECHNOLOGY & GENERAL VCT PLC

COMPANIES HOUSE NUMBER: 4114310

**REPORT & ACCOUNTS  
FOR THE YEAR ENDED  
31 DECEMBER 2004**



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**DIRECTORS AND ADMINISTRATION**

<b>Directors</b>	Dr N E Cross, Chairman Lt Gen Sir Edmund Burton KBE M J Hart P H Reeve
<b>Investment manager</b>	Close Venture Management Limited 4 Crown Place London, EC2A 4BT Tel: 020 7422 7830
<b>Technology adviser</b>	Rebourne Technology Investment Management Limited 4 Crown Place London, EC2A 4BT
<b>Secretary and registered office</b>	Catherine Kinnear ACA 10 Crown Place London, EC2A 4FT
<b>Registrar</b>	Capita Registrars Limited Northern House Penistone Road Fenay Bridge Huddersfield, HD8 0LA Tel: 0870 1623 131
<b>Custodian</b>	Capita Trust Company Limited Guildhall House 81-87 Gresham Street London, EC2V 7QE
<b>Auditors</b>	Deloitte & Touche LLP London
<b>Taxation adviser</b>	Ernst & Young LLP 1 More London Place London SE1 2AF
<b>Legal advisers</b>	Berwin Leighton Paisner Adelaide House London Bridge London EC4R 9HA



**INVESTMENT OBJECTIVES**

Close Technology & General VCT PLC (“the Company”) 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. The Company’s investment portfolio is split approximately as follows:

- 40-50% in technology companies, with:
  - 10% in quoted international technology stocks; and
  - 30% in unquoted UK technology-related companies.
- 50-60% in unquoted UK non-technology companies.

**FINANCIAL CALENDAR**

Ex dividend date	16 March 2005
Record date for final dividend	18 March 2005
Annual General Meeting	19 April 2005
Posting of dividend cheques in respect of the final dividend	26 April 2005
Announcement of interim results for the six months ended 30 June 2005	September 2005
Payment of interim dividend	October 2005



FINANCIAL HIGHLIGHTS

	<b>Year ended 31 December 2004</b>
Dividends per Ordinary Share	7.00 pence
Net asset value per Ordinary Share	111.30 pence
<b>Shareholder value per share since launch:</b>	<b>Pence per share <sup>(ii)</sup></b>
Total dividends for the year ended 31 December 2001 <sup>(i)</sup>	2.00
Total dividends for the year ended 31 December 2002	2.00
Final dividend for the year ended 31 December 2003	2.00
First interim dividend for the year ended 31 December 2004	1.00
Second interim dividend for the year ended 31 December 2004	5.00
Final dividend for the year ended 31 December 2004	<u>1.00</u>
Total dividends	13.00
Net asset value at 31 December 2004	<u>111.30</u>
Total	<u>124.30</u>

**Notes**

- (i) Based on subscription by the first closing on 16 January 2001. Investors subscribing thereafter, up to 30 June 2001 received 0.5 pence per share.
- (ii) Excludes tax benefits upon subscription.



CHAIRMAN'S STATEMENT

I am delighted to report that the performance for the year has been strong. Not only has the net asset value per share increased by 3.5 pence, but dividends have been paid or declared of a further 7 pence, making a total return of 10.5 pence for the year. In addition, the board intends to continue to maintain this level of payout for future periods, in so far as realised capital and revenue profits allow the Company to do so.

**Investment progress**

The main event of the year was the sale of our investment in Active Hotels for a profit of £4.44 million on cost of £500,000, which was a tribute to the excellence of that company's management team. A small further sum is expected at the end of the current financial year by way of deferred consideration. The second noteworthy event was the flotation of Careforce Group on AIM. On our cost of £1.13m, we received proceeds, including a redemption premium on our loan stock, of £1.04m, and still own shares in Careforce valued at £0.78m at the year end. We made profits of £337,000 on a disposal of a variety of AIM investments, while the quoted technology portfolio recorded net realised profits of £107,000. Against this, the disposal of our underperforming investment in Leisure Links resulted in a net loss of £317,000 on cost of £950,000. City Centre Breweries has performed poorly and was placed into administration in November 2004. It is hoped that a subsequent reorganisation will result in a recovery in value of the investment over the medium term.

We have made a variety of new investments in the year, including Grosvenor Healthcare, a provider of healthcare services to large corporates, where progress since investment has been particularly strong. In addition, £1.5 million has been invested or committed to Evolutions Television, a TV post-production business based in its own freehold premises north of Oxford Street, London, over which your Company has a first charge. Follow-on investments were made in a number of our existing investee companies including Cassium, Q Gardens, Automotive Technik (where strong orders have resulted in a sharp increase in sales and profitability), and the Bold Pub Company.

**Results and dividend**

As at 31 December 2004, following revaluations, the net asset value of the Company was £15.5 million or 111.3 pence per share, compared to net assets at 31 December 2003 of £15.4 million or 107.8 pence per share. Net income after taxation was £339,000 (2003: £273,000) for the year enabling the board to declare a net final dividend of 1.00 pence per share, making a total dividend of 7.00 pence per share for the year (2003: 2.00 pence). The dividend will be paid on 4 April 2005 to shareholders on the register on 18 March 2005.

**Outlook**

We are encouraged by the progress of your Company and the prospects for the investment portfolio continue to look promising for the year ahead.

**Dr Neil Cross**  
Chairman

9 March 2005



## THE BOARD OF DIRECTORS

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

**Dr Neil Cross (59)** 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 (61)** 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. On 31 December 2003, he completed a three year appointment as Executive Chairman of the Police Information Technology Organisation. He is visiting professor at Cranfield University.

**Michael Hart (63)** was until October 2004 executive chairman of AFA Systems PLC, the AIM 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.

