CLOSE BROTHERS

Development VCT PLC

Annual Report and Financial Statements
for the year ended
31 December 2006

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 Ventures Limited 10 Crown Place London EC2A 4FT Tel: 020 7422 7830
Secretary and registered office	Close Ventures Limited 10 Crown Place London EC2A 4FT
Registrar	Capita Registrars plc The Registry 34 Beckenham Road Kent BR3 4TU Helpline: 0870 162 3124
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

Close Brothers Development VCT PLC is a member of the Association of Investment Companies.

FINANCIAL CALENDAR

Annual General Meeting	27 March 2007
Payment of the first dividend	May 2007
Announcement of interim results for the six months ending 30 June 2007	September 2007
Payment of second dividend	December 2007

FINANCIAL HIGHLIGHTS

	Ordinary Shares Year ended 31 December 2006	**C Shares Year ended 31 December 2006**
Dividends paid per share	3.00	4.50
Net asset value per share	94.60	101.40
Shareholder value per share since launch:	**Pence per share**(ii)	**Pence per share**(ii)
Dividends paid during the period ended 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 year to 31 December 2006	3.00	4.50
	28.75	13.15
Net asset value per share as at 31 December 2006	94.60	101.40
Total cumulative shareholder return at 31 December 2006	**123.35**	**114.55**

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.

CHAIRMAN'S STATEMENT

Investment Commentary

The results of your company for the year to 31 December 2006 are set out below. As I said at the time of the interim results, after the strong performance of the last two years, this year has been a period of consolidation and, while the period saw total dividends paid of 3.0 pence per Ordinary share and 4.5 pence per C share, NAV declined by 7.9 pence per Ordinary share to 94.6 pence, and 6.4 pence per C share to 101.4 pence.

The resulting negative return for the period of 5.3 pence for the Ordinary shares and 2.1 pence for the C shares was caused principally by the reduction in the share price of our holding in Careforce plc which is quoted on AIM, and partial provisions against three investments, Peakdale Molecular, Evolutions Television and Grosvenor Health, where previous strong growth slowed in the early months of last year. The Ordinary share portfolio was also affected by a slowdown in trading at Consolidated Communications. Other businesses, however, have performed promisingly, in particular The Bold Pub Company, Lowcosttravelgroup and Tower Bridge Health Clubs. Overall, we believe that the investment portfolio is solid and forms a decent platform for future growth.

Over the period, we made twelve new investments, with a cost of £1.6 million for the Ordinary shares and £3.6 million for the C shares. These included Blackbay (£740,000) which provides mobile data solutions for the logistics and field services sectors, and Kensington Health Clubs (£1 million) which has purchased a 26,000 square foot building at Olympia in West London, which it will convert into a new health and fitness club. Following these investments, the C share portfolio exceeded its 70% investment target as required by the VCT regulations.

Conversion of C Shares into Ordinary Shares

As required under your Company's Articles of Association, the C shares convert into Ordinary shares on the ratio of their respective net asset values per share at 31 December 2006. The conversion is effective from 31 March 2007, following the Annual General Meeting to approve those accounts. Based on their respective net asset values, C shareholders will receive 1.0715 new Ordinary shares for each C share held. Once the new Ordinary share certificates have been dispatched, which is expected to be by 20 April 2007, the C share certificates will have no further value and should be destroyed.

New Management Performance Incentive

The Management Performance Incentive for the Ordinary shares came to an end on 31 December 2006. These schemes are important for the recruitment and retention of quality investment managers, and consequently we will be writing to shareholders shortly to propose a new scheme. This scheme will be subject to shareholder approval at an Extraordinary General Meeting to be confirmed.

Board

I have been Chairman of your Company since its launch in 1999, and as I will be seventy early next year, I will be retiring from the Board before the next Annual General Meeting in 2008. A selection process for my successor is currently underway, and we will inform shareholders once a new candidate has been appointed.

CHAIRMAN'S STATEMENT
(continued)

Results and dividend

As at 31 December 2006 the net asset value of the company's Ordinary shares was £12.1 million or 94.6 pence per share (2005: £13.7 million or 102.5 pence per share). Net income after taxation was £396,000 (2005: £381,000). As at the same date, the net asset value of the C shares was £18.2 million or 101.4 pence per share (2005: £19.7 million or 107.8 pence per share), while net income after taxation was £657,000 (2005: £610,000).

