

CLOSE BROTHERS

Development
VCT **PLC**

**Interim Report
for the six months to
30 June 2003**

CLOSE BROTHERS DEVELOPMENT VCT PLC

Interim Report for the six months to 30 June 2003

CONTENTS

	Page
Directors and administration	2
Chairman's Statement	3
Portfolio Summary	5
Independent review report on the interim information	7
Unaudited Statement of Total Return (incorporating the revenue account) for the six months to 30 June 2003	9
Unaudited Summary Balance Sheet at 30 June 2003	12
Unaudited Cash Flow Statement for the six months to 30 June 2003	15
Notes to the interim results	18

Directors and administration

Directors

R M Davidson, Chairman
F K Malcolm BSc
D C Pinckney MA FCA
J G T Thornton MA MBA FCA

Investment Manager

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Tel: 020 7426 4000

Secretary and Registered Office

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London EC2A 2AW

Registrar

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Independent Reporting Accountants

Deloitte & Touche LLP
London

Taxation Adviser

Ernst & Young
Rolls House
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Fetter Lane
London EC4A 1NH

Chairman's Statement

Introduction

The investment strategy of the Company is to establish a diversified portfolio of holdings in smaller, unquoted companies whilst at the same time selecting and structuring investments in such a way as to reduce the risk normally associated with investment in such companies. This is achieved as follows:

- Qualifying Investments representing approximately 80 per cent. of net funds raised and comprise investments in businesses across a broad spread of industries.
- Up to two thirds of Qualifying Investments comprising debt secured on "bankable" assets. This debt generates a significant proportion of the total anticipated return from individual investments.
- Up to 20 per cent. of net funds raised being in Non-Qualifying Investments comprising fixed and floating interest rate securities, financial instruments and short term money market deposits all issued by or with major banks with a Moody's credit rating of at least A.

Investment progress

The period under review saw the closing of the 'C' Share issue, in which the Company raised a total of £11.7 million for further investment. This issue accounted for approximately 25% of the VCT fundraising market as a whole for the 2003 season, and will enable the company to diversify and develop further its investment portfolio.

Investment activity over the period for both the Ordinary and the 'C' Shares portfolios concentrated on providing further funds for growth in existing investee companies, though a number of interesting new opportunities are under review, some of which should complete this financial year. Overall, existing investee companies performed encouragingly in a slightly tougher economic climate, though partial provisions were made against two of our investments, Automotive Technik and Q Garden Centres. Following the half year, we sold our entire shareholding in Swetenhams Marketing Services, which has generated a return for the fund over the last four years of approximately 10 per cent. per annum.

Your Company remains committed to generating a strong and predictable dividend yield, where possible, and the interim dividend for the Ordinary Shares has been maintained at last year's 1.8 pence per share, along with the inaugural interim dividend for the 'C' Shares at 0.75 pence per share (or 0.375 pence for those who invested after 31 December 2002).

Results and Dividend

As at 30 June 2003 the net asset value of the Ordinary Share portfolio was £11.4 million, (2002: £13.5 million), equivalent to 78.3 pence per share (2002: 92.0 pence) for the Ordinary Shares, while the 'C' Shares portfolio was £11.0 million or 94.3 pence per share. Net income after taxation was £311,000 for the six months, (2002: £339,000) enabling the board to declare a maintained net interim dividend of 1.8 pence per ordinary share (2002: 1.8 pence per share). Net income after taxation for the 'C' Share portfolio was £60,000, enabling an interim dividend of 0.75 pence to be paid (or 0.375 pence for those shareholders who subscribed after 31 December 2002). Dividends are payable on 31 October 2003 to those shareholders registered on 10 October 2003.

The following is the total return of the Company since launch in January 1999.

