CLOSE BROTHERS

Development VCT PLC

Report & Accounts
for the year ended
31 December 2005

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 Venture Management Limited 4 Crown Place London EC2A 4BT Tel: 020 7422 7830
Secretary and registered office	Close Venture Management Limited 10 Crown Place London EC2A 4FT
Registrar	Capita Registrars plc The Registry 34 Beckenham Road Kent BR3 4TU 0870 162 3100
Auditors	Deloitte & Touche LLP Stonecutter Court 1 Stonecutter Street London EC4A 4TR
Taxation advisers	Ernst & Young LLP 1 More London Place London SE1 2AF
Lawyers	Berwin Leighton Paisner Adelaide House London Bridge London EC4R 9HA
Company Number	3654040

FINANCIAL CALENDAR

Annual General Meeting	3 May 2006
Payment of the first dividend	June 2006
Announcement of interim results for the six months ended 30 June 2006	September 2006
Payment of second dividend	December 2006

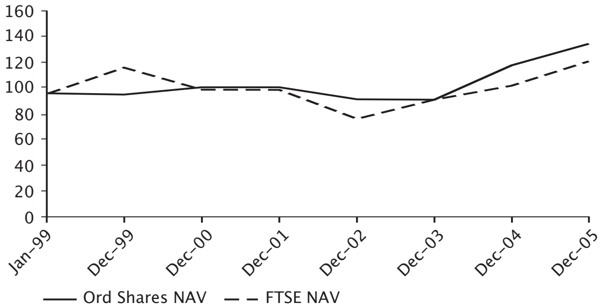
FINANCIAL HIGHLIGHTS

	Ordinary Shares Year ended 31 December 2005	**C Shares Year ended 31 December 2005**
Dividend paid per share	5.20	5.90
Net asset value per share	102.51	107.81
Shareholder value per share since launch:	**Pence per share**(ii)	**Pence per share**(ii)
Dividends paid during the year to 31 December 1999(i)	1.00	–
Dividends paid during the year to 31 December 2000	3.65	–
Dividends paid during the year to 31 December 2001	3.20	–
Dividends paid during the year to 31 December 2002	4.20	–
Dividends paid during the year to 31 December 2003(iii) & (iv)	4.50	0.75
Dividends paid during the year to 31 December 2004	4.00	2.00
Dividends paid during the year to 31 December 2005	5.20	5.90
	25.75	8.65
Net asset value at 31 December 2005	102.51	107.81
Total cumulative return at 31 December 2005	**128.26**	**116.46**

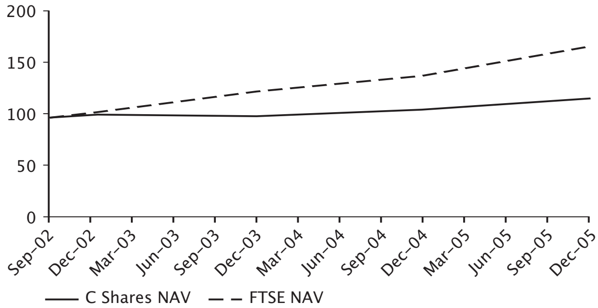
Notes
(i) assuming subscription for Ordinary Shares by the First Closing on 26 January 1999.
(ii) excluding tax benefits received upon subscription.
(iii) assuming subscription for C Shares by the First Closing on 31 December 2002.
(iv) those subscribing for C Shares after 30 June 2003 were not entitled to the interim dividend.

PERFORMANCE GRAPHS

Shareholder Return relative to the FT-SE All-Share Index (in both cases based on mid-market prices with dividends reinvested).



Source: Close Venture Management Ltd



Source: Close Venture Management Ltd

CHAIRMAN'S STATEMENT

Introduction

I am pleased to report another successful year for the Company; NAV for the Ordinary Shares rose 7% to 102.5 pence per share while the C Shares rose 5% to 107.8 pence per share. In addition, excluding the final dividend for the year to 31 December 2004, Ordinary Shareholders have been paid two dividends totalling 3 pence per share and C Shareholders have been paid two dividends totalling 3.5 pence per share during the year.

Investment review

As reported at the interim stage, the Company saw the successful sale in April 2005 of Automotive Technik, the manufacturer of military vehicles, which realised a gain of £1.4 million for the Ordinary Share portfolio and a gain of £1.5 million for the C Share portfolio. A number of new investments were made during the period. These included the development of a new health and fitness club on a 30 acre freehold site in Weybridge, Surrey; the purchase of two cinemas, being the Ritzy in Brixton and the Exeter Picture House; the development of a new health and fitness club at Tower Bridge in London; and the provision of development finance to RFI Global Services, which provides testing services to mobile phone manufacturers. In addition, investments were made in five new companies which own and manage freehold pubs.

As a whole, the investment portfolio is performing well. In particular, there have been uplifts in valuation in Peakdale Molecular, the provider of services to the pharmaceutical industry, Grosvenor Health, the occupational healthcare provider, and Evolutions Television, the TV post-production company. In all three, performance has continued to improve as the businesses have grown over previous periods.

Proposed amendment to investment policy

As set out in more detail in the circular to shareholders enclosed with this report and accounts, your Board is recommending at the forthcoming Annual General Meeting that shareholders approve an amendment to the Company's existing investment policy. This amendment is designed to give the manager greater flexibility in the investments it can make on behalf of the Company, while at the same time aiming to preserve the philosophy of seeking to reduce the risks associated with investment in smaller, unquoted companies.

Prospects and projected dividends

In the current year, your Board considers that the further growth prospects for the Company's portfolio of investee companies are good. It is the Board's current intention to declare a first dividend at the time of the next quarterly announcement of the Company's net asset value, for 31 March 2006, which is expected to be announced in early May. As reported at the interim stage, the income generated from the C Share portfolio is strong and growing, whereas the Ordinary Share portfolio's successful disposal programme in late 2004 and early 2005 has, while greatly boosting asset value, depressed revenue as high yielding loan stock has been repaid. It is therefore anticipated that the Directors will be able to declare a first interim dividend for 2006 of 1.0 pence per Ordinary share and 1.5 pence per C share.

CHAIRMAN'S STATEMENT
(continued)

Results

Ordinary Shares

As at 31 December 2005 the net asset value of the Ordinary Shares of your Company was £13.7 million, compared to £13.4 million (restated) at 31 December 2004. This equates to a net asset value per share of 102.5 pence (2004: 96.1 pence restated). Net income after taxation for the year amounted to £381,000 (2004: £675,000).

C Shares

As at 31 December 2005 the net asset value of the C Shares of your Company was £19.7 million, compared to £19.0 million (restated) at 31 December 2004. This equates to a net asset value per share of 107.8 pence (2004: 102.6 pence restated). Net income after taxation for the year amounted to £610,000 (2004: £616,000).

Roderick Davidson
Chairman — 29 March 2006

THE BOARD OF DIRECTORS

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

Roderick Davidson (68), 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 which is also managed by Close Venture Management Limited.

Francis Malcolm (62) 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 (now a division of Brewin Dolphin PLC) in 1972, where he is head of corporate broking and 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 £46 million VCT which invests in companies quoted on AIM, which is managed by Close Investments Limited, a subsidiary of Close Brothers Group plc, Edinburgh New Income Trust PLC and UK Balanced Prospect Trust Limited.

David Pinckney (65) FCA MA, 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 as Joint Managing Director. From 1998 he was Chief Operating Officer – Far East, and then Vice Chairman of AXA Investment Managers, the investment management arm of the AXA Group until he retired in December 2003. He is Chairman of Rutley European Property Limited, the Access Fund General Partner Limited, the AIM quoted Syndicate Asset Management PLC and Ventus VCT PLC.

Jonathan Thornton (59) 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 private equity 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 25 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 which is also managed by Close Venture Management Limited.

THE MANAGER

Close Venture Management Limited, which is authorised and regulated by the Financial Services Authority, is the Manager of Close Brothers Development VCT PLC. In addition to Close Brothers Development VCT PLC, it manages a further five VCTs: Close Brothers Venture Capital Trust PLC which raised a total of £39.7m in Ordinary shares in 1996 and through an issue of C shares the following year; Close Brothers Protected VCT PLC, which raised £27.9 million in 1997, and co-invests alongside Close Brothers Venture Capital Trust PLC; Close Technology & General VCT PLC which has raised £14.3 million in 2001 and a further £35m through the issue of C shares in 2006; Close Income & Growth VCT PLC, which raised £45m in 2005 and Crown Place VCT PLC (formerly Murray VCT PLC, Murray VCT2 PLC, Murray VCT3 PLC).

Close Venture Management Limited won the 'VCT Manager of the Year' at the 2005 Growth Company Awards and "Best VCT Provider" category in the Professional Adviser Awards in 2005 and in 2006.

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

The following are specifically responsible for the management and administration of the VCTs managed by Close Venture Management Limited:

Patrick Reeve (45) **MA ACA**, qualified as a chartered accountant with Deloitte Haskins & Sells before joining Cazenove & Co where he spent three years in the corporate finance department. He joined Close Brothers Group plc in 1989, initially in the development capital subsidiary, where he was a director specialising in the financing of smaller unquoted companies. He joined the corporate finance division in 1991, where he was also a director. He established Close Venture Management Limited with the launch of Close Brothers Venture Capital Trust PLC in the spring of 1996.

Henry Stanford (40) **MA ACA**, qualified as a chartered accountant with Arthur Andersen before joining the corporate finance division of Close Brothers Group plc in 1992. He became an assistant director in 1996 and transferred to Close Venture Management Limited in 1998 to concentrate on VCT investment.

Will Fraser-Allen (35) **BA (Hons) ACA**, qualified as a chartered accountant with Cooper Lancaster Brewers in 1996 before specialising in corporate finance and investigation. He joined Close Venture Management Limited in 2001.

Emil Gigov (35) **BA (Hons) ACA**, qualified as a chartered accountant with KPMG in 1997 and subsequently worked in KPMG's corporate finance division working on the media, marketing and leisure sectors. He joined Close Venture Management Limited in 2000.

David Gudgin (33) **BSc. (Hons) ACMA**, after working for ICL from 1993 to 1999 where he qualified as an accountant, he joined 3i plc as an investment manager based in London and Amsterdam. In 2002 he joined Foursome Investments, the venture capital arm of the Englehorn family, responsible for investing an evergreen fund of US$80 million, before joining Close Venture Management Limited in 2005.

Robert Whitby-Smith (31) **BA (Hons) MSI ACA**, qualified as a chartered accountant with KPMG in their corporate finance division. From 2000 to early 2005 he worked in the UK corporate finance departments of Credit Suisse First Boston and subsequently ING Barings, where he was a vice president. He joined Close Venture Management Limited in 2005.

