CLOSE BROTHERS VENTURE CAPITAL TRUST PLC

CONTENTS

Company Number: 3142609

DIRECTORS AND ADMINISTRATION

Directors	D J Watkins MBA (Harvard), Chairman (US citizen) R M Davidson J M B L Kerr ACMA J G T Thornton MBA, FCA
Investment Manager	Close VCT Management 12 Appold Street London EC2A 2AW Tel: 020 7426 4000
Secretary and Registered Office	J M Gain 12 Appold Street London EC2A 2AW
Registrar	Capita IRG plc Balfour House 390/398 High Road Ilford Essex IG1 1NQ Tel: 020 8478 8241
Auditors	Deloitte & Touche Stonecutter Court 1 Stonecutter Street London EC4A 4TR
Safe Custodians	The Royal Bank of Scotland plc Retail Custody Unit 2 Festival Square Edinburgh EH3 9FU Capita Trust Company Limited Phoenix House 18 King William Street London EC4N 7HE

INVESTMENT OBJECTIVES

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

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

The minimum performance objectives of Close Brothers VCT are as follows:

- To achieve an annual dividend yield of at least five pence per share.
- To achieve a net asset value equivalent to at least 100 pence per share within five years of the date of issue of each class of share.

Funds raised under the Ordinary Share offers in 1996 and funds raised under the "C" Share offers in 1997 were managed as entirely separate pools of funds until 31 May 2000, when the two classes of share were merged.

FINANCIAL HIGHLIGHTS

	Year ended 31 March 2001
Total return per share	8.8 pence
Net revenue dividends per share	6.25 pence
Net capital dividends per share	1.25 pence
Net asset value per share	101.95 pence

Shareholder value created for each class of share since launch:

	Note	Ordinary Shares pence per share	"C" Shares pence per share
Gross dividends for the year ended 31 March 1997		5.00	-
Gross dividends for the year ended 31 March 1998		6.00	5.00
Gross first and second interim dividends and net final dividend for the year ended 31 March 1999	i	7.75	6.25
Net revenue dividends for the year ended 31 March 2000		6.00	4.50
Capital dividends for the year ended 31 March 2000	ii	2.55	6.25
Net revenue dividends for the year ended 31 March 2001		6.25	6.25
Net capital dividends for the year ended 31 March 2001		1.25	1.25
Net asset value at 31 March 2001		101.95	101.95
Total		136.75	125.20

Notes:

i) Dividends paid before 5 April 1999 were paid to qualifying shareholders inclusive of the associated tax credit. The dividends for the year to 31 March 1999 were maximised in order to take advantage of this tax credit.

ii) The capital dividend of 2.55 pence in the year to 31 March 2000 enabled the Ordinary Shares and the C Shares to merge on an equal basis.

FINANCIAL CALENDAR

Ex date for dividend	27 June 2001
Record date for final dividend	29 June 2001
Annual General Meeting	20 July 2001
Posting of dividend cheques in respect of the final dividend	23 July 2001
Announcement of interim results for the six months ended 30 September 2001	December 2001
Payment of interim dividend	January 2002

CHAIRMAN'S STATEMENT

Introduction

The year has been another successful one for Close Brothers Venture Capital Trust, seeing a continued uplift in the aggregate value of investments, supplementing a strong level of dividends. The Ordinary Shares have exceeded their minimum performance target of a total return of 125 pence per share (comprising net asset value and dividends) by a margin of 11.75p per share while the C Share portfolio, now converted to Ordinary shares, has reached its target level one year earlier than hoped for in the prospectus. Total dividends paid or declared in respect of the Ordinary Shares during the five years since launch now amount to 34.8 pence, averaging almost 7 pence per annum, while holders of the now converted 'C' shares have received 23.25 pence, averaging 5.8 pence per annum.

A total of £6.27 million was invested in qualifying unquoted companies during the year while net capital profits of £1.53 million were realised on qualifying investments with a cost of £5.50 million. At 31 March 2001 a further £4.50 million was scheduled for investment in subsequent years which brings the total invested or scheduled for investment at cost to £35.12 million in 17 separate investee companies..

Dividends paid and proposed for the year include the 1.25 pence payable out of capital profits and amount to 7.5 pence per share compared to last years 8.55 pence (including 2.55 pence out of capital profits) per Ordinary Share and 4.50 pence per C Share. Now that the two classes of share have merged it is your board's intention going forward to pursue, where possible, a progressive dividend policy. Your board would therefore expect that the current total pay out of 7.5 pence per share will be built upon in future years by continuing to supplement revenue dividends with dividends paid out of realised capital profits.

Net asset value per share at 31 March 2001 was 101.9 pence per share compared to 100.5 pence for each of the Ordinary Shares and "C" Shares at the previous year end.

Review of Investments

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

In the hotel sector, our Holiday Inn Express hotel at Dartford was disposed of at a profit of £1.7 million, while the Holiday Inn Express in Bristol continues to perform well. The 90 room budget hotel operating under the "Days Inn" brand at the Mailbox site in the centre of Birmingham opened in April of this year, almost six months later than anticipated. Although the hotel is currently performing in line with expectations, the delay in opening has led to increased finance costs, which in turn has led us to write down the value of the investment. Our partner in our budget hotels is Premier Hotels Limited, which was placed into receivership in March this year. The investment policy pursued by your VCT, whereby investments are in stand alone, independently financed companies, means that there is no direct financial exposure to the fate of the other 50% shareholder. Negotiations are underway to secure a purchaser for Premier Hotels 50% holding in both our Bristol and Birmingham. Meanwhile as regards our other hotel activities, The Hawkwell House hotel in Oxford continues to show a strong performance while, as reported last year, The Rose & Crown Hotel in Tring has now been disposed of, resulting in a loss of approximately £200,000, which was fully provided for.