Subject to sufficient profitability, the Company intends to pay a first dividend for the new financial year of 1.5 pence per share in May 2007, following the conversion of the two classes of share.

Roderick Davidson
Chairman — 28 February 2007

THE BOARD OF DIRECTORS

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

Roderick Davidson (69) 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 stock broking 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 Ventures Limited.

Francis Malcolm (63), 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 (66), 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 LLP, 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 Ventures Limited.

THE MANAGER

Close Ventures 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 venture capital trusts, and has total funds under management of £240 million. Close Ventures Limited won the "Best VCT Provider" category in the Professional Adviser Awards 2005 and 2006, and 'VCT Manager of the Year' at the 2005 and 2006 Growth Company Awards. The Manager's ultimate parent company is Close Brothers Group plc, a substantial independent merchant banking group incorporated in Great Britain and listed on the London Stock Exchange.

The following are specifically responsible for the management and administration of the VCTs managed by Close Ventures Limited, including Close Brothers Development VCT PLC.

Patrick Reeve, (46), 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 the 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 Ventures Limited with the launch of Close Brothers Venture Capital Trust PLC in the spring of 1996.

Henry Stanford, (41), MA, ACA, qualified as a chartered accountant with Arthur Andersen before joining the corporate finance division of the Close Brothers Group plc in 1992. He became an assistant director in 1996 and transferred to Close Ventures Limited in 1998 to concentrate on VCT investment.

Will Fraser-Allen, (36), BA (Hons), ACA, qualified as a chartered accountant with Cooper Lancaster Brewers in 1996 before specialising in corporate finance and investigation. He joined Close Ventures Limited in 2001.

Emil Gigov, (36), 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 Ventures Limited in 2000.

Isabel Dolan, (42), BSc (Hons) ACA, MBA, is Finance Director of Close Ventures Limited having previously been Finance Director for a number of unquoted companies. From 1993-1997 she was Head of Recoveries at the Specialised Lending Services of the Royal Bank of Scotland plc and from 1997-2001 she was a Portfolio Director at 3i plc. She joined Closes Ventures Limited in 2005.

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 Ventures Limited in 2005.

Robert Whitby-Smith, (32), 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 Ventures Limited in 2005.

Ed Lascelles, (31), 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 Ventures Limited in 2004.

Dr Andrew Elder, (36), MA, FRCS. After qualifying as a surgeon he practiced for six years, specialising in neurosurgery before joining the Boston Consulting Group as a consultant in 2001 specialising in healthcare strategy. He joined Close Ventures Limited in 2005.

Mark Toomey, (30), 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 Ventures Limited in 2001.

PORTFOLIO OF INVESTMENTS
Ordinary Shares

		At 31 December 2006			At 31 December 2005		
	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
Qualifying investments							
Blackbay Limited	3%	280	11	291	–	–	–
Careforce Group Plc	14%	534	1,447	1,981	534	1,859	2,393
Churchill Taverns VCT Limited	5%	160	9	169	115	11	126
City Screen (Liverpool) Limited	5%	50	8	58	50	2	52
CS (Brixton) Limited	4%	150	5	155	150	–	150
CS (Exeter) Limited	4%	60	(1)	59	60	–	60
CS (Greenwich) Limited	2%	125	(19)	106	110	3	113
Consolidated Communications Management Limited	11%	1,000	(58)	942	1,000	53	1,053
Dexela Limited	2%	65	–	65	–	–	–
Evolutions Television Limited	6%	730	(1)	729	700	117	817
GB Pub Company VCT Limited	4%	170	(8)	162	170	1	171
Grosvenor Health Limited	6%	475	263	738	435	306	741
Helveta Limited	1%	60	1	61	–	–	–
Lowcosttravelgroup Limited	1%	130	51	181	130	2	132
Peakdale Molecular Limited	9%	1,139	(146)	993	1,064	179	1,243
RFI Global Services Limited	1%	180	(13)	167	–	–	–
The Bold Pub Company Limited	3%	400	80	480	400	21	421
The Dunedin Pub Company Limited	3%	80	(8)	72	80	1	81
Novello Pub Limited	4%	90	(39)	51	90	(8)	82
Pelican Inn Limited	3%	60	(19)	41	–	–	–
The Q Garden Company Limited	17%	1,032	(448)	584	1,032	(472)	560
The Rutland Pub Company Limited	4%	120	35	155	60	1	61
The Weybridge Club Limited	3%	570	16	586	300	3	303
Tower Bridge Health Clubs Limited	3%	215	41	256	200	–	200
Xceleron Limited	1%	80	–	80	–	–	–
Kensington Health Clubs Limited	2%	350	–	350	–	–	–
Total qualifying investments		**8,305**	**1,207**	**9,512**	**6,680**	**2,079**	**8,759**
Non-qualifying investments							
Pelican Inn Limited	3%	–	–	–	60	(14)	46
Total investment		**8,305**	**1,207**	**9,512**	**6,740**	**2,065**	**8,805**