**Patrick Reeve (44)** (see below)

## THE MANAGER

Close Venture Management Limited, part of Close Brothers Group PLC which is authorised and regulated by the Financial Services Authority, is the Manager of Close Technology & General VCT PLC. In addition to Close Technology & General VCT PLC it manages four further venture capital trusts: Close Brothers Venture Capital Trust PLC which raised approximately £40 million in 1996 and 1997 to invest principally in asset-based businesses; Close Brothers Protected VCT PLC which raised approximately £28 million in 1997 which now invests 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 has raised £14.6 million from an ordinary share issue in 1999, £11.7 million through an issue of 'C' shares in 2003 and a further £7 million from a New 'C' share issue during 2004 to invest in its diversified portfolio of holdings in smaller, unquoted companies across a broad spread of industries. Moreover, fundraising on the new Close Income and Growth VCT is now over £20m; where the intention of the Manager is to invest 45 per cent of the funds raised in lower risk, ungeared, property-based businesses. The balance of funds raised is intended to be invested in high growth businesses across a variety of sectors of the UK economy.

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 Limited, including Close Technology & General VCT PLC:

**Patrick Reeve, (44), MA, ACA.** 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 Limited with the launch of Close Brothers Venture Capital Trust PLC in the spring of 1996.

**Henry Stanford, (39), MA, ACA.** qualified as a chartered accountant with Arthur Andersen before joining the corporate finance division of the Close Brothers Group in 1992 where he advised smaller quoted and private companies. He became an assistant director in 1996 and transferred to Close Venture Management Limited in 1998 to concentrate on venture capital investment.

**Will Fraser-Allen, (34), 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 Limited in 2001.

**Emil Gigov, (34), BA (Hons), ACA** qualified as a chartered accountant with KPMG in 1997 and subsequently worked in KPMG's corporate finance division working on the media, marketing and leisure sectors. He joined Close Venture Management Limited in 2000.



**David Gudgin, (32), BSc (Hons), ACMA**, after working for ICL from 1993 to 1999 where he qualified as an accountant, he joined 3i Plc as an investment manager based in London and Amsterdam. In 2002 he joined Foursome Investments, the venture capital arm of the Englehorn family, responsible for investing an evergreen fund of US\$80 million, before joining Close Venture Management Limited in 2005.

**Robert Whitby-Smith, (30), BA (Hons), MSI, ACA** qualified as a chartered accountant with KPMG in their corporate finance division. From 2000 to early 2005 he worked in the UK corporate finance departments of Credit Suisse First Boston and subsequently ING Barings, where he was a vice president. He joined Close Venture Management Limited in 2005.

**Ed Lascelles, (29), BA (Hons)**, joined the corporate broking department of Charterhouse Securities in 1998 focusing on primary and secondary equity fundraisings. He then moved to the corporate finance department of ING Barings in 2000, retaining his focus on smaller UK companies. He joined Close Venture Management Limited in 2004.

#### 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 advises 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 is led by **Michael Bourne (46) 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 to 1992) he was the fund manager of Prolific Technology Unit Trust which won Micropal awards in 1991 and 1992.





THE PORTFOLIO OF INVESTMENTS

Qualifying investments (by total value)	At 31 December 2004				At 31 December 2003	Movement in unrealised appreciation  £'000
	Percentage of equity held	Invested at cost  £'000	Unrealised appreciation/ (depreciation)  £'000	Total value  £'000	Unrealised appreciation/ (depreciation)  £'000	
<u>Technology</u>						
Cassium Technologies Limited	19.1%	625	130	755	19	111
Intelligent Environments Plc*	6.0%	270	212	482	447	(235)
Advanced Medical Solutions Plc*	2.4%	300	(9)	291	88	(97)
Pilat Media Global Plc*	1.7%	168	107	275	98	9
sparesFinder Limited	6.5%	562	(326)	236	(375)	49
AIT Group Plc*	1.1%	310	(138)	172	25	(163)
Bond International Plc*	0.7%	48	50	98	-	50
Tepnel Life Sciences Plc*	1.2%	328	(238)	90	(136)	(102)
Peakdale Molecular Limited	7.7%	360	(272)	88	(180)	(92)
OneclickHR Plc*	0.2%	58	(54)	4	(48)	(6)
<b>Total</b>		<u>3,029</u>	<u>(538)</u>	<u>2,491</u>	<u>(62)</u>	<u>(476)</u>
<u>Non-technology</u>						
Automotive Technik (Holdings) Limited	12.7%	1,055	560	1,615	(99)	659
Consolidated Communications Management Limited	10.8%	1,000	5	1,005	90	(85)
Evolutions Television Limited <sup>(i)</sup>	9.9%	1,000	4	1,004	-	4
Peakdale Molecular Limited <sup>(ii)</sup>	n/a	533	117	650	79	38
Careforce Group Limited*	4.5%	314	469	783	61	408
The Q Garden Company Limited	33.3%	1,368	(836)	532	(600)	(236)
The Bold Pub Company Limited	4.5%	500	9	509	-	9
Grosvenor Health Limited	5.5%	275	180	455	-	180
City Centres Breweries Limited	11.3%	375	(149)	226	-	(149)
Independent Pub Company Limited	5.0%	120	-	120	-	-
CS (Greenwich) Limited	2.0%	100	-	100	-	-
City Screen (Liverpool) Limited	4.5%	50	(6)	44	-	(6)
<b>Total</b>		<u>6,690</u>	<u>353</u>	<u>7,043</u>	<u>(469)</u>	<u>822</u>
<b>Total qualifying investments</b>		<u>9,719</u>	<u>(185)</u>	<u>9,534</u>	<u>(531)</u>	<u>346</u>

\* AIM quoted investments

<sup>(i)</sup> The investment was made in December 2004, and a further £500,000 has been reserved for investment in future tax years.

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



**Portfolio Companies**

The top ten investments by value are as follows:

**Automotive Technik (Holdings) Limited**

The company manufactures the Pinzgauer off-road vehicle, and its main clients are the UK Ministry of Defence and overseas armed forces. Growth has been strong and sales in the year to 31 December 2004 have more than doubled since the previous year and the company is now profitable. The accounts for the year to 31 December 2004 have not yet been filed.