In the residential development sector, which is restricted to 20 per cent. of the portfolio, we currently have five companies established with separate developers. One company, Cathedral Homes VCT, was placed into members voluntary liquidation following the completion of its first residential development; although the development itself was reasonably successful, the time taken to complete the scheme was longer than anticipated and the resulting finance cost paid to Close Brothers Venture Capital Trust means that your company is likely to make a small capital loss. In addition, negotiations are under way for the sale of our holding in Portland Homes (Woodside Green) at a small profit. It is intended that the proceeds of these two disposals will be re-invested in our other residential development companies.

In the care home sector our principal area of investment during the year continues to be homes for people with learning disabilities in East Anglia. The first two of such homes in which we have invested, in Witham in Essex and in Bury St Edmunds continue to perform well, while two further homes, in Thetford in Norfolk and in Ipswich opened during the year. In addition we invested in a further home, Broadoaks VCT Ltd in September 2000. Our two remaining investments in the sector are in homes for the frail and elderly. Of these, the Hamham Croft nursing home in Salisbury continues to be disappointing, with performance particularly hit by high staff costs. The nursing home in Hornchurch, however, is now full and performing in accordance with our original expectations; the value of the home has been written up accordingly.

As regards our other areas for investment, the Cambridge Picture House cinema has now been open for 18 months and is performing according to plan, while the health club owned by Odyssey Glory Mill, which opened in April 2001, is performing above expectations. It now has a membership of over 2,500, some eight weeks after opening, and enhanced expectations have led to a substantial increase in its carrying value.

Results and Dividend

As at 31 March 2001 the net asset value was £39.9 million or 101.9 pence per share, which compares with a net asset value at 31 March 2000 of £39.6 million or 100.5 pence per Ordinary Share and 100.5 pence per C Share. Net income before taxation was £3.2 million (2000: £2.8 million) enabling the board to declare a net final revenue dividend of 3.75 pence per share plus a special capital dividend of 1.25 pence, making 7.5 pence for the full year (2000: revenue dividends of 6.0 pence, plus a special capital dividend of 2.55 pence per Ordinary Share and revenue dividends of 4.50 pence per C Share. During the year a total of 237,000 shares were bought in for cancellation at a cost of £216,000.

The final dividends for the year ended 31 March 2001 will be paid on 23 July 2001 to shareholders registered on 27 June 2001.

Members Resolution in 2002

Under the terms of your Company's articles of association, members will have the opportunity, at the time of the annual general meeting in 2002, and every five years thereafter, to confirm that they wish the Company to continue as a venture capital trust. Given the performance of the Company, and in particular the strong tax free dividend stream it generates, your board hopes that shareholders will vote for the VCT to continue. Nevertheless, your board is conscious of the fact that many shareholders will be disappointed at the discount to net asset value at which the Company's share price trades in the stock market. Accordingly, on the assumption that a majority of shareholders will vote to support the continuation of the Company's activities, your board is studying ways in which it could provide those shareholders who wish to realise their holdings next year with a limited facility to obtain a price for their shares at a price closer to net asset value. Further details will be given in next year's annual report and accounts.

David Watkins
Chairman

15 June 2001

THE BOARD OF DIRECTORS

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

David Watkins (56) MBA (Harvard), Chairman. From 1972 until 1991 he worked at Goldman Sachs, where he was Head of Euromarkets Syndication and Head of the European Real Estate Department. He subsequently joined Mountleigh Group PLC where he worked as a director for 12 months on the restructuring of the business. Until late 1995 he worked at Baring Securities Limited as Head of Equity Capital Markets - London, before leaving to join Capital Risk Strategies (UK) Limited, a consultancy formed to provide risk management solutions to large corporations. From 1985 to 1990 he was a director of the Association of International Bond Dealers, and from 1986 to 1990 was a member of the Council of the London Stock Exchange.

Roderick Davidson (63). He joined B S Stock & Co, stockbrokers, in Bristol in 1960, becoming a partner in 1965, and managing director of Stock Beech & Co. Limited, in 1985. In 1990 he joined Albert E Sharp where he managed investment portfolios on behalf of pension funds, charitable trusts and private investors. He retired in the spring of 1998. He is chairman of Close Brothers Development VCT PLC.

John Kerr (58) ACMA. He is currently finance director of Ambion Brick, a building material company bought out from Ibstock PLC. Prior to this he was chief executive of Price & Pierce Limited, which acts as the UK agent for overseas producers of forestry products. From 1985 to 1992, he was the managing director of SUMIT Equity Ventures Limited, an independent Midlands based venture capital company. Before that, he held a number of finance and general management posts in manufacturing industries both in the UK and USA.

Jonathan Thornton (54), MBA, FCA. He retired as a director of Close Brothers Group plc and as chairman of Close Brothers Investment Limited, the Manager, in 1998. In 1984 he was responsible for establishing Close Investment Management Limited, the venture capital fund management arm of Close Brothers Group. Prior to this he worked for both 3i plc and Cinven. He is a director of Close Brothers Development VCT PLC.

THE MANAGER

Close VCT Management, a division of Close Brothers Investment Limited is the Manager of Close Brothers Venture Capital Trust PLC. In addition to Close Brothers Venture Capital Trust, it manages a further three VCT's: Close Brothers Protected VCT PLC, which raised £27.9 million in 1997 to invest principally in qualifying loans guaranteed by the Royal Bank of Scotland, and in shares issued by companies quoted on AIM; Close Brothers Development VCT PLC, which raised £14.6 million in 1999 to provide development capital to unquoted companies; and Close Technology & General VCT which has raised £14.04 million to invest in both 'old economy' and 'new economy' businesses.