*Included in this movement is capital appreciation/(depreciation) on the equity investments amounting to £711,000 (2005: £1,621,000) and the movement in carrying value of loans and receivables of £496,000 (2005: £444,000).

PORTFOLIO OF INVESTMENTS (continued)

C Shares

		At 31 December 2006			At 31 December 2005		
	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
Qualifying investments							
Blackbay Limited	4%	460	18	478	–	–	–
Careforce Group Plc	4%	263	255	518	263	362	625
Churchill Taverns VCT Limited	6%	260	13	273	160	14	174
CS (Brixton) Limited	5%	175	6	181	175	–	175
CS (Exeter) Limited	4%	65	(2)	63	65	–	65
CS (Greenwich) Limited	13%	725	(104)	621	650	20	670
Dexela Limited	3%	120	–	120	–	–	–
Evolutions Television Limited	10%	2,270	(115)	2,155	1,300	194	1,494
GB Pub Company VCT Limited	5%	200	(1)	199	200	2	202
Grosvenor Health Limited	26%	1,630	1,123	2,753	1,570	1,326	2,896
Helveta Limited	2%	110	1	111	–	–	–
Lowcosttravelgroup Limited	2%	160	66	226	160	2	162
Peakdale Molecular Limited	3%	158	(125)	33	133	–	133
RFI Global Services Limited	2%	280	(21)	259	–	–	–
The Bold Pub Company Limited	12%	1,440	300	1,740	1,440	91	1,531
The Dunedin Pub Company Limited	4%	100	(10)	90	100	1	101
Novello Pub Limited	4%	100	(43)	57	100	(9)	91
Pelican Inn Limited	7%	230	(73)	157	–	–	–
The Rutland Pub Company Limited	4%	160	46	206	70	–	70
The Weybridge Club Limited	8%	950	41	991	800	6	806
Tower Bridge Health Clubs Limited	4%	279	54	333	260	1	261
Xceleron Limited	2%	150	–	150	–	–	–
Kensington Health Clubs Limited	3%	650	–	650	–	–	–
Total qualifying investments		**10,935**	**1,429**	**12,364**	**7,446**	**2,010**	**9,456**
Non-qualifying investments							
Bradford & Bingley FRN April 2006		–	–	–	1,997	3	2,000
Citigroup FRN March 2009		2,999	5	3,004	2,999	6	3,005
Woolwich FRN April 2006		–	–	–	2,003	(3)	2,000
Smiles Brewing Company Limited	48%	155	(95)	60	155	(33)	122
Smiles Pub Company Limited	48%	807	21	828	430	(29)	401
Pelican Inn Limited	7%	–	–	–	230	(54)	176
		3,961	(69)	3,892	7,814	(110)	7,704
Total investments		**14,896**	**1,359**	**16,255**	**15,260**	**1,900**	**17,160**

* Included in the above balance is capital appreciation/(depreciation) on the equity investments amounting to £941,000 (2005: £1,707,000) and the movement in carrying value of loans and receivables of £418,000 (2005: £193,000).

PORTFOLIO OF INVESTMENTS (continued)
Portfolio Companies

The top ten qualifying investments by value are as follows:

Grosvenor Health Limited

The company is a provider of occupational healthcare services to large corporates such as Qinetiq, and has since made two acquisitions in the same sector.

