

# FINSBURY TECHNOLOGY TRUST PLC



## Interim Report

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For the six months to 31 May 2003



**CLOSE FINSBURY**  
DIFFERENT BY DESIGN



# Company Summary

## Performance statistics

	31 May 2003	30 November 2002	% Change
Shareholders' Funds	£53.4m	£49.8m	7.2
Net Asset Value per share	193.2p	180.3p	7.2
Share price	153.5p	171.0p	(10.2)
Discount	20.5%	5.2%	-
Benchmark Index	1,256	1,286	(2.3)

## Investment policy

Finsbury Technology Trust PLC invests principally in the equity securities of quoted technology companies on a worldwide basis with the aim of achieving long term capital growth.

## Benchmark

Performance is measured against the Morgan Stanley Capital International World Index (sterling adjusted without dividends reinvested).

## Interim dividend

The Company has not declared an interim dividend (2002: nil).

## Capital structure

At 31 May 2003 the Company had 27,615,312 ordinary shares of 25p each in issue.

## Continuation vote

The Company will hold a vote on whether to continue as an investment trust in 2006.



# Chairman's Statement

## Results

During the six months ended 31 May 2003 the Company's net asset value per share (NAV) increased from 180.3p to 193.2p, an increase of 7.2%. This compares with a decline of 2.3% in the MSCI World Index (sterling adjusted without dividends reinvested), which is the Company's benchmark index.

The share price fell from 171p to 153.5p, a fall of 10.2%. This reflected poor sentiment towards the technology sector as a whole over much of the period and resulted in a widening of the share price discount.

Since the period end the net asset value per share has increased by 14% from 193.2p to 219.6p as at 11 July 2003 and the mid market share price has increased by 21% over the same period from 153.5p to 186.00p. The share price increase reflects the gain in net asset value together with a narrowing in the share price discount as the outlook for the technology sector improves.

## Results and Dividend

The total return for the six months ended 31 May 2003 was 12.9p per share (2002: deficit of 78.6p per share). This was made up of a revenue deficit of 1.4p per share (2002: 1.7p) and a capital return of 14.3p per share (2002: deficit of 76.9p per share).

The investments making up the Company's investment portfolio typically provide a very low yield and accordingly no dividend is recommended in respect of the six months ended 31 May 2003.

## Review of the period and outlook

The period under review saw a recovery in technology markets, particularly over the months of April and May 2003. This recovery was against a background of more buoyant conditions in global stock markets generally since the end of the military conflict in the Middle East during which your board maintained its policy of being fully invested in technology shares. Of particular note was the recovery in the biotechnology sector which saw a number of new products approved following the appointment of the new Federal Drugs Administration commissioner in the US.

The remainder of the current financial year to 30 November 2003 is looking more encouraging and interest in the technology sector is returning. The sector as a whole should benefit from reduced cost structures and improving demand outlook for technology generally. The period also saw an increase in merger and acquisition activity which is a sign that business conditions are stabilising.

Your Board remains positive as to the outlook for the global technology market and continues to believe that it will provide good returns to the long-term investor.

**Bryan Lenygon** *Chairman*

15 July 2003



# Investment Advisers' Review

## Overview

After a disastrous 2002 the technology sector has at last staged a recovery. In the period under review, business conditions continued to be challenging, but there were early signs of stabilisation in the outlook leading to some bargain hunting. Encouragingly this broadened out quickly into the smaller capitalisation shares that had been particularly hard hit. Earnings for the first quarter, whilst weak, generally came in line with expectations and there have been relatively few disappointments announced so far for the second quarter. Many companies have cut their cost structure significantly, resulting in improved profitability. The period also saw an increase in mergers and acquisition activity, which is also a sign that business conditions might be stabilising.

There was a significant improvement in the biotechnology sector as a number of new products were rapidly approved following the new appointment of McClellan as the FDA commissioner.

## The US

The performance of our US shares during the period was relatively disappointing. The strongest sub sector during the period was the well-known Internet stocks, where the trust had relatively little exposure because we felt that the valuations were high enough for the stage of development of those companies given the risks involved in executing on their business models. The trust did however benefit from significant appreciation in its holdings in Verisign, which supplies infrastructure to the Internet and Digital River, which enables businesses that use traditional retail channels to develop an online presence. There was also a big increase in value following good results from our holding in Citrix.

