Company Number: 3654040

Close Brothers Development VCT PLC

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Report & Accounts
for the period ended
31 December 1999

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COMPANIES HOUSE 23/03/00

COMPANIES HOUSE 28/02/00

CONTENTS

Directors and Administration

Directors	R M Davidson, Chairman F K Malcolm BSc D C Pinckney MA FCA J G T Thornton MA MBA FCA
Investment Manager	Close VCT Management 12 Appold Street London EC2A 2AW Tel: 0207 426 4000
Joint Secretaries and Registered Office	W E Davis FCA J M Gain 12 Appold Street London EC2A 2AW
Registrar	Northern Registrars Limited Northern House Penistone Road Fenay Bridge Huddersfield HD8 0LA Tel: 01484 606664
Auditors	Deloitte & Touche Stonecutter Court 1 Stonecutter Street London EC4A 4TR
Taxation Advisers	Ernst & Young Rolls House 7 Rolls Building Fetter Lane London EC4A 1NH

FINANCIAL HIGHLIGHTS

	Period ended 31 December 1999
Dividends per Ordinary Share	2.5 pence
Net asset value per Ordinary Share	93.7 pence

Shareholder value per share since launch:	**Pence per share**
Interim dividend for the period ended 31 December 1999	1.0
Final dividend for the period ended 31 December 1999	1.5
Net asset value at 31 December 1999	93.7
Total	96.2

Note The dividends per share detailed above comprise the interim dividend of 1.0 pence per share and the final dividend of 1.5 pence per share. Eligible shareholders, however, who had not invested by the First Closing of the Offers for Subscription, were only entitled to 60 per cent of the interim dividend for the period.

FINANCIAL CALENDAR

Ex dividend date	6 March 2000
Record date for final dividend	10 March 2000
Annual General Meeting	26 April 2000
Posting of dividend cheques in respect of the final dividend	28 April 2000
Announcement of interim results for the six months ended 30 June 2000	September 2000
Payment of interim dividend	October 2000

CHAIRMAN'S STATEMENT

Close Brothers Development VCT PLC is a venture capital trust which raised a total of £14.6 million through an issue of shares in the Spring and Summer of 1999. The investment strategy of the Company is to establish a diversified portfolio of holdings in smaller, unquoted companies whilst at the same time selecting and structuring investments in such a way as to reduce the risk normally associated with investment in such companies. It is intended that this will be achieved as follows:

- Qualifying Investments will represent in excess of 80 per cent. of net funds raised and will comprise investments in established businesses across a broad spread of industries.

- Approximately two thirds of the amount invested in Qualifying Investments will comprise debt secured on "bankable" assets. This debt will generate a significant proportion of the total anticipated return from individual investments.

- Up to 20 per cent. of net funds raised will be invested in Non-Qualifying Investments comprising fixed and floating interest rate securities, financial instruments and short term money market deposits with major banks with a Moody's credit rating of at least A.

Investment progress

Deal flow continues to be up to the Manager's original expectations, with approximately 250 potential investments reviewed since the Development VCT's launch. The relatively risk averse nature of the fund, however, has led the Company to draw back from a number of deals where an increasing risk profile threatened to take the opportunity beyond your VCT's chosen investment criteria. Nevertheless, following the £750,000 investment in Swetenhams Marketing Services Limited, your Company's investment programme is now well under way. Your board believes the emphasis on the quality of deals done is key to the successful implementation of the Company's lower risk investment strategy, and with further deals currently in the course of execution we look forward to the establishment of a diversified, lower risk investment portfolio in the current financial year.

Results and dividend

Net income after taxation was £327,000 in the period enabling the board to declare a net final dividend of 1.5 pence per share. This is in addition to the interim dividend of 1 penny per share paid to those shareholders who invested by the First Closing on 26 January 1999 and 0.6 pence per share paid to those shareholders who invested subsequently, up to the Last Closing on 27 May 1999. As at 31 December 1999 the net asset value applicable to the Ordinary Shares was £13.7 million, or 93.7 pence per share, after taking account of capital expenses and the declared dividend, compared with net funds raised after expenses of £13.9 million, or 95 pence per share. The dividend will be paid on 28 April 2000 to shareholders on the register on 10 March 2000.

