

CLOSE BROTHERS

Development
VCT PLC

Interim Report
for the six months to
30 June 2006



**Interim Report
for the six months to
30 June 2006
(Unaudited)**

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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 Tel: 0870 162 3100
Independent reporting accountants	Deloitte & Touche LLP London
Taxation adviser	Ernst & Young LLP 1 More London Place London SE1 2AF
Company No.	3654040



CHAIRMAN'S STATEMENT

Introduction

The investment strategy of the Company is to establish a diversified portfolio of holdings in smaller unquoted companies whilst at the same time selecting and structuring investments in such a way as to limit the risk normally associated with investments in these companies. Following the amendments to the Company's investment policy, approved at the Annual General Meeting held in May of this year, the portfolio also includes a limited number of higher risk companies which the Board believes have greater growth prospects.

Investment review

Ordinary share portfolio

After the strong performance of the last two years, where the recovery in the net asset value of the Ordinary shares was driven in large part by three successful trade sales and a flotation, the first six months of this year has been a period of consolidation. This resulted in a negative return for the period of 6.8 pence per share, the majority of which was caused by the reduction in the share price of our holding in Careforce plc which is quoted on AIM. In addition, partial provision has been made against two investments, Peakdale Molecular and Evolutions Television, where previous strong growth slowed in the early months of the year (these have been reduced to around cost). Other businesses, however, have performed promisingly, in particular The Bold Pub Company, where a strong return is being achieved on its 30 freehold pubs in the Northwest of England, and Lowcosttravelgroup, the online travel business, where sales have increased sharply since our investment in 2005.

C share portfolio

The C share portfolio showed a negative return for the period of 1.4 pence per share for similar reasons to those stated for the Ordinary shares. The portfolio is now nearing its required 70 per cent. investment level with some £1.2 million invested during the period with further investments in progress. Key new investments, which were shared with the Ordinary share portfolio, included RFI Global Services, which provides testing facilities to mobile phone manufacturers worldwide, Blackbay, which provides systems for field force and supply chain logistics, and Dexela, which has designed a potentially revolutionary form of imaging system for the screening of breast cancer.

Results and dividends

As at 30 June 2006 the net asset value of the company's Ordinary shares was £12.4 million or 95.0 pence per share (2005: £13.1 million or 96.8 pence per share). Net income after taxation was £201,000 (2005: £180,000). It is currently anticipated that the Directors will be able to declare a second dividend for the year of 2 pence per Ordinary share which is expected to be announced in November.

As at 30 June 2006 the net asset value of the C shares was £19.0 million or 105.0 pence per share (2005: £19.3 million or 104.9 pence per share). It is currently anticipated that the Directors will be able to declare a second dividend for the C shares of 3 pence per year per share, which is also expected to be announced in November.

Shareholders are reminded that the Ordinary shares and C shares will merge after the end of this financial year, with the C shares converting to the Ordinary shares in the ratio of their respective net asset values. We will be writing to you further on this subject in due course.

Roderick Davidson

Chairman

20 September 2006



FINANCIAL HIGHLIGHTS

The following is the total return of the Company since launch in January 1999.

Shareholder value per share since launch:	Ordinary shares Pence per share⁽ⁱⁱ⁾	C shares 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
Dividends paid during the six months to 30 June 2006	1.00	1.50
	<hr/>	<hr/>
	26.75	10.15
Net asset value at 30 June 2006	<hr/>	<hr/>
	95.04	105.02
Total cumulative return at 30 June 2006	<hr/>	<hr/>
	121.79	115.17

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.



PORTFOLIO SUMMARY

ORDINARY SHARE PORTFOLIO

Qualifying investments

Company	Equity owned	Invested at cost £'000	Cumulative movement in carrying/ fair value £'000	Total carrying/ fair value £'000
Careforce Group Plc (AIM quoted) Careforce Group was established in 1999 to build a group providing home care services to the elderly. The company floated on AIM in November 2004 and has since made four acquisitions.	14%	534	1,329	1,863
Peakdale Molecular Limited Peakdale Molecular is principally engaged in research, processing and the supply of chemical compounds to major pharmaceutical companies. It operates from a substantial freehold site in Chapel-en-le-Frith, Derbyshire.	8%	1,139	(92)	1,047
Consolidated Communications Management Limited Consolidated Communications is a management buy-out of an established public relations company, formed in 1991, with a broad range of 'blue chip' clients.	11%	1,000	93	1,093
The Q Garden Company Limited Q Garden Company owns a seven acre garden centre in Fareham, Hampshire.	17%	1,032	(522)	510
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.	5%	50	5	55
City Screen (Brixton) Limited The company was formed to acquire and operate the freehold 'Ritzzy' cinema in Brixton, London, in August 2005.	4%	150	8	158