Ed Lascelles (30) **BA (Hons)**, joined the corporate broking department of Charterhouse Securities in 1998 focusing on primary and secondary equity fundraisings. He then moved to the corporate finance department of ING Barings in 2000, retaining his focus on smaller UK companies. He joined Close Venture Management Limited in 2004.

THE MANAGER
(continued)

Dr Andrew Elder (35) MA FRCS. After qualifying as a surgeon he practised for six years, specialising in neurosurgery before joining the Boston Consulting Group as a consultant in 2001 specialising in healthcare strategy. He joined Close Venture Management Limited in 2005.

Mark Toomey (29) BA (Hons). After graduating from The London School of Economics with a degree in Geography and Economics, he joined Lee & Allen Consulting focusing on forensic accounting. He joined Close Venture Management Limited in 2001.

PORTFOLIO OF INVESTMENTS

Ordinary Shares

		At 31 December 2005			At 31 December 2004			
	Equity owned	Investments at cost £'000	Cumulative* movement in carrying/fair value £'000	Total carrying/fair value £'000	Investments at cost £'000	Cumulative* movement in carrying/fair value £'000	Total carrying/fair value £'000	Change in carrying/fair value for the year net of investments in the year £'000
Qualifying investments								
Automotive Technik (Holdings) Ltd	–	–	–	–	819	436	1,255	–
Careforce Group Plc	14%	534	1,859	2,393	534	1,968	2,502	(109)
Churchill Taverns VCT Ltd	5%	115	11	126	–	–	–	–
City Screen (Liverpool) Ltd	5%	50	2	52	50	(6)	44	8
CS (Brixton) Ltd	4%	150	–	150	–	–	–	–
CS (Exeter) Ltd	4%	60	–	60	–	–	–	–
CS (Greenwich) Ltd	2%	110	3	113	110	–	110	3
Consolidated Communications Management Ltd	11%	1,000	53	1,053	1,000	4	1,004	49
Evolutions Television Ltd	6%	700	117	817	702	1	703	116
GB Pub Company VCT Ltd	4%	170	1	171	–	–	–	–
Grosvenor Health Ltd	6%	435	306	741	325	190	515	116
Lowcosttravelgroup Ltd	1%	130	2	132	–	–	–	–
Peakdale Molecular Ltd	9%	1,064	179	1,243	1,064	(154)	910	333
The Bold Pub Company Ltd	3%	400	21	421	320	15	335	6
The Dunedin Pub Company Ltd	3%	80	1	81	–	–	–	–
The Independent Beer Company Ltd	4%	90	(8)	82	–	–	–	–
The Independent Pub Co. (VCT) Ltd	3%	–	–	–	60	–	60	–
The Q Garden Company Ltd	17%	1,032	(472)	560	682	(417)	265	(55)
The Rutland Pub Company Ltd	4%	60	1	61	–	–	–	–
The Weybridge Club Ltd	3%	300	3	303	–	–	–	–
Tower Bridge Health Clubs Ltd	3%	200	–	200	–	–	–	–
Total qualifying investments		**6,680**	**2,079**	**8,759**	**5,666**	**2,037**	**7,703**	**467**
Non-qualifying investments								
The Independent Pub Co. (VCT) Ltd	3%	60	(14)	46	–	–	–	(14)
Total investments		**6,740**	**2,065**	**8,805**	**5,666**	**2,037**	**7,703**	**453**

Close Brothers Development VCT PLC Ordinary Shares has also committed funds of £200,000 to a further investment in The Weybridge Club Limited.

* Included in this movement is capital appreciation/(depreciation) on the equity investments amounting to £1,621,000 (2004: £1,640,000) and the movement in carrying value of loans and receivables of £444,000 (2004: £397,000).

PORTFOLIO OF INVESTMENTS (continued)
C Shares

		At 31 December 2005			At 31 December 2004			
	Equity owned	Investments at cost £'000	Cumulative* movement in carrying/fair value £'000	Total carrying/fair value £'000	Investments at cost £'000	Cumulative* movement in carrying/fair value £'000	Total carrying/fair value £'000	Change in carrying/fair value for the year net of investments in the year £'000
Qualifying investments								
Automotive Technik (Holdings) Ltd	–	–	–	–	839	469	1,308	–
Careforce Group Plc	4%	263	362	625	263	390	653	(28)
Churchill Taverns VCT Ltd	6%	160	14	174	–	–	–	–
City Centres Breweries Ltd	–	–	–	–	804	(320)	484	–
CS (Brixton) Ltd	5%	175	–	175	–	–	–	–
CS (Exeter) Ltd	4%	65	–	65	–	–	–	–
CS (Greenwich) Ltd	13%	650	20	670	650	–	650	20
Evolutions Television Ltd	10%	1,300	194	1,494	305	–	305	194
GB Pub Company VCT Ltd	5%	200	2	202	–	–	–	–
Grosvenor Health Ltd	26%	1,570	1,326	2,896	1,430	788	2,218	538
Lowcosttravelgroup Ltd	2%	160	2	162	–	–	–	–
Peakdale Molecular Ltd	3%	133	–	133	133	(100)	33	100
The Bold Pub Company Ltd	12%	1,440	91	1,531	1,350	65	1,415	26
The Dunedin Pub Company Ltd	4%	100	1	101	–	–	–	–
The Independent Beer Company Ltd	4%	100	(9)	91	–	–	–	–
The Independent Pub Co. (VCT) Ltd	7%	–	–	–	230	–	230	(54)
The Rutland Pub Company Ltd	4%	70	–	70	–	–	–	–
The Weybridge Club Ltd	8%	800	6	806	–	–	–	–
Tower Bridge Health Clubs Ltd	4%	260	1	261	–	–	–	–
Total qualifying investments		**7,446**	**2,010**	**9,456**	**6,004**	**1,292**	**7,296**	**796**
Non–qualifying investments								
Bradford & Bingley FRN April 06		1,997	3	2,000	1,997	2	1,999	1
Citigroup FRN March 09		2,999	6	3,005	2,999	–	2,999	6
Woolwich FRN April 06		2,003	(3)	2,000	2,003	–	2,003	(3)
Smiles Brewing Company Limited	48%	155	(33)	122	–	–	–	–
Smiles Pub Company Limited	48%	430	(29)	401	–	–	–	–
The Independent Pub Co. (VCT) Ltd	7%	230	(54)	176	–	–	–	–
Total non-qualifying investments		**7,814**	**(110)**	**7,704**	**6,999**	**2**	**7,001**	**4**
Total investments		**15,260**	**1,900**	**17,160**	**13,003**	**1,294**	**14,297**	**800**

Close Brothers Development VCT PLC C Shares has also committed funds of £1.3 million to a future investment in Evolutions Television Limited.

* Included in the above balance is capital appreciation/(depreciation) on the equity investments amounting to £1,707,000 (2004: £1,262,000) and the movement in carrying value of loans and receivables of £193,000 (2004: £32,000).

PORTFOLIO COMPANIES

Unquoted loan stock held by the following investments is classified as loans and receivables in accordance with FRS 26 and carried at amortised cost using the effective interest rate.

Careforce Group Plc

Careforce Group was established in 1999 to build, both organically and through acquisition, a group providing domiciliary care services to the elderly, principally on behalf of local authorities. Careforce currently has 23 branches around the UK. The company floated on AIM in November 2004 and has since made a number of acquisitions.

Latest audited results – Year to 31 July 2005	**£'000**
Turnover	20,296
PBIT	968

Basis of equity valuation: Quoted share price (bid)

Churchill Taverns VCT Limited

The company was formed to acquire the freehold of 'Ye Three Fyshes' public house in the village of Turvey in Bedfordshire, which had previously ceased trading. The site has been extensively refurbished and reopened in June 2005. The company purchased a second freehold site in Lincolnshire in November 2005, and is looking to make further acquisitions.

As a newly incorporated company, Churchill Taverns VCT Limited has not yet filed audited accounts.

Basis of equity valuation: Third party professional valuation

City Screen (Liverpool) Limited

The company was formed to own and operate a three screen 'art house' cinema in the centre of Liverpool, which opened in February 2003.

Latest audited results – Year to 31 December 2004	**£'000**
Turnover	985
PBIT	(15)

Basis of equity valuation: Third party professional valuation

CS (Brixton) Limited

The company was formed to acquire and operate the freehold 'Ritzy' cinema in Brixton, London, in August 2005.

As a newly incorporated company, CS (Brixton) Limited has not yet filed audited accounts.

Basis of equity valuation: Cost, due to the recent nature of the investment.

CS (Exeter) Limited

The company was formed to acquire and operate the freehold cinema in Exeter in September 2005.

As a newly incorporated company, CS (Exeter) Limited has not yet filed audited accounts.

Basis of equity valuation: Cost, due to the recent nature of the investment.

CS (Greenwich) Limited

CS (Greenwich) was established to develop, own and operate a leasehold five screen 'art house' cinema in Greenwich. The building was subject to extensive refurbishment and reopened in September 2005.

As a newly incorporated company, CS (Greenwich) Limited has not yet filed audited accounts

Basis of equity valuation: Cost, due to the recent nature of the investment

PORTFOLIO COMPANIES
(continued)

Consolidated Communications Management Limited

Consolidated Communications is a management buy-out of an established public relations agency, formed in 1991, which specialises in the consumer sector and has a broad range of 'blue chip' clients.

Latest audited results – Year to 28 February 2005	
	£'000
Turnover	6,411
PBI	258

Basis of equity valuation: Multiple of maintainable earnings

In addition Close Brothers Development VCT PLC holds 5,000 Warrants in Consolidated Communications Management Limited exercisable for 5,000 shares at £15 per share. The Directors' valuation of the Warrants is £nil.

Evolutions Television Limited

Evolutions Television is a television post production business, providing post production services, including video and sound editing and automation, to a broad range of production companies. It operates from its own freehold premises north of Oxford Street, London. A further £1.3 million has been reserved for investment from the C share portfolio.

Latest audited results – Year to 31 March 2004	
	£'000
Turnover	3,554
PBIT	(223)

Basis of equity valuation: Multiple of discounted earnings and third party freehold valuation.

GB Pub Company VCT Limited

The company was formed to acquire two freehold pubs in Bideford, Devon, and in October 2005 acquired a further site in Newton Abbot.

As a newly incorporated company, GB Pub Company VCT Limited has not yet filed audited accounts

Basis of equity valuation: Cost, due to the recent nature of the investment

Grosvenor Health Limited

Grosvenor Health was formed to acquire the UK occupational healthcare business of Capio, which provides healthcare services to large corporates including BAA and Qinetiq, and has since made an acquisition in the same sector. Growth since initial investment in March 2004 has been strong.

Latest audited results – Period to 31 December 2004	
	£'000
Turnover	3,531
PBIT	338

Basis of equity valuation: Multiple of maintainable earnings

Lowcosttravelgroup Limited

The company owns and operates lowcostbeds.com, which is an online travel business specialising in dynamic packages to the Mediterranean.

