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Close Brothers Development VCT PLC

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Report & Accounts
for the year ended
31 December 2000

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: 020 7426 4000
Secretary and Registered Office	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

	Year ended 31 December 2000
Dividends per Ordinary Share	3.75 pence
Net asset value per Ordinary Share	96.82 pence

Shareholder value per share since launch (excluding tax benefits):	**Pence per share**
Total dividends for the period ended 31 December 1999*	2.50
Interim dividend for the year ended 31 December 2000	1.40
Final dividend for the year ended 31 December 2000	2.35
Net asset value at 31 December 2000	96.82
Total	103.07

* assuming subscription by the First Closing on 26 January 1999.

FINANCIAL CALENDAR

Ex dividend date	14 March 2001
Record date for final dividend	30 March 2001
Annual General Meeting	26 April 2001
Posting of dividend cheques in respect of the final dividend	27 April 2001
Announcement of interim results for the six months ended 30 June 2001	September 2001
Payment of interim dividend	October 2001

INVESTMENT OBJECTIVES

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.

CHAIRMAN'S STATEMENT

Investment progress

A total of £4.75 million was invested or reserved for investment in qualifying unquoted companies during the year, bringing the total level of investments by cost to £5.5 million. It is pleasing to see that the Company's gradual and cautious investment policy is beginning to show positive results, with the unquoted portfolio now seeing upward revaluations of over £700,000. This brings the Company's total unquoted investments, including amounts reserved for investment, to £6.2 million by value.

Further details of the Company's portfolio are given on pages 5 and 6. The two main sources of revaluation are Swetenham's Marketing Services and Odyssey Clubs Group. Both companies saw further investment by third party investors at values higher than the VCT's original cost.

The Company is now in its third year of operation, and consequently the level of qualifying investments needs to reach the Inland Revenue target of 70% of total assets by the year end. Investments totalling £2.7 million are currently in legal stages, and when completed, these will take total investments, including amounts reserved for investment, to 60%. In addition, further investments are in an advanced state of negotiation, ensuring that your Company will reach the required level of investment by the year end.

Overall, the performance of the investment portfolio, and the strong cash generation of the Company's investment structure have been satisfactory. The use of high yielding loan stocks has led to an increase in the Company's income for the year, which has in turn led to an increased total dividend of 3.75 pence per share.

Results and dividend

Net income after taxation was £570,000 for the year (1999: £327,000) enabling the board to declare a net final dividend of 2.35 pence per share (1999: 1.5 pence). This is in addition to the interim dividend of 1.4 pence per share (1999: 1.0 pence 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) bringing the total dividend to 3.75 pence (2.5 pence).

As at 31 December 2000 and following the revaluations detailed above, the net asset value applicable to the Ordinary Shares has risen to £14.2 million (1999: £13.7 million), or 96.8 pence per share (1999: 93.7p). The dividend will be paid on 27 April 2001 to shareholders on the register on 30 March 2001.

Roderick. M. Davidson

Roderick Davidson
Chairman

6 March 2001

THE BOARD OF DIRECTORS

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

Roderick Davidson (63), 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.

Francis Malcolm (56), 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 Brewin Dolphin Securities Limited in 1972. Over the past 27 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 £30 million VCT which invests in companies quoted on AIM, and of Edinburgh Income and Value Trust PLC.

David Pinckney (60), 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 vice chairman of AXA Investment Managers, an investment management arm of the AXA Group.

Jonathan Thornton (53), 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 Brothers Private Equity Limited, the venture capital fund management arm of Close Brothers Group. Prior to this he worked for 3i plc and Cinven. Over the past 21 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, is the Manager of Close Brothers Development VCT. In addition to Close Brothers Development VCT it manages three further venture capital trusts: Close Brothers Venture Capital Trust PLC raised approximately £40 million in 1996 and 1997 to invest principally in asset-based businesses; whilst Close Brothers Protected VCT PLC 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; and Close Technology & General VCT PLC which to date has raised £8 million and will invest half its funds in technology stocks, including international quoted securities, and half in the non-technology sectors of the UK economy.