Cancellation of share premium account

You will find enclosed with the Report and Accounts a separate circular proposing the cancellation of the Company's share premium account, the reasons for which are set out therein. I urge you to read this and to support the requisite resolution at the Annual General Meeting.

Roderick Davidson
Chairman

Roderick. M. Davidson

28 February 2000

THE BOARD OF DIRECTORS

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

Roderick Davidson (62), is the chairman of the Company. 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 was a director of Albert E Sharp Holdings Limited and managed investment portfolios on behalf of pension funds, charitable trusts and private investors. Throughout his stockbroking career, he had broad experience of investment in smaller companies. He retired in 1998. He is a director of Close Brothers Venture Capital Trust PLC, a £40 million VCT which invests in unquoted, asset backed businesses, and chairman of Financial & Taxation Consultants Ltd, an unquoted company regulated by the Personal Investment Authority.

Francis Malcolm (55), BSc. Frank Malcolm joined the Inland Revenue as an Inspector of Taxes in 1967. He joined Edinburgh Investment Trust as an investment analyst in 1969 before joining Bell Lawrie White in 1972. Over the past 26 years he has been successively head of research, head of research and institutional sales and, latterly, a director in the corporate finance department where his work includes the raising of finance from venture and development capital institutions on behalf of unquoted companies. He is a director of Close Brothers AIM VCT PLC, a £10 million VCT which invests in companies quoted on AIM and of the Edinburgh Income and Value Trust PLC.

David Pinckney (59), MA, FCA. He was with Peat Marwick Mitchell & Co. (now KPMG) in London from 1963 to 1968 and from 1969 to 1983 in France. He became a partner in 1975 and Senior Audit Partner of France in 1978. He was then Managing Director of Wrightson Wood Financial Services Limited, where his work involved the provision of advice to companies seeking venture capital. In 1987 he joined Thornton Management Limited, an international equity fund management group with a proportion of funds invested in smaller unquoted companies, first as Group Finance Director and subsequently Joint Managing Director. He is now Chief Operating Officer – Far East for AXA Investment Managers, the investment management arm of the AXA Group.

Jonathan Thornton (52), MA, MBA, FCA, has extensive experience in the management of unquoted investments. He was a director of Close Brothers Group plc from 1984 to 1998 and was responsible for establishing Close Investment Management Limited, the venture capital fund management arm of Close Brothers Group. Prior to this he worked for 3i plc and Cinven, (two of the largest UK investors in unquoted companies). Over the past 20 years he has been a non-executive director of a number of smaller unquoted companies which have raised institutional capital and he is a director of Close Brothers Venture Capital Trust PLC.

THE MANAGER

Close VCT Management, a division of Close Brothers Investment Limited and is the Manager of Close Brothers Development VCT. In addition to Close Brothers Development VCT, it is the manager of Close Brothers Venture Capital Trust PLC, which raised approximately £40 million in 1996 and 1997 to invest principally in asset-based business and of the Close Brothers Protected VCT PLC which raised approximately £28 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.

The Manager's ultimate parent company is Close Brothers Group plc, a substantial independent merchant banking group listed on the London Stock Exchange.

THE PORTFOLIO OF INVESTMENTS

	At 31 December 2000	
	At cost £'000	At valuation £'000
Qualifying		
Swetenhams Marketing Services Limited	750	756
Non qualifying		
Northern Rock FRN due January 2004	1,498	1,496
Woolwich FRN due August 2004	1,496	1,492
Bradford & Bingley Building Society FRN due November 2001	1,499	1,499
Alliance & Leicester FRN due September 2003	1,495	1,494
Total	6,738	6,737

Swetenhams Marketing Services provides data-related marketing services to the direct marketing industry. Its principal activities are firstly the broking and rental of mailing lists, and secondly the management of such lists on behalf of clients to enhance the effectiveness of marketing campaigns. Turnover for the year to 31 July 1999 was £5.1 million, and pre-tax profits were £111,000. The Development VCT invested £500,000 in secured loanstock, with a 35 per cent premium on redemption, and £250,000 in ordinary shares for a 10 per cent stake in the enlarged equity of the Company.

REPORT OF THE DIRECTORS

The Directors submit the Report and Accounts of the Company for the period to 31 December, 1999.

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.