PORTFOLIO SUMMARY
(continued)

Qualifying investments continued

Company	Equity owned	Invested at cost £'000	Cumulative movement in carrying/ fair value £'000	Total carrying/ fair value £'000
City Screen (Exeter) Limited The company was formed to acquire and operate the freehold cinema in Exeter in September 2005.	4%	60	1	61
Lowcosttravelgroup Limited The company owns and operates Lowcostbeds.com, which is an online travel business specialising in dynamic packages to the Mediterranean.	1%	130	5	135
The Dunedin Pub Company Limited This company was formed to acquire and operate the freehold of a pub called The Bridge Inn, Ratho near Edinburgh, in November 2005.	3%	80	–	80
The Independent Beer Company Limited The company was formed to acquire and operate the 'Ring O' Bells' pub in Maidenhead, Berkshire in July 2005.	4%	90	(18)	72
The Rutland Pub Company Limited The company was formed to acquire and operate the freehold Blue Ball pub in Rutland, Leicestershire, in November 2005 and has since acquired further freehold public houses.	3%	120	6	126
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 opened in May 2006.	3%	215	2	217
RFI Global Services Limited The company provides testing facilities to mobile phone manufacturers worldwide.	1%	180	–	180
Blackbay Group Limited The company provides systems and software for field force and supply chain logistics.	3%	280	1	281



PORTFOLIO SUMMARY
(continued)

Qualifying investments continued

Company	Equity owned	Invested at cost £'000	Cumulative movement in carrying/ fair value £'000	Total carrying/ fair value £'000
Dexela Limited				
The company has developed and is in the process of commercialising a potentially revolutionary form of imaging for the screening of breast cancer.	2%	65	–	65
The Bold Pub Company Limited				
The Bold Pub Company was formed in February 2004 and owns 30 freehold and long leasehold pubs in the north west of England.	3%	400	71	471
Grosvenor Health Limited				
Grosvenor Health was formed in March 2004 to acquire the UK occupational healthcare business of Capio, which provides healthcare services to large corporates.	6%	475	343	818
CS (Greenwich) Limited				
CS (Greenwich) was established to own and operate a five screen 'art house' cinema in Greenwich.	2%	110	(11)	99
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 TV production companies, including the BBC and large independents. It operates from its own freehold premises north of Oxford Street, London. The investment was made in December 2004, and the company has since made two acquisitions.	5%	730	(19)	711
Churchill Taverns Limited				
The company was formed to acquire "Ye Three Fyshes" public house in the village of Turvey, near Bedford, which had previously ceased trading and has since acquired further freehold public houses.	4%	160	7	167



PORTFOLIO SUMMARY
(continued)

Qualifying investments continued

Company	Equity owned	Invested at cost £'000	Cumulative movement in carrying/ fair value £'000	Total carrying/ fair value £'000
GB Pub Company VCT Limited				
The company was formed to acquire freehold pubs in Devon and the south west. It acquired its first two sites in Bideford, North Devon in June 2005 and has since acquired a further unit in Newton Abbott.	4%	170	(10)	160
The Independent Pub Company (VCT) Limited				
The Independent Pub Company (VCT) Limited was set up to acquire The Pelican Inn near Hungerford in December 2004.	3%	60	(18)	42
Weybridge Limited				
The company was formed to develop, own and operate a health and fitness club on a 30 acre site in Weybridge, Surrey, which is due to open in April 2007.	3%	300	2	302
Total investments held at 30 June 2006		7,530	1,183	8,713

C SHARE PORTFOLIO

Qualifying investments

Careforce Group Plc (AIM quoted)

Further financing. 4% 263 224 487

Peakdale Molecular Limited

Further financing. 3% 158 (101) 57

The Bold Pub Company Limited

Further financing. 12% 1,440 270 1,710

Grosvenor Health Limited

Further financing. 26% 1,630 1,452 3,082

CS (Greenwich) Limited

Further financing. 13% 650 (61) 589

Evolutions Television Limited

Further financing. 16% 2,270 (151) 2,119



PORTFOLIO SUMMARY
(continued)