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

THE PORTFOLIO OF INVESTMENTS

The following is a summary of qualifying investments made at 31 March 2001, comprising amounts invested and scheduled for investment, and after including the revaluations referred to in the Chairman's statement above:

Investee Company	Investment		
	Investment at Cost £'000	Revaluation £'000	Reserved for investment £'000
Care Homes			
Broadoaks VCT Ltd	1,000	-	500
Churchcroft VCT Ltd	1,550	154	-
Downing Harnham Croft Nursing Home Ltd	950	(316)	-
Drummond Court VCT Ltd	1,500	289	-
Fryers Walk VCT Ltd	1,575	-	-
Hornchurch VCT Ltd	2,850	(489)	-
Lombardy Court VCT Ltd	1,200	-	-
Hotels			
Hawkwell VCT Ltd	3,380	601	-
Premier VCT (Bristol) Ltd	3,700	708	-
Premier VCT (Mailbox) Ltd	2,000	(385)	2,000
Residential Development			
Chase Midland VCT Ltd	1,600	-	-
Country & Metropolitan VCT Ltd	2,500	-	-
Portland Homes (Woodside Green) Ltd	1,200	-	-
Saxon VCT Ltd (formerly Tower Gate VCT Ltd)	1,200	-	-
Youngs VCT Ltd	1,200	-	-
Other Investments			
City Screen (Cambridge) Ltd	1,210	(25)	-
Odyssey Glory Mill Ltd	2,000	1,495	2,000
Total	30,615	2,032	4,500

Further details of Qualifying Investments, including details of the other shareholder in each of the investee companies and the current amounts invested and reserved for investment, are given below.

Care Homes

1. **Broadoaks VCT Limited**

Broadoaks VCT has been established to develop and operate a 30 bed purpose-built home for residents with learning disabilities in March, Cambridgeshire.

Date of investment:	September 2000
Other 50% shareholder:	InterCare Residential Limited
Amount invested at 31 March 2001:	£1 million
Further amount reserved for investment:	£500,000

2. **Churchcroft VCT Limited**

Churchcroft VCT owns a 34 bed purpose-built home for residents with learning disabilities in Witham, Essex. The home has been performing above expectations and the home was recently extended, adding six beds to the original 28.

Date of investment:	June 1998
Other 50% shareholder:	InterCare Residential Limited
Amount invested at 31 March 2001:	£1.55 million
Further amount reserved for investment:	Nil

3. **Downing Harnham Croft Nursing Home Limited**

This 39 bed nursing home caters mainly for private clients and is located near the centre of Salisbury, with uninterrupted views across the water meadows to the cathedral. A nursing home was originally established on the site in 1947. The home is performing below expectations, principally due to high staff costs, and refurbishment work is being undertaken to create additional rooms and increase operational efficiency.

Date of investment:	March 1998
Other 50% shareholder:	Downing Healthcare VCT PLC
Amount invested at 31 March 2001:	£950,000
Further amount reserved for investment:	Nil

4. **Drummond Court VCT Limited**

Drummond Court VCT is a 36 bed home for residents with learning disabilities in Bury St. Edmunds, Suffolk. The home opened in 1999, and is trading above expectations.

Date of investment:	September 1998
Other 50% shareholder:	InterCare Residential Limited
Amount invested at 31 March 2001:	£1.5 million
Further amount reserved for investment:	Nil

5. **Fryers Walk VCT Limited**

Construction of the property in Fryers Walk VCT was recently completed, and the 34 bed home for residents with learning disabilities in Thetford, Norfolk, is currently trading in line with expectations.

Date of investment:	March 1999
Other 50% shareholder:	InterCare Residential Limited
Amount invested at 31 March 2001:	£1.575 million
Further amount reserved for investment:	Nil

6. **Hornchurch VCT Limited**

This company was established to develop and operate a new nursing home at Hornchurch in Essex, some three miles within the M25. The 55 bed home opened in January 1998. After a slow build up in occupancy, the home is now around 95% full and is trading in line with initial expectations, the home has consequently been revalued upwards by £150,000 this year.

Date of investment:	September 1996
Other 50% shareholder:	ANS plc
Amount invested at 31 March 2001:	£2.85 million
Further amount reserved for investment:	Nil

7. **Lombardy Court VCT Limited**

The company acquired a site in the centre of Ipswich in 2000 and is nearing completion of the construction of a 24 bed home for residents with learning disabilities.

Date of investment:	January 2000
Other 50% shareholder:	InterCare Residential Limited
Amount invested at 31 March 2001:	£1.2 million
Further amount reserved for investment:	Nil

<u>Hotels</u>

8. **Hawkwell VCT Limited**

This company owns and operates a 51 room three star hotel at Iffley in Oxford. The hotel, which caters for a range of private and corporate clients and also serves the strong conference market in the Oxford area, is performing well.

Date of investment:	July 1997
Other 50% shareholder:	Regal Hotels plc
Amount invested at 31 March 2001:	£3.38 million
Further amount reserved for investment:	Nil

9. **Premier VCT (Bristol) Limited**

This company purchased an office block opposite Bristol Templemeads railway station and has developed it into a 96 room Holiday Inn Express Hotel. The hotel opened in January 1999 and trading has been strong.

Date of investment:	January 1998
Other 50% shareholder:	Premier Hotels Limited
Amount invested at 31 March 2001:	£3.7 million
Further amount reserved for investment:	Nil

10. **Premier VCT (Mailbox) Limited**

This company was formed to build and operate a 90 room hotel operating under the Days Inn brand at the Mailbox site in the centre of Birmingham. Cost increases and a delay in opening have led to a write down against cost. Nevertheless the hotel is now open and occupancy is building up in line with expectations.