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

Results And Dividends

	£'000
Revenue for the period ended 31 December, 1999 available for distribution	327
Interim dividends of 1 penny per Ordinary Share to those shareholders who invested by 25 January 1999 and 0.6 pence to remaining eligible shareholders	(101)
Final dividend for the period of 1.5 per Ordinary Share payable on 28 April 2000 to shareholders on the register at the close of business on 10 March 2000.	(219)
Transferred to revenue reserve	7

Directors

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

	31 December 1999 Ordinary Shares
Roderick Davidson	5,000
Jonathan Thornton	10,000
David Pinckney	5,000
Frank Malcolm	5,000

There have been no changes in the holdings of the Directors between 31 December 1999 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 have entered into a management agreement for an initial fixed term of three years, which may be terminated thereafter by either party on 12 months' notice. Under this agreement, the Manager will also provide secretarial and administrative services to the Company. The Management Agreement is subject to earlier termination in the event of certain breaches or on the insolvency of either party. Under the terms of the Management Agreement, the Manager will be paid an annual fee equal to 2 per cent. (plus any applicable VAT) of the net asset value of the Company. The fee will be payable quarterly in arrears. The Manager will also be entitled to a secretarial and administration fee of 0.25 per cent. (plus any applicable VAT) per annum of the net asset value of the Company.

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

Management Performance Incentive

In order to reward the Manager for the maximisation of the returns to investors, the Manager will, under the Management Agreement, be entitled to an incentive fee in the event that returns exceed minimum target levels per Ordinary Share. These minimum target levels, comprising dividends and capital (capital being the lower of net assets per Ordinary Share and the mid market price of the Ordinary Shares), will be equivalent to an annualised rate of return of 8 per cent. per annum on the original subscription price of 100 pence per Share before taking account of the impact on returns of the initial income tax relief and any capital gains tax deferred. In order to reward the Manager for a consistent, above-target level of return over the life of the Company, the fee will be payable in stages over four years in respect of the financial years ending 31 December 2003 to 2006, and will amount in aggregate to a maximum of 20 per cent. of the excess return achieved by the Company over the target levels.

Auditors

Deloitte & Touche were appointed as auditors during the period. They have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

Substantial Interests

As at 31 December 1999 the Company was not aware of any beneficial interest exceeding 3 per cent. of the issued share capital.

Statement Of Directors' Responsibilities

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 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.

Annual General Meeting

The Annual General Meeting will be held at 12 Appold Street, London EC2A 2AW at 11.30 a.m. on 26 April 2000. The notice of the Annual General Meeting is at the end of this document. Resolutions will be proposed as special business at the Annual General Meeting for the following purposes:

Cancellation of share premium account

A special resolution, number 5 in the notice of meeting, will authorise the cancellation of the Company's share premium account. The reasons for, and further details of, the proposed cancellation of the share premium account are set out in the accompanying circular.

Alteration of the Articles of Association

A special resolution, number 6 in the notice of meeting, will alter the Articles of Association of the Company to permit the use of capital profits to redeem and purchase the Company's own shares without revoking the Company's investment company status.

Purchase of own shares

A special resolution, number 7 in the notice of meeting, will give the Company authority to purchase in the market and cancel up to 1,466,260 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.

Suppliers Payment Policy

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

Impact of Introduction of the Euro

As the Company invests in companies based in the United Kingdom, the introduction of the Euro is expected to have little impact on the operations of the Company. The Board will, however, continue to monitor future developments in this area.

Year 2000

Following their initial review, the directors continue to be alert to the potential risks and uncertainties surrounding the year 2000 issue. As at the date of this report, the directors are not aware of any significant factors which have arisen, or that may arise which will affect activities of the business; however the situation is still being monitored. Future costs associated with the issue are not expected to be significant.

By Order of the Board,

W E Davis
J M Gain
Joint Secretaries
12 Appold Street
London EC2A 2AW

28 February 2000

STATEMENT OF CORPORATE GOVERNANCE

Throughout the period ended 31 December 1999 the Company has been in compliance with the Code Provisions set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange.

As permitted by the London Stock Exchange, the Company has complied with Code Provision D.2.1 on internal control by reporting on internal financial control in accordance with the guidance for directors on internal control and financial reporting that was issued in December 1994.