	Pence per Ordinary Share	Pence per 'C' Share
Dividends declared for the year to 31 December 1999	2.50	–
Dividends declared for the year to 31 December 2000	3.75	–
Dividends declared for the year to 31 December 2001	4.00	–
Dividends declared for the year to 31 December 2002	4.50	–
Interim dividend for the six months to 30 June 2003	<u>1.80</u>	<u>0.75</u>
	16.55	0.75
Net asset value at 30 June 2003	<u>78.30</u>	<u>94.30</u>
Total return at 30 June 2003	<u>94.85</u>	<u>95.05</u>

R M Davidson
Chairman

26 September 2003

Portfolio Summary

ORDINARY SHARE PORTFOLIO				
Company	% owned and voting rights	Invested to date £'000	Unrealised appreciation/ (depreciation) £'000	Total £'000
<p>Careforce Staffing Ltd Careforce Staffing was established in 1999 to build, both organically and through acquisition, a group providing home care services to the elderly, principally on behalf of local authorities. Careforce currently operates nine branches around the UK.</p>	36%	1,740	676	2,416
<p>Swetenhams Marketing Services Ltd Swetenhams provides data-related marketing services to the direct marketing industry, comprising list broking and management services, hosting and market automation systems. The company has now been sold.</p>	16%	1,500	181	1,681
<p>Odyssey Clubs Group Ltd Odyssey owns a 30,000 sq.ft. health and fitness club on an 11 acre site outside Stevenage, a 20,000 sq.ft. club in Henley and has a 50% stake in a company which owns a 30,000 sq.ft. club on a 6 acre site outside Beaconsfield in Buckinghamshire.</p>	16%	1,700	(318)	1,382
<p>Dolphin Nurseries Ltd Dolphin aims at building a group of private children's day nurseries in and around Greater London. The company currently operates four nurseries at Upminster, Chigwell, Bracknell, and Tooting, with a fifth under development in Kingston-upon-Thames.</p>	20%	1,049	145	1,194
<p>Peakdale Molecular Limited Peakdale Molecular is a Derbyshire based contract chemistry company, developing and providing pharmaceutical customers with novel compounds for use in later stage drug discovery.</p>	8%	1,064	74	1,138
<p>Leisure Links International Ltd Leisure Links was formed to own and operate golf courses with two courses now acquired at Test Valley in Hampshire and Chesfield Downs outside Stevenage.</p>	26%	1,100	(290)	810

Company	% owned and voting rights	Invested to date £'000	Unrealised appreciation/ (depreciation) £'000	Total £'000
Consolidated Communications Management Ltd				
Consolidated Communications is a management buy-out of an established public relations company, formed in 1991, with a broad range of 'blue chip' clients	10%	1,000	72	1,072
Automotive Technik Ltd				
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.	9%	480	(72)	408
The Q Garden Company Limited				
The Company was formed to own and operate garden centres, and now has three sites in Fareham, Chinnor and Stow-on-the-Wold.	15%	500	(167)	333
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.	4%	50	–	50
Total Qualifying investments made 30 June 2003		10,183	301	10,484
'C' SHARES PORTFOLIO				
Careforce Staffing Ltd				
Further financing	3%	260	–	260
Peakdale Molecular Limited				
Further financing	3%	133	–	133
Total Qualifying investments made at 30 June 2003		393	–	393

Independent review report on the interim information to Close Brothers Development VCT PLC

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2003 which comprises the profit and loss account, the balance sheets, the cash flow statement and related notes 1 to 9. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom auditing standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2003.

Deloitte & Touche LLP

Chartered Accountants
London

26 September 2003

Notes: A review does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.

Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

Statement of Total Return

(incorporating the revenue account)
for the six months to 30 June 2003

Ordinary Shares

	Note	Unaudited Six months to 30 June 2003			Unaudited Six months to 30 June 2002			Audited Year to 31 December 2002		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on investments	3	–	(255)	(255)	–	(232)	(232)	–	(1,771)	(1,771)
Income	4	515	–	515	563	–	563	1,059	–	1,059
Investment management fees	2	(34)	(102)	(136)	(40)	(119)	(159)	(77)	(231)	(308)
Other expenses	2	(45)	(13)	(58)	(53)	(15)	(68)	(113)	(29)	(142)
Return on ordinary activities before tax		436	(370)	66	470	(366)	104	869	(2,031)	(1,162)
Tax on ordinary activities	2&5	(125)	30	(95)	(131)	37	(94)	(227)	68	(159)
Return attributable to equity shareholders		311	(340)	(29)	339	(329)	10	642	(1,963)	(1,321)
Dividends	6	(262)	–	(262)	(264)	–	(264)	(660)	–	(660)
Transfer to/(from) reserves		49	(340)	(291)	75	(329)	(254)	(18)	(1,963)	(1,981)
Return per share	7	2.1p	(2.3)p	(0.2)p	2.3 p	(2.2)p	0.1p	4.4p	(13.4)p	(9.0)p

The revenue columns of this statement represent 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.