Date of investment:	December 1999
Other 50% shareholder:	Premier Hotels Limited
Amount invested at 31 March 2001:	£2 million
Further amount reserved for investment:	£2 million

Residential Development

11. **Chase Midland VCT Limited**

The company has now completed its third development comprising five luxury apartments in the Harborne area of Birmingham and is commencing the development of 11 homes in the Walmley, Sutton Coldfield area of Birmingham.

Date of investment:	March 1997
Other 50% shareholder:	Chase Midland plc
Amount invested at 31 March 2001:	£1.6 million
Further amount reserved for investment:	Nil

12. **Country & Metropolitan VCT Limited**

Following its third successful development of 25 new houses at the Old Tannery in Meanwood, Leeds, the company is close to completing its fourth development near Chesterfield, comprising the conversion of a former listed hospital into 25 residential units, and two new small sites east of Leeds and has commenced work on a 21 apartment scheme in the Moor Allerton area of Leeds.

Date of investment:	November 1996
Other 50% shareholder:	Country & Metropolitan Homes plc
Amount invested at 31 March 2001:	£2.5 million
Further amount reserved for investment:	Nil

13. **Portland Homes (Woodside Green) Limited**

This company is currently completing the renovation of a locally listed house and the construction of six new terraced houses and two semi-detached houses beside Woodside Green, near Croydon. After completion of the development, it is likely that the VCT's shareholding will be sold.

Date of investment:	March 1999
Other 50% shareholder:	Portland Homes plc
Amount invested at 31 March 2001:	£1.2 million
Further amount reserved for investment:	Nil

14. **Saxon VCT Limited (formerly Tower Gate VCT Limited)**

This company is currently in the final sale phase of its third development, comprising 4 apartments in a Georgian building and 7 new terraced houses plus a bungalow at a site in Exeter. A suitable follow on site is being sought.

Date of investment:	September 1996
Other 50% shareholder:	Saxon Developments Ltd
Amount invested at 31 March 2001:	£1.2 million
Further amount reserved for investment:	Nil

15. **Youngs VCT Limited**

This company has completed and is currently selling eight apartments overlooking the Isle of Wight at Lee-on-the-Solent. A second development is currently under review.

Date of investment:	March 2000
Other 50% shareholder:	Youngs Developments Ltd
Amount invested at 31 March 2001:	£1.2 million
Further amount reserved for investment:	Nil

<u>Other Investments</u>

16. **City Screen (Cambridge) Limited**

The company was formed to develop and operate a three screen "art-house" cinema in the centre of Cambridge. The cinema opened in August 1999 and is performing satisfactorily.

Date of investment:	July 1999
Other 50% shareholder:	City Screen Limited
Amount invested at 31 March 2001:	£1.21 million
Further amount reserved for investment:	Nil

17. **Odyssey Glory Mill Limited**

The company was formed to develop and operate a 32,000 square foot health and fitness club on a five acre site outside Beaconsfield. The club opened in April 2001, has 2,600 members and has seen a substantial increase in its carrying value.

Date of investment:	December 1999
Other 50% shareholder:	Odyssey Clubs Group Plc
Amount invested at 31 March 2001:	£2 million
Further amount reserved for investment:	£2 million

REPORT OF THE DIRECTORS

The directors submit the Report and Accounts of the Company for the year to 31 March 2001.

Principal activity and status

The principal activity of the Company is that of a venture capital trust. 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.

During the year the Company ceased to be an investment company as defined in Section 266 of the Companies Act 1985. The Company revoked its investment company status on 11 May 2000 to enable the Company to pay dividends from realised capital profits.

Results and dividends

	£'000
Revenue return attributable to shareholders for the year ended 31 March 2001	2,474
Net interim revenue dividend of 2.50p per share paid 19 January 2001	(979)
Net final revenue dividend of 3.75p per share payable on 23 July 2001 to shareholders on the register at the close of business on 27 June 2001.	(1,469)
Total transferred to revenue reserve	**26**
Realised capital return attributable to shareholders for the year ended 31 March 2001	739
Net final capital dividend of 1.25p per share payable on 23 July 2001 to shareholders on the register at the close of business on 27 June 2001.	(489)
Unrealised capital return attributable to shareholders for the year ended 31 March 2001	259
Total transferred to capital reserve	**509**
Total transferred to reserves	**535**

Purchase of own shares

The purchase of shares by the Company is intended to reduce the discount at which shares trade in the market because the Company will be a new source of demand for shares. Since it is anticipated that any purchases will be made at a discount to net asset value at the time of purchase, the net asset value of the remaining shares in issue should increase.

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

Date	Price (pence)	Shares purchased No.
23 May 2000	87.5	25,000
7 June 2000	80.0	50,000
20 June 2000	80.0	10,000
27 June 2000	83.0	5,000
13 July 2000	84.0	12,000
25 July 2000	90.0	10,000
27 July 2000	90.0	25,000
24 August 2000	91.0	10,000
15 September 2000	92.0	15,000
23 January 2001	93.0	50,000
2 February 2001	94.0	10,000
7 February 2001	94.0	10,000
27 March 2001	98.0	5,000
		237,000
Percentage of share capital cancelled		0.6%

Directors

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

	31 March 2001 Shares held	31 March 2000 Shares held
D J Watkins	10,000	10,000
R M Davidson	5,000	5,000
J M B L Kerr	5,109	5,109
J G T Thornton	15,220	10,220

There have been no changes in the holdings of the directors between 31 March 2001 and the date of this document.

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

All directors are members of the Audit Committee.

Management Agreement

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

- Non-Qualifying Investments

  A fee equal to 0.25 per cent. of funds invested in non-qualifying investments in respect of the first year following the fund-raising attributable to the relevant class of share and 0.5 per cent. per annum thereafter. This includes funds invested in cash deposits, financial instruments and fixed interest securities held prior to investment in qualifying investments.