There were falls in the value of three of our holdings that had performed relatively well in prior periods. Borland, which sells tools for software developers, fell following modestly disappointing results. Network Associates, which sells security and infrastructure software, also had disappointing results due to weakness in its European business. In both cases we think that the problems are transitory and we continue to hold the shares. The other major US disappointment was Take Two Interactive, which fell despite better than expected earnings, as investors became concerned about whether it could maintain its growth following the huge success of its Grand Theft Auto games. We felt that this risk was overly discounted in the price and the shares have risen significantly since the period end, prompting us to book some profits.

We continue to visit the US frequently but are struggling to find major new themes that have not already been factored into share prices. However there is a lot of value in some of the smaller companies such as our holding in Ascential, and we would expect that we will increase our US exposure over the course of the remainder of the year. We will also continue to look out for special situations.



## Investment Advisers' Review *(continued)*

### Europe and Israel

The trust has had a good period in these geographies, with the bulk of the performance coming from small capitalisation special situations. The top performing share was Gresham Computing, which provides software for real time monitoring of interbank transactions. Imagination Technologies also did well following announcements that several major semiconductor companies had licensed its intellectual property and on the announcement of better than expected results.

### Asia

Our core holdings in Asia had a bad period, with Samsung suffering from falling memory chip prices and inventory build up of handsets following the impact of SARs in China. Asia, and in particular China, is becoming increasingly important as a manufacturing area for the technology industry and we continue to look for companies that can benefit from this trend.

### Biotechnology

This was a fabulous period for the biotechnology sector as a number of products were approved following the appointment of McClellan as the new commissioner of the FDA. Under his leadership the FDA is taking a much more pragmatic approach to new product approval and the time taken to review new drugs seems to have shortened where they are deemed to be important. There have been some early signs of consolidation and the pharmaceutical companies are once again looking to license products from the sector. Our individual biotechnology positions tend to be smaller in size as they are higher risk but most of them have shown good percentage gains.

### Outlook

After such a rapid rise there is a risk of profit taking and historically, technology shares have often been weak over the summer months. Despite these factors we remain optimistic about the medium term because we believe that the outlook for the sector is improving and, most importantly, considerably better than the consensus view.

The move to broadband continues to gather pace, despite some glitches, which are quite common in the roll out of any new technology. Internet usage is rising and the volume of traffic carried across networks continues to increase.

There is also a certain amount of pent up demand for software as corporations who wasted money in the boom years have taken longer to evaluate and cost justify projects. Whilst we are not forecasting a return to boom times, we think that some orders will be placed for those products which deliver a good return on investment and these orders will represent good growth from today's business. The outlook is also bright for the biotechnology sector. There are numerous products in the late stages of clinical trials, the FDA is being more co-operative, pharmaceutical companies are under pressure to find new products, biotechnology companies have been more successful at finding new products and the sector as a whole represents good value when compared to the capitalisation of the pharmaceutical industry.



## Investment Advisers' Review *(continued)*

Many people who are less optimistic than we are will argue that even if our outlook proves to be correct, it is already factored into share prices and that they are fully valued. These investors tend to focus on the historic price to earnings multiples of shares. This may be relevant for more mature businesses, where the pace of change is slow but it is certainly not valid for emerging technology companies or those that have strong cyclicalities as earnings can change dramatically. We think that investors as a whole have significantly underestimated the recovery potential in earnings. The industry has cut costs dramatically and any increase in sales should lead to a major increase in profitability. We also think that estimates of normalised sales have become too gloomy as they are based on anticipated growth from current levels of business, which is, in our opinion, below normal levels.

The recent recovery has only taken markets back to around the levels they were at around the time of the September 11 2001 attacks, when they were generally regarded as good value despite deteriorating news. Since then, world stock markets have had to contend with accounting scandals, SARS, the war and an economic slowdown. Whilst we would not wish to tempt fate, we think that this is an unusual amount of bad news and it appears that the outlook is improving, especially for the technology sector.

The sector has been, and will continue to be, volatile but we continue to think that the long-term technology investor will be well rewarded.