Latest audited results – year to 31 December 2005	
	£'000
Turnover	9,990
PBT	762
PAT	582
Net assets	2,302
% of equity held	32%
Basis of valuation:	Multiple of earnings
Website:	www.grosvenorhealth.com

Other funds managed by Close Ventures Limited have invested in this company.

Evolutions Television Limited

The company 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 a freehold building in Oxford Street, London and three leasehold premises nearby. In 2007 it was voted "Television Post Production Company of the Year". Close Brothers Development VCT has also committed funds of £380,000 to a future investment in Evolutions Television Limited.

Latest audited results – year to 30 June 2005	
	£'000
Turnover	2,186
PBT	(265)
PAT	(265)
Net assets	1,498
% of equity held	22%
Basis of valuation:	Multiple of earnings combined with a property valuation
Website:	www.evolutionstelevision.com

Other funds managed by Close Ventures Limited have invested in this company.

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	20,313
PBT	(42)
PAT	(77)
Net assets	6,936
% of equity held	18%
Basis of valuation:	Quoted share price (bid)
Website:	www.careforcegroup.co.uk

Other funds managed by Close Ventures Limited have invested in this company.

PORTFOLIO OF INVESTMENTS (continued)

The Bold Pub Company Limited

The company was formed to acquire a group of 10 freehold and long leasehold pubs in the North West of England. It has subsequently acquired a further 20 public houses in the region, taking the total in the portfolio to 30.

Latest audited results – year to 31 March 2006	
	As a small company, The Bold Pub Company is exempt from filing full accounts
	£'000
Net assets	1994
% of equity held	15%
Basis of valuation:	The valuation is based on an independent third party valuation in December 2006

Other funds managed by Close Ventures Limited have invested in this company.

The Weybridge Club Limited

The company has bought a 30 acre freehold site near to the centre of Weybridge, Surrey, which it is developing into a premium health and fitness club expected to open in May 2007.

Latest audited results – year to 31 August 2005	
	£'000
Turnover	£nil
PBT	(82)
PAT	(82)
Net assets	484
% of equity held	11%
Basis of valuation:	The investment is valued at cost plus amortised cost movement

Other funds managed by Close Ventures Limited have invested in this company.

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.

Latest audited results – year to 31 March 2006	
	£'000
Turnover	3,980
PBT	(82)
PAT	57
Net assets	2,421
% of equity held	11%
Basis of valuation:	Multiple of maintainable earnings
Website:	www.peakdale.co.uk

Other funds managed by Close Ventures Limited have invested in this company.

PORTFOLIO OF INVESTMENTS (continued)

Kensington Health Clubs Limited

The company has bought a 26,000 sq.ft. 4 storey former graphics workshop behind Olympia Exhibition Centre in West London on a 999 year lease. The site is being developed into a premium health & fitness club expected to open in December 2007.

Latest audited results –	As a newly incorporated company, Kensington Health Clubs Limited has not yet filed accounts.
% of equity held	17%
Basis of valuation:	The investment is valued at cost plus amortised cost movements.

Other funds managed by Close Ventures Limited have invested in this company.

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 2006	
	£'000
Turnover	6,677
PBT	86
PAT	54
Net assets	2,415
% of equity held	11%
Basis of valuation:	Multiple of maintainable earnings
Website:	www.consol.co.uk

Other funds managed by Close Ventures Limited have invested in this company.

Blackbay Limited

The company provides mobile data solutions for the logistics and field service sectors.

Latest audited results – year to 31 December 2005	
	£'000
Turnover	802
PBT	(14)
PAT	(14)
Net assets	13
% of equity held	7%
Basis of valuation:	The investment is valued at cost plus amortised cost movements.
Website:	www.blackbay.com

Other funds managed by Close Ventures Limited have invested in this company.

PORTFOLIO OF INVESTMENTS (continued)

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 opened in September 2005.

Latest audited results – year to 31 December 2005	
	As a small company, CS (Greenwich) Limited is exempt from filing full accounts.
	£'000
Net assets	815
% of equity held	15%
Basis of valuation:	The valuation is based on an independent third party valuation.
Website:	www.picturehouses.co.uk

Other funds managed by Close Ventures Limited have invested in this company.