Latest audited results – Year to 31 December 2003

	£'000
Turnover	9,847
Loss before interest and tax	(1,067)
Basis of valuation:	Multiple of maintainable earnings

**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 2001 the company was named "Consultancy of the Year" at the PR Week Awards.

Latest audited results – Year to 28 February 2004

	£'000
Turnover	4,846
Profit before interest and tax ('PBIT')	281
Basis of valuation:	Multiple of maintainable earnings

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.

**Evolutions Television Limited**

Evolutions Television is a television post production business, providing post production services, including video and sound editing and automation, to a broad range of TV production companies, including the BBC and the large independents. It operates from its own freehold premises north of Oxford Street, London. The investment was made in December 2004, and a further £500,000 has been reserved for investment in future tax years.

Latest audited results – Year to 31 March 2004

	£'000
Turnover	3,563
Loss before interest and tax	(235)
Basis of valuation:	Cost



**Careforce Group Plc**

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 an expanding branch network around the UK. The company floated on AIM in November 2004 and has since made three acquisitions.

Latest audited results – Year to 31 July 2004

	£'000
Turnover	12,495
PBIT	493
Basis of valuation:	Quoted share price less marketability discount

**Cassium Technologies Limited**

Cassium is an IT services company which provides web service solutions to customers in the telecommunications and financial industries. Cassium also provides managed IT services to SME clients. The company filed abbreviated accounts for the year to 31 January 2004 which showed net assets £333,517.

Basis of valuation Multiple of maintainable earnings

**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.

Latest audited results – Year to 28 February 2004

	£'000
Turnover	3,397
PBIT	363
Basis of valuation:	Multiple of maintainable earnings

**The Q Garden Company Limited**

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

Latest audited results – Year to 31 January 2004

	£'000
Turnover	2,675
Loss before interest and tax	(244)
Basis of valuation:	Third party professional valuation



**The Bold Pub Company Limited**

The Bold Pub Company was formed in February 2004 to acquire a group of ten freehold and long leasehold pubs in the North West of England and has since acquired a further seven pubs.

Latest audited results – None produced to date as the first year end is 31 March 2005

Basis of valuation: Third party professional valuation

**Intelligent Environments Group PLC**

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

Latest audited results – 31 December 2003

	£'000
Turnover	3,486
Loss before interest and tax	(230)
Basis of valuation:	Quoted share price

**Grosvenor Health Limited**

Grosvenor Health was formed to acquire the UK occupational healthcare business of Capio, which provides healthcare services to large corporates. Growth since investment in March 2004 has been strong and profit has been in excess of budget.

Latest audited results – None produced to date

Basis of valuation: Multiple of maintainable earnings



CLOSE TECHNOLOGY & GENERAL VCT PLC

Non-qualifying portfolio

Company	Country of incorporation	Listing exchange	Share holding	Cost	Unrealised appreciation/ (depreciation)	Value
				£000's	£000's	£000's
Infovista S.A.	France	Paris	35,000	40	76	117
Digital River Inc	USA	Nasdaq	4,750	15	89	104
Tecnomatix Technologies Ltd	USA	Nasdaq	12,200	74	25	99
Amdocs Ltd	USA	NYSE	6,200	88	(3)	85
Wind River Systems Inc	USA	Nasdaq	10,000	36	35	71
Melexis N.V.	Belgium	Esdaq	10,700	50	20	70
McAfee	USA	NYSE	4,000	42	19	61
Verisign Inc	USA	Nasdaq	3,350	19	40	59
Nortel Networks Corp	Canada	NYSE	32,200	125	(66)	59
TTI Telecom International	Israel	Nasdaq	42,289	74	(20)	54
Applied Materials Inc	USA	Nasdaq	5,000	49	(4)	45
Taiwan Semiconductor MFG	Taiwan	NYSE	9,758	45	(2)	43
Ascential Software Corp	USA	Nasdaq	5,000	32	11	43
Ericsson LM-B	Sweden	Stockholm	25,000	31	11	42
Parametric Technology Corp	USA	Nasdaq	13,000	23	17	40
Orbotech Ltd	Israel	Nasdaq	3,300	60	(23)	37
Citrix Systems Inc	USA	Nasdaq	2,300	12	17	29
Sandisk	USA	Nasdaq	2,000	22	4	26
Applied Films	USA	Nasdaq	2,100	30	(6)	24
Chordiant Software Inc	USA	Nasdaq	19,188	26	(3)	23
ASML	Netherlands	Amsterdam	2,650	31	(9)	22
Mamut	Norway	Oslo	25,000	15	6	21
Flextronics	Singapore	Nasdaq	2,900	27	(6)	21
UTStarcom Inc	USA	Nasdaq	1,750	32	(12)	20
Qiagen N.V.	Netherlands	Frankfurt	3,300	51	(32)	19
Zilog	USA	Nasdaq	3,800	27	(11)	16
Brooks Automation Inc	USA	Nasdaq	1,750	23	(7)	16
Ciena Corp	USA	Nasdaq	7,500	23	(10)	13
ASML	Netherlands	Nasdaq	1,400	17	(5)	12
Jenoptik	Germany	Xetra	1,400	12	(3)	9
DMX Technologies Group Ltd	Bermuda	Singapore	33,000	8	1	9
Parsytec AG Aktien O.N.	Germany	Frankfurt	4,100	9	(1)	8
OneclickHR Plc	UK	LSE AIM	85,500	43	(40)	3
Warthog	UK	LSE AIM	180,000	90	(87)	3
Peregrine Systems Inc	USA	Nasdaq	149	74	(72)	2
Advanced Medical Solutions	UK	LSE AIM	10,000	1	-	1
Bond International	UK	LSE AIM	1,000	1	-	1
Intelligent Environment	UK	LSE AIM	5,530	1	(0.7)	0.3
Pilat Media Global	UK	LSE AIM	800	0.3	-	0.3
AIT Group	UK	LSE AIM	1,000	1	(0.7)	0.3
<b>Total non-qualifying investments</b>				<b>1,379</b>	<b>(52)</b>	<b>1,328</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 2004.