Latest audited results – Year to 31 October 2005	
	£'000
Turnover	474
PBIT	(672)

Basis of equity valuation: Cost, due to the recent nature of the investment

PORTFOLIO COMPANIES
(continued)

Peakdale Molecular Limited

Peakdale Molecular is engaged in research, processing and the supply of chemical compounds to the major pharmaceutical companies. It operates from a substantial freehold site in Chapel-en-le-Frith, Derbyshire. In January 2006, the company raised an additional £900,000 from existing and third party investors to expand its product offering in new strategic areas.

Latest audited results – Year to 31 March 2005	
	£'000
Turnover	3,849
PBIT	395

Basis of equity valuation: Latest third party fundraising valuation

The Bold Pub Company Limited

The Bold Pub Company was formed in February 2004 to acquire and operate freehold and long leasehold pubs in the North West of England. The company now owns and operates 28 pubs and further acquisitions are in process.

Latest audited results – Period to 31 March 2005	
	£'000
Turnover	4,402
PBIT	421

Basis of equity valuation: Third party professional valuation

The Dunedin Pub Company Limited

This company was formed to acquire and operate the freehold of a pub called the The Bridge Inn, Ratho near Edinburgh, in November 2005.

As a newly incorporated company, The Dunedin Pub Company Limited has not yet filed audited accounts.

Basis of equity valuation: Cost, due to the recent nature of the investment

The Independent Beer Company Limited

The company was formed to acquire and operate the 'Ring O' Bells' pub in Maidenhead, Berkshire in July 2005.

As a newly incorporated company, The Independent Beer Company Limited has not yet filed audited accounts.

Basis of equity valuation: Third party professional valuation.

The Q Garden Company Limited

The Q Garden Company is a garden centre operator which owns and operates a freehold garden centre in Fareham (Hampshire).

Latest audited results – Year to 31 January 2005	
	£'000
Turnover	1,883
PBIT	(620)

Basis of equity valuation: Net assets based on third party valuation.

The Rutland Pub Company Limited

The company was formed to acquire and operate the freehold Blue Ball pub in Rutland, Leicestershire, in November 2005.

As a newly incorporated company, The Rutland Pub Company Limited has not yet filed audited accounts.

Basis of equity valuation: Cost, due to the recent nature of the investment

PORTFOLIO COMPANIES
(continued)

The Weybridge Club Limited

The company has bought a 30 acre freehold site near the centre of Weybridge, Surrey, which it is developing into a premium health and fitness club. A further £200,000 has been reserved for investment from the Ordinary Share portfolio.

Latest unaudited results – None produced to date

Basis of equity valuation: Cost, due to the recent nature of the investment

Tower Bridge Health Clubs Limited

The company owns a 27 year lease for a site that is being developed into a health and fitness club in the More London development next to Tower Bridge in London. The club is expected to open in May 2006.

As a newly incorporated company, Tower Bridge Health Clubs Limited has not yet filed audited accounts.

Basis of equity valuation: Cost, due to the recent nature of the investment

The Independent Pub Company (VCT) Limited

The Independent Pub Company (VCT) Limited was formed to acquire and operate the freehold 'Pelican' pub outside Hungerford in December 2004.

As a newly incorporated company, The Independent Pub Company (VCT) Limited has not yet filed audited accounts.

Basis of equity valuation: Third party professional valuation

Smiles Brewing Company Limited

The company owns the Smiles real ale brand, which is currently brewed under license by Highgate Brewery.

As a newly incorporated company, Smiles Brewing Company Limited has not yet filed audited accounts.

Basis of equity valuation: Multiple of maintainable earnings

Smiles Pub Company Limited

The company was formed to acquire the old Smiles Brewery site in Central Bristol, which is currently being redeveloped into flats above an enlarged pub.

As a newly incorporated company, Smiles Pub Company Limited has not yet filed audited accounts.

Basis of equity valuation: Third party professional valuation.

REPORT OF THE DIRECTORS

The Directors submit the Report and Accounts of the Company for the year ended 31 December 2005.

Principal activity and status
The principal activity of the Company is that of a venture capital trust. It was approved by the HM Revenue & Customs as a venture capital trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988 for the year ended 31 December 2002. In the opinion of the Directors, the Company has subsequently conducted its affairs so as to enable it to continue to obtain such approval. Approval for the year ended 31 December 2005 is subject to review should there be any subsequent enquiry under corporation tax self assessment. The Company is not a close company for taxation purposes. Details of the principal investments made by the Company are given in the review of the portfolio of investments on pages 8 to 13. A review of the Company's business during the year is contained in the Chairman's Statement on pages 3 and 4.

The Company is no longer an investment company as defined in Section 266 of the Companies Act 1985. The Company revoked its investment trust status on 11 May 2005 in order to enable the Company to pay dividends from realised capital profits.

Results and dividends

	Ordinary Shares £'000	C Shares £'000
Revenue return for the year ended 31 December 2005 available for distribution	381	610
Final dividend paid for the year ended 31 December 2004, recognised in the current year in accordance with FRS 21, of 2.2 pence per Ordinary Share and 2.4 pence per C Share	(305)	(446)
First interim dividend of 1.8 pence per Ordinary share and 1.8 pence per C Share paid on 14 June 2005	(248)	(149)
Second interim dividend of 1.2 pence per Ordinary Share and 1.7 pence per C Share paid on 23 December 2005	(160)	(312)
Transferred from revenue reserves	**(332)**	**(297)**
Capital gain for the year ended 31 December 2005 transferred to capital reserves	**1,245**	**1,197**

Graphs showing the growth in shareholder return relative to the FTSE All Share Index with dividends reinvested for both class of share are on page 2 of the Report and Accounts.

Future prospects
Details on the future prospects of the Company are discussed by the Chairman in his statement on pages 3 and 4.

Directors
The Directors who held office throughout the year, and their interests in the shares of the Company (together with those of their immediate family) are shown below:

	At 31 December 2005		At 31 December 2004	
	Ordinary Shares	C Shares	Ordinary Shares	C Shares
Roderick Davidson	25,000	–	25,000	–
Jonathan Thornton	20,000	25,000	20,000	25,000
David Pinckney	5,000	–	5,000	–
Frank Malcolm	5,000	10,000	5,000	10,000

There have been no changes in the holdings of the Directors between 31 December 2005 and the date of this report.

No Director has a service contract with the Company.

All Directors are members of the Audit Committee of which Mr. Pinckney is Chairman.

The Company does not have any employees.

Directors' retirement and re-election is subject to the Articles of Association and the Combined Code on Corporate Governance.

REPORT OF THE DIRECTORS
(continued)

Management agreement
The Company and Close Venture Management Limited, on 24 September 2002 entered into a supplementary management agreement which may be terminated by either party on 12 months' notice. Under this agreement, the Manager also provides secretarial and administrative services to the Company. The Management Agreement is subject to earlier termination in the event of certain breaches or on the insolvency of either party. Under the terms of the Management Agreement, the Manager is paid an annual fee equal to 2.25 per cent (plus any applicable VAT) of the net asset value of the Company. The fee is payable quarterly in arrears.

The Manager is also entitled to an arrangement fee, payable by each company in which the Company invests, in the region of two 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 Supplementary Management Agreement, be entitled to an incentive fee in the event that returns exceed minimum target levels per Ordinary Share and C Share. These minimum target levels, comprising all dividends paid and capital (capital being the average of net assets per Share and the mid-market price of the Shares for the period from the announcement of the preliminary results to the day prior to the Annual General Meeting for the year in question), 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 in respect of Ordinary Shares and the financial years ending 31 December 2007 to 2010 in respect of both the Ordinary and C Shares, and will amount in the case of each class of share, in aggregate to a maximum of 20 per cent of the excess return achieved by the Company over the target levels.

Auditors
A resolution to re-appoint Deloitte & Touche LLP as auditors will be proposed at the Annual General Meeting on 3 May 2006.

Substantial interests
As at 31 December 2005 and at the date of this report, the Company was not aware of any beneficial interest exceeding 3 per cent of the issued share capital.

Statement of Directors' responsibilities
The Directors are responsible for preparing the Annual Report and the financial statements. The Directors have chosen to prepare the accounts for the Company in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP").

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view in accordance with UK GAAP of the state of affairs of the Company and of the profit and loss of the Company for that period and comply with UK GAAP and the Companies Act 1985. In preparing those financial statements, the Directors are required to:

(a) select suitable accounting policies and then apply them consistently;

(b) make judgements and estimates that are reasonable and prudent;

(c) state whether all applicable accounting standards have been followed; and

(d) 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 to 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 provision and detection of fraud and other irregularities.

Annual General Meeting
The Annual General Meeting will be held at 10 Crown Place, London EC2A 4FT on 3 May 2006. The notice of the Annual General Meeting is at the end of this document.

Change in investment strategy
Ordinary resolution number 5 in the notice of meeting will request the amendment to the Company's investment policy as set out in the circular to shareholders dated 16 March 2006.

Power to allot shares
Ordinary resolution number 6 in the notice of meeting will request the authority to allot up to 10% of Ordinary share capital and C share capital.

Disapplication of pre-emption rights
Special resolution number 7 will request the authority to disapply pre-emption rights in circumstances of a rights issue or the allotment of up to 10% of the Ordinary or C share capital as described in ordinary resolution number 6.

REPORT OF THE DIRECTORS
(continued)

Purchase of own shares

At the Annual General Meeting, special resolution number 8 will request the authority to purchase an aggregate 10% of the Ordinary Shares in issue and 10% of the C Shares in issue provided that:

- the maximum aggregate number of shares authorised to be purchased is 1,335,578 Ordinary Shares and 1,830,247 C Shares (representing 10 per cent of the current issued share capital of each class);
- the minimum price which may be paid for a share is 50p;
- the maximum price that may be paid on the exercise of this authority will not exceed the higher of (a) 105 per cent of the average of the middle market quotations for the shares over the five business days immediately preceding the date of purchase; and (b) the higher of the price of the last independent trade and the highest independent bid on the London Stock Exchange;
- 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
- 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 of any such contract or contracts.

The Board believes that it is helpful for the Company to continue to have the flexibility to buy its own shares and this resolution seeks authority from shareholders to do so.

This resolution would renew the 2005 authority, which was in similar terms. During the financial period under review the Company purchased 572,931 Ordinary Shares and 252,628 C Shares for cancellation.

Treasury Shares

Under the previous regulations, any Ordinary or C shares purchased by the Company in this way would be cancelled and the number of the shares in issue would be reduced accordingly. The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 ("the Regulations") came into force on 1 December 2003. These Regulations allow shares purchased by the Company out of distributable profits to be held as Treasury Shares, which may then be cancelled or sold for cash. The authority sought by resolution number 8 is intended to apply equally to shares to be held by the Company as Treasury Shares in accordance with the Regulations.