REPORT OF THE DIRECTORS

The Directors submit their Annual Report and Financial Statements on the affairs of Close Brothers Development VCT PLC ("The Company") for the year ended 31 December 2006.

Business Review

The principal activity of the Company is that of a venture capital trust. It has been granted approval by H.M. Revenue & Customs as a venture capital trust in accordance with Section 842AA of the Income and Corporation Taxes Act 1988. 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 2006 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.

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

Under current tax legislation, shares in the Company provide tax free capital growth and income distribution, in addition to the income tax relief some investors would have obtained when they invested at the time of the initial fundraising.

The Company's investment strategy is to provide investors with a regular and predictable source of dividend income combined with the prospect of long term capital growth through allowing investors the opportunity to participate in a balanced portfolio of property based investments that provide a strong income stream combined with investment in a smaller number of higher risk companies with greater growth prospects. The Company has delegated the investment management of the portfolio to Close Ventures Limited, a subsidiary of Close Brothers Group plc, which is authorised and regulated by the Financial Services Authority. Close Ventures Limited also provides company secretarial and other accounting and administrative support to the Company. More detail regarding the terms of engagement of the Manager are shown on page 17.

The Directors do not foresee any major changes in the activity undertaken by the Company in the current year, as the Company continues with its objective to invest in unquoted companies throughout the United Kingdom with a view to providing both capital growth and a reliable dividend income to shareholders over the long term.

Details of the principal investments made by the Company are shown in the portfolio of investments on page 8. A detailed review of the Company's business during the year and future prospects is contained in the Chairman's Statement on page 4.

Results and dividends

	Ordinary Shares £'000	C Shares £'000
Revenue return for the year ended 31 December 2006 available for distribution	396	657
First interim revenue dividend of 1.0 pence per Ordinary share and 1.5 pence per C Share paid on 19 June 2006	(134)	(277)
Second interim dividend of 2.0 pence per Ordinary Share and 2.15 pence per C Share revenue dividend paid on 21 December 2006	(264)	(394)
Transferred to revenue reserve	(2)	(14)

In addition, a dividend of 0.5 pence per C share, totalling £156,000 was paid on 21 December 2006 from realised capital reserves.

As shown in the Company's Income Statement on page 26 of the financial statements, the Ordinary shares' investment income has increased to £733,000 (2005: £696,000) and the C shares income has increased to £1,160,000 (2005: £1,092,000). Ordinary shares revenue return to equity holders has improved to £396,000 (2005: £381,000) and for C shares to £657,000 (2005: £610,000).

The Ordinary shares' capital return for the year was a loss of £1,088,000 (2005: profit £1,245,000) and the C shares' capital return for the year was a loss of £1,029,000 (2005: £1,383,000 profit) primarily as a result of unrealised losses on the valuations of investments, and the capitalisation of management fees.

The Ordinary share total loss per share was 5.3 pence per share (2005: profit 11.9 pence per share) and the C shares total loss per share was 2.1 pence per share (2005: profit 10.8 pence per share).

The Balance Sheet on page 28 of the financial statements shows that the Ordinary shares' net asset per share has decreased over the last year to 94.6 pence per share (2005: 102.5 pence per share) and that of the C shares has decreased to 101.4 pence per share (2005: 107.8 pence per share), reflecting the payment of the dividends, decrease in unrealised revaluations and the purchase of own shares for cancellation or for treasury purposes.

Cash flow for the business has been negative for the period, reflecting the investment in both qualifying and non-qualifying securities.

Change in investment strategy

During the year, the Company made an amendment to the Company's investment policy, as approved by shareholders at the Annual General Meeting on 3 May 2006, which widened the strategy to include investments in companies with limited asset backing which showed higher growth prospects.