Listing exchange	Currency	Closing rate 31 December 2004
Nasdaq, NYSE	US\$	1.903
Frankfurt, Amsterdam, Paris	EUR	1.414
Stockholm	SEK	12.720
Oslo	NOK	11.630
Singapore	Malaysian\$	3.119
LSE AIM	GBPE	1.000



REPORT OF THE DIRECTORS

The Directors submit the Report and Accounts of the Company for the year ended 31 December 2004

**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 842AA 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 December 2004 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 21 September 2004 to enable the Company to pay dividends from realised capital profits.

**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 2004 available for distribution	339
Interim dividend of 1.0 pence per share paid 21 October 2004	(138)
Final proposed dividend for the year of 1.0 pence per share payable on 26 April 2005 to shareholders on the register at the close of business on 18 March 2005	<u>(139)</u>
Transferred from revenue reserve	<u><u>62</u></u>

In addition a second interim dividend of 5.0 pence per share was paid from capital reserve on 21 October 2004 following the realisation of Active Hotels Limited.

**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 2004 Ordinary Shares	31 December 2004 Percentage	31 December 2003 Ordinary Shares	31 December 2003 Percentage
Dr. Neil Cross	50,000	0.3%	50,000	0.3%
Lt. Gen. Sir Edmund Burton KBE	27,660	0.2%	19,660	0.2%
Michael Hart	100,000	0.7%	50,000	0.3%
Patrick H Reeve	157,100	1.1%	131,800	0.9%

There have been no changes in the holdings of the Directors between the year end and the date of this document.

No Director has a service contract with the Company.

The Company does not have any employees.

All Directors, except for Patrick Reeve who is a director of the Manager, are members of the Audit Committee, of which Dr. Neil Cross is the Chairman.

**Management Agreement**

The Company and Close Venture Management Limited have entered into a Management Agreement which may be terminated thereafter 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. Under the terms of the Management Agreement, the Manager is paid an annual fee equal to 2.5 per cent. (plus any applicable VAT) of the net asset value of the Company. The fee is payable quarterly in arrears.

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

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

The Board believes that the continued appointment of the Manager on its current terms is in the interest of shareholders because of the Manager's specialist knowledge of the venture capital market and in particular the chosen sectors of investment.



**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.

**Auditors**

A resolution to re-appoint Deloitte & Touche LLP as the Company's auditors will be proposed at the forthcoming Annual General Meeting.

**Substantial interests**

As at 31 December 2004 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 2004 (2003: none).

**Annual General Meeting**

The Annual General Meeting will be held at 10 Crown Place, London EC2A 4FT at 2.30 p.m. on 19 April 2005. 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 6 in the notice of meeting, will give the Company authority to purchase in the market and cancel up to 1,391,530 of the Company's issued shares (equivalent to 10 per cent. of the share capital in issue at 31 December 2004).

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.

The Company repurchased for cancellation 404,831 shares during the year at a cost of £351,444. This represented approximately 3% of the share capital in issue at the year end.

By Order of the Board,  
  
Catherine Kinnear  
Secretary  
9 March 2005



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 issued by the Financial Reporting Council ("FRC") in July 2003 ("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. Patrick Reeve is managing director of the Manager. Dr Cross is the senior independent Director and Chairman. Messrs Burton and Hart are also independent directors. The Directors have a range of business and financial skills which are extremely relevant to the Company. All Directors are able to take independent professional advice in furtherance of their duties if necessary. In accordance with the Combined Code, the Company has in place Directors & Officers insurance.

The Board met four times during 2004. All of the Directors attended each meeting. The Chairman ensures that all Directors receive in a timely manner all relevant management, regulatory and financial information. The Board receives and considers reports regularly from the Manager and other key advisers and ad hoc reports and information are supplied to the Board as required. The Board has a formal schedule of matters reserved for it and the agreement between the Company and its Manager sets out the matters over which the Manager has authority and limits beyond which Board approval must be sought, these include the following:

The Manager has authority over management of the investment portfolio, the organisation of custodial services, accounting, secretarial and administrative services.

The main issues reserved for the Board include:

- the consideration and approval of future developments or changes to the investment policy including risk and asset allocation;
- consideration of corporate strategy;
- approval of the appropriate dividend to be paid to shareholders;
- the appointment, evaluation, removal and remuneration of the Manager;
- *the performance of the Company including monitoring of the discount of the net asset value and the share price;*
- monitoring shareholder profile and considering shareholder communications.

**Directors' Performance Evaluation**

The Board takes corporate governance very seriously. Performance of the Board and the Directors is assessed on the following:-

- Attendance at Board and Committee meetings
- The contribution made by individual Directors at Board and Committee meetings.

**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.2, B1.1 to B1.6, and B2.1 to B2.4 are not relevant.

**Audit Committee**

The Audit Committee consists of all directors, apart from Patrick Reeve with Dr Cross as Chairman. In accordance with the Code, the members of the Audit Committee have recent and relevant financial experience. The Committee met twice during 2004; all members attended.

Written terms of reference have been constituted for the Audit Committee, these are:

- providing an overview of the Company's accounting policies and financial reporting;
- considering the effectiveness of the Company's internal controls;
- to monitor the integrity of the Financial statements of the Company;
- meeting the Company's external auditors twice yearly, approving their appointment, reappointment and providing an ongoing review of auditor independence and objectivity;
- meeting with the Head of Internal Audit when appropriate;
- 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 consists of all Directors, save Patrick Reeve, with Dr Cross as Chairman. The terms of reference of the nomination committee are to evaluate the balance of skills, experience and time commitment of the current Board members and make recommendations to the Board as and when a particular appointment arises. The nomination committee did not meet during 2004 and will meet when it is appropriate for it to do so. It is the policy of the Company that all of the Directors are nominated for re-election every three years; the next re-election is for the forthcoming AGM in 2005. The terms and conditions of Directors' appointment are available for inspection at AGMs.





**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 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, undertakes 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 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 2004 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 2004.

The following information is unaudited except where specified.

**Remuneration Committee**

Since the Company has no 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.

**Service contracts**

No Director has a service contract with the Company.