At the Annual General Meeting, resolutions as described above will be proposed that the Directors be authorised to allot relevant securities in accordance with section 80 of the Companies Act 1985 (the "Act") and to allot equity securities for cash in accordance with section 95 of the Act. Again, these replace existing authorities and powers and will allow the Directors to sell Treasury Shares, at a price not less than that at which they were purchased.

Suppliers payment policy

The Company's policy is to pay all suppliers within 30 days of the invoice date, or as otherwise agreed. There were no overdue trade creditors at 31 December 2005 (2004: nil).

Financial Instruments and the Management of Risk

By its nature, as a venture capital trust, the Company is exposed to price risk, credit risk, liquidity risk and cash flow interest rate risk. The Company's policies for managing these risks are outlined in full in note 22 to the financial statements.

By Order of the Board

Close Venture Management Limited
Company Secretary

10 Crown Place
London EC2A 4FT

29 March 2006

STATEMENT OF CORPORATE GOVERNANCE

Background
The Financial Services Authority requires all listed companies to disclose how they have applied the principles and complied with the provisions of the Combined Code issued by the Financial Reporting Council ("FRC") in July 2003 ("the Code").

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

Board of Directors
The Board consists solely of non-executive Directors. Since all Directors are non-executive and day to day management responsibilities are sub-contracted to the Manager, the Company does not have a Chief Executive Officer. Mr Davidson is the senior independent Director and Chairman. Messrs Pinckney, Malcolm and Thornton are also independent Directors. The Directors have a range of business and financial skills which are extremely relevant to the Company; these are described in the Board of Directors section of this Report, on page 5. Directors are provided with key information on the Company's activities, including regulatory and statutory requirements and internal controls by the Manager. The Board has direct access to company secretarial advice and compliance services provided by the Manager, who is responsible for ensuring that Board procedures are followed and applicable regulations complied with. All Directors are able to take independent professional advice in furtherance of their duties if necessary. In accordance with the Combined Code, the Company has in place Directors' & Officers' Liability Insurance.

The Board met five times during 2005 as part of its regular programme of Board meetings. All of the Directors attended each meeting with the exception of Mr Malcolm who was unable to attend one meeting. The Chairman ensures that all Directors receive in a timely manner all relevant management, regulatory and financial information. The Board receives and considers reports regularly from the Manager and other key advisers and ad hoc reports and information are supplied to the Board as required. The Board has a formal schedule of matters reserved for it and the agreement between the Company and its Manager sets out the matters over which the Manager has authority and limits beyond which Board approval must be sought.

The Manager has authority over management of the investment portfolio, the organisation of custodial services, accounting, secretarial and administrative services.

The main issues reserved for the Board include:

- the consideration and approval of future developments or changes to the investment policy including risk and asset allocation;
- consideration of corporate strategy;
- approval of the appropriate dividend to be paid to shareholders;
- the appointment, evaluation, removal and remuneration of the Manager;
- the performance of the Company including monitoring of the discount of the net asset value and the share price; and
- monitoring shareholder profile and considering shareholder communications.

Directors' performance evaluation
Performance of the Board and the Directors is assessed on the following:

- attendance at Board and Committee meetings; and
- the contribution made by individual Directors at Board and Committee meetings.

Performance evaluation is conducted by the Board as a peer group and is monitored on a continuous ongoing basis. In light of this ongoing performance evaluation, the performance of the Directors being recommended for re-election is considered to be effective and reflects their strong commitment to the role.

Remuneration Committee
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.2, B1.1 to B1.6, and B2.1 to B2.4 are not relevant.

Audit Committee
The Audit Committee consists of all Directors, with Mr Pinckney as Chairman. In accordance with the Code, the members of the Audit Committee have recent and relevant financial experience. The Committee met twice during 2005; all members attended.

STATEMENT OF CORPORATE GOVERNANCE
(continued)

Written terms of reference have been constituted for the Audit Committee, these are:

- providing an overview of the Company's accounting policies and financial reporting;
- considering the effectiveness of the Company's internal controls and risk management systems;
- to monitor the integrity of the financial statements of the Company;
- meeting the Company's external auditors twice yearly, approving their appointment, reappointment and providing an ongoing review of auditor independence and objectivity;
- meeting with the Head of Internal Audit of Close Brothers Group plc when appropriate.
- ensuring that all Directors of the Company, and staff of the Manager feel able to raise issues of serious concern with the Chairman of the Audit Committee; and
- the Audit Committee also undertakes the duties of the Engagement Committee, and therefore also reviews all matters arising under the management agreement.

During the year under review, the Company discharged the responsibilities described above. Its activities included:

- formally reviewing the draft Interim Accounts and the draft final Report and Financial Statements
- reviewing the effectiveness of internal control systems by examining the Internal Controls Report produced by the Manager;
- meeting with the Head of Internal Audit of Close Brothers Group plc; and
- meeting with the external auditors and reviewing their findings.

Nomination Committee
The Nomination Committee consists of all Directors, with Mr Davidson as Chairman. The terms of reference of the Nomination Committee are to evaluate the balance of skills, experience and time commitment of the current Board members and make recommendations to the Board as and when a particular appointment arises. The Nomination Committee did not meet during 2005 and will meet when it is appropriate for it to do so. It is the policy of the Company that all of the Directors are nominated for re-election every three years; the next re-election is at the Annual General Meeting on 3 May 2006. The terms and conditions of Directors' appointment are available for inspection at the Annual General Meeting.

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 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, undertakes 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 come 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 plc which reports on the Manager's activities. The Board will continue to monitor its system of internal control in order to provide assurance that it operates as intended.

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

Relationships with shareholders
The Company's Annual General Meeting on 3 May 2006 will be used as an opportunity to communicate with private investors. The Board and the Chairman of the Audit Committee will be available to answer questions at the Annual General Meeting. At the Annual General Meeting the level of proxies lodged on each resolution, the balance for and against the resolution, and the number of votes withheld, are announced after the resolution has been voted on by a show of hands.

Statement of compliance
With the exception of the requirement to have a Remuneration Committee, the Directors consider that the Company has complied throughout the year ended 31 December 2005 with all the relevant provisions set out in Section 1 of the FRC Combined Code on Corporate Governance. The Company continues to comply with the Code at the date of this report.

DIRECTORS' REMUNERATION REPORT

Introduction

This report is submitted in accordance with Schedule 7a to the Companies Act 1985. The report also meets the relevant rules of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles relating to the Director's remuneration. As required by the Act, a resolution to approve the report will be proposed at the Annual General Meeting.

Remuneration Committee

Since the Company consists solely of non-executive directors, a Remuneration Committee is not considered necessary.

Directors' remuneration policy

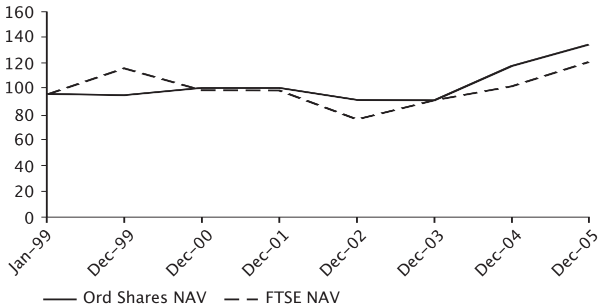
The Company's policy is that fees payable to non-executive directors should reflect their expertise, responsibilities and time spent on Company matters. In determining the level of non-executive remuneration market equivalents are considered in comparison to the overall activities and size of the Company.

The maximum level of non-executive directors' remuneration is fixed by the Company's Articles of Association, not to exceed £100,000 per annum; amendment to this is by way of a special resolution subject to ratification by shareholders.

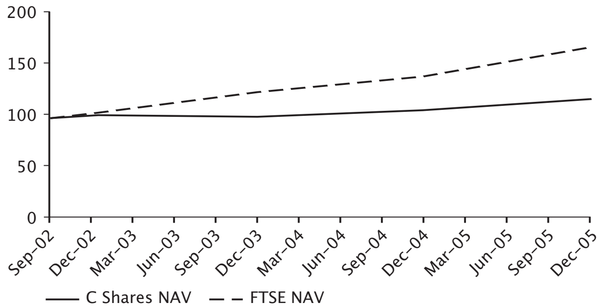
Performance graph

The below graphs show the Close Brothers Development VCT PLC's Ordinary and C Share net asset value against the FTSE All-Share Index, in both instances with dividends reinvested, for the seven years since the launch of the Ordinary Shares in January 1999 and the four years since the launch of the C Shares in September 2002. The Directors consider this to be the most appropriate benchmark. Investors should however be reminded that shares in VCTs generally continue to trade at a discount to the actual net asset value of the Company.

There are no options, issued or exercisable, in the Company which would distort the graphical representation below.



Source: Close Venture Management Ltd



Source: Close Venture Management Ltd

Service contracts

None of the Directors have a service contract with the Company.

Directors' remuneration

The following items have been audited.

The following table shows an analysis of the remuneration of individual Directors.

	Year ended 31 December 2005			Year ended 31 December 2004		
	Fees £'000	**Expenses £'000**	**Total £'000**	**Fees £'000**	**Expenses £'000**	**Total £'000**
Roderick Davidson	23	–	23	19	–	19
Jonathan Thornton	23	–	23	19	–	19
David Pinckney	23	–	23	19	–	19
Frank Malcolm	23	2	25	19	1	20
	92	2	94	76	1	77

DIRECTORS' REMUNERATION REPORT
(continued)

The Company does not confer any share options, long term incentives or retirement benefits to any Director, nor does it make a contribution to any pension scheme on behalf of the Directors.

Each Director of the Company is remunerated personally, save for Jonathan Thornton whose services are provided by Jonathan Thornton Limited.

In addition to Directors' remuneration, the Company pays annual premiums in respect of Directors' and Officers' Liability Insurance.

By Order of the Board

Close Venture Management Limited
Company Secretary

10 Crown Place
London EC2A 4FT

29 March 2006

INDEPENDENT AUDITORS' REPORT

to the Members of Close Brothers Development VCT PLC

We have audited the financial statements of Close Brothers Development VCT PLC for the year ended 31 December 2005 which comprise the statement of total return, the balance sheet, the cash flow statement and the related notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' remuneration report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the annual report, the Directors' remuneration report and the Company financial statements in accordance with applicable UK law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of Directors' responsibilities. Our responsibility is to audit the financial statements and the part of the Directors' remuneration report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework and whether the financial statements and the part of the Directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985. We report to you if, in our opinion, the Directors' report is not consistent with the financial statements. We also report to you 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 regarding Directors' remuneration and transactions with the Company is not disclosed.

We also report to you whether, in our opinion, the Company has not complied with any of the four Directors' remuneration disclosure requirements specified for our review by the Listing Rules of the Financial Services Authority. These comprise the amount of each element in the remuneration package and information on share options, details of long term incentive schemes, and money purchase and defined benefit schemes. We give a statement, to the extent possible, of details of any non-compliance.