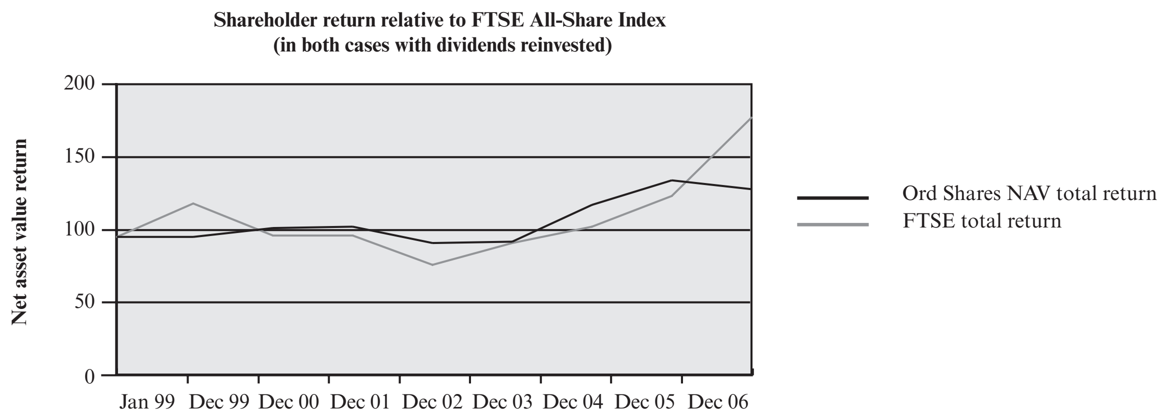
REPORT OF THE DIRECTORS
(continued)

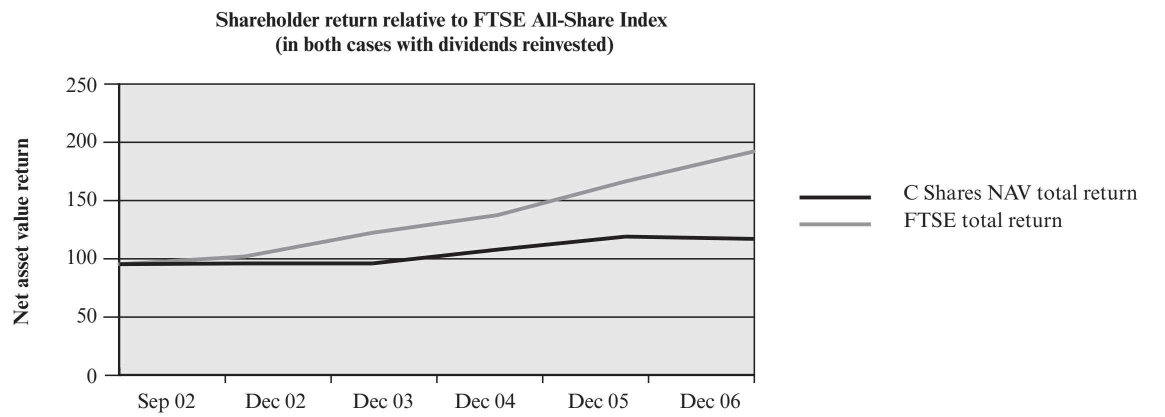
Conversion of C Shares to Ordinary Shares

In accordance with the terms of the circular to shareholders issued in September 2002 and the Articles of Association, on 31 March 2007, the C shares will convert to Ordinary shares on the basis of the net assets attributable to the Ordinary shares and the C shares as disclosed in the audited accounts for the year to 31 December 2006 and in accordance with the calculation as described and approved by shareholders' resolution number 2(4) at the Extraordinary General Meeting on 21 October 2002. C shareholders will therefore receive 1.0715 Ordinary shares for each C share they currently own. Following the despatch of the new Ordinary share certificates on 20 April 2007, the existing C share certificates will be worthless and should be destroyed.

Key Performance Indicators

A graph of the performance of the Company's total return (the aggregate of net asset value and dividends paid to shareholders) compared with the equivalent total return of the FTSE All-Share Index is shown below;





The total expense ratio for the Ordinary shares for the year to 31 December 2006 was 3.4% (2005: 3.1%). The total expense ratio for the C shares for the year to 31 December 2006 was 3.3% (2005: 3.1%)

REPORT OF THE DIRECTORS
(continued)

Key Performance Indicators (continued)
The dividend paid during the year to 31 December 2006 was 3.0 pence per Ordinary share (2005: 3.0 pence per share excluding the prior year adjustment for the change in accounting policy under FRS 21) and 4.5 pence per C share (2005: 3.5 pence per share excluding prior year adjustment for the change in accounting policy under FRS 21).

