Company Registration No. 3654040

CLOSE BROTHERS DEVELOPMENT VCT PLC

Initial accounts for the period ended

30 June 1999

Deloitte & Touche
Stonecutter Court
1 Stonecutter Street
London EC4A 4TR

REPORT AND INITIAL ACCOUNTS 1999

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REPORT AND INITIAL ACCOUNTS 1999

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

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

SECRETARY

William Edward Davis FCA

REGISTERED OFFICE

12 Appold Street
London EC2A 2AW

INVESTMENT MANAGER

Close VCT Management
12 Appold Street
London EC2A 2AW
0171 - 426 4000

REGISTRAR

Northern Registrars Limited
Northern House
Penistone Road
Fenay Bridge
Huddersfield HD8 0LA
Tel: 01484 606664

AUDITORS

Deloitte & Touche
Chartered Accountants
Stonecutter Court
1 Stonecutter Street
London EC4A 4TR

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare initial accounts which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss of the company for that period. In preparing those initial accounts, the directors are required to

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether all applicable accounting standards have been followed
- prepare the accounts 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 enable them to ensure that the initial accounts 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.

AUDITORS' REPORT TO THE DIRECTORS OF CLOSE BROTHERS DEVELOPMENT VCT PLC

We have audited the initial accounts on pages 4 to 7 which have been prepared under the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the initial accounts. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 initial accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the initial accounts, and of whether the accounting policies are appropriate to the company's circumstances, 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 initial accounts 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 initial accounts.

Opinion

In our opinion the initial accounts for the period from 21 October 1998, the date of incorporation, to 30 June 1999 have been properly prepared within the meaning of section 273(2) of the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and Registered Auditors

4 October 1999

STATEMENT OF TOTAL RETURN (INCORPORATING THE REVENUE ACCOUNT) OF THE COMPANY
Period from 21 October 1998 to 30 June 1999

	Note	Revenue £'000	Period ended 30 June 1999 Capital £'000	Total £'000
Income	3	222	-	222
Investment management fee		(33)	(99)	(132)
Other expenses		(50)	(8)	(58)
Return on ordinary activities before taxation		139	(107)	32
Taxation		(28)	21	(7)
Return attributable to equity shareholders		111	(86)	25
Ordinary dividends	4	(100)	-	(100)
Transfer to reserves		11	(86)	(75)
Return per ordinary share				
Basic		1.8 pence	(1.4) pence	0.4 pence
Dividend per ordinary share				
Interim – on shares issued on or prior to 27 January 1999		1.0 pence	-	1.0 pence
- on shares issued between 28 January 1999 and 27 May 1999		0.6 pence	-	0.6 pence

There are no recognised gains or losses for the current period other than as stated above.

BALANCE SHEET
30 June 1999

	Note	30 June 1999
		£'000
CURRENT ASSETS		
Debtors		66
Cash at bank and in hand		13,434
		13,500
CREDITORS: amounts falling due within one year		(325)
NET CURRENT ASSETS		13,175
NET ASSETS		13,175
CAPITAL AND RESERVES		
Available for ordinary shareholders	5	
Share capital		6,974
Share premium		6,276
Capital reserves		(86)
Revenue reserves - retained		11
Total shareholders' funds		13,175
Net asset value per ordinary share		94.5 pence

These initial accounts were approved by the Board of Directors on 4 October 1999.

Signed on behalf of the Board of Directors

R M Davidson Adenil . M. Davidson

Chairman

NOTES TO THE ACCOUNTS
Period ended 30 June 1999

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention, modified by the revaluation of certain investments.

Investments

Listed investments are stated at market value based upon middle market prices at the accounting period end. Unquoted investments are stated at a valuation determined by the directors. 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.

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. The fixed returns on non-equity shares and on debt securities are recognised on a time apportionment basis so as to reflect the effective yield of the shares and debt securities respectively.

Management charge

75 per cent. of management and administrative fees, representing the proportion of investment management fees and other costs attributable to the enhancement of the value of the investments of the company, are charged to non-distributable capital reserves net of corporation tax relief, and inclusive of any related irrecoverable value added tax. The balance of all other expenses has been charged to income.

Deferred taxation

Deferred taxation is provided by the liability method on timing differences, except where there is reasonable probability that such liability will not arise in the foreseeable future.

2. PRINCIPAL ACTIVITY

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

3. INCOME

	Period ended 30 June 1999 £'000
Bank interest	222

4. DIVIDEND

The interim dividend of 1.0 pence per ordinary share on shares issued on or before 27 January 1999 and of 0.6 pence per ordinary share on shares issued between 28 January 1999 and 27 May 1999 will absorb £101,549. It will be paid on 5 November 1999 to shareholders who invested by 27 May 1999 and who are registered on 15 October 1999.

NOTES TO THE ACCOUNTS
Period ended 30 June 1999

5. MOVEMENT IN RESERVES AND SHARE CAPITAL

	Share capital £'000	Share Premium £'000	Realised capital reserve £'000	Revenue Reserve £'000
Balance at 21 October 1998	-	-	-	-
Issue of share capital	6,974	6,974	-	-
Issue costs	-	(698)	-	-
Net gains on investments	-	-	-	-
Investment management costs (net of tax)	-	-	(86)	-
Retained net revenue for the period	-	-	-	11
Balance at 30 June 1999	6,974	6,276	(86)	11

6. COMPARATIVE FIGURES

There are no comparative figures as the company is in its first year of trading.