**Michael Bourne/Dr Andrew Clark**

**Close Finsbury Asset Management Limited, Investment Manager**

**Reabourne Technology Investment Management Limited, Investment Adviser**

15 July 2003

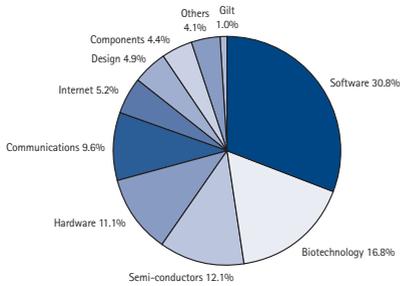
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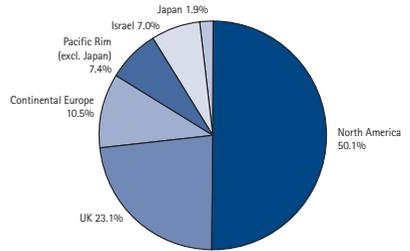
# Analysis of Portfolio

As at 31 May 2003

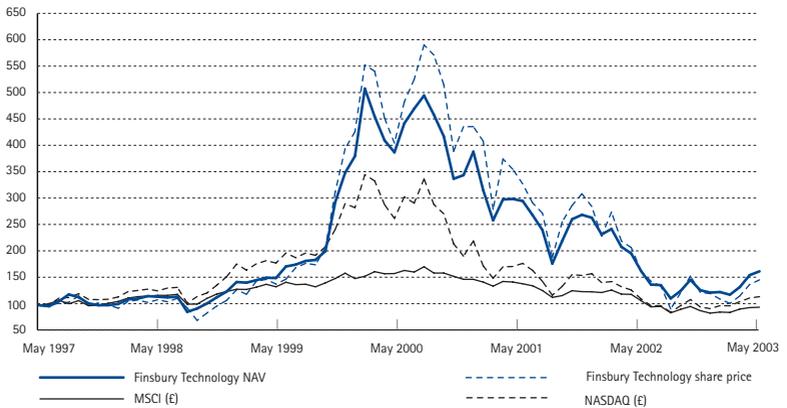
## Sector Analysis



## Geographical Analysis



## Performance Graph



Figures have been rebased to 100 at 31 May 1997

\*Morgan Stanley Capital International World Index (sterling adjusted without dividends reinvested)

Source: Close Finsbury Asset Management Limited.



# Largest Investments

As at 31 May 2003

Investment	Sector	Market Value £000	Percentage of portfolio
Tecnomatix Technologies	Design	1,842	3.5
Samsung Electronics	Hardware	1,695	3.2
Take-Two Interactive Software	Software	1,640	3.1
Gresham Computing	Software	1,523	2.9
Digital River	Internet	1,512	2.8
Borland Software	Software	1,446	2.7
Verisign	Internet	1,248	2.3
Taiwan Semiconductor	Semiconductors	1,201	2.3
Sherwood International	Software	1,186	2.2
Vishay Intertech	Components	1,133	2.1
<b>Top ten investments</b>		<b>14,426</b>	<b>27.1</b>
Citrix Systems	Software	1,079	2.0
Mamut	Software	1,023	1.9
Filtronics	Communications	993	1.9
Psion	Software	901	1.7
Imagination Technologies	Electronics (other)	854	1.6
Network Associates	Software	830	1.6
Ciena Corporation	Communications	827	1.6
Asm International	Semiconductors	819	1.5
Xilinx	Semiconductors	810	1.5
Parthusceva	Semiconductors	783	1.4
<b>Top twenty investments</b>		<b>23,345</b>	<b>43.8</b>
Melexis	Components	769	1.4
Soitec	Semiconductors	738	1.4
Utstarcom	Communications	738	1.4
Cytec Corporation	Biotechnology	736	1.4
Pervasive Software	Software	732	1.4
Cisco Systems	Communications	725	1.4
Applied Materials	Semiconductors	702	1.3
Photo Me International	Communications	687	1.3
Teva Pharmaceutical	Biotechnology	681	1.3
Intelligent Environments	Software	676	1.2
<b>Top thirty investments</b>		<b>30,529</b>	<b>57.3</b>