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			
	Invested at cost £'000	Reserved for investment £'000	Unrealised appreciation £'000	Total £'000
Qualifying investments				
Swetenhams Marketing Services Limited	1,500	-	128	1,628
Odyssey Clubs Group Limited	1,000	500	585	2,085
First Start Children's Nurseries Limited	100	900	-	1,000
Careforce Staffing Limited	250	1,250	3	1,503
Total	2,850	2,650	716	6,216
Less reserved for investment	-	(2,650)	-	(2,650)
Total qualifying investments by value	2,850	-	716	3,566
Non-qualifying investments				
Northern Rock FRN due January 2004	1,498	-	-	1,498
Woolwich FRN due August 2004	1,496	-	1	1,497
Dresdner Bank AG FRN due January 2005	1,498	-	-	1,498
Alliance & Leicester FRN due September 2003	1,495	-	-	1,495
Royal Bank of Scotland FRN due January 2003	1,499	-	-	1,499
Westpac Banking FRN due June 2003	1,497	-	(1)	1,496
Total non-qualifying investments	8,983	-	-	8,983
Total investments	11,833	-	716	12,549

Swetenhams Marketing Services provides data-related marketing services to the direct marketing industry. Its principal activities are first the broking and rental of mailing lists, and secondly the hosting of such lists on behalf of clients and the use of its proprietary marketing automation software to enhance the effectiveness of marketing campaigns. Unaudited turnover for the year to 31 December 2000 was considerably ahead of the previous year at over £8 million, and as planned, the company made a small loss. In addition to the £750,000 invested by the VCT in October 1999, the VCT invested a further £750,000 alongside a member of the management team at a higher valuation in October 2000 to finance the roll-out of the new marketing automation system.

Odyssey Clubs Group Ltd acquired a 35,000 sq.ft. health and fitness club on an 11 acre freehold site at Knebworth, outside Stevenage, in June 2000. The building has now been refurbished and membership has almost doubled. In addition, Odyssey has recently acquired a 20,000 sq.ft. freehold health and fitness club in Henley. It also has a 50% stake in a company developing a 30,000 sq.ft. club on a 6 acre site outside Beaconsfield in Buckinghamshire which is due to open shortly. No audited accounts have yet been produced. The valuation reflects an increase in value following a further investment in the company by an outside shareholder at a value considerably above the VCT's own cost of investment.

First Start Children's Nurseries Ltd was formed in 2000 to build a group of children's day nurseries in and around Greater London. The Company has recently acquired its first private children's day nursery at Upminster, with a further £400,000 invested in the Company subsequent to the year end. The Company has secured two further sites for development.

Careforce Staffing Ltd was established in 1999 to build, both organically and through acquisition, a group providing home care services to the elderly, principally on behalf of local authorities. Careforce currently operates two units, in Essex and Hertfordshire, with sales well up on budget. Further acquisitions are currently under review.

REPORT OF THE DIRECTORS

The Directors submit the Report and Accounts of the Company for the year ended 31 December 2000.

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 year 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 return for the year ended 31 December 2000 available for distribution	570
Interim dividend of 1.40 pence per Ordinary Share	(205)
Final dividend for the year of 2.35 per Ordinary Share payable on 27 April 2001 to shareholders on the register at the close of business on 30 March 2001.	(345)
Transferred to revenue reserve	20

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 2000 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 2000 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, of which Close VCT Management, the Manager, is a division of, 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 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 re-appointed as auditors during the year. 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 2000 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.

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 12.30 p.m. on 26 April 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 purpose:

Purchase of own shares

A special resolution, number 5 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.

By Order of the Board,

J M Gain
Secretary
12 Appold Street
London EC2A 2AW

6 March 2001

STATEMENT OF CORPORATE GOVERNANCE

Throughout the year ended 31 December 2000 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.

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.