The Company operates a policy of buying back shares either for cancellation or for holding in Treasury. The Manager has an objective of maintaining the discount of the share price to net asset value at below 10%.

Principal risks and uncertainties
The Board considers that the Company faces the following major risks and uncertainties;

1. Investment risk
This is the risk of investment in poor quality assets which reduce the capital and income returns to shareholders and negatively impacts on the Company's reputation. By nature, smaller unquoted businesses, such as those that qualify for venture capital trust purposes, are more fragile than larger, long established businesses.

   To reduce this risk, the Board places reliance upon the skills and expertise of the Manager and their strong track record for investing in this segment of the market. In addition, the Manager operates a formal and structured investment process, which includes an Investment Committee comprising investment professionals from the Manager and from other, senior investment personnel from within the Close Brothers Group. Investments are actively and regularly monitored by the Manager (investment managers normally sit on investee company boards) and the Board receives detailed reports on each investment as part of the Manager's report at quarterly board meetings.

2. Venture Capital Trust approval risk
The current approval as a venture capital trust allows investors to take advantage of income tax reliefs on initial investment and ongoing tax free capital gains and dividend income. Failure to meet the qualifying requirements could result in investors losing the income tax relief on initial investment and loss of tax relief on any tax free income or capital gains received. In addition, failure to meet the qualifying requirements could result in a loss of listing of the shares.

   To reduce this risk, the Board have appointed the Manager, who has significant experience in venture capital trust management, and is used to operating within the requirements of the venture capital trust legislation. In addition, to provide further formal reassurance, the Board has appointed Ernst & Young LLP as its taxation advisors. Ernst & Young report quarterly to the Board to independently confirm compliance with the venture capital trust legislation, to highlight areas of risk and to inform on changes in legislation.

3. Compliance risk
The Company is listed on the London Stock Exchange and is required to comply with the rules of the UK Listing Authority, as well as with the Companies Act, Accounting Standards and other legislation. Failure to comply with these regulations could result in a delisting of the Company's shares, or other penalties under the Companies Act or from financial reporting oversight bodies.

   Board members and the Manager have considerable experience of operating at the most senior levels within quoted businesses. In addition, the Board and the Manager receive regular updates on new regulation from its auditors, lawyers and other professional bodies.

4. Internal control risk
Failures in key controls, within the Board or within the Manager's business could put assets of the Company at risk or result in reduced or inaccurate information being passed to the Board or to shareholders.

   The Audit Committee meets with the Head of Internal Audit from Close Brothers Group plc at least once a year, receiving a report regarding the last formal internal audit performed on the Manager, and providing the opportunity for the Audit Committee to ask specific and detailed questions. The Manager has a comprehensive business continuity plan in place in the event that operational continuity is threatened. Further details regarding the Board's management and review of the Company's internal controls through the implementation of the Turnbull guidance are detailed on page 21.

5. Reliance upon third parties risk
The Company is reliant upon the services of Close Ventures Limited for the provision of management and administrative functions. There are provisions within the Management Agreement for the change of Manager under certain circumstances (for more detail see the Management Agreement paragraph on page 17). In addition, the Manager has demonstrated to the Board that there is no undue reliance placed upon one individual within Close Ventures Limited, or its parent company Close Brothers Group plc.

6. Financial risks
By its nature, as a venture capital trust, the Company is exposed to market price risk, credit risk, liquidity risk and cash flow interest rate risk. The Company's policies for managing these risks and its financial instruments are outlined in full in note 19 to the financial statements.

   All of the Company's income and expenditure is denominated in sterling and hence the Company has no foreign currency risk. The Company is financed through equity and does not have any borrowings.

REPORT OF THE DIRECTORS
(continued)

Environment
Management and administration of Close Brothers Development VCT PLC is undertaken by the Manager. Close Ventures Limited recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by its activities. Initiatives designed to minimise the Company's impact on the environment include recycling and reducing energy consumption as shown in the financial statements of Close Ventures Limited.

Employees
The Company is managed by Close Ventures Limited and hence has no employees.

In the Directors' view, there are no other non-financial performance indicators materially relevant to the business.

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 2006		At 31 December 2005	
	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 2006 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.