Qualifying investments continued

Company	Equity owned	Invested at cost £'000	Cumulative movement in carrying/ fair value £'000	Total carrying/ fair value £'000
Churchill Taverns Limited				
Further financing.	6%	205	64	269
GB Pubs Company Limited				
Further financing.	5%	200	(12)	188
The Independent Beer Company Limited				
Further financing.	4%	100	(20)	80
The Independent Pub Company (VCT) Limited				
Further financing.	7%	230	(69)	161
City Screen (Brixton) Limited				
Further financing.	5%	175	9	184
City Screen (Exeter) Limited				
Further financing.	4%	65	1	66
Lowcosttravelgroup Limited				
Further financing.	2%	160	6	166
Tower Bridge Health Clubs Limited				
Further financing.	4%	279	3	282
Weybridge Limited				
Further financing.	8%	800	20	820
The Dunedin Pub Company Limited				
Further financing.	4%	100	–	100
The Rutland Pub Company Limited				
Further financing.	4%	160	7	167
RFI Global Services Limited				
Further financing.	2%	280	–	280
Blackbay Group Limited				
Further financing.	4%	460	2	462
Dexela Limited				
Further financing.	3%	120	–	120
Total qualifying investments held at 30 June 2006		9,745	1,644	11,389



PORTFOLIO SUMMARY
(continued)

Non-qualifying investments

Company	Equity owned	Invested at cost £'000	Cumulative movement in carrying/ fair value £'000	Total carrying/ fair value £'000
Smiles Pub Company Limited The company owns the freehold brewery in Bristol formerly owned by Smiles Brewing Co., which is currently being redeveloped into flats above a pub.	48%	498	(25)	473
Smiles Brewing Company Limited The company owns the Smiles beer brand, which is currently being brewed under licence by Highgate Brewery.	48%	155	(34)	121
Citigroup FRN		2,999	5	3,004
Total non-qualifying investments held at 30 June 2006		3,652	(54)	3,598
Total investments held at 30 June 2006		13,397	1,590	14,987



INDEPENDENT REVIEW REPORT to Close Brothers Development VCT PLC

Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 June 2006 which comprises the income statements, the balance sheets, the reconciliation of movements in shareholders' funds, the cash flow statements and related notes 1 to 9. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company's members, as a body, in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review 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 for this review, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2006.

Deloitte & Touche LLP

Chartered Accountants
London

20 September 2006



INCOME STATEMENT
for the six months to 30 June 2006

Ordinary shares

	Note	Unaudited Six months to 30 June 2006			Unaudited Six months to 30 June 2005			Audited Year to 31 December 2005		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments	3	–	(987)	(987)	–	657	657	–	1,423	1,423
Investment income		371	–	371	343	–	343	696	–	696
Investment management fee		(42)	(127)	(169)	(44)	(131)	(175)	(88)	(263)	(351)
Other expenses		(43)	–	(43)	(42)	–	(42)	(77)	–	(77)
Return/(loss) on ordinary activities before tax		286	(1,114)	(828)	257	526	783	531	1,160	1,691
Tax on ordinary activities		(85)	32	(53)	(77)	42	(35)	(150)	85	(65)
Return/(loss) attributable to equity shareholders		201	(1,082)	(881)	180	568	748	381	1,245	1,626
Basic and diluted return/(loss) per share (pence)	5	1.5	(8.3)	(6.8)	1.3	4.1	5.4	2.8	9.1	11.9

The accompanying notes on pages 23 to 25 form an integral part of these financial statements.

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

The Company has no recognised gains or losses other than the results for the period as set out above, accordingly a statement of total recognised gains and losses is not required.

The total column of this income statement represents the profit and loss account of the Ordinary shares. The supplementary revenue return and capital return columns have been prepared in accordance with the Association of Investment Trust Companies' Statement of Recommended Practice.