We review whether the Corporate Governance statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statement on internal control covers all 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 Directors' report and other information contained in the annual report for the above year as described in the contents section including the unaudited part of the Directors' remuneration report and 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 International Standards on Auditing (UK and Ireland) 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 and the part of the Directors' remuneration report described as having been audited. 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 Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' remuneration report described as having been audited 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 and the part of the Directors' remuneration report described has having been audited.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2005 and of its total return for the year then ended; and
- the financial statements and the part of the Directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London 29 March 2006

Neither an audit nor a review provides assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the Directors but no control procedures can provide absolute assurance in this area.

Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

STATEMENT OF TOTAL RETURN

(incorporating the revenue account)
for the year to 31 December 2005

		Ordinary Shares Year ended 31 December 2005			C Shares Year ended 31 December 2005			Total Year ended 31 December 2005		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	4	–	1,423	1,423	–	1,638	1,638	–	3,061	3,061
Investment income	5	696	–	696	1,092	–	1,092	1,788	–	1,788
Investment management fee	6	(88)	(263)	(351)	(127)	(382)	(509)	(215)	(645)	(860)
Other expenses	7	(77)	–	(77)	(102)	–	(102)	(179)	–	(179)
Return on ordinary activities before tax		531	1,160	1,691	863	1,256	2,119	1,394	2,416	3,810
Tax on ordinary activities	9	(150)	85	(65)	(253)	127	(126)	(403)	212	(191)
Return attributable to equity shareholders		381	1,245	1,626	610	1,383	1,993	991	2,628	3,619
Amounts recognised as distributions to equity shareholders in the period	10	(713)	–	(713)	(907)	(186)	(1,093)	(1,620)	(186)	(1,806)
Transfer (from)/to reserves		**(332)**	**1,245**	**913**	**(297)**	**1,197**	**900**	**(629)**	**2,442**	**1,813**
Basic and diluted return per share (pence)	**11**	**2.8**	**9.1**	**11.9**	**3.3**	**7.5**	**10.8**			

The accompanying notes on pages 28 to 40 form an integral part of these financial statements.

The total column of this Statement of Total Return represents the profit and loss account of the Company in accordance with FRS 26.

All of the Company's activities derive from continuing operations

There were no recognised gains or losses other than the results for the year as disclosed above. Accordingly a statement of total recognised gains and losses is not required.

STATEMENT OF TOTAL RETURN

(incorporating the revenue account)
for the year to 31 December 2004 (Restated)*

		Ordinary Shares Year ended 31 December 2004			C Shares Year ended 31 December 2004			Total Year ended 31 December 2004		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	4	–	2,463	2,463	–	1,366	1,366	–	3,829	3,829
Investment income	5	1,121	–	1,121	1,097	–	1,097	2,218	–	2,218
Investment management fee	6	(76)	(229)	(305)	(101)	(303)	(404)	(177)	(532)	(709)
Other expenses	7	(81)	–	(81)	(116)	–	(116)	(197)	–	(197)
Return on ordinary activities before tax		964	2,234	3,198	880	1,063	1,943	1,844	3,297	5,141
Tax on ordinary activities	9	(289)	72	(217)	(264)	93	(171)	(553)	165	(388)
Return attributable to equity shareholders		675	2,306	2,981	616	1,156	1,772	1,291	3,462	4,753
Amounts recognised as distributions to equity shareholders in the period	10	(577)	–	(577)	(233)	–	(233)	(810)	–	(810)
Transfer to reserves		**98**	**2,306**	**2,404**	**383**	**1,156**	**1,539**	**481**	**3,462**	**3,943**
Basic and diluted return per share (pence)	11	**4.7**	**16.1**	**20.8**	**3.6**	**6.8**	**10.4**			

* Comparative figures have been extracted from the statutory accounts for the year ended 31 December 2004 and have been restated in accordance with FRS 21 as disclosed in notes 2 and 3 to the financial statements.

All of the Company's activities derive from continuing operations.

There were no recognised gains or losses other than the results for the year as disclosed above. Accordingly a statement of total recognised gains and losses is not required.

BALANCE SHEET
as at 31 December 2005

	Notes	Ordinary Shares 31 December 2005 £'000	C Shares 31 December 2005 £'000	Total 31 December 2005 £'000
Fixed asset investments				
Qualifying investments		8,759	9,456	18,215
Non-qualifying investments		46	7,704	7,750
Total fixed asset investments	12	8,805	17,160	25,965
Current assets				
Debtors	14	111	55	166
Cash at bank		4,975	2,907	7,882
		5,086	2,962	8,048
Creditors: amounts falling due within one year	15	(201)	(390)	(591)
Net current assets		4,885	2,572	7,457
Total assets less current liabilities		**13,690**	**19,732**	**33,422**
Capital and reserves				
Called up share capital	16	6,678	9,151	15,829
Share premium	17	48	3,160	3,208
Special reserve	17	5,477	4,864	10,341
Capital redemption reserve	17	706	219	925
Realised capital reserve	17	(941)	393	(548)
Unrealised capital reserve	17	1,621	1,707	3,328
Revenue reserve	17	101	238	339
Total equity shareholders' funds		**13,690**	**19,732**	**33,422**
Net asset value per share (pence)	18	**102.5**	**107.8**	

The financial statements on pages 22 to 40 were approved by the Board of Directors on 29 March 2006.

Signed on behalf of the Board of Directors.

Roderick Davidson
Chairman

BALANCE SHEET
as at 31 December 2004 (Restated)*

	Notes	Ordinary Shares 31 December 2004 £'000	C Shares 31 December 2004 £'000	Total 31 December 2004 £'000
Fixed asset investments				
Qualifying investments		7,703	7,297	15,000
Non-qualifying investments		–	7,000	7,000
Total fixed asset investments	12	7,703	14,297	22,000
Current assets				
Debtors	14	186	110	296
Cash at bank		5,980	5,045	11,025
		6,166	5,155	11,321
Creditors: amounts falling due within one year	15	(485)	(416)	(901)
Net current assets		5,681	4,739	10,420
Total assets less current liabilities		**13,384**	**19,036**	**32,420**
Capital and reserves				
Called up share capital	16	6,964	9,278	16,242
Share premium	17	48	3,160	3,208
Special reserve	17	5,991	5,100	11,091
Capital redemption reserve	17	420	93	513
Realised capital reserve	17	(2,206)	(362)	(2,568)
Unrealised capital reserve	17	1,679	1,272	2,951
Revenue reserve	17	488	495	983
Total equity shareholders' funds		**13,384**	**19,036**	**32,420**
Net asset value per share (pence)	18	**96.1**	**102.6**	

* Comparative figures have been restated in accordance with FRS 21 in respect of declared dividends as disclosed in notes 2 and 3 to the financial statements.

CASH FLOW STATEMENT

for the year ended 31 December 2005

	Notes	Ordinary Shares Year ended 31 December 2005 £'000	C Shares Year ended 31 December 2005 £'000	Total Year ended 31 December 2005 £'000
Operating activities				
Investment income received		253	482	735
Deposit income received		144	528	672
Other income received		6	16	22
Investment management fees paid		(453)	(451)	(904)
Other cash payments		(3)	–	(3)
Net cash (outflow)/inflow from operating activities	21	(53)	575	522
Taxation		(536)	–	(536)
Capital expenditure and financial investment				
Purchase of qualifying investments		(1,595)	(3,620)	(5,215)
Purchase of non-qualifying investments		–	(92)	(92)
Disposals of qualifying investments		2,405	2,340	4,745
Net cash inflow/(outflow) from investing activities		810	(1,372)	(562)
Equity dividends paid				
Dividends paid on ordinary shares		(713)	(1,093)	(1,806)
Net cash outflow before financing		(492)	(1,890)	(2,382)
Financing				
Cancellation of shares		(513)	(248)	(761)
Net cash outflow from financing		(513)	(248)	(761)
Decrease in cash in the year	20	**(1,005)**	**(2,138)**	**(3,143)**

CASH FLOW STATEMENT

for the year ended 31 December 2004

	Notes	Ordinary Shares Year ended 31 December 2004 £'000	C Shares Year ended 31 December 2004 £'000	Total Year ended 31 December 2004 £'000
Operating activities				
Investment income received		1,397	822	2,219
Deposit income received		84	192	276
Other income received		1	–	1
Investment management fees paid		(366)	(403)	(769)
Other cash (payments)/receipts		(101)	27	(74)
Net cash inflow from operating activities	21	1,015	638	1,653
Capital expenditure and financial investment				
Purchase of qualifying investments		(1,741)	(4,733)	(6,474)
Purchase of non-qualifying investments		–	(2,999)	(2,999)
Disposals of qualifying investments		5,240	1,056	6,296
Disposals of non-qualifying investments		–	1,999	1,999
Net cash inflow/(outflow) from investing activities		3,499	(4,677)	(1,178)
Equity dividends paid				
Dividends paid on ordinary shares		(577)	(233)	(810)
Net cash inflow/(outflow) before financing		3,937	(4,272)	(335)
Financing				
Issue of equity net of expenses		–	6,671	6,671
Cancellation of shares		(425)	(146)	(571)
Net cash (outflow)/inflow from financing		(425)	6,525	6,100
Increase in cash in the period	20	**3,512**	**2,253**	**5,765**

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting convention

The financial statements have been prepared in accordance with the historical cost convention, modified to include the revaluation of investments, in accordance with applicable United Kingdom law and accounting standards and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" ("SORP") issued by the Association of Investment Trust Companies ("AITC") and revised in January 2003.

True and fair override

The Company is no longer an investment company within the meaning of s266 of the Companies Act 1985. However, it conducts its affairs as a venture capital trust for taxation purposes under s842AA of the Income and Corporation Taxes Act 1988.

The absence of Section 266 status does not preclude the Company from presenting its accounts in accordance with the AITC's SORP and furthermore the Directors consider it appropriate to continue to present the accounts in accordance with the SORP. Under the SORP, the financial performance of the Company is presented in a statement of total return in which the total column is the profit and loss account of the Company. Since the Company is no longer an investment company, the revenue column excludes certain capital items which the Companies Act 1985 would ordinarily require to be included in the profit and loss account; profits and losses on disposal of investments, calculated by reference to their previous carrying amount, permanent diminution in value of investments, management expenses charged to capital less tax relief thereon and the distribution of capital profits.

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

2. Accounting policies

Change in accounting policies

With effect from 1 January 2005, the Company adopted the new Financial Reporting Standards ("FRS") 21-26, that have been issued by the Accounting Standards Board as part of the convergence process between United Kingdom Generally Accepted Accounting Practice and International Financial Reporting Standards ("IFRS"). In the case of FRS 25 and 26, the Company applied the exemption available on transition at 1 January 2005 from restating 2004 comparative figures. The effects of the relevant accounting policies are disclosed in the respective notes below, and restatement and adjustment of the relative comparative figures are detailed in note 3.