Statement of Total Return
(incorporating the revenue account)
for the six months to 30 June 2003

‘C’ Shares

	Note	Unaudited Six months to 30 June 2003			Unaudited Six months to 30 June 2002			Audited Year to 31 December 2002		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	3	–	2	2	–	–	–	–	–	–
Income	4	128	–	128	–	–	–	4	–	4
Investment management fees	2	(33)	(97)	(130)	–	–	–	(3)	(7)	(10)
Other expenses	2	(35)	(12)	(47)	–	–	–	(4)	(1)	(5)
Return on ordinary activities before tax		60	(107)	(47)	–	–	–	(3)	(8)	(11)
Tax on ordinary activities	2&5	–	26	26	–	–	–	–	2	2
Return attributable to equity shareholders		60	(81)	(21)	–	–	–	(3)	(6)	(9)
Dividends	6	(53)	–	(53)	–	–	–	–	–	–
Transfer to/(from) reserves		7	(81)	(74)	–	–	–	(3)	6	(9)
Return per share	7	0.8 p	(1.1)p	(0.3)p	–p	–p	–p	(0.2)p	(0.4)p	(0.6)p

The revenue columns of this statement represent 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.

Statement of Total Return
(incorporating the revenue account)
for the six months to 30 June 2003

Total

	Note	Unaudited Six months to 30 June 2003			Unaudited Six months to 30 June 2002			Audited Year to 31 December 2002		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on investments	3	–	(253)	(253)	–	(232)	(232)	–	(1,771)	(1,771)
Income	4	643	–	643	563	–	563	1,063	–	1,063
Investment management fees	2	(67)	(199)	(266)	(40)	(119)	(159)	(80)	(238)	(318)
Other expenses	2	(80)	(25)	(105)	(53)	(15)	(68)	(117)	(30)	(147)
Return on ordinary activities before tax		496	(477)	19	470	(366)	104	866	(2,039)	(1,173)
Tax on ordinary activities	2&5	(125)	56	(69)	(131)	37	(94)	(227)	70	(157)
Return attributable to equity shareholders		371	(421)	(50)	339	(329)	10	639	(1,969)	(1,330)
Dividends	6	(315)	–	(315)	(264)	–	(264)	(660)	–	(660)
Transfer to/(from) reserves		56	(421)	(365)	75	(329)	(254)	(21)	(1,969)	(1,990)

Balance Sheet

at 30 June 2003

Ordinary Shares

	Note	Unaudited 30 June 2003 £'000	Unaudited 30 June 2002 £'000	Audited 31 December 2002 £'000
Fixed asset investments				
Qualifying	2	10,484	11,015	10,193
Non-qualifying		–	1,493	1,499
Total fixed asset investments		<u>10,484</u>	<u>12,508</u>	<u>11,692</u>
Current assets				
Debtors		347	174	48
Cash: short term money market deposits		1,195	1,411	694
		<u>1,542</u>	<u>1,585</u>	<u>742</u>
Creditors: due within one year		<u>(611)</u>	<u>(595)</u>	<u>(663)</u>
Net current assets		<u>931</u>	<u>990</u>	<u>79</u>
Net assets		<u>11,415</u>	<u>13,498</u>	<u>11,771</u>
Represented by:				
Called up share capital		7,287	7,333	7,333
Share premium		48	48	48
Special reserve		6,447	6,513	6,513
Capital redemption reserve		97	51	51
Capital reserve				
<i>realised</i>		(1,953)	(684)	(779)
<i>unrealised</i>		(623)	81	(1,458)
Revenue reserve		112	156	63
		<u>11,415</u>	<u>13,498</u>	<u>11,771</u>
Total equity shareholders' funds		<u>11,415</u>	<u>13,498</u>	<u>11,771</u>
Net asset value per share		78.3p	92.0p	80.3p