The company is eligible to exemption from the London Stock Exchange requirements relating to corporate governance disclosures but the directors have decided to provide such disclosures which are set out below.

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. 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.

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.

Statement of Compliance

The Directors consider that the Company has complied throughout the year ended 31 December 2000 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 part way through the year.

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

We have audited the financial statements on pages 14 to 26 which have been prepared under the accounting policies set out on page 17.

Respective responsibilities of Directors and Auditors

The directors are responsible for preparing the Annual Report, including, as described on page 9, 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 Listing Rules of 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 11 to 12 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 December 2000 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

6 March 2001

Deloitte & Touche
Chartered Accountants
and Registered Auditors

Stonecutter Court
1 Stonecutter Street
London EC4A 4TR

Close Brothers Development VCT PLC

Statement of Total Return
(incorporating the revenue account)
for the year to 31 December 2000

	Notes	*Year ended 31 December 2000*			*Period ended 31 December 1999*		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains / (losses) on investments	1 & 2	-	652	652	-	(7)	(7)
Income	3	937	-	937	586	-	586
Investment management fees	1 & 4	(81)	(244)	(325)	(73)	(218)	(291)
Other expenses	1 & 5	(99)	(30)	(129)	(103)	(23)	(126)
Return on ordinary activities before tax		757	378	1,135	410	(248)	162
Tax on ordinary activities	7	(187)	67	(120)	(83)	49	(34)
Return attributable to shareholders		570	445	1,015	327	(199)	128
Dividends	8	(550)	-	(550)	(320)	-	(320)
Transfer to/(from) reserves		20	445	465	7	(199)	(192)
Return per share	9	3.9p	3.0p	6.9p	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.

Close Brothers Development VCT PLC

Balance Sheet
at 31 December 2000

	Notes	*31 December 2000 £'000*	*31 December 1999 £'000*
Fixed asset investments			
Qualifying		3,566	756
Non-qualifying		8,983	5,981
Total fixed asset investments	10	12,549	6,737
Current assets			
Debtors	12	87	101
Short term money market deposits		2,037	7,270
		2,124	7,371
Creditors: due within one year	13	(476)	(371)
Net current assets		1,648	7,000
Net assets		14,197	13,737
Represented by:			
Called up share capital	14	7,331	7,331
Share premium account	15	-	6,598
Special reserve	15	6,593	-
Capital reserve	15		
realised		(398)	(192)
unrealised		644	(7)
Profit and Loss account	15	27	7
Total equity shareholders' funds	17	14,197	13,737
Net asset value per share	16	96.8p	93.7p

The financial statements on pages 14 to 26 were approved by the Board of Directors on 6 March 2001.

Signed on behalf of the Board of Directors

Roderick Davidson
Chairman

Roderick. R. Davidson

Close Brothers Development VCT PLC

Cashflow Statement
for the year ended 31 December 2000

	Notes	*Year ended 31 December 2000 £'000*	*Period ended 31 December 1999 £'000*
Operating activities			
Investment income received		560	29
Deposit interest received		206	433
Investment management fees paid		(322)	(209)
Other cash payments		(135)	(75)
Net cash inflow from operating activities	19	309	178
Taxation			
UK corporation tax paid		(18)	-
Capital expenditure and financial investments			
Purchase of qualifying investments		2,100	756
Purchase of non-qualifying investments		(4,494)	(5,981)
Disposals of non-qualifying investments		1,500	-
Net cash outflow from investing activities		(5,094)	(6,737)
Equity dividends paid			
Dividends paid on ordinary shares	8	(425)	(101)
Net cash outflow before financing		(5,228)	(6,660)
Financing			
Cancellation of share premium		(5)	13,930
Net cash (outflow)/inflow	18	(5,233)	7,270

The accompanying notes are an integral part of these statements.

Close Brothers Development VCT PLC
Notes to the financial statements
For the year ended 31 December 2000

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 in accordance with the British Venture Capital Trust Association guidelines. 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.