Investments

In accordance with FRS 26 "Financial Instruments Measurement", equity investments are designated as fair value through profit or loss account ("FVTPL"). The total column of the Statement of Total Return represents the Company's profit and loss account. Investments listed on recognised exchanges are valued at the closing bid prices at the end of the accounting period. Unquoted investments' fair value is determined by the directors in accordance with the International Private Equity and Venture Capital Valuation Guidelines. Fair value movements on equity investments and gains and losses arising on the disposal of investments are reflected in the capital column of the Statement of Total Return in accordance with the AITC SORP.

Unquoted loan stock is classified as loans and receivables in accordance with FRS 26 and carried at amortised cost using the effective interest rate method. Movements in the amortised cost relating to interest income are reflected in the revenue column of the Statement of Total Return and movements in respect of capital provisions are reflected in the capital column of the Statement of Total Return. Loan stock accrued interest is recognised in the Balance Sheet as part of the carrying value of loans and receivables at the end of the reporting period.

Investments are recognised as financial assets on legal completion of the investment contract and are de-recognised on legal completion of the sale of an investment.

It is not the Company's policy to exercise control or significant influence over investee companies. Therefore, in accordance with the exemptions under FRS 9, those investments in which the Company holds more than 20% of the equity are not regarded as associated undertakings.

Investment income

Dividends receivable on equity investments are taken to revenue on an ex-dividend basis. Fixed returns on debt securities are recognised on a time apportionment basis using an effective interest rate over the life of the financial instrument.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

2. Accounting policies (continued)

Investment management fees and other expenses
All expenses have been accounted for on an accruals basis. Expenses are charged through the revenue account except the following which are charged through the realised capital reserve:

- 75% of management fees and performance fees, net of corporation tax, is allocated to the capital account to the extent that these relate to an enhancement in the value of investments and in line with the Boards' expectation that over the long term 75% of the Company's investment returns will be in the form of capital gains.
- Expenses which are incidental to the purchase or disposal of an investment are charged through the realised capital reserve.

Debtors and creditors
- Trade debtors – Other debtors do not carry any interest and are short term in nature and are accordingly stated at their normal value as reduced by appropriate allowances for estimated irrecoverable amounts. The Directors consider that the carrying amount of trade and other debtors approximates their fair value.
- Trade creditors – Other creditors are non-interest bearing and are stated at their normal value. The Directors consider that the carrying amount of trade creditors approximates to their value.

Issue costs
Issue costs associated with the allotment of share capital have been deducted from the share premium account in accordance with FRS 25.

Taxation
Taxation is applied on a current basis in accordance with FRS 16. Taxation associated with capital expenses is applied in accordance with the SORP. In accordance with FRS 19, deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. The specific nature of taxation of venture capital trusts mean that it is unlikely that any deferred tax will arise. The directors have considered the requirements of FRS 19 and do not believe that any provision should be made.

Reserves

Realised capital reserve
The following are disclosed in this reserve:

(i) gains and losses on the realisation of investments; and

(ii) expenses, together with the related taxation effect, charged in accordance with the above policies.

Unrealised capital reserve
The following are disclosed in this reserve:

(i) increases and decreases in the valuation of investments held at the period end.

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

Dividends
In accordance with FRS 21 "Events after the balance sheet date", dividends declared by the Company are accounted for in the period in which the dividend has been approved. Comparative figures for the previous year have been restated as detailed in note 3.

C Shares
Until such time that C Shares are converted into Ordinary Shares in 2007, all investments and returns attributable to this class of share will be separately identifiable from the existing Ordinary Shares. All residual expenses will be allocated on the basis of total funds raised for each class of share.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

3. Restatement and adjustment to revenue and unrealised capital reserves as at 31 December 2004

Under the terms of the transitional provisions contained within FRS 26, the opening balances for revenue and unrealised capital reserves at 1 January 2005 in relation to the carrying value of loans and receivables and equity investment valuations have been adjusted to reflect the impact of the adoption of FRS 26.

The adoption of FRS 26 has resulted in a decrease in unrealised capital reserves and a decrease in the carrying value of the equity investment at 1 January 2005 as a result of moving from mid to bid value. In addition it has resulted in a decrease in the Ordinary Share revenue reserve and an increase in the C Share revenue reserve as at 1 January 2005 as a result of the adjustment to the treatment of loan stock investment now held at amortised cost as determined by the Effective Interest Rate ("EIR") method.

In accordance with FRS 21, comparatives for revenue reserves at 31 December 2004 have been restated in recognition of a change in accounting policy. The adoption of FRS 21 has resulted in a decrease in the distribution liability as a result of the de-recognition of proposed dividends thereon and an increase in the revenue reserves as at 31 December 2004.

A reconciliation of reserves incorporating the adjustments and restatements required by the adoption of FRS 21 and FRS 26 is illustrated below:

Reconciliation of revenue reserves

	Ordinary Shares £'000	C Shares £'000
Revenue reserves previously reported at 31 December 2004	182	50
Restatement as required by adoption of FRS 21 – change in accounting for dividends	306	445
Restated revenue reserve at 31 December 2004	488	495
Adjustment as required by adoption of FRS 26 – change in valuation of loan stock investment to amortised cost using the EIR method	(55)	40
Revenue reserves as at 1 January 2005 as adjusted	**433**	**535**

Reconciliation of unrealised capital reserves

	Ordinary Shares £'000	C Shares £'000
Unrealised capital reserves previously reported at 31 December 2004	1,679	1,272
Adjustment as required by adoption of FRS 26 – change in valuation of AIM quoted investments to bid price	(39)	(10)
Unrealised capital reserves as at 1 January 2005 as adjusted	**1,640**	**1,262**

4. Gains on investments

	Year ended 31 December 2005			Year ended 31 December 2004		
	Ordinary Shares £'000	C Shares £'000	Total £'000	Ordinary Shares £'000	C Shares £'000	Total £'000
Realised gains	1,526	1,262	2,788	132	32	164
Unrealised (losses)/gains	(19)	445	426	2,345	1,337	3,682
Costs of disposal	(84)	(69)	(153)	(14)	(3)	(17)
	1,423	**1,638**	**3,061**	**2,463**	**1,366**	**3,829**

NOTES TO THE FINANCIAL STATEMENTS
(continued)

5. Investment income

	Year ended 31 December 2005 Ordinary Shares £'000	C Shares £'000	Total £'000	Year ended 31 December 2004 Ordinary Shares £'000	C Shares £'000	Total £'000
Income from investments						
Return on investments	525	524	1,049	1,032	573	1,605
Other income						
Deposit income	145	207	352	88	200	288
FRN income	–	349	349	–	324	324
Dividend income	26	12	38	1	–	1
	696	**1,092**	**1,788**	**1,121**	**1,097**	**2,218**

6. Investment management fee

	Year ended 31 December 2005 Ordinary Shares £'000	C Shares £'000	Total £'000	Year ended 31 December 2004 Ordinary Shares £'000	C Shares £'000	Total £'000
Charged to revenue	88	127	215	76	101	177
Charged to capital	263	382	645	229	303	532
	351	**509**	**860**	**305**	**404**	**709**

Total management fees for the year ended 31 December 2005 include irrecoverable VAT amounting to approximately £128,000, (2004: £106,000). Further details of the Management Agreement under which the investment management fee is paid are given in the Report of the Directors on pages 14 to 16.

7. Other expenses

	Year ended 31 December 2005 Ordinary Shares £'000	C Shares £'000	Total £'000	Year ended 31 December 2004 Ordinary Shares £'000	C Shares £'000	Total £'000
Directors' fees (see note 8)	42	52	94	34	43	77
Auditors' remuneration - audit fees	9	11	20	9	11	20
Other	26	39	65	38	62	100
	77	**102**	**179**	**81**	**116**	**197**

8. Directors' fees

The amounts paid to Directors during the year are as follows:

	Year ended 31 December 2005 Ordinary Shares £'000	C Shares £'000	Total £'000	Year ended 31 December 2004 Ordinary Shares £'000	C Shares £'000	Total £'000
Directors' fees	36	46	82	31	39	70
National Insurance and/or VAT	4	6	10	2	4	6
Expenses	2	–	2	1	–	1
	42	**52**	**94**	**34**	**43**	**77**

Expenses charged relate to travel expenses in furtherance of their duties as Directors. Further information regarding Directors' remuneration can be found on the Directors' Remuneration Report on pages 19 and 20.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

9. Tax on ordinary activities

	Year ended 31 December 2005			Year ended 31 December 2004		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
UK Corporation tax at 30%	191	–	191	388	–	388
Tax attributable to capital expenses	212	(212)	–	165	(165)	–
	403	**(212)**	**191**	**553**	**(165)**	**388**

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30%. The actual tax charge for the current and previous year is below the standard rate for the reasons set out in the following reconciliation:

	Year ended 31 December 2005			Year ended 31 December 2004		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Return before taxation	1,393	2,418	3,811	1,844	3,297	5,141
Tax on profit at the standard rate	418	725	1,143	553	989	1,542
Factors affecting the charge						
Non-taxable gains	–	(937)	(937)	–	(1,154)	(1,154)
Marginal relief	(15)	–	(15)	–	–	–
	403	**(212)**	**191**	**553**	**(165)**	**388**

Notes

(i) Venture Capital Trusts are not subject to corporation tax on capital gains

(ii) Tax relief on expenses charged to capital has been determined by allocating tax relief to all expenses proportionately by reference to the applicable corporation tax rate of 30% and allocating relief in accordance with the SORP.

(iii) No deferred tax asset or liability has arisen in the year.

10. Amounts recognised as distributions to equity shareholders in the period

	Year ended 31 December 2005		Year ended 31 December 2004	
	Ordinary Shares £'000	C Shares £'000	Ordinary Shares £'000	C Shares £'000
Dividends on equity shares:				
2004 final revenue paid of 2.20p per Ordinary share and 2.40p per C share.	305	446	320	104
First Interim revenue paid of 1.80p per Ordinary share and 0.80p per C share	248	149	257	129
First Interim capital paid of 1.00p per C share	–	186	–	–
Second Interim revenue paid of 1.20p per Ordinary share and 1.70p per C share	160	312	–	–
Total dividends	**713**	**1,093**	**577**	**233**

NOTES TO THE FINANCIAL STATEMENTS
(continued)

11. Basic and diluted return per share

	Year ended 31 December 2005 Revenue	Capital	Total	Year ended 31 December 2004 Revenue	Capital	Total
Ordinary Shares	2.8p	9.1 p	11.9p	4.7p	16.1p	20.8p
C Shares	3.3p	7.5p	10.8p	3.6p	6.8p	10.4p

Ordinary Shares
Revenue return per share is based on the net revenue profit on ordinary activities after taxation but before deduction of dividends and other appropriations of £381,000 (2004: £675,000) in respect of the weighted number of shares in issue during the year, being 13,629,952 shares (2004: 14,298,916 shares).