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.

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.

Board of Directors

The Board consists solely of non-executive Directors, all of whom are independent. Mr Davidson is the 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. 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.

Audit Committee

The Audit Committee consists of all directors. Written terms of reference have been constituted for the Audit Committee which meets twice a year. 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 fulfils the role of an Engagement Committee and reviews all matters arising under the management agreement.

Internal Control

The Company has adopted the transitional approach for the Combined Code set out in the letter from the London Stock Exchange to listed companies at the end of September 1999 and reports as follows:

The board confirms that it has established the procedures necessary to implement the guidance 'Internal Control: Guidance for Directors on the Combined Code'. In particular, there is a regular and ongoing process for identifying, evaluating and managing the significant risks faced by the Company.

The Directors acknowledge their responsibility for the Company's system of internal financial control. Day to day operations are delegated, through the management agreement, to Close Brothers Investment Limited which has established and disseminated clearly defined policies and standards. The system of internal financial control, which includes procedures such as physical controls, segregation of duties, authorisation limits and comprehensive financial reporting to the Board, is designed to provide reasonable assurance against material misstatements or loss. The Audit Committee has reviewed with the Manager the effectiveness of the system of internal financial control in operation throughout the period.

Nomination Committee

A nomination committee has not been formed as the size of the board does not warrant its formulation.

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

We have audited the financial statements on pages 13 to 25 which have been prepared under the accounting policies set out on page 16.

Respective responsibilities of Directors and auditors

The Directors are responsible for preparing the Annual Report, as described on page 8. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange, 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 statement of corporate governance on pages 11 to 12 reflects the compliance with those provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all the risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

We read the 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 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 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 December 1999 and of the capital return, revenue return and the total return of the Company for the fourteen months then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants
and Registered Auditors

28 February 2000

Stonecutter Court
1 Stonecutter Street
London EC4A 4TR

Close Brothers Development VCT PLC

Statement of Total Return

(incorporating the revenue account)
for the period from 21 October 1998 to 31 December 1999

	Notes	*Period ended 31 December 1999*		
		Revenue £'000	Capital £'000	Total £'000
Gains / (losses) on investments	1	-	(7)	(7)
Income	2	586	-	586
Investment management fees	1 and 3	(73)	(218)	(291)
Other expenses	1 and 4	(103)	(23)	(126)
Return on ordinary activities before tax		410	(248)	162
Tax on ordinary activities	6	(83)	49	(34)
Return attributable to shareholders		327	(199)	128
Dividends	7	(320)	-	(320)
Transfer to/(from) reserves		7	(199)	(192)
Return per share	8	2.7p	(1.6)p	1.1p

The revenue columns of this statement represent the profit and loss account of the Company.

The accompanying notes are an integral part of this statement.

All revenue and capital items in the above statement derive from continuing operations.

No operations were acquired or discontinued in the period.

There are no comparative figures as the period was the Company's first period of trading.

Close Brothers Development VCT PLC

Balance Sheet
at 31 December 1999

	Notes	*31 December 1999 £'000*
Fixed Asset Investments		
Qualifying		756
Non-qualifying		5,981
Total fixed asset investments	9	6,737
Current Assets		
Debtors	11	101
Short term money market deposits		7,270
		7,371
Creditors: due within one year	12	(371)
Net current assets		7,000
Net assets		13,737
Represented by:		
Called up share capital	13	7,331
Share premium account	14	6,598
Capital reserve	14	(199)
Profit and Loss account	14	7
Total Equity Shareholders' funds	16	13,737
Net asset value per share	15	93.7p

The financial statements on pages 13 to 25 were approved by the Board of Directors on 28 February 2000.

Signed on behalf of the Board of Directors

Roderick Davidson
Chairman

Roderick. M. Davidson

Close Brothers Development VCT PLC
Cashflow Statement
for the period from 21 October 1998 to 31 December 1999

	Notes	*Period ended 31 December 1999 £'000*
Operating activities		
Investment income received		29
Deposit interest received		433
Investment management fees paid		(209)
Other cash payments		(75)
Net cash inflow from operating activities	18	178
Taxation		
UK corporation tax paid		-
Capital expenditure and financial investments		
Purchase of investments		(6,737)
Disposals of investments		-
Net cash inflow/(outflow) from investing activities		(6,737)
Equity dividends paid		
Dividends paid on ordinary shares	7	(101)
Net cash (outflow)/inflow before financing		(6,660)
Financing		
Issue of shares net of expenses		13,930
NET CASH (OUTFLOW)/INFLOW	17	7,270

The accompanying notes are an integral part of these statements.