Taxation

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

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

2. Gains/(losses) on investments

	Year Ended 31 December 2000 £'000	*Period Ended 31 December 1999 £'000*
Realised gains	1	-
Unrealised gains/(losses)	651	(7)
	652	(7)

3. Income

	Year Ended 31 December 2000 £'000	*Period Ended 31 December 1999 £'000*
Income from investments		
UK franked investment income	5	-
UK unfranked investment income	697	91
Other income	66	6
	768	97
Other income		
Deposit income	169	489
Total income	937	586
Total income comprises:		
Interest	866	580
Dividends	5	-
Other	66	6
Total	937	586
Income from investments:		
Listed	584	82
Unlisted	184	15
Total	768	97

Close Brothers Development VCT PLC

Notes to the financial statements (continued)

4. Investment management fee

	Year Ended 31 December 2000 £'000	*Period Ended 31 December 1999 £'000*
Charged to Revenue	81	73
Charged to Capital	244	218
Total	325	291

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

5. Other expenses

	Year Ended 31 December 2000 £'000	*Period Ended 31 December 1999 £'000*
Secretarial and Administrative fee	40	30
Directors' fees	52	49
Auditors' remuneration	12	12
Other	25	35
Less: capitalised	(30)	(23)
	99	103

6. Directors' fees

The remuneration of the chairman, which was equal to that received by the other directors, was £12,125 per annum, exclusive of National Insurance.

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

7. Tax on ordinary activities

	Year Ended 31 December 2000			Period Ended 31 December 1999		
	Revenue £'000	*Capital £'000*	*Total £'000*	*Capital £'000*	*Total £'000*	*Total £'000*
UK corporation tax at 30%	62	(67)	(5)	67	(49)	18
Tax attributable to unfranked income	125	-	125	16	-	16
	187	(67)	120	83	(49)	34

8. Dividends and other appropriations

	Year Ended 31 December 2000 £'000	*Period Ended 31 December 1999 £'000*
Dividends on equity shares:		
Interim paid of 1.40p per share (1999: see note)	205	101
Final proposed of 2.35p per share (1999:1.50p)	345	219
Total dividends	550	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.

9. Return per share

Year Ended 31 December 2000			Period Ended 31 December 1999		
Revenue	*Capital*	*Total*	*Revenue*	*Capital*	*Total*
3.9 pence	3.0 pence	6.9 pence	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 £570,000 (1999: £327,000) in respect of the weighted number of shares in issue during the period, being 14,662,607 shares (1999: 12,286,371 shares).

Capital return per ordinary share is based on net capital profit for the financial year of £445,000 (1999: £199,000 loss) in respect of the Ordinary Shares and based on the same weighted average number of shares as for revenue return shown above.

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

10. Investments

	31 December 2000 £'000	*31 December 1999 £'000*
Investments listed on a recognised investment exchange	8,983	5,981
Qualifying unlisted investments	3,566	756
Total	12,549	6,737

	Qualifying unlisted £'000	*Listed £'000*	*Total £'000*
Opening valuation: 1 January 2000	756	5,981	6,737
Purchases at cost	2,100	4,494	6,594
Disposal			
- proceeds	-	(1,500)	(1,500)
- realised profit	-	1	1
Unrealised appreciation	710	7	717
Closing valuation: 31 December 2000	3,566	8,983	12,549
Opening book cost	750	5,988	6,738
Closing book cost	2,850	8,983	11,833
Opening unrealised appreciation / (depreciation)	6	(7)	(1)
Closing unrealised appreciation	716	-	716

11. 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	16%
Odyssey Clubs Group Ltd	20%
First Start Children's Nurseries Ltd	20%
Careforce Staffing Ltd	40%

12. Debtors

	31 December 2000 £'000	*31 December 1999 £'000*
Prepayments and accrued income	87	101

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

13. Creditors: amounts falling due within one year

	31 December 2000 £'000	*31 December 1999 £'000*
UK corporation tax payable	-	18
Proposed dividend	345	219
Other creditors	131	134
	476	371