INCOME STATEMENT
for the six months to 30 June 2006

C shares

	Note	Unaudited Six months to 30 June 2006			Unaudited Six months to 30 June 2005			Audited Year to 31 December 2005		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments	3	–	(422)	(422)	–	1,009	1,009	–	1,638	1,638
Investment income		556	–	556	582	–	582	1,092	–	1,092
Investment management fee		(59)	(178)	(237)	(64)	(191)	(255)	(127)	(382)	(509)
Other expenses		(60)	–	(60)	(55)	–	(55)	(102)	–	(102)
Return/(loss) on ordinary activities before tax		437	(600)	(163)	463	818	1,281	863	1,256	2,119
Tax on ordinary activities		(133)	41	(92)	(137)	63	(74)	(253)	127	(126)
Return/(loss) attributable to equity shareholders		304	(559)	(255)	326	881	1,207	610	1,383	1,993
Basic and diluted return/(loss) per share (pence)	5	1.7	(3.1)	(1.4)	1.8	4.8	6.6	3.3	7.5	10.8

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

The Company has no recognised gains or losses other than the results for the period as set out above, accordingly a statement of total recognised gains and losses is not required.

The total column of this income statement represents the profit and loss account of the C shares. The supplementary revenue return and capital return columns have been prepared in accordance with the Association of Investment Trust Companies' Statement of Recommended Practice.



INCOME STATEMENT
for the six months to 30 June 2006

Total

	Note	Unaudited Six months to 30 June 2006			Unaudited Six months to 30 June 2005			Audited Year to 31 December 2005		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments	3	–	(1,409)	(1,409)	–	1,666	1,666	–	3,061	3,061
Investment income		927	–	927	925	–	925	1,788	–	1,788
Investment management fee		(101)	(305)	(406)	(108)	(322)	(430)	(215)	(645)	(860)
Other expenses		(103)	–	(103)	(97)	–	(97)	(179)	–	(179)
Return/(loss) on ordinary activities before tax		723	(1,714)	(991)	720	1,344	2,064	1,394	2,416	3,810
Tax on ordinary activities		(218)	73	(145)	(214)	105	(109)	(403)	212	(191)
Return/(loss) attributable to equity shareholders		505	(1,641)	(1,136)	506	1,449	1,955	991	2,628	3,619

The total column of the income statement represents the profit and loss account of the Company. The supplementary revenue return and capital return columns have been prepared in accordance with the Association of Investment Trust Companies' Statement of Recommended Practice.



BALANCE SHEET

as at 30 June 2006

Ordinary shares

	Note	Unaudited Six months to 30 June 2006 £'000	Unaudited Six months to 30 June 2005 £'000	Audited Year to 31 December 2005 £'000
Fixed asset investments				
Qualifying investments		8,713	6,944	8,759
Non-qualifying investments		–	60	46
Total fixed asset investments	6	8,713	7,004	8,805
Current assets				
Debtors		428	68	111
Cash at bank		3,512	6,678	4,975
		3,940	6,746	5,086
Creditors: amounts falling due within one year		(257)	(605)	(201)
Net current assets		3,683	6,141	4,885
Net assets		12,396	13,145	13,690
Capital and reserves				
Called up share capital		6,521	6,788	6,678
Share premium		48	48	48
Special reserve		5,199	5,671	5,477
Capital redemption reserve		863	596	706
Realised capital reserve		(1,036)	(875)	(941)
Unrealised capital reserve		633	877	1,621
Revenue reserve		168	40	101
Equity shareholders' funds		12,396	13,145	13,690
Net asset value per share (pence)		95.0	96.8	102.5



BALANCE SHEET
as at 30 June 2006

C shares

		Unaudited Six months to 30 June 2006 £'000	Unaudited Six months to 30 June 2005 £'000	Audited Year to 31 December 2005 £'000
	Note			
Fixed asset investments				
Qualifying investments		11,389	6,768	9,456
Non-qualifying investments		3,598	7,762	7,704
Total fixed asset investments	6	14,987	14,530	17,160
Current assets				
Debtors		6	130	55
Cash at bank		4,848	4,916	2,907
		4,854	5,046	2,962
Creditors: amounts falling due within one year		(811)	(256)	(390)
Net current assets		4,043	4,790	2,572
Net assets		19,030	19,320	19,732
Capital and reserves				
Called up share capital		9,060	9,212	9,151
Share premium		3,160	3,160	3,160
Special reserve		4,695	4,976	4,864
Capital redemption reserve		310	159	219
Realised capital reserve		254	483	393
Unrealised capital reserve		1,285	1,113	1,707
Revenue reserve		266	217	238
Equity shareholders' funds		19,030	19,320	19,732
Net asset value per share (pence)		105.0	104.9	107.8