**Directors' remuneration**

The following items have been audited.

The following table shows an analysis of the remuneration of individual directors before national insurance contributions and V.A.T.

	Year ended 31 December 2004			Year ended 31 December 2003		
	Fees £	Expenses £	Total £	Fees £	Expenses £	Total £
Dr Neil Cross	11,513	797	12,310	11,513	-	11,513
Michael Hart	11,513	-	11,513	11,513	-	11,513
K Meek (resigned 8 December 2003)	-	-	-	10,882	-	10,882
Lt Gen Sir Edmund Burton	11,513	443	11,956	11,513	-	11,513
Patrick H Reeve (appointed 8 December 2003)	<u>11,513</u>	<u>-</u>	<u>11,513</u>	<u>631</u>	<u>-</u>	<u>631</u>
	<u>46,052</u>	<u>1,240</u>	<u>47,292</u>	<u>46,052</u>	<u>-</u>	<u>46,052</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.

Lieutenant General Sir Edmund Burton's services are provided by Sir Edmund Burton KBE (sole trader) and Patrick Reeve's remuneration is paid to Close Venture Management Limited.

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

By Order of the Board



Catherine Kinnear  
Secretary  
9 March 2005



## CLOSE TECHNOLOGY & GENERAL VCT PLC

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

We have audited the financial statements of Close Technology & General VCT PLC ("The Company") for the year ended 31 December 2004 which comprise the statement of total return, the balance sheet, the cash flow statement 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 July 2003 FRC 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 December 2004 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 LLP**  
Chartered Accountants and Registered Auditors  
London

9 March 2005



**Statement of Total Return**  
**(incorporating the revenue account)**  
**for the year ended 31 December 2004**

	Notes	Year ended 31 December 2004			Year ended 31 December 2003		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Gains on investments</b>	2	-	1,274	1,274	-	4,959	4,959
<b>Income</b>	3	670	-	670	556	-	556
<b>Investment management fees</b>	4	(104)	(312)	(416)	(93)	(278)	(371)
<b>Administrative expenses</b>	5	<u>(126)</u>	<u>-</u>	<u>(126)</u>	<u>(120)</u>	<u>-</u>	<u>(120)</u>
<b>Return on ordinary activities before taxation</b>		440	962	1,402	343	4,681	5,024
<b>Taxation on ordinary activities</b>	7	<u>(101)</u>	<u>78</u>	<u>(23)</u>	<u>(70)</u>	<u>58</u>	<u>(12)</u>
<b>Return attributable to equity shareholders</b>		339	1,040	1,379	273	4,739	5,012
<b>Dividends</b>	8	<u>(277)</u>	<u>(699)</u>	<u>(976)</u>	<u>(286)</u>	<u>-</u>	<u>(286)</u>
<b>Transfer to/(from) reserves</b>		<u>62</u>	<u>341</u>	<u>403</u>	<u>(13)</u>	<u>4,739</u>	<u>4,726</u>
<b>Return per share</b>	9	2.4p	7.4p	9.8p	1.9p	33.1p	35.0p

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.

There were no recognised gains and losses other than those disclosed above. Accordingly a statement of total recognised gains and losses is not required.

No operations were acquired or discontinued in the year.

Balance Sheet  
as at 31 December 2004

	Notes	31 December 2004 £'000	31 December 2003 £'000
<b>Fixed asset investments</b>			
Qualifying		9,534	12,727
Non-qualifying		<u>1,328</u>	<u>1,512</u>
<b>Total fixed asset investments</b>	10	10,862	14,239
<b>Current assets</b>			
Debtors	12	61	70
Cash		<u>4,819</u>	<u>1,510</u>
		4,880	1,580
<b>Creditors: amounts falling due within one year</b>	13	<u>(256)</u>	<u>(385)</u>
<b>Net current assets</b>		<u>4,624</u>	<u>1,195</u>
<b>Net assets</b>		<u>15,486</u>	<u>15,434</u>
<b>Represented by:</b>			
Called up share capital	14	6,958	7,160
Share premium	15	165	165
Special reserve	15	5,894	6,245
Capital redemption reserve	15	237	35
Capital reserve			
<i>realised</i>		2,722	(936)
<i>unrealised</i>		(637)	2,680
Revenue reserve	15	<u>147</u>	<u>85</u>
<b>Total equity shareholders' funds</b>	17	<u>15,486</u>	<u>15,434</u>
<b>Net asset value per share</b>	16	111.3p	107.8p

The financial statements on pages 19 to 30 were approved by the Board of Directors on 9 March 2005.

Signed on behalf of the Board of Directors

**Dr Neil Cross**  
Chairman

Cash Flow Statement  
for the year ended 31 December 2004

	Notes	Year ended 31 December 2004 £'000	Year ended 31 December 2003 £'000
<b>Operating activities</b>			
Investment income received		593	341
Deposit interest received		50	35
Investment management fees paid		(480)	(273)
Other cash payments		<u>(119)</u>	<u>(119)</u>
<b>Net cash inflow/(outflow) from operating activities</b>	19	44	(16)
<b>Taxation</b>			
UK corporation tax paid		(8)	(52)
<b>Capital expenditure and financial investments</b>			
Purchase of qualifying investments		(2,645)	(1,501)
Purchase of non-qualifying investments		(314)	(312)
Disposals of qualifying investments		7,067	85
Disposals of non-qualifying investments		<u>568</u>	<u>1,846</u>
<b>Net cash inflow from investing activities</b>		4,676	118
<b>Equity dividends paid</b>			
Dividends paid on ordinary shares	8	<u>(1,052)</u>	<u>(215)</u>
<b>Net cash inflow/(outflow) before financing</b>		3,660	(165)
<b>Financing</b>	14		
Cancellation of share capital		<u>(351)</u>	<u>(13)</u>
<b>Net cash outflow from financing</b>		<u>(351)</u>	<u>(13)</u>
<b>Cash inflow/(outflow) in the year</b>	18	<u>3,309</u>	<u>(178)</u>

The accompanying notes are an integral part of this statement.