Close Brothers Development VCT PLC

Notes to the financial statements
For the period ended 31 December 1999

1. ACCOUNTING POLICIES

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) in all material aspects. 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 end of the accounting period. Unquoted investments are stated at a valuation determined by the directors. Other than amounts accrued under redemption premium on secured loan stock, the unrealised depreciation or appreciation on the valuation of investments and gains and losses arising on the disposal of investments are dealt with in the capital reserve.

It is not the Company's policy to exercise controlling or significant influences 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.

Management expenses

75 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 of expenses is charged to the revenue account.

Issue costs

Issue costs have been deducted from the share premium account in accordance with Financial Reporting Statement No. 4.

Close Brothers Development VCT PLC

Notes to the financial statements (continued)

2. Income

	Period Ended 31 December 1999 £'000
Income from investments	
UK franked investment income	Nil
UK unfranked investment income	91
Other income	6
	97
Other income	
Deposit income	489
Total income	586
Total income comprises:	
Interest	580
Other	6
Total	586
Income from investments:	
Listed	82
Unlisted	15
	97

3. Investment management fee

	Period Ended 31 December 1999 £'000
Charged to Revenue	73
Charged to Capital	218
Total	291

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

Close Brothers Development VCT PLC

Notes to the financial statements (continued)

4. **Other expenses**	*Period Ended 31 December 1999 £'000*
Secretarial and Administrative fee	30
Directors' fees	49
Auditors' remuneration	12
Other	35
Less: capitalised	23
	103

5. Directors' fees

The remuneration of the chairman, which was equal to that received by the other directors, was £11,250 per annum, exclusive of National Insurance.

6. **Tax on ordinary activities**	*Revenue £'000*	*Period Ended 31 December 1999 Capital £'000*	*Total £'000*
UK corporation tax at 30%	67	(49)	18
Tax attributable to unfranked income	16	-	16
	83	(49)	34

7. **Dividends and other appropriations**	*Period Ended 31 December 1999 £'000*
Dividends on equity shares:	
- Interim paid * (see note)	101
- Final proposed of 1.5p per Share	219
	320

Note

1.0p to those who invested by the First Closing on 26 January 1999 and 0.6p per share to the balance of shareholders on the share register on the record date.

Close Brothers Venture Capital Trust PLC

Notes to the financial statements (continued)

		Period Ended 31 December 1999	
	Revenue	*Capital*	*Total*
8. Return per share	2.7 pence	(1.6) pence	1.1 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 £327,000 in respect of the weighted number of shares in issue during the period, being 12,286,371 shares.

Capital return per ordinary share is based on net capital loss for the financial year of £199,000 in respect of the Ordinary Shares and based on the same weighted average number of shares as for revenue return shown above.

9. Investments	*31 December 1999 £'000*
Investments listed on a Recognised Investment Exchange	5,981
Qualifying unlisted investments	756
Total	6,737

	Qualifying unlisted £'000	*Listed £'000*	*Total £'000*
Opening valuation: 21 October 1998	-	-	-
Purchases at cost	750	5,988	6,738
Unrealised appreciation/(depreciation)	6	(7)	(1)
Closing valuation: 31 December 1999	756	5,981	6,737
Closing book cost	750	5,988	6,738
Closing unrealised appreciation / (depreciation)	6	(7)	(1)

Close Brothers Development VCT PLC

Notes to the financial statements (continued)

10. Significant interests

Details of investments in which the company has an interest of 10% or more of the nominal value of the allotted shares of any class, or of the net assets, are as follows:

	Percentage of issued share capital
Swetenhams Marketing Services Ltd	10%

11. Debtors

	31 December 1999 £'000
Prepayments and accrued income	101

12. Creditors: amounts falling due within one year

	31 December 1999 £'000
UK corporation tax payable	18
Proposed dividend	219
Other creditors	134
	371

13. Share Capital

	31 December 1999 £'000
Authorised:	
15,000,000 Ordinary Shares of 50p each	7,500
Allotted, called-up and fully-paid:	
14,662,611 Ordinary Shares of 50p each	7,331