BALANCE SHEET

as at 30 June 2006

Total

	Note	Unaudited Six months to 30 June 2006 £'000	Unaudited Six months to 30 June 2005 £'000	Audited Year to 31 December 2005 £'000
Fixed asset investments				
Qualifying investments		20,102	13,712	18,215
Non-qualifying investments		3,598	7,822	7,750
Total fixed asset investments	6	23,700	21,534	25,965
Current assets				
Debtors		434	198	166
Cash at bank		8,360	11,594	7,882
		8,794	11,792	8,048
Creditors: amounts falling due within one year		(1,068)	(861)	(591)
Net current assets		7,726	10,931	7,457
Net assets		31,426	32,465	33,422
Capital and reserves				
Called up share capital		15,581	16,000	15,829
Share premium		3,208	3,208	3,208
Special reserve		9,894	10,647	10,341
Capital redemption reserve		1,173	755	925
Realised capital reserve		(782)	(392)	(548)
Unrealised capital reserve		1,918	1,990	3,328
Revenue reserve		434	257	339
Equity shareholders' funds		31,426	32,465	33,422

The interim information on pages 12 to 25 was approved by the Board of Directors on 20 September 2006.

Signed on behalf of the Board of Directors

Roderick Davidson

Chairman



**RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS
for the year ended 30 June 2006**

	Ordinary shares							Total £'000
	Called up	Share	Special	Capital	Realised	Unrealised	Revenue	
	share	premium	reserve	redemption	capital	capital	reserve	
	capital	£'000	£'000	reserve	reserve	reserve	reserve	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 July 2005	6,788	48	5,671	596	(875)	877	40	13,145
Net realised gains on investments in the period	-	-	-	-	23	-	-	23
Capitalised investment management and performance fees	-	-	-	-	(131)	-	-	(131)
Tax relief on costs charged to capital	-	-	-	-	42	-	-	42
Share redemptions	(110)	-	(194)	110	-	-	-	(194)
Movement in unrealised appreciation	-	-	-	-	-	744	-	744
Revenue return	-	-	-	-	-	-	222	222
Dividends	-	-	-	-	-	-	(161)	(161)
As at 31 December 2005	<u>6,678</u>	<u>48</u>	<u>5,477</u>	<u>706</u>	<u>(941)</u>	<u>1,621</u>	<u>101</u>	<u>13,690</u>
Net realised gains on investments in the year	-	-	-	-	1	-	-	1
Capitalised investment management and performance fees	-	-	-	-	(127)	-	-	(127)
Tax relief on costs charged to capital	-	-	-	-	32	-	-	32
Share redemptions	(157)	-	(278)	157	-	-	-	(278)
Movement in unrealised appreciation	-	-	-	-	-	(988)	-	(988)
Revenue return	-	-	-	-	-	-	201	201
Dividends	-	-	-	-	-	-	(134)	(134)
As at 30 June 2006	<u>6,521</u>	<u>48</u>	<u>5,199</u>	<u>863</u>	<u>(1,036)</u>	<u>633</u>	<u>168</u>	<u>12,396</u>



RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS
for the year ended 30 June 2006

	C shares							Total £'000
	Called up	Share	Special	Capital	Realised	Unrealised	Revenue	
	share	premium	redemption	reserve	capital	capital	reserve	
	capital	£'000	reserve	reserve	reserve	reserve	reserve	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 July 2005	9,212	3,160	4,976	159	483	1,113	217	19,320
Net realised gains on investments in the period	-	-	-	-	(104)	-	-	(104)
Capitalised investment management and performance fees	-	-	-	-	(72)	-	-	(72)
Tax relief on costs charged to capital	-	-	-	-	86	-	-	86
Share redemptions	(61)	-	(112)	60	-	-	-	(113)
Movement in unrealised appreciation	-	-	-	-	-	594	-	594
Revenue return	-	-	-	-	-	-	335	335
Dividends	-	-	-	-	-	-	(314)	(314)
As at 31 December 2005	<u>9,151</u>	<u>3,160</u>	<u>4,864</u>	<u>219</u>	<u>393</u>	<u>1,707</u>	<u>238</u>	<u>19,732</u>
Net realised gains on investments in the year	-	-	-	-	-	-	-	-
Capitalised investment management and performance fees	-	-	-	-	(178)	-	-	(178)
Tax relief on costs charged to capital	-	-	-	-	41	-	-	41
Share redemptions	(91)	-	(169)	91	-	-	-	(169)
Movement in unrealised appreciation	-	-	-	-	-	(422)	-	(422)
Revenue return	-	-	-	-	-	-	304	304
Dividends	-	-	-	-	-	-	(277)	(277)
As at 30 June 2006	<u>9,060</u>	<u>3,160</u>	<u>4,695</u>	<u>310</u>	<u>254</u>	<u>1,285</u>	<u>266</u>	<u>19,030</u>