Balance Sheet

at 30 June 2003

‘C’ Shares

	Note	Unaudited 30 June 2003 £'000	Unaudited 30 June 2002 £'000	Audited 31 December 2002 £'000
Fixed asset investments				
Qualifying	2	393	–	–
Non-qualifying		6,000	–	–
Total fixed asset investments		6,393	–	–
Current assets				
Debtors		(71)	–	862
Cash: Short term money market deposits		4,915	–	1,487
		4,844	–	2,349
Creditors: due within one year		(188)	–	(29)
Net current assets		4,656	–	2,320
Net assets		11,049	–	2,320
Represented by:				
Called up share capital		5,859	–	1,226
Share premium		5,273	–	1,103
Special reserve		–	–	–
Capital redemption reserve		–	–	–
Capital reserve				
<i>realised</i>		(89)	–	(6)
<i>unrealised</i>		2	–	–
Revenue reserve		4	–	(3)
Total equity shareholders' funds		11,049	–	2,320
Net asset value per share		94.3p	–	94.6 p

Balance Sheet

at 30 June 2003

Total

	Note	Unaudited 30 June 2003 £'000	Unaudited 30 June 2002 £'000	Audited 31 December 2002 £'000
Fixed asset investments				
Qualifying	2	10,877	11,015	10,193
Non-qualifying		6,000	1,493	1,499
Total fixed asset investments		16,877	12,508	11,692
Current assets				
Debtors		276	174	910
Cash: Short term money market deposits		6,110	1,411	2,181
		6,386	1,585	3,091
Creditors: due within one year		(799)	(595)	(692)
Net current assets		5,587	990	2,399
Net assets		22,464	13,498	14,091
Represented by:				
Called up share capital		13,146	7,333	8,559
Share premium		5,321	48	1,151
Special reserve		6,447	6,513	6,513
Capital redemption reserve		97	51	51
Capital reserve				
<i>realised</i>		(2,042)	(684)	(785)
<i>unrealised</i>		(621)	81	(1,458)
Revenue reserve		116	156	60
Total equity shareholders' funds		22,464	13,498	14,091

The financial statements on pages 9 to 21 were approved by the Board of Directors on 26 September 2003.

Signed on behalf of the Board of Directors

Roderick Davidson
Chairman

Cash Flow Statement

for the six months to 30 June 2003

Ordinary Shares

	Unaudited Six months to 30 June 2003 £'000	Unaudited Six months to 30 June 2002 £'000	Audited Year to 31 December 2002 £'000
Operating activities			
Investment income received	228	362	713
Deposit interest received	28	11	25
Investment management fees paid	(138)	(91)	(250)
Other cash payments	(91)	(65)	(152)
	<hr/>	<hr/>	<hr/>
Net cash inflow from operating activities	27	217	336
Taxation			
UK corporation tax paid	–	6	(108)
Capital expenditure and financial investments			
Purchase of qualifying investments	(564)	(410)	(1,269)
Purchase of non-qualifying investments	–	–	–
Disposal of qualifying investments	–	–	300
Disposals of non-qualifying investments	1,500	1,500	1,500
	<hr/>	<hr/>	<hr/>
Net cash inflow from investing activities	936	1,090	531
Equity dividends paid			
Dividends paid on ordinary shares	(396)	(350)	(614)
	<hr/>	<hr/>	<hr/>
Net cash inflow before financing	567	963	145
Financing			
Issue of equity net of expenses	–	–	101
Purchase of own shares	(66)	–	–
	<hr/>	<hr/>	<hr/>
Increase in cash	<u>501</u>	<u>963</u>	<u>246</u>

Cash Flow Statement

for the six months to 30 June 2003

‘C’ Shares

	Unaudited Six months to 30 June 2003 £'000	Unaudited Six months to 30 June 2002 £'000	Audited Year to 31 December 2002 £'000
Operating activities			
Investment income received	(5)	–	–
Deposit interest received	95	–	4
Investment management fees paid	(10)	–	–
Other cash payments	(3)	–	–
	<hr/>	<hr/>	<hr/>
Net cash inflow from operating activities	77	–	4
Taxation			
UK corporation tax paid	–	–	–
Capital expenditure and financial investments			
Purchase of qualifying investments	(6,131)	–	–
Purchase of non-qualifying investments	–	–	–
Disposals of non-qualifying investments	–	–	–
	<hr/>	<hr/>	<hr/>
Net cash outflow from investing activities	(6,131)	–	–
Equity dividends paid			
Dividends paid on ordinary shares	–	–	–
	<hr/>	<hr/>	<hr/>
Net cash (outflow)/inflow before financing	(6,054)	–	4
Financing			
Issue of equity net of expenses	9,482	–	1,483
Purchase of own shares	–	–	–
	<hr/>	<hr/>	<hr/>
Increase in cash	<u>3,428</u>	<u>–</u>	<u>1,487</u>