Close Brothers Development VCT PLC
Notes to the financial statements (continued)

14. Reserves

Ordinary Shares	*Share Premium account £'000*	*Capital Reserve £'000*	*Revenue reserve £'000*	*Total £'000*
Beginning of period	-	-	-	-
Premium on funds raised	7,332	-	-	7,332
Increase in unrealised depreciation	-	(7)	-	(7)
Issue costs	(734)	-	-	(734)
Costs charged to capital net of tax	-	(192)	-	(192)
Retained net revenue for the period	-	-	7	7
End of period	6,598	(199)	7	6,406

15. 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 December 1999
Net asset value per share attributable	93.7 pence

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

	1999 £'000
Total assets attributable at beginning of period	-
Capital subscribed net of expenses	13,929
Total return for the period	128
Dividends appropriated in the period	(320)
Purchase of own shares for cancellation	-
Total net assets attributable at end of period	13,737

Net asset value per share is based on net assets at the period end.

Close Brothers Venture Capital Trust PLC

Notes to the financial statements (continued)

16. Reconciliation of movements in shareholders' funds

	1999 *£'000*
Opening shareholders' funds	-
Increase in share capital	7,331
Increase in share premium	7,332
Expenses of share issues	(734)
Total return to shareholders before dividends	128
Dividend	(320)
Closing shareholders' funds	13,737

17. Analysis of changes in cash during the period

	1999 *£'000*
Beginning of period	-
Net cash (outflow) / inflow	7,270
End of period	7,270

Close Brothers Venture Capital Trust PLC

Notes to the financial statements (continued)

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

	1999 *£'000*
Net revenue before finance costs and taxation	410
Investment management fee charged to capital	(218)
Other expenses charged to capital	(23)
Decrease / (increase) in debtors	(107)
Increase / (decrease) in creditors	132
Tax on investment income	(16)
Net cash inflow from operating activities	178

19. Derivatives and Other Financial Instruments

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

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 equity investments in unquoted companies, are floating rate.

Currency	*Fixed Rate £'000*	*Floating Rate £'000*
Sterling	Nil	6,737

Other than secured loan stock in unquoted companies floating rate assets bear interest at rates based on quarterly base rates.

Financial liabilities

The Company's has no financial liabilities other than short term creditors.

Currency exposure

As at 31 December 1999, the Company had no foreign currency exposures.

Borrowing facilities

The Company had no committed borrowing facilities as at 31 December 1999.

Fair values of financial assets and financial liabilities

All the Company's financial assets and liabilities as at 31 December 1999 are stated at fair value. See note 6 of the financial statements.

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 December 1999 by approximately 20 per cent.

20. 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.

21. Related party transactions

Under the terms of an agreement dated 10 December 1998, 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.

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of Close Brothers Development VCT PLC will be held at 11.30 a.m. at 12 Appold Street, London EC2A 2AW on 26 April 2000 for the purpose of dealing with the following business, of which items 5, 6 and 7 are special business.

Ordinary Business

1 To receive and adopt the accounts and the reports of the Directors and Auditors for the period ended 31 December 1999.

2 To reappoint Deloitte & Touche as Auditors for the ensuing year and to authorise the Directors to fix their remuneration.

3. To elect the following as Directors, each of whom retires by rotation

(a) R M Davidson
(b) J G T Thornton
(c) D C Pinckney
(d) F K Malcolm

4 To declare a final dividend of 1.50 pence net per Ordinary Share of 50p each for the period ended 31 December 1999 payable to shareholders on the register at the close of business on 10 March 2000.

Special Business

To consider and, if thought fit, pass the following resolution which will be proposed as a Special Resolution:

5. That the amount standing to the credit of the share premium account of the Company at the date of the order made on the hearing of the Petition for confirmation of this Resolution be cancelled.

To consider and, if thought fit, pass the following resolution which will be proposed as a Special Resolution:

6. That Article 145 of the Company's Articles of Association be altered by inserting in the penultimate sentence after the words "(as defined by section 263(2) of the Act)":

"otherwise than by way of the redemption or purchase of any of the Company's own shares in accordance with section 160 or 162 in Chapter VII of Part V of the Act".