CASH FLOW STATEMENT
for the six months to 30 June 2006

Ordinary shares

	Unaudited Six months to 30 June 2006 £'000	Unaudited Six months to 30 June 2005 £'000	Audited Year to 31 December 2005 £'000
Operating activities			
Investment income received	182	122	253
Deposit income received	68	70	144
Other income received	3	–	6
Investment management fees paid	(181)	(126)	(453)
Other cash payments	(390)	(79)	(3)
Net cash (outflow)/inflow from operating activities	(318)	(13)	(53)
Taxation			
UK corporation tax paid	–	(148)	(536)
Capital expenditure and financial investment			
Purchase of qualifying investments	(760)	(660)	(1,595)
Disposals of qualifying investments	27	2,388	2,405
Net cash (outflow)/inflow from investing activities	(733)	1,728	810
Equity dividends paid			
Dividends paid on Ordinary shares	(134)	(551)	(713)
Net cash (outflow)/inflow before financing	(1,185)	1,016	(492)
Financing			
Cancellation of shares	(278)	(318)	(513)
Net cash outflow from financing	(278)	(318)	(513)
(Decrease)/increase in cash in the period	(1,463)	698	(1,005)



CASH FLOW STATEMENT
for the six months to 30 June 2006

C shares

	Unaudited Six months to 30 June 2006 £'000	Unaudited Six months to 30 June 2005 £'000	Audited Year to 31 December 2005 £'000
Operating activities			
Investment income received	328	327	482
Deposit income received	233	114	528
Other income received	–	–	16
Investment management fees paid	(262)	(175)	(451)
Other cash payments	301	(18)	–
Net cash inflow from operating activities	600	248	575
Taxation	–	–	–
Capital expenditure and financial investment			
Purchase of qualifying investments	(2,147)	(1,685)	(3,620)
Purchase of non-qualifying investments	(68)	(92)	(92)
Disposals of qualifying investments	–	2,316	2,340
Disposals of non-qualifying investments	4,000	–	–
Net cash inflow/(outflow) from investing activities	1,785	539	(1,372)
Equity dividends paid			
Dividends paid on Ordinary shares	(277)	(779)	(1,093)
Net cash inflow/(outflow) before financing	2,108	8	(1,890)
Financing			
Cancellation of shares	(167)	(137)	(248)
Net cash outflow from financing	(167)	(137)	(248)
Increase/(decrease) in cash in the period	1,941	(129)	(2,138)

**CASH FLOW STATEMENT**
for the six months to 30 June 2006**Total**

	Unaudited Six months to 30 June 2006 £'000	Unaudited Six months to 30 June 2005 £'000	Audited Year to 31 December 2005 £'000
Operating activities			
Investment income received	510	449	735
Deposit income received	301	184	672
Other income received	3	–	22
Investment management fees paid	(443)	(301)	(904)
Other cash payments	(89)	(97)	(3)
Net cash inflow from operating activities	282	235	522
Taxation			
UK corporation tax paid	–	(148)	(536)
Capital expenditure and financial investment			
Purchase of qualifying investments	(2,907)	(2,345)	(5,215)
Purchase of non-qualifying investments	(68)	(92)	(92)
Disposals of qualifying investments	27	4,704	4,745
Disposals of non-qualifying investments	4,000	–	–
Net cash inflow/(outflow) from investing activities	1,052	2,267	(562)
Equity dividends paid			
Dividends paid on Ordinary and C shares	(411)	(1,330)	(1,806)
Net cash inflow/(outflow) before financing	923	1,024	(2,382)
Financing			
Cancellation of shares	(445)	(455)	(761)
Net cash outflow from financing	(445)	(455)	(761)
Increase/(decrease) in cash in the period	478	569	(3,143)



NOTES TO THE INTERIM RESULTS

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 (“SORP”) issued by the Association of Investment Trust Companies (“AITC”) in January 2003, and revised in December 2005.