Notes to the financial statements  
for the year ended 31 December 2004

1. **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 Accounting Standards and with the Statement of Recommended Practice: "Financial Statements of Investment Trust Companies" (SORP) issued by the Association of Investment Trust Companies in January 2003.

The absence of Section 266 status does not preclude the Company from presenting its accounts in accordance with the AITC's SORP and furthermore the Directors consider it appropriate to continue to present the accounts in accordance with the SORP. Under the SORP, the financial performance of the 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 enables the Company to report in a manner consistent with the sector within which it operates. The Directors therefore consider that these departures from the specific provisions of Schedule 4 of the Companies Act relating to the form and content of accounts for companies other than investment companies and these departures from accounting standards are necessary to give a true and fair view. The departures have no effect on the total return or balance sheet. The particular accounting policies adopted are described below.

**Capital reserves**

*Realised reserves*

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.

*Unrealised reserves*

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

*Special reserve*

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

**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 new British Venture Capital Association guidelines revised in 2003. Other than amounts accrued under redemption premium on secured loan stock, the unrealised depreciation or appreciation on the valuation of investments is dealt with in the unrealised capital reserve 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.





Notes to the financial statements (continued)

**Issue costs**

Issue costs associated with the allotment of ordinary share capital have been deducted from the share premium account in accordance with Financial Reporting Statement No. 4.

**Taxation**

Taxation associated to capital expenses is applied in accordance with recommended practice.

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 of 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.

**2. Gains and losses on investments**

	Year ended 31 December 2004 £'000	Year ended 31 December 2003 £'000
Realised gains/(losses)	4,700	(94)
Commission on disposal	(3)	(2)
Net movement on foreign exchange	(111)	2
Unrealised (losses)/gains	<u>(3,312)</u>	<u>5,053</u>
	<u>1,274</u>	<u>4,959</u>

**3. Income**

	Year ended 31 December 2004 £'000	Year ended 31 December 2003 £'000
<b>Income from investments</b>		
UK unfranked investment income	319	350
Foreign dividends	7	3
Redemption premium	<u>288</u>	<u>168</u>
	614	521
<b>Other income</b>		
Deposit income	<u>56</u>	<u>35</u>
<b>Total income</b>	<u>670</u>	<u>556</u>
<b>Total income comprises:</b>		
Interest	375	385
Redemption premium	288	168
Dividends	<u>7</u>	<u>3</u>
Total	<u>670</u>	<u>556</u>
<b>Income from investments:</b>		
Listed	7	54
Unlisted	<u>607</u>	<u>467</u>
Total	<u>614</u>	<u>521</u>



Notes to the financial statements (continued)

4. Investment management fee

	Year ended 31 December 2004 £'000	Year ended 31 December 2003 £'000
Charged to revenue	104	93
Charged to capital	<u>312</u>	<u>278</u>
Total	<u>416</u>	<u>371</u>

Total management fees for 2004 include irrecoverable VAT of approximately £61,957 (2003: £55,249). Further details of the Management Agreement under which the investment management fee is paid are given in the Report of the Directors on page 12.

5. Administrative expenses

	Year ended 31 December 2004 £'000	Year ended 31 December 2003 £'000
Directors' fees	54	50
Auditors' remuneration – audit fees	16	14
Other	<u>56</u>	<u>56</u>
	<u>126</u>	<u>120</u>

6. Directors' fees

	Year ended 31 December 2004 £'000	Year ended 31 December 2003 £'000
Directors' fees	46	46
National Insurance and/or irrecoverable VAT	6	4
Expenses	<u>2</u>	<u>2</u>
	<u>54</u>	<u>50</u>

Expenses charged relate to travel expenses in furtherance of their duties as Directors. Further information regarding Directors' remuneration can be found on the Directors' Remuneration Report on page 17.

7. Tax on ordinary activities

Total	Year ended 31 December 2004			Year ended 31 December 2003		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
UK corporation tax at 19%	23	-	23	12	-	12
Tax attributable to capitalised expenses	<u>78</u>	<u>(78)</u>	<u>-</u>	<u>58</u>	<u>(58)</u>	<u>-</u>
	<u>101</u>	<u>(78)</u>	<u>23</u>	<u>70</u>	<u>(58)</u>	<u>12</u>

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 19%, (2003: 19%).



**CLOSE TECHNOLOGY & GENERAL VCT PLC**

**Notes to the financial statements (continued)**

Total	Year ended 31 December 2004			Year ended 31 December 2003		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<u>Current taxation</u>						
Return before taxation	440	962	1,402	343	4,681	5,024
Tax on profit at the standard rate	132	289	421	102	1,404	1,506
<u>Factors affecting the charge</u>						
Fractional relief	(31)	15	(16)	(32)	8	(24)
(Gains)/losses on investments	-	(382)	(382)	-	(1,470)	(1,470)
	<u>101</u>	<u>(78)</u>	<u>23</u>	<u>70</u>	<u>(58)</u>	<u>12</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 expenses by reference to the applicable corporation tax rate of 19% and allocating the relief between revenue and capital in accordance with the SORP.
- (ii) No deferred tax asset or liability has arisen in the year.

**8. Dividends and other appropriations**

	Year ended 31 December 2004 £'000	Year ended 31 December 2003 £'000
<u>Dividends on equity shares:</u>		
First interim revenue dividend paid of 1.00p per share (2003:0.50p)	138	71
Second interim capital dividend paid of 5.00p per share (2003: nil)	699	-
Final proposed revenue dividend of 1.00p per share (2003:1.50p)	<u>139</u>	<u>215</u>
Total dividends	<u>976</u>	<u>286</u>

**9. Return per share**

Year ended 31 December 2004			Year ended 31 December 2003		
Revenue	Capital	Total	Revenue	Capital	Total
2.4 pence	7.4 pence	9.8 pence	1.9 pence	33.1 pence	35.0 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 £339,000 (2003: £273,000) in respect of the weighted average number of shares in issue during the year, being 14,091,947 shares, (2003: 14,324,783).