- Qualifying Investments

  A fee equal to 1.5 per cent. of funds invested in qualifying investments for the first year following the fund-raising attributable to the relevant class of share rising to 1.8 per cent. per annum thereafter.

- Secretarial and administrative services

  A fee of £28,325 per annum, rising in line with the Retail Prices Index.

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

Management Performance Incentive

The Manager entered into an agreement with the Company whereby the Manager was granted options to subscribe for new shares equivalent to eight per cent. of the issued share capital of the Company. Under this arrangement the options could be exercised in whole or in part during the period 2001 to 2004 in respect of the Ordinary Shares and during the period 2002 to 2005 in respect of the "C" Shares. The options may only be exercised if the Company's minimum performance objectives are met. The subscription price per share will be 100 pence less the amount by which the actual return to shareholders, including dividends received, exceeds the minimum performance objectives, subject to a minimum subscription price of 80 pence per share. Although the two classes of share were merged on 31 May 2000, the options will be calculated in reference to the shareholder value obtained by each separate pool.

In the event that these shares are not allotted, the Manager is entitled to a cash sum equal to the market price of the shares to which the Manager would have been entitled, less the subscription price. In the light of subsequent changes in legislation which prohibit the investment of cash raised by venture capital trusts after March 1998 in certain asset-based activities, the board will elect not to issue shares but to pay a cash sum instead, should the performance targets be met.

Auditors

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

Substantial Interests

As at 15 June 2001 the Company was not aware of any beneficial interest exceeding 3 per cent. of the issued share capital.

Statement of Directors' Responsibilities

UK 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 group 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 UK accounting standards have been followed;
- 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 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.

The auditors are required to form an independent opinion on the financial statements presented by the directors, based on their audit, and to report their opinion to the members. The Companies Act 1985 also requires the auditors to report to the members if the following requirements are not met:

- that the Company has maintained proper accounting records;
- that the financial statements are in agreement with the accounting records;
- that the directors' emoluments and other transactions with directors are properly disclosed in the financial statements; and
- that the auditors have obtained all the information and explanations which, to the best of their knowledge and belief, are necessary for the purpose of their audit.

Annual General Meeting

The Annual General Meeting will be held at 10 Crown Place, London EC2A 4FT at 11am. on 20 July 2001. 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 purposes:

Purchase of own shares

A special resolution, number 4 in the notice of meeting, will renew the authority to purchase in the market and cancel up to 3,917,769 of the Company's issued shares (equivalent to 10 per cent. of the share capital currently in issue).

Purchases of shares will be made within guidelines established from time to time by the Board, but only if it is considered that such purchases would be to the advantage of the Company and its shareholders taken as a whole. Purchases will only be made in the market for cash at prices below the prevailing net asset value per Ordinary Share. Under the rules of the London Stock Exchange the maximum price which can be paid by the Company is 5 per cent. above the average of the relevant market value of the shares for the 5 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.

Merger of Ordinary Shares and C Shares

On 31 May 2000, on the basis of their comparative net asset values at 31 March 2000, the two classes of share were merged on a one for one basis at 100.5 pence per share. With effect from 31 May 2000 each 'C' Share is deemed to be an Ordinary Share.

Suppliers Payment Policy

The Company's policy is to pay all supplier invoices within 30 days of the invoice date, or as otherwise agreed.

By Order of the Board

J M Cain
Secretary
12 Appold Street
London EC2A 2AW

15 June 2001

STATEMENT OF CORPORATE GOVERNANCE

Background

The UK Listing Authority requires all listed companies to disclose how they have applied the principles and complied with the provisions of the Combined Code ("the Code").

Application of the Principles of the Code

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

Board of Directors

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

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

The Articles of Association require that all directors are subject to re-election procedures by rotation at the Annual General Meeting.

Director's Remuneration

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

Audit Committee

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

Nomination Committee

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

Internal Control

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

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

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

Going Concern

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

Statement of Compliance

The directors consider that the Company has complied throughout the year ended 31 March 2001 with all the relevant provisions set out in Section 1 of the Code, except that full compliance with the Turnbull guidance was not achieved until 12 May 2000. The Company continues to comply with the Code as at the date of this report.

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

We have audited the financial statements on pages 21 to 33 which have been prepared under the accounting policies set out on pages 24 and 25.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including, as described on page 16, the preparation of the financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the UK Listing Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are 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 or the Listing Rules regarding directors' remuneration and transactions with the company is not disclosed.

We review whether the corporate governance statement on pages 18 and 19 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the UK Listing 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 corporate governance procedures or risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We 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. 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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 March 2001 and of the capital return, revenue return and the total return of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

15 June 2001

Deloitte & Touche
Chartered Accountants
and Registered Auditors

Stonecutter Court
1 Stonecutter Street
London EC4A 4TR

Close Brothers Venture Capital Trust PLC

Statement of Total Return
(incorporating the revenue account)
for the year ended 31 March 2001

	Note	Year ended 31 March 2001			Year ended 31 March 2000		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	2	-	1,388	1,388	-	1,972	1,972
Investment income	3	3,700	-	3,700	3,273	-	3,273
Investment management fees	4	(373)	(407)	(780)	(320)	(320)	(640)
Other expenses	5	(90)	(90)	(180)	(95)	(95)	(190)
Return on ordinary activities before tax		3,237	891	4,128	2,858	1,557	4,415
Tax on ordinary activities	7	(763)	107	(656)	(800)	117	(683)
Return attributable to shareholders		2,474	998	3,472	2,058	1,674	3,732
Dividends	8	(2,448)	(489)	(2,937)	(2,137)	(612)	(2,749)
Transfer to/(from) reserves		26	509	535	(79)	1,062	983
Return per share (pence)	9	6.3p	2.5p	8.8p	5.2p	4.2p	9.4p

All revenue and capital items in the above statement derive from continuing operations.
No operations were acquired or discontinued in the year.
The accompanying notes are an integral part of this statement.