Cash Flow Statement

for the six months to 30 June 2003

Total

	Unaudited Six months to 30 June 2003 £'000	Unaudited Six months to 30 June 2002 £'000	Audited Year to 31 December 2002 £'000
Operating activities			
Investment income received	223	362	713
Deposit interest received	123	11	29
Investment management fees paid	(148)	(91)	(250)
Other cash payments	(94)	(65)	(152)
	<hr/>	<hr/>	<hr/>
Net cash inflow from operating activities	104	217	340
Taxation			
UK corporation tax (received)/paid	–	6	(108)
Capital expenditure and financial investments			
Purchase of qualifying investments	(6,695)	(410)	(1,269)
Purchase of non-qualifying investments	–	–	–
Disposals of qualifying investments	–	–	300
Disposals of non-qualifying investments	1,500	1,500	1,500
	<hr/>	<hr/>	<hr/>
Net cash (outflow)/inflow from investing activities	(5,195)	1,090	531
Equity dividends paid			
Dividends paid on ordinary shares	(396)	(350)	(614)
	<hr/>	<hr/>	<hr/>
Net cash (outflow)/ inflow before financing	(5,487)	963	149
Financing			
Issue of equity net of expenses	9,482	–	1,584
Purchase of own shares	(66)	–	–
	<hr/>	<hr/>	<hr/>
Increase in cash	<u>3,929</u>	<u>963</u>	<u>1,733</u>

Notes to the interim results

1. Principal activity

The principal activity of the Company is that of a venture capital trust. It was approved by the Inland Revenue as a Venture Capital Trust in accordance with Section 842AA of the Income and Corporation Taxes Act and subsequently conducts its affairs so as to enable it to continue to retain such status. The company is not a close company for taxation purposes. Details of the principal investments made by the Company are given above in the review of the portfolio of investments. A review of the Company's business during the period is contained in the Chairman's Statement.

The Company is an investment company as defined in Section 266 of the Companies Act 1985.

2. Accounting policies

The principal accounting policies of the Company, all of which have been applied consistently throughout the period in the preparation of its accounts are set out below.

Accounting convention

The financial statements are prepared under the historical cost convention, modified by the revaluation of certain investments. The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" (SORP) in all material aspects. The particular accounting policies adopted are described below.

Investments

Investments listed on recognised exchanges are stated at market value based upon middle market prices at the end of the accounting period. Unquoted investments are stated at a valuation determined by the directors in accordance with the British Venture Capital Association guidelines. Amounts accrued under redemption premium on secured loan stock are dealt with in the fixed asset investments of the Company. The unrealised depreciation or appreciation on the valuation of investments and gains and losses arising on the disposal of investments are dealt with in the capital reserve.

It is not the Company's policy to exercise controlling or significant influence over investee companies. Therefore the results of these companies are not incorporated into the revenue account except to the extent of any income accrued.

Income and expenses

All income and expenses are treated on the accruals basis and dividend income is included in revenue when an investment is quoted ex-dividend. Any fixed returns on non-equity shares or debt securities are recognised on a time apportionment basis.

Management and secretarial expenses

75 per cent. of management and secretarial administrative expenses, representing the proportion of the fees attributable to the enhancement of the value of the investments of the company, have been charged to capital reserves, net of corporation tax. All other expenses are charged to the revenue account.

Notes to the interim results (continued)

Issue costs

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

Taxation

Taxation is applied on a current basis in accordance with Financial Reporting Standard No.16. Taxation associated to capital expenses is applied in accordance with the SORP.

Reserves

Capital reserves – realised

The following are taken to this reserve:

- (i) gains and losses on the realisation of investments.
- (ii) expenses, together with the related taxation effect, charged in accordance with the above policies.

Capital reserves – unrealised

The following are taken to this reserve:

- (i) increases and decreases in the valuation of investments held at the period end.