Capital return per ordinary share is based on net capital gain for the year of £1,040,000 (2003: £4,739,000) in respect of the same weighted average number of shares in issue as shown above.

**10. Investments**

	31 December 2004 £'000	31 December 2003 £'000
Qualifying unlisted technology investments	1,079	5,071
Qualifying AIM quoted technology investments	1,412	2,240
Qualifying unlisted non-technology investments	6,260	5,416
Qualifying AIM quoted non-technology investments	783	-
Non-qualifying technology investments listed on recognised Investment Exchanges	<u>1,328</u>	<u>1,512</u>
Total	<u>10,862</u>	<u>14,239</u>



Notes to the financial statements (continued)

	Qualifying Technology	Qualifying Non- Technology	Non qualifying Technology	Total
	£'000	£'000	£'000	£'000
<b>Valuation basis</b>				
Opening valuation	7,311	5,416	1,512	14,239
Additions at cost	306	2,339	313	2,958
Disposals				
- proceeds	(5,575)	(1,498)	(555)	(7,628)
- realised gain/(loss)	4,777	(268)	106	4,615
Reclassification to non-qualifying	(14)	-	14	-
Redemption premium movement in the year	21	(26)	-	(5)
Unrealised appreciation/(depreciation) in the year	<u>(4,335)</u>	<u>1,080</u>	<u>(62)</u>	<u>(3,317)</u>
Closing valuation	<u>2,491</u>	<u>7,043</u>	<u>1,328</u>	<u>10,862</u>
Opening unrealised appreciation/(depreciation)	3,700	(701)	86	3,085
Reclassification to non-qualifying	76	-	(76)	-
Redemption premium movement in the year	21	(26)	-	(5)
Unrealised appreciation/(depreciation) in the year	<u>(4,335)</u>	<u>1,080</u>	<u>(62)</u>	<u>(3,317)</u>
Closing unrealised appreciation/(depreciation)	<u>(538)</u>	<u>353</u>	<u>(52)</u>	<u>(237)</u>
<i>Closing unrealised appreciation/(depreciation) represented by:</i>				
Accrued redemption premium	49	351	-	400
Unrealised appreciation/(depreciation)	<u>(587)</u>	<u>2</u>	<u>(52)</u>	<u>(637)</u>
	<u>(538)</u>	<u>353</u>	<u>(52)</u>	<u>(237)</u>
<b>Historical cost basis</b>				
Opening book cost	3,611	6,117	1,426	11,154
Additions at cost	306	2,339	313	2,958
Reclassification to non-qualifying	(90)	-	90	-
Disposals at cost	<u>(798)</u>	<u>(1,766)</u>	<u>(449)</u>	<u>(3,013)</u>
Closing book cost	<u>3,029</u>	<u>6,690</u>	<u>1,380</u>	<u>11,099</u>

11. Significant interests

Details of investments in which the Company has an interest of 3% 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 investments listed below 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	33.3%	United Kingdom
Cassium Technologies Limited	19.1%	United Kingdom
Automotive Technik Holdings Limited	12.7%	United Kingdom
City Centre Breweries Limited	11.3%	United Kingdom
Consolidated Communications Management Limited	10.8%	United Kingdom
Evolutions Television Limited	9.9%	United Kingdom
Peakdale Molecular Limited	7.7%	United Kingdom
Intelligent Environments Plc	6.0%	United Kingdom
sparesFinder Limited	6.5%	United Kingdom
City Screen (Liverpool) Limited	4.5%	United Kingdom
Grosvenor Health Limited	5.5%	United Kingdom
The Independent Pub Company Limited	5.0%	United Kingdom
City Screen (Liverpool) Limited	4.5%	United Kingdom
Careforce Group Plc	4.5%	United Kingdom

All holdings are in 'Ordinary' shares



**CLOSE TECHNOLOGY & GENERAL VCT PLC**

**Notes to the financial statements (continued)**

Details of the investment where the Company owns 20% or more of the equity shares are as follows:

Investment and activity	Basis of Valuation	Capital and reserves £'000	Profit/(loss) after taxation £'000	Income received/accrued over the year £'000
<b>The Q Garden Company Limited</b>	Directors' valuation	(912)	(396)	-
Garden centre owner and operator.				
Year end 31 January 2004 (audited)				

**12. Debtors**

	31 December 2004 £'000	31 December 2003 £'000
Prepayments and accrued income	15	18
Other debtors	<u>46</u>	<u>52</u>
	<u>61</u>	<u>70</u>

**13. Creditors: amounts falling due within one year**

	31 December 2004 £'000	31 December 2003 £'000
UK corporation tax payable	26	11
Proposed dividend	139	215
Other creditors	<u>91</u>	<u>159</u>
	<u>256</u>	<u>385</u>

**14. Share capital**

	31 December 2004 £'000	31 December 2003 £'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>		
13,915,300 Ordinary Shares of 50p each (2003: 14,320,132)	<u>6,958</u>	<u>7,160</u>

The Company repurchased for cancellation 404,831 shares during the year at a cost of £351,411. This represented approximately 3% of the share capital at the year end.

**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	165	6,245	35	(936)	2,680	85
Redemption of share capital	-	(351)	202	-	-	-
Gains on investments	-	-	-	4,700	(3,312)	-
Commission on purchase/disposal	-	-	-	(3)	-	-
Foreign exchange	-	-	-	(106)	(5)	-
Capitalised expenses net of tax	-	-	-	(234)	-	-
Dividend paid out of capital	-	-	-	(699)	-	-
Retained net revenue	-	-	-	-	-	<u>62</u>
End of year	<u>165</u>	<u>5,894</u>	<u>237</u>	<u>2,722</u>	<u>(637)</u>	<u>147</u>



## CLOSE TECHNOLOGY & GENERAL VCT PLC

### Notes to the financial statements (continued)

#### 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 2004	31 December 2003
Net asset value per share	111.3 pence	107.8 pence
Net asset value	£15,486,000	£15,434,000

The movements in the year attributable to the net assets were as follows:

	31 December 2004 £'000	31 December 2003 £'000
Opening net assets attributable to shareholders	15,434	10,721
Repurchase and cancellation of own shares	(351)	(13)
Total return for the year	1,379	5,012
Dividends appropriated in the year	<u>(976)</u>	<u>(286)</u>
Closing net assets attributable to shareholders	<u>15,486</u>	<u>15,434</u>

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

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

	31 December 2004 £'000	31 December 2003 £'000
Opening shareholders' funds	15,434	10,721
Repurchase and cancellation of own shares	(351)	(13)
Total return for the year	1,379	5,012
Dividends appropriated in the year	<u>(976)</u>	<u>(286)</u>
Closing shareholders' funds	<u>15,486</u>	<u>15,434</u>

#### 18. Analysis of changes in cash and cash equivalents during the year

	31 December 2004 £'000	31 December 2003 £'000
Beginning of the year	1,510	1,688
Net cash inflow/(outflow)	<u>3,309</u>	<u>(178)</u>
End of the year	<u>4,819</u>	<u>1,510</u>

#### 19. Reconciliation of net revenue before taxation to net cash inflow/(outflow) from operating activities

	31 December 2004 £'000	31 December 2003 £'000
Net revenue before taxation	440	343
Investment management fee charged to capital	(312)	(278)
Increase/(decrease) in redemption premium	5	(168)
Decrease in debtors and accrued income	(21)	(10)
(Decrease)/increase in creditors and accruals	<u>(68)</u>	<u>97</u>
Net cash inflow/(outflow) from operating activities	<u>44</u>	<u>(16)</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 2004, either in Sterling or any foreign currency (2003: nil).

## Fair values of financial assets and financial liabilities

All the Company's financial assets and liabilities as at 31 December 2004 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 2004 by approximately 7 per cent (2003: 17 per cent.).

The Company's financial instruments by value at 31 December 2004 consist of the following:

Currency	31 December 2004			Total £'000
	Fixed Rate £'000	Floating Rate £'000	Interest Free £'000	
Swedish kroner	-	89	42	131
Malaysian \$	-	-	9	9
Norwegian kroner	-	-	21	21
Euro	-	14	244	258
US \$	-	325	1,002	1,327
Sterling	<u>2,515</u>	<u>4,650</u>	<u>6,575</u>	<u>13,740</u>
	<u>2,515</u>	<u>5,078</u>	<u>7,893</u>	<u>15,486</u>

Currency	31 December 2003			Total £'000
	Fixed Rate £'000	Floating Rate £'000	Interest Free £'000	
Swedish kroner	-	-	96	96
Canadian \$	-	7	-	7
Malaysian \$	-	-	8	8
Euro	-	-	174	174
US \$	-	37	1,224	1,261
Sterling	<u>982</u>	<u>4,871</u>	<u>8,035</u>	<u>13,888</u>
	<u>982</u>	<u>4,915</u>	<u>9,537</u>	<u>15,434</u>

The weighted average interest rate applied to the Company's fixed rate assets during the year was approximately 11% (2003: 11%). The weighted average period to maturity for the fixed rate assets is approximately 4 years (2003: 4 years).

## 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.



**20. Financial instruments and risk management (continued)**

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.

**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 2004 the Company has entered into the following transactions.

- Invested a further £33,500 in The Q Garden Company Ltd.
- Invested £45,000 in Churchill Taverns VCT Limited
- Disposed of the investment in City Centres Breweries and reinvested the proceeds in Smiles Pub Company Limited and Smiles Brewing Company Limited.
- Invested in 9 new internationally quoted technology stocks for a total consideration of approximately £254,000.
- Disposed of 7 internationally quoted technology stocks for total proceeds of approximately £290,000.

**22. Contingencies, guarantees and financial commitments**

Close Technology & General VCT PLC has a future commitment to Evolutions Television Limited in the sum of £0.5m, the funds of which are held in a bridging loan account and appear as part of cash balance in the Balance Sheet.

Following the sale of Active Hotels in September 2004, part of the total sale proceeds have been retained by the purchaser to cover certain liabilities. The additional amount of up to £264,489 payable will depend on the level of warranty claims made by 31 December 2005.





## 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 10 Crown Place, London EC2A 4FT on 19 April 2005 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 December 2004.
2. To reappoint Deloitte & Touche LLP 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 2004 payable to shareholders on the register at the close of business on 18 March 2005.
5. To re-elect all directors save Patrick Reeve

#### Special Business

To consider and, if thought fit, pass the following resolution which will be proposed as a 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 each in the capital of the Company ("Shares") provided that:
  - (a) the maximum aggregate number of Shares authorised to be purchased is 1,391,530 (representing 10 per cent of the issued share capital at 31 December 2004);
  - (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

Catherine Kinnear  
Secretary  
Registered Office  
10 Crown Place, London, EC2A 4FT

9 March 2005



## CLOSE TECHNOLOGY & GENERAL VCT PLC

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### 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 15 April 2005 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 15 April 2005 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 15 April 2005 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 19 April 2005.

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
19 April 2005 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 5 columns: Resolution Number, Description, For, Against, Vote withheld (note 4), Discretionary (note 5). Rows include Adoption of the report and accounts, Re-appointment of independent auditors, Approve the directors' remuneration report, Approve the final dividend, Re-elect all directors (save Patrick Reeve), and (Special Resolution) 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 of the columns. If all spaces are left blank, the proxy will exercise his discretion as to whether, and if so how, he votes.
4 The "Vote withheld" option is provided to enable you to abstain on any particular resolution. However it should be noted that a "Vote withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes "For" and "Against" a resolution.
5 If you want your proxy to vote in a certain way on the resolutions specified please place a mark in the relevant boxes. If you select "Discretionary" or fail to select any of the given options your proxy can vote as he or she chooses or can decide not to vote at all. The proxy can also do this on any other business (including a motion to adjourn the Meeting or to amend a resolution) which may properly come before the Meeting.
6 To be valid, this form of proxy must be completed and deposited at the office of the Company's Registrars, Capita Registrars Limited, 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.
7 In the case of joint holders, only one need sign but the names of all joint holders should be shown.
8 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.