## Largest Investments *(continued)*

As at 31 May 2003

Investment	Sector	Market Value £000	Percentage of portfolio
Varian Medical Systems	Biotechnology	612	1.2
Orbotech	Hardware	607	1.1
Avant Immunotherapeutics	Biotechnology	605	1.1
Globespan	Semiconductors	601	1.1
Pharmaceutical Product Development	Biotechnology	599	1.1
First Consulting Group	Software	543	1.0
Prometic Life Science	Biotechnology	528	1.0
I-Many	Software	527	1.0
Systems Union Group	Software	524	1.0
Ascential Software	Software	511	1.0
<b>Top forty investments</b>		<b>36,186</b>	<b>67.9</b>
Agere Systems	Semiconductor	510	1.0
UK Treasury 6.5% 7/12/03	Gilt	508	1.0
Superscape	Software	491	0.9
Optimal Robotics	Hardware	480	0.9
Vicuron Pharmaceuticals	Biotechnology	465	0.9
Ciphergen Biosystems	Biotechnology	463	0.9
Manpower Software	Software	459	0.9
Biacore International	Biotechnology	458	0.8
Parametric Tech	Design	452	0.8
Nichicon	Components	427	0.8
<b>Top fifty investments</b>		<b>40,899</b>	<b>76.8</b>
Eidos	Software	398	0.8
Sony	Hardware	394	0.8
Thermo Group	Biotechnology	393	0.7
Dicom Group	Hardware	391	0.7
TTI Team Telecom	Communications	383	0.7
SCI Entertainment	Software	354	0.7
Innovision Res and Technology	Other	343	0.7
Vanco	Communications	339	0.6
Xantrex Technology*	Energy Tech (other)	333	0.6
Wind River Systems	Design	327	0.6
<b>Top sixty investments</b>		<b>44,554</b>	<b>83.7</b>



## Largest Investments *(continued)*

As at 31 May 2003

Investment	Sector	Market Value	Percentage
		£000	of portfolio
Amdocs	Communications	322	0.6
Corvas International	Biotechnology	317	0.6
Aphton Corporation	Biotechnology	309	0.6
@Road	Communications	296	0.6
Provalis	Biotechnology	288	0.6
Advanced Medical Solutions	Biotechnology	287	0.5
Crucell	Biotechnology	284	0.5
Affymetrix	Biotechnology	278	0.5
Comino	Software	278	0.5
Chordiant Software	Software	277	0.5
<b>Top seventy investments</b>		<b>47,490</b>	<b>89.2</b>
43 other investments		5,749	10.8
<b>Total investments</b>		<b>53,239</b>	<b>100.0</b>

\*Unquoted investment



# Statement of Total Return

Incorporating the revenue account for the six months ended 31 May 2003

	(Unaudited)			(Unaudited)			(Audited)		
	Half year ended 31 May 2003			Half year ended 31 May 2002			Year ended 30 November 2002		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gain/(loss) on investments	-	4,011	4,011	-	(21,173)	(21,173)	-	(38,213)	(38,213)
Exchange losses on currency balances	-	(69)	(69)	-	(52)	(52)	-	(55)	(55)
Income (note 2)	80	-	80	158	-	158	327	-	327
Investment management fees (note 3)	(249)	-	(249)	(405)	-	(405)	(666)	-	(666)
Other expenses	(192)	-	(192)	(228)	-	(228)	(427)	-	(427)
<b>Net (loss)/return before finance costs and taxation</b>	<b>(361)</b>	<b>3,942</b>	<b>3,581</b>	<b>(475)</b>	<b>(21,225)</b>	<b>(21,700)</b>	<b>(766)</b>	<b>(38,268)</b>	<b>(39,034)</b>
Interest payable and similar charges	(13)	-	(13)	(3)	-	(3)	(12)	-	(12)
<b>(Loss)/return on ordinary activities before taxation</b>	<b>(374)</b>	<b>3,942</b>	<b>3,568</b>	<b>(478)</b>	<b>(21,225)</b>	<b>(21,703)</b>	<b>(778)</b>	<b>(38,268)</b>	<b>(39,046)</b>
Taxation charge on ordinary activities	(3)	-	(3)	(4)	-	(4)	(11)	-	(11)
<b>(Loss)/return on ordinary activities after taxation</b>	<b>(377)</b>	<b>3,942</b>	<b>3,565</b>	<b>(482)</b>	<b>(21,225)</b>	<b>(21,707)</b>	<b>(789)</b>	<b>(38,268)</b>	<b>(39,057)</b>
Dividends on ordinary shares	-	-	-	-	-	-	-	-	-
<b>Transfer (from)/to reserves</b>	<b>(377)</b>	<b>3,942</b>	<b>3,565</b>	<b>(482)</b>	<b>(21,225)</b>	<b>(21,707)</b>	<b>(789)</b>	<b>(38,268)</b>	<b>(39,057)</b>
<b>(Loss)/return per ordinary share – pence (note 4)</b>	<b>(1.4)p</b>	<b>14.3p</b>	<b>12.9p</b>	<b>(1.7)p</b>	<b>(76.9)p</b>	<b>(78.6)p</b>	<b>(2.9)p</b>	<b>(138.5)p</b>	<b>(141.4)p</b>