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 an income statement in which the total column is the profit and loss account of the Company.

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 and these departures from accounting standards are necessary to give a true and fair view. The departures have no effect on the total return or balance sheet.

2. Accounting policies

Investments

In accordance with FRS 26 “Financial Instruments Measurement”, equity investments are designated as fair value through profit or loss (“FVTPL”). The total column of the income statement 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 disposal of investments are reflected in the capital column of the income statement in accordance with the AITC’s 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 (“EIR”) method. Movements in the amortised cost relating to interest income are reflected in the revenue column of the income statement and movements in respect of capital provisions are reflected in the capital column of the income statement. Loan stock accrued interest is recognised in the balance sheet as part of the carrying value of the loans and receivables at the end of each 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 “Associates and joint ventures”, those undertakings in which the Company holds more than 20 per cent. of the equity are not regarded as associated undertakings.

Income and expenses

All income and expenses are treated on the accruals basis and dividend income is included in revenue when an investment is quoted ex-dividend. Any fixed returns on non-equity shares or debt securities are recognised on a time apportionment basis using an effective interest rate calculated in accordance with the amortised cost schedule described by FRS 26.

Management expenses

75 per cent. of management expenses, representing the proportion of the fees attributable to the enhancement of the value of the investments of the Company, have been charged to capital reserves, net of corporation tax. All other expenses are charged to the revenue account.



NOTES TO THE INTERIM RESULTS
(continued)

Debtors and creditors

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

Taxation

Taxation is applied on a current basis in accordance with FRS 16 “current tax”. Taxation associated with capital expenses is applied in accordance with the SORP. In accordance with FRS 19 “deferred tax”, 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 Directors have considered the requirements of FRS 19 and do not believe that any provision should be made.

Reserves

Capital reserves – realised

The following are taken to 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.

Capital reserves – unrealised

The following are taken to this reserve:

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

Dividends

In accordance with FRS 21, “Events after the balance sheet date”, interim dividends are not accounted for until paid and final dividends are accounted for when approved by shareholders at an Annual General Meeting.

3. Gains/(losses) on investments

	Six months to 30 June 2006			Six months to 30 June 2005		
	Ordinary	C	Total	Ordinary	C	Total
	shares £'000	shares £'000	£'000	shares £'000	shares £'000	£'000
Realised gains	1	–	1	1,420	1,158	2,578
Unrealised (losses)/gains	(988)	(422)	(1,410)	(763)	(149)	(912)
	<u>(987)</u>	<u>(422)</u>	<u>(1,409)</u>	<u>657</u>	<u>1,009</u>	<u>1,666</u>

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

	Six months to	Six months to
	30 June 2006	30 June 2006
	Ordinary shares	C shares
Dividends paid on equity shares:		
Dividend of 1.0 pence per Ordinary share and 1.5 pence per C share paid on 19 June 2006.	134	277

It is currently anticipated that the Directors will be able to declare a second dividend for the year of 2 pence per Ordinary share and 3 pence per C share, which is expected to be announced in November 2006.



NOTES TO THE INTERIM RESULTS

(continued)

5. Basic and diluted return per share

Return per share has been calculated on 13,223,111 Ordinary shares (2005: 13,796,265) and 17,863,540 C shares (2005: 18,504,474) being the weighted number of shares in issue for the period. There are no convertible instruments, derivatives or contingent share agreements in issue for Close Brothers Development VCT PLC hence there are no dilution effects to the return per share. The basic return per share is therefore the same as the diluted return per share.

6. Investments

Investments held at fair value through profit or loss account total £1,863,092 for the Ordinary shares and £3,491,009 for the C shares. Investments held at amortised cost total £6,849,888 for the Ordinary shares and £11,495,592 for the C shares.

7. Contingencies, guarantees and financial commitments

The Company did not have any contingencies or guarantees as at 30 June 2006 (2005: none).

8. Other information

The financial information set out in the Interim Report does not constitute the Company's statutory accounts for the periods ended 30 June 2006 and 30 June 2005. The financial information for the period ended 31 December 2005 is derived from the statutory accounts delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified and did not contain a statement under s237 (2) or (3) of the Companies Act 1985.

9. Publication

This interim report is being sent to shareholders and copies will be made available to the public at the registered office of the Company.