Close Brothers Venture Capital Trust PLC

Balance Sheet
at 31 March 2001

	Note	31 March 2001 £'000	31 March 2000 £'000
Fixed asset investments			
Qualifying:			
Scheduled for investment		37,147	40,495
less: uninvested		(4,500)	(8,750)
Net investments to date		32,647	31,745
Non-qualifying investments:		2,040	3,295
Total fixed asset investments	10	34,687	35,040
Current assets			
Debtors and accrued income	12	225	315
Short term money market deposits	18	7,577	6,688
		7,802	7,003
Creditors: due within one year	13	(2,552)	(2,425)
Net current assets		5,250	4,578
Net assets		39,937	39,618
Capital and reserves			
Called up share capital	14	19,589	19,707
Special reserve	15	17,407	17,623
Capital redemption reserve	15	264	146
Realised capital reserve	15	503	253
Unrealised capital reserve	15	1,985	1,726
Profit and Loss account	15	189	163
Total shareholders' funds	17	39,937	39,618
Net asset value per share	16	101.9p	100.5p

The financial statements on pages 21 to 33 were approved by the Board of Directors on 15 June 2001.

Signed on behalf of the Board of Directors

David Watkins
Chairman

David Watkins

Close Brothers Venture Capital Trust PLC

Cashflow Statement
for the year ended 31 March 2001

	Note	Year ended 31 March 2001 £'000	Year ended 31 March 2000 £'000
Operating activities			
Investment income received		3,107	2,922
Dividend income received		280	-
Deposit interest received		299	267
Other income received		50	-
Investment management fees paid		(714)	(604)
Other cash payments		(183)	(191)
Net cash inflow from operating activities	19	2,839	2,394
Taxation			
UK corporation tax paid		(662)	183
Investing activities			
Purchase of qualifying investments		(6,265)	(9,632)
Disposals of qualifying investments		6,759	12,530
Disposals of non-qualifying investments		1,215	-
Net cash inflow from investing activities		1,709	2,898
Equity dividends paid			
Revenue dividends paid on ordinary shares		(2,174)	(1,143)
Capital dividends paid on ordinary shares		(612)	-
Net cash inflow before financing		1,100	4,332
Financing			
Capital restructuring expenses		(6)	-
Redemption of own shares		(205)	(217)
Net cash outflow from financing		(211)	(217)
Increase in cash and cash equivalents	18	889	4,115

The accompanying notes are an integral part of these statements.

Close Brothers Venture Capital Trust PLC
Notes to the financial statements
For the year ended 31 March 2001

1. **ACCOUNTING POLICIES**

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). Ordinarily, the absence of Section 266 status would require the Company to adopt a different presentation of the accounts than that recommended by the Association of Investment Trust Companies. However, the Directors consider it appropriate to continue to present the accounts in accordance with the SORP. Under the SORP, the financial performance of the trust is presented in a statement of total return in which the revenue column is the profit and loss account of the Company. The revenue column excludes certain capital items, which since the Company is no longer an investment company, the Companies Act 1985 would ordinarily require to be included in the profit and loss account: net profits on disposal of investments, calculated by reference to their previous carrying amount, permanent diminution in value of investments, management expenses charged to capital, less tax relief thereon and the distribution of capital profits.

In the opinion of the Directors the presentation adopted enabled the Company to report in a manner consistent with the sector within which it operates. The Directors therefore consider that these departures from the specific provisions of Schedule 4 of the Companies Act relating to the form and content of accounts for companies other than investment companies and these departures from accounting standards are necessary to give a true and fair view. The departures have no effect on the total return or balance sheet. The particular accounting policies adopted are described below.

Capital reserves

Realised reserves
The following are accounted for in this reserve;
- gains and losses on the realisation of investments
- expenses and finance costs, together with the related taxation effect, and
- realised gains and losses on transactions undertaken to hedge an exposure of a capital nature.

Unrealised reserve
The following are accounted for in this reserve;
- increases and decreases in the valuation of investments held at the year end, and
- realised gains and losses on transactions undertaken to hedge an exposure of a capital nature.

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

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

Investments

Listed investments 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 as supported, where appropriate, by independent professional valuations. The unrealised depreciation or appreciation on the valuation of investments are dealt with in the unrealised reserve and gains and losses arising on the disposal of investments are dealt with in the realised capital reserve.

It is not the Company's policy to exercise controlling or significant influence over investee companies. Therefore the results of these companies are not incorporated into the revenue account 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. The fixed returns on non-equity shares and on debt securities are recognised on a time apportionment basis. Income received is treated in accordance with Financial Reporting Standard No. 16.

Management expenses

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

Taxation

Taxation has been applied on the current basis in accordance with Financial Reporting Standard No.16.

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

2. Gains/(losses) on investments

	31 March 2001 £'000	31 March 2000 £'000
Realised gains/(losses) for the year	1,531	(16)
Unrealised (losses)/gains for the year	307	1,988
Permanent diminution	(450)	-
	1,388	1,972

3. Investment income

	31 March 2001 £'000	31 March 2000 £'000
Income from investments		
UK franked investment income	280	163
UK unfranked investment income	3,068	2,830
	3,348	2,993
Other income		
Deposit interest	302	264
Other income	50	16
Total income	3,700	3,273
Total income comprises:		
Dividends	280	163
Interest	3,370	3,094
Other	50	16
	3,700	3,273
Income from investments:		
Listed	134	393
Unlisted	3,214	2,600
	3,348	2,993

4. Investment management fee

	31 March 2001 £'000			31 March 2000 £'000		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	359	359	718	320	320	640
Performance incentive fee provision	14	48	62	-	-	-
	373	407	780	320	320	640

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

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

5. Other expenses

	31 March 2001 £'000	31 March 2000 £'000
Secretarial and Administrative fee	37	36
Directors' fees	66	67
Auditors' remuneration – audit fees	22	20
Other	55	67
	180	190

6. Directors' fees

The remuneration of the chairman, which was equal to that received by the other directors, was £16,100 (2000: £16,100), exclusive of statutory deductions.