14. Share Capital

	31 December 2000 £'000	*31 December 1999 £'000*
Authorised:		
15,000,000 Ordinary Shares of 50p each	7,500	7,500
Allotted, called-up and fully-paid:		
14,662,611 Ordinary Shares of 50p each	7,331	7,331

15. Reserves

Ordinary Shares	*Share Premium account £'000*	*Special reserve £'000*	*Realised capital reserve £'000*	*Unrealised capital reserve £'000*	*Revenue reserve £'000*	*Total £'000*
Beginning of year	6,598	-	(192)	(7)	7	6,406
Cancellation of share premium	(6,598)	6,598	-	-	-	-
Cost of cancellation	-	(5)	-	-	-	(5)
Gains on investments	-	-	1	651	-	652
Capitalised expenses net of tax	-	-	(207)	-	-	(207)
Retained net revenue	-	-	-	-	20	20
End of year	-	6,593	(398)	644	27	6,866

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

16. Net asset value per share

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

	31 December 2000	*31 December 1999*
Net asset value per share attributable	96.8 pence	93.7 pence

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

	2000 £'000	*1999 £'000*
Total assets attributable at beginning of the year	13,737	-
Capital subscribed net of expenses	-	13,929
Total return for the year	1,015	128
Dividends appropriated in the year	(550)	(320)
Cost of share premium cancellation	(5)	-
Total net assets attributable at end of year	14,197	13,737

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

17. Reconciliation of movements in shareholders' funds

	2000 £'000	*1999 £'000*
Opening shareholders' funds	13,737	-
Increase in share capital	-	7,331
(Decrease)/increase in share premium	(6,598)	7,332
Creation of special reserve	6,593	
Expenses of share issues	-	(734)
Total return to shareholders before dividends	1,015	128
Dividends	(550)	(320)
Closing shareholders' funds	14,197	13,737

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

18. Analysis of changes in cash during the year

	2000 £'000	1999 £'000
Beginning of the year	7,270	-
Net cash (outflow) / inflow	(5,233)	7,270
End of the year	2,037	7,270

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

	2000 £'000	1999 £'000
Net revenue before finance costs and taxation	757	410
Investment management fee charged to capital	(244)	(218)
Other expenses charged to capital	(30)	(23)
Increase in debtors	(47)	(107)
(Decrease)/increase in creditors	(2)	132
Tax on investment income	(125)	(16)
Net cash inflow from operating activities	309	178

20. 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.

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

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	*31 December 2000* *Fixed Rate £'000*	*31 December 2000* *Floating Rate £'000*	*31 December 1999* *Fixed Rate £'000*	*31 December 1999* *Floating Rate £'000*
Sterling	Nil	10,717	Nil	6,481

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

Financial liabilities

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

Currency exposure

As at 31 December 2000 the Company had no foreign currency exposures (1999 – nil).

Borrowing facilities

The Company had no committed borrowing facilities as at 31 December 2000 (1999 – nil).

Fair values of financial assets and financial liabilities

All the Company's financial assets and liabilities as at 31 December 2000 are stated at fair value. See note 1 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 for the year to 31 December 2000 by approximately 21 per cent, (1999 – 20 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.

22. 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 12.30 p.m. at 10 Crown Place, London EC2A 4FT on 26 April 2001 for the purpose of dealing with the following business, of which item 5 is special business.

Ordinary Business

1 To receive and adopt the accounts and the reports of the Directors and Auditors for the year ended 31 December 2000.

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 2.35 pence net per Ordinary Share of 50p each for the year ended 31 December 2000 payable to shareholders on the register at the close of business on 30 March 2001.

Special Business

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

5. 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

J M GAIN
Secretary
Registered Office
12 Appold Street, London EC2A 2AW

Date: 6 March 2001

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 12:30 p.m. on 24 April 2001 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 12:30 p.m. on 24 April 2001 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 2001 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 2001

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 12.30 p.m. on 26 April 2001 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 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.