## Balance Sheet

As at 31 May 2003

	(Unaudited) 31 May 2003 £'000	(Unaudited) 31 May 2002 £'000	(Audited) 30 November 2002 £'000
<b>Fixed asset investments</b>	<b>53,239</b>	67,282	50,053
<b>Current assets</b>			
Debtors	346	64	315
Cash at bank	141	889	704
	<b>487</b>	953	1,019
<b>Creditors</b>			
Amounts falling due within one year	<b>(373)</b>	(1,097)	(1,284)
<b>Net current assets/(liabilities)</b>	<b>114</b>	(144)	(265)
<b>Net assets</b>	<b>53,353</b>	67,138	49,788
<b>Capital and reserves</b>			
Called up share capital	6,904	6,904	6,904
Share premium account	23,488	23,488	23,488
Capital reserve - realised	57,756	65,191	58,264
Capital reserve - unrealised	<b>(28,550)</b>	(22,884)	(33,000)
Revenue reserve	<b>(6,245)</b>	(5,561)	(5,868)
<b>Total shareholders' funds</b>	<b>53,353</b>	67,138	49,788
<b>Net asset value per ordinary share</b>	<b>193.2p</b>	243.1p	180.3p



## Cash Flow Statement

for the half year ended 31 May 2003

	(Unaudited) Half year ended 31 May 2003 £'000	(Unaudited) Half year ended 31 May 2002 £'000	(Audited) Year ended 30 November 2002 £'000
<b>Net cash (outflow)/inflow from operating activities</b>	(421)	1,884	1,494
<b>Servicing of finance</b>			
Bank overdraft and loan interest paid	(13)	(3)	(12)
<b>Taxation</b>			
Tax recovered	-	1	-
<b>Financial investments</b>			
Purchases of investments	(11,381)	(21,381)	(25,998)
Sales of investments	11,321	19,790	25,046
<b>Net cash outflow from financial investment</b>	(60)	(1,591)	(952)
<b>Financing</b>			
Drawdown/(repayment) on loans	-	-	-
<b>(Decrease)/increase in cash during the period</b>	(494)	291	530



# Notes to the Interim Financial Statements

## 1. Revenue Account

The revenue column of the Statement of Total Return represents the revenue account of the Company.

## 2. Income

	(Unaudited) Half year ended 31 May 2003 £'000	(Unaudited) Half year ended 31 May 2002 £'000	(Audited) Year ended 30 November 2002 £'000
Income from investments	76	150	317
Interest receivable and other income	4	8	10
	<b>80</b>	<b>158</b>	<b>327</b>

## 3. Investment management fees

	(Unaudited) Half year ended 31 May 2003 £'000	(Unaudited) Half year ended 31 May 2002 £'000	(Audited) Year ended 30 November 2002 £'000
Periodic fee	241	363	607
Irrecoverable VAT thereon	8	42	59
	<b>249</b>	<b>405</b>	<b>666</b>

## 4. Loss per ordinary share

The revenue loss per ordinary share is calculated by dividing the net revenue loss of £377,000 (half year ended 31 May 2002: £482,000; year ended 30 November 2002: £789,000) by 27,615,312 (half year ended 31 May 2002: 27,615,312; year ended 30 November 2002: 27,615,312) being the weighted average number of ordinary shares in issue during the period. The capital return per ordinary share is calculated by dividing the net capital return of £3,942,000 (half year ended 31 May 2002: loss of £21,225,000; year ended 30 November 2002: deficit of £38,268,000) by the weighted average number of ordinary shares, as above.



## Notes to the Interim Financial Statements *(continued)*

### **5. Comparative information**

The figures and financial information for the year ended 30 November 2002 are an extract from the latest published financial statements and do not constitute statutory financial statements for that year. Those financial statements have been delivered to the Registrar of Companies and included the report of the auditors which was unqualified and did not contain a statement under either section 237(2) and 237(3) of the Companies Act 1985.