Capital return per ordinary share is based on net capital gain for the financial year of £1,245,000 (2004: £2,306,000) and based on the same weighted average number of shares as for revenue return shown above.

C Shares
Revenue return per share is based on the net revenue profit on ordinary activities after taxation but before deduction of dividends and other appropriations of £610,000 (2004: £616,000) in respect of the weighted number of shares in issue during the period, being 18,448,357 shares (2004: 16,981,079).

Capital return per ordinary share is based on net capital gain for the financial period of £1,383,000 (2004: £1,156,000) and based on the same weighted average number of shares as for revenue return shown above.

There are no convertible instruments, derivatives or contingent share agreements in issue for Close Brothers Development VCT PLC and hence no dilution effecting the return per share. The basic return per share is therefore the same as the diluted return per share.

12. Fixed asset investments

	31 December 2005 £'000	31 December 2004 £'000
Ordinary Shares		
Investments quoted on AIM	2,393	2,502
Unlisted investments	6,412	5,201
	8,805	7,703
Adjustment as required by adoption of FRS 26 – change in valuation of unlisted loan stock investment to amortised cost using the EIR method (see note 3)	–	(55)
Adjustment as required by adoption of FRS 26 – change in valuation of AIM quoted investments to bid price (see note 3)	–	(39)
Total	**8,805**	**7,609**

NOTES TO THE FINANCIAL STATEMENTS
(continued)

12. Fixed asset investments (continued)

	Qualifying AIM £'000	Qualifying asset based £'000	Non-qualifying £'000	Total £'000
Opening book cost	534	5,132	–	5,666
Adjusted opening unrealised (loss)/profit	1,932	(292)	–	1,640
Opening accrued amortised loan stock interest	–	303	–	303
Adjusted opening valuation	**2,466**	**5,143**	**–**	**7,609**
Purchases at cost	–	1,895	–	1,895
Reclassification from qualifying to non-qualifying	–	(60)	60	–
Sales proceeds	–	(2,264)	–	(2,264)
Realised gain/(loss) for the year	–	1,442	–	1,442
Movement in loan stock carrying value	–	141	–	141
Unrealised (loss)/profit for the year	(73)	68	(14)	(19)
Closing valuation	**2,393**	**6,366**	**46**	**8,805**
Closing book cost	534	6,145	60	6,740
Accrued amortised loan stock interest	–	444	–	444
Closing unrealised (loss)/profit	1,859	(224)	(14)	1,621
Closing valuation	**2,393**	**6,366**	**46**	**8,805**
Gains/(losses) on investments				
Net movement in realised profit/(loss) in the year	–	1,442	–	1,442
Net movement in unrealised (loss)/profit in the year	(73)	68	(14)	(19)
(Losses)/gains on investments in the year	**(73)**	**1,510**	**(14)**	**1,423**

	31 December 2005 £'000	31 December 2004 £'000
C Shares		
Investments quoted on AIM	625	6,643
Unlisted investments	16,535	7,654
	17,160	14,297
Adjustment as required by adoption of FRS 26 – change in valuation of unlisted loan stock investment to amortised cost using the EIR method (see note 3)	–	40
Adjustment as required by adoption of FRS 26 – change in valuation of AIM quoted investments to bid price (see note 3)	–	(10)
Total	**17,160**	**14,327**

NOTES TO THE FINANCIAL STATEMENTS
(continued)

12. Fixed asset investments (continued)

	Qualifying AIM £'000	Qualifying asset based £'000	Non-qualifying £'000	Total £'000
Opening book cost	263	5,506	7,229	12,998
Adjusted opening unrealised (loss)/profit	380	882	–	1,262
Opening accrued amortised loan stock interest	–	67	–	67
Adjusted opening valuation	**643**	**6,455**	**7,229**	**14,327**
Purchases at cost	–	3,320	585	3,905
Sales proceeds	–	(2,836)	–	(2,836)
Realised gain/(loss) for the year	–	1,193	–	1,193
Movement in loan stock carrying value	–	126	–	126
Unrealised (loss)/profit for the year	(18)	575	(110)	445
Closing valuation	**625**	**8,833**	**7,704**	**17,160**
Closing book cost	263	7,183	7,814	15,260
Accrued amortised loan stock interest	–	193	–	193
Closing unrealised (loss)/profit	362	1,457	(110)	1,707
Closing valuation	**625**	**8,833**	**7,704**	**17,160**
Gains/(losses) on investments				
Net movement in realised profit/(loss) in the year	–	1,193	–	1,193
Net movement in unrealised (loss)/profit in the year	(18)	575	(110)	445
(Losses)/gains on investments in the year	**(18)**	**1,768**	**(110)**	**1,638**

13. Significant interests

The Company has interests of greater than 20% of the nominal value of the allotted shares of any class of shares in the investee companies as at 31 December 2005 as described below:

Company	Country of incorporation	Principle activity	% class and share type	% voting rights
Grosvenor Health Ltd	Great Britain	Occupational health provider	63% A ordinary	32%
Peakdale Molecular Ltd	Great Britain	Researcher of chemical compounds	60% A ordinary	11%
Consolidated Communications Management Ltd	Great Britain	Public relations agency	50% A ordinary	11%
Smiles Pub Company Ltd	Great Britain	Owner of Smiles Brewery	48% A ordinary	48%
Smiles Brewing Company Ltd	Great Britain	Owner of Smiles real ale brand	48% A ordinary	48%
Evolutions Television Ltd	Great Britain	Television post production	36% A ordinary	16%
The Q Garden Company Ltd	Great Britain	Garden centre operator	33% A ordinary	17%
Grosvenor Health Ltd	Great Britain	Occupational health provider	32% ordinary	32%
Lowcosttravelgroup Ltd	Great Britain	On line travel	22% A ordinary	3%

As permitted by FRS 9, the investments listed below are held as a part of an investment portfolio and their value to the Company is through their marketable value as part of a portfolio of investments. Therefore these investments are not considered to be associated undertakings.

The Company holds 18% of the equity in Careforce Group plc, a company listed on The London Stock Exchange. This is valued at bid price at the year end, in accordance with note 2.

	% holding in Careforce Group plc	Value £'000
Ordinary Shares	14%	2,393
C Shares	4%	625
	18%	**3,018**

NOTES TO THE FINANCIAL STATEMENTS
(continued)

14. Debtors

	31 December 2005			31 December 2004		
	Ordinary Shares £'000	C Shares £'000	Total £'000	Ordinary Shares £'000	C Shares £'000	Total £'000
Prepayments and accrued income	28	55	83	4	110	114
Interclass debtor	69	–	69	100	–	100
Other debtors	14	–	14	82	–	82
	111	**55**	**166**	**186**	**110**	**296**

15. Creditors: amounts falling due within one year

	31 December 2005			31 December 2004		
	Ordinary Shares £'000	C Shares £'000	Total £'000	Ordinary Shares £'000	C Shares £'000	Total £'000
UK corporation tax payable	65	128	193	372	166	538
Interclass creditor	–	69	69	–	100	100
Accruals and deferred income	136	193	329	113	150	263
	201	**390**	**591**	**485**	**416**	**901**

16. Share Capital

	31 December 2005 £'000	31 December 2004 £'000
Ordinary Shares		
Authorised:		
25,000,000 Ordinary Shares of 50p each	12,500	12,500
Allotted, called-up and fully-paid:		
13,355,781 Ordinary Shares of 50p each (2004: 13,928,712 Ordinary Shares of 50p each)	6,678	6,964
C Shares		
Authorised:		
25,000,000 C Ordinary Shares of 50p each	12,500	12,500
Allotted, called-up and fully-paid:		
18,302,472 C Ordinary Shares of 50p each (2004: 18,555,100 C Ordinary Shares of 50p each)	9,151	9,278

During the year to 31 December 2005, the Company purchased for cancellation a total of 572,931 of its own Ordinary Shares, representing 4.1% of the Ordinary Shares in issue as at 1 January 2005. These purchases cost £514,000 including stamp duty, and were funded from the Ordinary Shares special reserve. The Company also purchased for cancellation a total of 252,628 of its own C Shares, representing 1.4% of the C Shares in issue as at 1 January 2005. These purchases cost £236,000 including stamp duty, and were funded from the C Shares special reserve.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

17. Reserves

	Share premium £'000	Special reserve £'000	Capital redemption reserve £'000	Realised capital reserve £'000	Unrealised capital reserve £'000	Revenue reserve £'000
Ordinary Shares						
At 31 December 2004 (restated for FRS 21)	48	5,991	420	(2,206)	1,679	488
Adjustment to balances at 1 January 2005 for FRS 26 (note 3)	–	–	–	–	(39)	(55)
Cancellation of own shares	–	(514)	286	–	–	–
Gains/(losses) on investments	–	–	–	1,442	(19)	–
Retained net capital account	–	–	–	(178)	–	–
Retained net revenue	–	–	–	–	–	(332)
At 31 December 2005	**48**	**5,477**	**706**	**(941)**	**1,621**	**101**

	Share premium £'000	Special reserve £'000	Capital redemption reserve £'000	Realised capital reserve £'000	Unrealised capital reserve £'000	Revenue reserve £'000
C Shares						
At 31 December 2004 (restated for FRS 21)	3,160	5,100	93	(362)	1,272	495
Adjustment to balances at 1 January 2005 for FRS 26 (note 3)	–	–	–	–	(10)	40
Cancellation of own shares	–	(236)	126	–	–	–
Gains on investments	–	–	–	1,193	445	–
Retained net capital account	–	–	–	(441)	–	–
Retained net revenue	–	–	–	–	–	(297)
At 31 December 2005	**3,160**	**4,864**	**219**	**393**	**1,707**	**238**

18. Net asset value per share

The net asset values per share at the year end calculated in accordance with the Articles of Association were as follows, based upon 13,355,781 Ordinary Shares and 18,302,472 C Shares in issue at 31 December 2005, (2004: 13,928,712 Ordinary Shares and 18,555,100 C Shares).