To consider and, if thought fit, pass the following resolution which will be proposed as a Special Resolution:

7. That the Company be generally and unconditionally authorised to make one or more market purchases (within the meaning of Section 163(3) of the Companies Act 1985), of Ordinary Shares of 50p each in the capital of the Company ("Shares") provided that:

(a) the maximum aggregate number of Shares authorised to be purchased is 1,466,260 (representing 10 per cent of the issued share capital);

(b) the minimum price which may be paid for a Share is 50p;

(c) the maximum price which may be paid for a Share is an amount equal to 5 per cent above the average of the middle market quotations for that Share in the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that Share is purchased;

(d) this authority expires at the conclusion of the next Annual General Meeting of the Company or eighteen months from the date of the passing of this resolution whichever is earlier; and

(e) the Company may make a contract or contracts to purchase Shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of Shares in pursuance of any such contract or contracts.

BY ORDER OF THE BOARD

W E DAVIS
J M GAIN
Joint Secretaries
Registered Office
12 Appold Street, London EC2A 2AW

Date: 28 February 2000

NOTES

1. A shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote in his stead. Such proxy need not be a member of the Company.
2. A form of proxy is enclosed and to be valid must be lodged with the Registrars of the Company not less than forty-eight hours before the time fixed for the meeting.
3. The register of interests of directors kept by the Company in accordance with Section 325 of the Companies Act 1985 will be open for inspection at the meeting.
4. No director has a service contract or contract for services with the Company.
5. The Company pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995 specifies that only those shareholders registered in the register of members of the Company as at 11:30 a.m. on 24 April 2000 or, in the event that this meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting, shall be entitled to attend or vote at this meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of members after 11:30 a.m. on 24 April 2000 or, in the event that this meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.
6. Copies of the Company's existing Articles of Association are available for inspection at the Company's registered office during normal business hours on any weekday (excluding Saturdays and public holidays) from the date of this notice until close of business on 23 April 2000 and will also be available for inspection at the place of the meeting for at least 15 minutes before, and during the meeting until the close of, the meeting.

CLOSE BROTHERS DEVELOPMENT VCT PLC

Form of proxy for the Annual General Meeting to be held on 26 April 2000

I/We...(BLOCK CAPITALS please)
being a holder/s of Ordinary Shares in Close Brothers Development VCT PLC and entitled to attend and vote at the above Annual General Meeting, hereby appoint the duly elected Chairman* of the Meeting or failing him

....

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 11.30 a.m. on 26 April 2000 and at any adjournment thereof in respect of the resolutions set out in the Notice of Meeting.

My/our proxy is to vote as indicated below:

		For	**Against**
Resolution Number 1	Report and Accounts		
Resolution Number 2	Appointment of Auditors		
Resolution Number 3 (a) R M Davidson (b) J G T Thornton (c) D C Pinckney (d) F K Malcolm	Election of Directors		
Resolution Number 4	Agree final dividend		
Resolution Number 5 Cancellation of Share Premium Account	(Special Resolution)		
Resolution Number 6 Alter Articles	(Special Resolution)		
Resolution Number 7 Purchase of shares	(Special Resolution)		

.... Signed .... Date

Notes

1 *If any other proxy is preferred, strike out the reference to the Chairman stated above, add the name of the proxy you wish to appoint and initial the alteration. Failure to initial the alteration will deem the Chairman of the Meeting to be your proxy. A proxy need not be a member of the Company.

2 If the appointor is a Corporation, this form must be under its common seal or under the hand of some officer or attorney in that behalf.

3 Please insert an "**X**" in either the "**For**" or "**Against**" column. If both spaces are left blank, the proxy will exercise his discretion as to whether, and if so how, he votes.

4 To be valid, this form of proxy must be completed and deposited at the office of the Company's Registrars, Northern Registrars, Northern House, Penistone Road, Fenay Bridge, Huddersfield HD8 0LA not later than 48 hours prior to the time fixed for the holding of the Meeting.

5 In the case of joint holders, only one need sign but the names of all joint holders should be shown.

6 The completion and return of this form of proxy will not preclude you from attending and voting at the meeting should you subsequently decide to do so.