7. Tax on ordinary activities

	31 March 2001			31 March 2000		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
UK corporation tax at 30%	656	-	656	683	-	683
Tax attributable to capital expenses	107	(107)	-	117	(117)	-
	763	(107)	656	800	(117)	683

Tax is provided at the current rate of 30 per cent.

8. Dividends and other appropriations

Dividends on equity shares:	31 March 2001 £'000	31 March 2000 £'000		
	Ordinary Shares	Ordinary Shares	C Shares	Total
- interim revenue dividend of 2.50p per share (2000: 2.50p per Ordinary share and 2.20p per 'C' share)	979	341	943	943
- final revenue dividend of 3.75p per share (2000: 3.50p per Ordinary share and 2.30p per 'C' share)	1,469	354	1,194	1,194
- final capital dividend of 1.25p per share (2000: 2.55p per Ordinary share and nil per 'C' share)	489	-	612	612
	2,937	695	2,749	2,749

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

9. Return per share		**31 March 2001**			**31 March 2000**	
	Revenue	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
Equity Shares	6.3 pence	2.5 pence	8.8 pence	5.2 pence	4.2 pence	9.4 pence

Revenue return per share is based on the net revenue on ordinary activities after taxation but before deduction of dividends and other appropriations of £2,474,000 (2000: £2,058,000) in respect of 39,282,196 (2000: 39,605,235) shares, being the weighted average number of shares in issue during the year.

Capital return per ordinary share is based on net capital profit for the financial year of £998,000 (2000: £1,674,000), based on the same weighted average number of shares as for revenue return shown above.

10. Investments	**31 March 2001 £'000**	**31 March 2000 £'000**
Qualifying unlisted investments	32,647	31,745
Non qualifying listed investments	2,000	2,999
Non qualifying unlisted investments	40	296
Total	34,687	35,040

	Qualifying unlisted £'000	**Non-Qualifying Unlisted £'000**	**Non-Qualifying Listed £'000**	**Total £'000**
Valuation basis				
Opening valuation: 1 April 2000	31,745	296	2,999	35,040
Purchases at cost	6,265	-	-	6,265
Liquidated investment proceeds	-	13	-	13
Reclassification of investments	(118)	118	-	-
Sales - proceeds	(6,748)	(271)	(1,000)	(8,019)
- realised gains/(losses) on disposal	74	(3)	-	71
Realisation of revaluation gains from previous years	1,641	(189)	8	1,460
Permanent diminution	-	(450)	-	(450)
(Decrease)/increase in unrealised appreciation	(212)	526	(7)	307
Closing valuation: 31 March 2001	32,647	40	2,000	34,687
Historic cost basis				
Opening book cost	29,500	823	2,991	33,314
Purchases at cost	6,265	-	-	6,265
Permanent diminution				
- realised losses	-	(111)	-	(111)
- realisation of revaluation losses from previous years	-	(339)	-	(339)
Disposals at cost	(5,032)	(451)	(992)	(6,475)
Reclassification of investments	(118)	118	-	-
Closing book cost	30,615	40	1,999	32,654
Opening unrealised appreciation / (depreciation)	2,244	(526)	8	1,726
Closing unrealised appreciation	2,032	-	1	2,033

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

11. Significant interests

Details of investments in which the company has an interest of 10 per cent. or more of the nominal value of the allotted shares of any class, or of the net assets at 31 March 2001, are as follows:

Name of Undertaking	Country of incorporation and operation	Description of shares held	Percentage held
Broadoak VCT Limited	UK	Ordinary shares	50%
Cathedral Homes VCT Limited	UK	Ordinary shares	50%
Chase Midland VCT Limited	UK	Ordinary shares	50%
Churchcroft VCT Limited	UK	Ordinary shares	50%
City Screen (Cambridge) Limited	UK	Ordinary shares	50%
Country & Metropolitan VCT Limited	UK	Ordinary shares	50%
Downing Harnham Croft (Nursing Home) Ltd	UK	Ordinary shares	50%
Drummond Court VCT Limited	UK	Ordinary shares	50%
Fryers Walk VCT Limited	UK	Ordinary shares	50%
Hawkwell VCT Limited	UK	Ordinary shares	50%
Hornchurch VCT Limited	UK	Ordinary shares	50%
Lombardy Court VCT Limited	UK	Ordinary shares	50%
Odyssey Glory Mill Limited	UK	Ordinary shares	50%
Portland Homes (Woodside Green) Limited	UK	Ordinary shares	50%
Premier VCT (Bristol) Limited	UK	Ordinary shares	50%
Premier VCT (Mailbox) Limited	UK	Ordinary shares	50%
Saxon VCT Limited (formerly Tower Gate VCT Ltd)	UK	Ordinary shares	50%
Youngs VCT Limited	UK	Ordinary shares	50%

12. Debtors

	31 March 2001 £'000	31 March 2000 £'000
Prepayments and accrued income	225	269
Other debtors	-	46
	225	315

13. Creditors: amounts falling due within one year

	31 March 2001 £'000	31 March 2000 £'000
UK corporation tax payable	146	219
Proposed dividend	1,958	1,806
Other creditors	448	400
	2,552	2,425

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

14. Called up Share Capital

	31 March 2001 £'000	31 March 2000 £'000
Authorised:		
68,000,000 shares of 50p each (2000: 68,000,000 shares)	34,000	34,000
Allotted, called up and fully paid:		
39,177,695 shares of 50p each (2000: 39,414,696 shares)	19,589	19,707

On 31 May 2000 the Ordinary Shares and 'C' Shares were merged. As at 31 March 2000 there was authorised share capital of 34,000,000 Ordinary Shares and 34,000,000 'C' Shares, all of 50p each, of which 23,990,142 Ordinary Shares and 15,424,554 'C' Shares, all of 50p each were allotted, called up and fully paid.