The interim financial statements have been neither audited nor reviewed by the Company's auditors. They have been prepared using the same accounting policies as those adopted in the financial statements for the year ended 30 November 2002.



# Company Information

## Directors

Bryan Lenygon, Chairman  
Paul Gaunt  
Chris Martin  
David Potter  
David Quysner  
Anthony Townsend

## Secretary & Registered Office

Close Finsbury Asset Management Limited  
(a member of the Close Brothers Group)  
12 Appold Street, London EC2A 2AW  
Telephone 020 7426 4000

## Company Number

3117355 (Registered in England)

## Investment Manager

Close Finsbury Asset Management Limited  
12 Appold Street, London EC2A 2AW  
(Authorised and Regulated by the Financial Services Authority)

Investor Helpline: 0800 169 6968  
Professional Advisers Helpline: 020 7426 4372  
E-Mail: [info@closefinsbury.com](mailto:info@closefinsbury.com)  
Website: [www.closefinsbury.com](http://www.closefinsbury.com)

## Investment Adviser

Reabourne Technology Investment Management Limited  
12 Appold Street  
London EC2A 2AW

## Registrars

Capita Registrars,  
The Registry  
34 Beckenham Road  
Beckenham Kent BR3 4TU  
Telephone: 0870 162 3100

Please contact the Registrars if you have a query about a certificated holding in the Company's shares.

## Close Finsbury ISA, Savings Scheme and PEP

Close Finsbury Asset Management Limited  
3 Finsbury Avenue  
London EC2M 2NB  
Freephone: 0800 169 6968

Please contact Close Finsbury Asset Management Limited if you have any query concerning a Close Finsbury ISA, Savings Scheme or PEP account.

## Internet Addresses

Close Finsbury [www.closefinsbury.com](http://www.closefinsbury.com)  
TrustNet [www.trustnet.com](http://www.trustnet.com)

The Company's net asset value per share is announced daily and is available weekly on the Close Finsbury website.

## Financial Calendar

Company year end	30 November
Preliminary full year results announced	February 2004
Annual Report sent to shareholders	March 2004
Annual General Meeting held	April 2004
Announcement of interim results	July 2004
Interim Report sent to shareholders	July 2004

## Share Price Listings

The price of your shares can be found in the Financial Times under the heading Investment Companies and in The Daily Telegraph under the heading Investment Trusts.

In addition, share price information can be found under the following:

<i>Reuters</i>	<u>Code</u>
Ordinary shares	FTTL
<i>Bloomberg</i>	
Ordinary shares	FTT LN
<i>SEAO</i>	
Ordinary shares	FTT



## The Close Finsbury Range

Close Finsbury Asset Management, which is a member of the Close Brothers Group, is a specialist investment house managing the following investment trusts:

**Finsbury Growth Trust PLC** which invests in the shares of larger UK companies with the objective of achieving capital growth and providing a total return in excess of that of the FTSE All-Share Index.

**Finsbury Worldwide Pharmaceutical Trust PLC** which invests worldwide in pharmaceutical and biotechnology companies with the aim of achieving a high level of capital growth.

**Finsbury Technology Trust PLC** which invests principally in equity securities of quoted technology companies on a worldwide basis with the aim of achieving long term capital growth.

**Finsbury Life Sciences Investment Trust PLC** which invests in life science companies based in the UK, Continental Europe and Israel, with particular emphasis on biotechnology, with the aim of achieving long term capital growth.

**Close Finsbury EuroTech Trust PLC** which invests primarily in the equity securities of quoted European technology companies with the aim of achieving long term capital growth.

## Private Investor Plans

Finsbury Technology Trust PLC and all the Close Finsbury investment trusts participate in the **Close Finsbury Individual Savings Account (ISA)**, **Close Finsbury Investment Trust Savings Scheme** and the **Close Finsbury Personal Equity Plan (PEP)**. For full details of these investment schemes please contact our Investor Helpline on 0800 169 6968 or visit [www.closefinsbury.com](http://www.closefinsbury.com)

Close Finsbury now offers on-line dealing and account management at [www.closefinsbury.com](http://www.closefinsbury.com)

Should you require copies of any Close Finsbury literature, again please call our  
Investor Helpline on 0800 169 6968 or e-mail to [info@closefinsbury.com](mailto:info@closefinsbury.com)  
Website address: [www.closefinsbury.com](http://www.closefinsbury.com)

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