3. Gains/(losses) on investments

	Six months to 30 June 2003			Six months to 30 June 2002		
	Ordinary Shares £'000	'C' Shares £'000	Total £'000	Ordinary Shares £'000	'C' Shares £'000	Total £'000
Realised gains	1	2	3	1	–	1
Unrealised gains/(losses)	(256)	–	(256)	(233)	–	(233)
	<u>(255)</u>	<u>2</u>	<u>(253)</u>	<u>(232)</u>	<u>–</u>	<u>(232)</u>

4. Income

	Six months to 30 June 2003			Six months to 30 June 2002		
	Ordinary Shares £'000	'C' Shares £'000	Total £'000	Ordinary Shares £'000	'C' Shares £'000	Total £'000
Interest from investments						
Qualifying investments	482	1	483	503	–	503
Non-qualifying investments	5	32	37	49	–	49
Bank deposit interest	28	95	123	11	–	11
	<u>515</u>	<u>128</u>	<u>643</u>	<u>563</u>	<u>–</u>	<u>563</u>

5. Tax on ordinary activities

Ordinary Shares

	Six months to 30 June 2003			Six months to 30 June 2002		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
UK corporation tax at 30%	95	–	95	94	–	94
Tax attributable to capital expenses	30	(30)	–	37	(37)	–
	<u>125</u>	<u>(30)</u>	<u>95</u>	<u>131</u>	<u>(37)</u>	<u>94</u>

'C' Shares

	Six months to 30 June 2003			Six months to 30 June 2002		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
UK corporation tax at 30%	–	–	–	–	–	–
Tax attributable to capital expenses	–	(26)	(26)	–	–	–
	<u>–</u>	<u>(26)</u>	<u>(26)</u>	<u>–</u>	<u>–</u>	<u>–</u>

Notes

- (i) Venture Capital Trusts are not subject to corporation tax upon any capital gains.
- (ii) Tax relief on expenses charged to capital has been determined by allocating tax relief to all expenses proportionately by reference to the applicable corporation tax rate of 30% and allocating the relief in the same ratio as expenses between revenue and capital.
- (iii) No deferred tax on any asset or liability has arisen in the year.
- (iv) Tax is provided at the average rate of 25 per cent.

6. Dividends

The interim dividend in respect of the Ordinary Shares of 1.8 pence per share, amounting in total to £262,332, will be paid on 31 October 2003 to those shareholders who are on the register on 10 October 2003. Holders of 'C' Shares at 31 December 2002 will receive a revenue dividend of 0.75pence per share, and 0.375 pence per share will be paid to the balance of shareholders on the share register on the record date other than those shareholders who subscribed at 30 June 2003. There were 2,451,474 shares issued on 31 December 2002 and a total of 11,718,656 shares at 30 June 2003.

7. Return per share

	Six months to 30 June 2003			Six months to 30 June 2002		
	Revenue	Capital	Total	Revenue	Capital	Total
Ordinary Shares	2.1p	(2.3)p	(0.2)p	2.3p	(2.2)p	0.1p
'C' Shares	0.8p	(1.1)p	(0.3)p	–	–	–

Ordinary Shares

The revenue return per share is based on the net revenue on ordinary activities after taxation but before deduction of dividends for the holders of Ordinary Shares of £311,000 (2002:£339,000) in respect of 14,608,515 Ordinary Shares (2002:14,580,116 shares), being the weighted average number of shares in issue during the six months. The capital return per share

is based on net capital loss for the period of £340,000 (2002:£329,000) in respect of the same weighted average number of shares in issue over the six months.

‘C’ Shares

The revenue return per share is based on the net revenue on ordinary activities after taxation but before deduction of dividends for the holders of ‘C’ Shares £60,000 in respect of 7,119,359 ‘C’ Shares, being the weighted average number of shares in issue during the six months. The capital return per share is based on net capital loss for the period of £81,000 in respect of the same weighted average number of shares in issue over the six months.

8 Other information

The information for the six months ended 30 June 2003 and the six months ended 30 June 2002 does not constitute statutory accounts within the terms of section 240 of the Companies Act 1985 and is unaudited. The information for the period ended 31 December 2002 does not constitute statutory accounts within the terms of section 240 of the Companies Act 1985 and is derived from statutory accounts for that financial period, which have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

9 Publication

This interim report is being sent to shareholders and copies will be made available to the public at the registered office of the Company.