Details of the shares bought by the company for cancellation can be found on page 14.

15. Reserves

Ordinary Shares	Special reserve £'000	Realised Capital reserve £'000	Unrealised Capital reserve £'000	Capital redemption reserve £'000	Revenue reserve £'000	Total £'000
Beginning of year – Ordinary share	10,713	228	966	105	108	12,120
Beginning of year – C share	6,910	25	760	41	55	7,791
	17,623	253	1,726	146	163	19,911
Realised gains from previous years	-	1,460	(1,460)	-	-	-
Realised gains in current year	-	71	-	-	-	71
Capital restructure costs	(6)	-	-	-	-	(6)
Purchase of own shares	(210)	-	-	118	-	(92)
Permanent diminution	-	(450)	339	-	-	(111)
Capital dividend paid	-	(489)	-	-	-	(489)
Increase in unrealised appreciation	-	-	1,428	-	-	1,428
Costs charged to capital net of tax	-	(342)	(48)	-	-	(390)
Retained net revenue for the year	-	-	-	-	26	26
End of year	17,407	503	1,985	264	189	20,348

16. Net asset value per share

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

	31 March 2001	31 March 2000
Net asset per share attributable	101.9 pence	100.5 pence

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

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

	31 March 2001 £'000	31 March 2000 £'000
Total assets attributable at beginning of year	39,618	38,852
Total return for the period	3,472	3,732
Dividends appropriated in the year	(2,937)	(2,749)
Expense of capital reconstruction	(6)	-
Purchase of own shares for cancellation	(210)	(217)
Total net assets attributable at end of year	39,937	39,618

Net asset value per share is based on net assets at the year end, and on 39,177,695 shares, being the number of shares in issue at the year end.

17. Reconciliation of movements in shareholders' funds

	31 March 2001 £'000	31 March 2000 £'000
Opening shareholders' funds	39,618	38,852
Decrease in share capital	(118)	(122)
Expense of capital reconstruction	(6)	-
Expenses of share purchases	(92)	(95)
Total return to shareholders before dividends	3,472	3,732
Dividend	(2,937)	(2,749)
Closing shareholders' funds	39,937	39,618

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

	31 March 2001 £'000	31 March 2000 £'000
Beginning of year	6,688	2,573
Net cash inflow	889	4,115
End of year	7,577	6,688

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

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

	31 March 2001 £'000	31 March 2000 £'000
Net revenue before finance costs and taxation	3,237	2,858
Investment management fee charged to capital	(360)	(320)
Performance incentive fee charged to capital	(47)	-
Other expenses charged to capital	(90)	(95)
Decrease / (increase) in debtors	49	(19)
Increase in creditors	78	59
Tax on investment income	(28)	(89)
Net cash inflow from operating activities	2,839	2,394

20. Derivatives and Other Financial Instruments

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

The Company has also entered into derivative transactions (comprising two interest rate swaptions). The purpose of such transactions was to manage interest rate risk.

The main risks arising from the Company's financial instruments are interest rate and investment risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged since the beginning of the financial year.

Interest rate risk profile of financial assets and financial liabilities

Financial assets

The Company's financial assets, other than investments in unquoted companies, are floating rate. Investments in unquoted companies comprise equity and fixed rate loan stock.

Currency

	31 March 2001			31 March 2000		
	Fixed Rate £'000	Floating Rate £'000	Total £'000	Fixed Rate £'000	Floating Rate £'000	Total £'000
Sterling	19,792	1,999	21,791	18,988	2,991	21,979

- Fixed rate assets bear interest at rates based on predetermined yield targets. The weighted average interest rate at 31 March 2001 was 14.5% (2000: 14.5%)
- Floating rate assets bear interest at rates based predominantly on quarterly LIBOR.

Financial liabilities

The Company's only financial liabilities comprise the guarantees detailed in note 21. below.

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

Currency exposure

As at 31 March 2001, the Company has no foreign currency exposures (2000: £nil).

Borrowing facilities

The Company has no committed borrowing facilities as at 31 March 2001 (2000: £nil).

Fair values of financial assets and financial liabilities

All the Company's financial assets and liabilities as at 31 March 2001 are stated at fair value. See note 1. to the accounts.

Investment risk

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

The Company's policy is to accept a degree of interest rate risk on non-qualifying investments. On the basis of the Company's analysis, it is estimated that a fall of one percentage point in interest rates would have reduced profit before tax to 31 March 2001 by approximately 2 per cent. (2000: 6 per cent.).

21. Contingencies, guarantees and financial commitments

There are no contingencies, guarantees and financial commitments of the Company at the year end which have not been accrued except for scheduled investments as detailed in the balance sheet, and guarantees given to The Royal Bank of Scotland plc relating thereto totalling £2.5 million.

22. Related party transactions

Under the terms of an agreement dated 13 February 1996 (as varied by a supplemental agreement dated 3 February 1997), the Company has appointed Close Brothers Investment Limited, a subsidiary of Close Brothers Group plc, to provide investment management, accounting, secretarial and administrative services. Details of the arrangements are given in the Report of the Directors.