	31 December 2005		31 December 2004	
	Ordinary Shares	C Shares	Ordinary Shares	C Shares
Net asset value per share attributable (pence)	102.5	107.8	96.1	102.6

19. Reconciliation of movements in shareholders' funds

	Year ended 31 December 2005		Year ended 31 December 2004	
	Ordinary Shares £'000	C Shares £'000	Ordinary Shares £'000	C Shares £'000
Opening shareholders' funds (restated for FRS 21)	13,384	19,036	11,406	10,984
Adjustment to opening reserves for FRS 26 (note 3)	(94)	30	–	–
(Decrease)/increase in share capital	(286)	(126)	(300)	3,419
Increase in share premium	–	–	–	3,160
Cancellation of own shares	(227)	(108)	(126)	(66)
Total return to shareholders before dividends	1,626	1,993	2,981	1,772
Dividends	(713)	(1,093)	(577)	(233)
Closing shareholders' funds	**13,690**	**19,732**	**13,384**	**19,036**

NOTES TO THE FINANCIAL STATEMENTS
(continued)

20. Analysis of changes in cash during the year

	Year ended 31 December 2005 Ordinary Shares £'000	Year ended 31 December 2005 C Shares £'000	Year ended 31 December 2004 Ordinary Shares £'000	Year ended 31 December 2004 C Shares £'000
Beginning of the year	5,980	5,045	2,468	2,792
Net cash inflow	(1,005)	(2,138)	3,512	2,253
End of the year	**4,975**	**2,907**	**5,980**	**5,045**

21. Reconciliation of net return on ordinary activities before taxation to net cash inflow from operating activities

	Year ended 31 December 2005 Ordinary Shares £'000	Year ended 31 December 2005 C Shares £'000	Year ended 31 December 2004 Ordinary Shares £'000	Year ended 31 December 2004 C Shares £'000
Return on ordinary activities before taxation	531	863	964	880
Investment management fee charged to capital	(263)	(382)	(229)	(303)
Movement in loan stock carrying value	(141)	(66)	392	(18)
Decrease/(increase) in debtors	(199)	135	(114)	(64)
Decrease in creditors	19	25	2	143
Net cash (outflow)inflow from operating activities	**(53)**	**575**	**1,015**	**638**

22. Financial instruments and risk management

The Company's financial assets comprise equity and loan stock investments in predominantly unquoted companies, loan investments listed on recognised exchanges, cash balances and short term debtors which arise from its operations. The main purpose of these financial instruments is to generate revenue and capital appreciation for the Company's operations. The company has no financial liabilities other than short term creditors. The Company does not use any derivatives.

The principal risks arising from the Company's operations are:
- market and investment price risk (which includes fair value interest rate risk, foreign currency exposure risk and credit risk);
- liquidity risk; and
- cash flow interest rate risk.

The Board regularly reviews and agrees policies for managing each of these risks and they are summarised below.

Market price risk
As a venture capital trust, it is the Company's specific nature to evaluate and control the investment risk of its portfolio in unquoted investments, details of which are shown on pages 8 to 13. The Manager monitors this risk on an ongoing basis, and the Board reviews these risks on a formal basis when investments are made and at Board meetings.

Foreign currency exposure risk
As at 31 December 2005 the Company had no foreign currency exposures (2004: £nil), and hence the Board considers that the Company has no currency risk.

Fair value interest rate risk
The majority of investments are unquoted equities and hence not subject to market movements as a result of interest rate movements.

Credit risk
The Manager evaluates credit risk on loan stock instruments prior to investment, and as part of its ongoing monitoring of investments. Typically all loan stock instruments have a first charge of the assets of the investee company.

Investment in loan investments (FRNs) listed on a recognised exchange are only made in AA Moodys credit rated instruments.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

22. Financial instruments and risk management (continued)

Investment price risk

As a venture capital trust, it is the Company's specific business to price, evaluate and control the investment risk in its portfolio of unquoted companies, the results of which are detailed in the Chairman's statement on pages 3 and 4. To mitigate investment risk, the investment strategy of the Company is to invest in a broad spread of industries, with approximately two thirds of the investment comprising debt securities, which, owing to the structure of their yield, have a lower level of price volatility than equity. Details of the industries in which investments have been made are contained in the Portfolio of Investments section on pages 8 to 13.

Liquidity risk

The Company had no committed borrowing facilities as at 31 December 2005 (2004: £nil) and had cash balances of £7,882,517, together with £7,005,400 invested in FRNs which the Board considers as readily realisable at market value. The main cash outflows are for investments, which are within the control of the Company.

In view of this, the Company is subject to low liquidity risk.

Cash flow interest rate risk

It is the Company's policy to accept a degree of interest rate risk on its financial assets through the effect of interest rate changes. 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 period to 31 December 2005 by approximately 7%, (2004: 1%).

The weighted average interest rate applied to the Company's fixed rate assets during the year was approximately 11% for the Ordinary Shares and 13% for the C Shares. The weighted average period to maturity for the fixed rate assets is approximately four years for the Ordinary Shares and approximately four years for the C Shares (2004: four years for the Ordinary shares and approximately five years in respect of the C Shares.)

Fair values of financial assets and financial liabilities

All the Company's financial assets and liabilities as at 31 December 2005 are stated at fair value, with the exception of loans and receivables, carried at amortised cost in accordance with FRS 26. See note 2 of the financial statements for the relevant accounting policies.

The Company's financial assets at 31 December 2005, all denominated in pounds sterling, consist of the following;

Ordinary Shares	**Fixed rate £'000**	**Floating rate £'000**	**Non-interest bearing £'000**	**Total £'000**
Equity	–	–	4,080	4,080
Loan stock	2,316	2,409	–	4,725
Debtors	–	–	111	111
Cash	–	3,149	1,826	4,975
Total assets	**2,316**	**5,558**	**6,017**	**13,891**

C Shares	**Fixed rate £'000**	**Floating rate £'000**	**Non-interest bearing £'000**	**Total £'000**
Equity	–	–	4,552	4,552
Loan stock	3,971	1,632	–	5,603
Floating rate notes	–	7,005	–	7,005
Debtors	–	–	55	55
Cash	–	2,907	–	2,907
Total assets	**3,971**	**11,544**	**4,607**	**20,122**

NOTES TO THE FINANCIAL STATEMENTS
(continued)

22. Financial instruments and risk management (continued)

The Company's financial liabilities are all non-interest bearing. It is the Directors' opinion that the fair value of the financial liabilities approximates the book value and are all payable within one year.

The maturity profile of loan stock investments held at amortised cost is as follows:

	Ordinary Shares 31 December 2005 £'000	C Shares 31 December 2005 £'000
Less than six months	1,683	–
1-2 years	36	–
2-3 years	–	–
3-5 years	3,006	5,603
Total	**4,725**	**5,603**

The contractual repricing profile of the floating rate notes held in the C Share portfolio is as follows:

	£'000
Less than one year	**7,005**

23. Contingencies, guarantees and financial commitments

Close Brothers Development VCT PLC Ordinary shares have a future commitment to The Weybridge Club Limited of £200,000.

Close Brothers Development VCT PLC C Shares have a future commitment to Evolutions Television Limited of £1.3 million. These funds are held as third party security for a bank loan granted to Evolutions Television Limited and appear as part of the cash balance in the Balance Sheet.

24. Post balance sheet events

The following investments have completed since 31 December 2005:

- £180,000 from the Ordinary Shares and £280,000 from the C Shares into RFI Global Services Limited.
- A further £75,000 from the Ordinary Shares and £25,000 from the C Shares into Peakdale Molecular Limited.
- A further £40,000 from the Ordinary Shares and £60,000 from the C Shares of Grosvenor Health Limited loan stock.
- A further £68,000 from the C Shares into Smiles Pub Company Limited.
- £280,000 from the Ordinary Shares and £460,000 from the C Shares into Blackbay Group Limited.

25. Related party transactions

The Manager, Close Venture Management Limited, is considered to be a related party, by virtue of the fact that it is party to a management contract from the Company (details disclosed on page 15 of this report). During the year, services of a total value of £860,000 were purchased by the Company from Close Venture Management Limited. At the financial year end, the amount due to Close Venture Management Limited disclosed as accruals and deferred income was £329,000.

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 3 May 2006 for the purpose of dealing with the following business, of which items 5 to 8 are 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 2005.
2. To reappoint Deloitte & Touche LLP as Auditors for the ensuing year and to authorise the Directors to fix their remuneration.
3. To reappoint the following Directors who retire by rotation:

   (a) Roderick Davidson
   (b) Jonathan Thornton
   (c) Frank Malcolm
   (d) David Pinckney

4. To approve the Directors' remuneration report for the year ended 31 December 2005.

Special Business

5. To approve the proposed amendment to the Company's investment policy, as set out in the Circular to Shareholders dated 16 March 2006.
6. To consider and, if thought fit, pass the following resolution as an ordinary resolution:

   That the Directors be generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (the "Act") to allot relevant securities (within the meaning of section 80(2) of the Act) up to a maximum aggregate nominal amount of £1,582,913 which comprises 10% of the Ordinary Share capital (equal to £667,789) and 10% of the C Share capital (equal to £915,124), such authority to expire on 3 May 2011, but so that the Company may, before the expiry of such period, make an offer or agreement which would or might require relevant securities to be allotted after the expiry of such period and the Directors may allot relevant securities pursuant to such an offer or agreement as if the authority had not expired.

7. To consider and, if thought fit, pass the following resolution as a special resolution:

   That subject to and conditional on the passing of resolution number 6, the directors be empowered, pursuant to section 95 of the Act, to allot equity securities (within the meaning of section 94 (2) to section 94 (3A) of the Act) for cash pursuant to the authority conferred by resolution number 6 as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

   (a) in connection with an offer of such securities by way of rights issue; and

   (b) otherwise than pursuant to sub-paragraph above up to an aggregate nominal amount of £1,582,913 equal to 10% of the Ordinary Share capital (equal to £667,789) and 10% of the C Share capital (equal to £915,124);

   and shall expire on 3 May 2011, save that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement as if the power had not expired.

NOTICE OF MEETING
(continued)

In this resolution, 'rights issue' means an offer of equity securities open for acceptance for a period fixed by the directors to holders on the register on a fixed record date in proportion as nearly as may be to their respective holdings, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with any fractional entitlements or legal or practical difficulties under the laws of, or the requirement of any recognised regulatory body or any stock exchange in, any territory.

This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 94(3A) of the Act as if in the first paragraph of the resolution the words "pursuant to the authority conferred by resolution number 6" were omitted.

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

8. 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 ("Ordinary Shares") and C Shares of 50p each ("C Shares") in the capital of the Company provided that:

   (a) the maximum aggregate number of shares authorised to be purchased is 1,335,578 Ordinary Shares and 1,830,247 C Shares (representing 10% of the current issued share capital of each class);

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

   (c) the maximum price that may be paid on the exercise of this authority will not exceed the higher of (a) 105% of the average of the middle market quotations for the shares over the five business days immediately preceding the date of purchase; and (b) the higher of the price of the last independent trade and the highest independent bid on the London Stock Exchange;

   (d) this authority expires at the conclusion of the next Annual General Meeting of the Company or 18 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

Close Venture Management Limited
Company Secretary

Registered Office:
10 Crown Place
London EC2A 4FT

29 March 2006

NOTICE OF MEETING
(continued)

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 41 of the Uncertificated Securities Regulations 2001 specifies that only those shareholders registered in the register of members of the Company as at 12:30 p.m on 1 May 2006 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 1 May 2006 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 3 May 2006 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.