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

Management agreement
The Company and Close Ventures 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 has been entitled under the Management Agreement 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) are 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 has been payable in stages over four years in respect of the financial years ended 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. The incentive fee arrangement for the Ordinary shares has now expired, and a new fee basis will be proposed to shareholders shortly.

Auditors
A resolution to re-appoint Deloitte & Touche LLP as auditors will be proposed at the Annual General Meeting on 27 March 2007.

Substantial interests
As at 31 December 2006 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.

REPORT OF THE DIRECTORS
(continued)

Company law requires the Directors to prepare such financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the total return for that period and comply with United Kingdom Generally Accepted Accounting Practice (UK GAAP) and the Companies Act 1985. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether all applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors confirm that applicable accounting standards have been followed in the financial statements accompanying this report.

In the case of the persons who are Directors of the Company at the date of approval of this report:

- so far as each of the Directors are aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the Company's auditors are unaware; and
- each of the Directors has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

This disclosure is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

The Directors are responsible for ensuring that any electronic publication or distribution of financial information properly presents the financial information and any report by us thereon and for the controls over, and security of, the website. The Directors are also responsible for establishing and controlling the process for electronically distributing annual reports and other information.

Supplier payment policy
The Company's policy is to pay all supplier invoices within 30 days of the invoice date, or as otherwise agreed. There were no overdue trade creditors at 31 December 2006 (2005: Nil).

Annual General Meeting
The Annual General Meeting will be held at 10 Crown Place, London EC2A 4FT at 10:30a.m on 27 March 2007. The notice of the Annual General Meeting is at the end of this document. Resolutions will be proposed as special business at the Annual General Meeting for the following purposes;

Power to allot shares
Ordinary resolution number 5 in the notice of the meeting will request the authority to allot up to 10% of the Ordinary share capital of the Company.

Dis-application of pre-emption rights
Special resolution number 6 will request the authority to disapply pre-emption rights in circumstances of a rights issue or the allotment of up to 5% of the share capital as described in Ordinary resolution number 5.

Purchase of own shares
Special resolution number 7 will request the authority to purchase an aggregate of 10% of the Ordinary shares in issue subject to the provisions shown in the notice to the meeting attached to the back of the financial statements.

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 2006 authority, which was in similar terms. During the financial year under review the Company purchased 313,118 of its Ordinary shares and 182,415 of its C shares for cancellation. It also purchased 275,118 of its Ordinary shares and 156,715 of its C shares which are held in Treasury.

REPORT OF THE DIRECTORS

(continued)

Treasury shares

Under the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003, shares purchased by the Company out of distributable profits can be held as Treasury Shares, which may then be cancelled or sold for cash. The authority sought by this special resolution number 7 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 will be authorised to allot relevant securities in accordance with section 80 of the Companies Act 1985 (the "Act") and to empower to allot equity securities for cash in accordance with section 95 of the Act. These replace existing authorities and powers which allow the Directors to sell Treasury Shares at a price not less than that at which they were purchased.

By Order of the Board

Close Ventures Limited
Company Secretary

10 Crown Place
London EC2A 4FT

28 February 2007

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.

Roderick Davidson is the Chairman. Frank Malcolm, David Pinckney and Jonathan Thornton are considered 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 6. 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 secretarial advice and compliance services by the Manager, who is responsible for ensuring that Board procedures are followed and applicable procedures 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.

As all of the Directors are non-executives and are independent, the Board has not appointed a senior independent director.

The Board met five times during 2006 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 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 the 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;
- application of the principles of the Combined Code, corporate governance and internal control;
- review of sub-committee recommendations, including the recommendation to shareholders for the appointment and remuneration of auditors;
- 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, and outside of, Board and Committee meetings.

Performance evaluation is conducted by the Board as a peer group and is monitored on a continuous ongoing basis.

The Board believes that it has the right balance of independence, skills, experience and knowledge for the effective governance of the Company.

The Director who will retire and be subject to re-election at the Annual General Meeting is David Pinckney. As a result of the process of performance evaluation, he is considered to be independent and effective and demonstrates strong commitment to the role; on this basis, the Directors (excluding David Pinckney) believe it to be in the best interest of the Company to reappoint him at the forthcoming Annual General Meeting.

STATEMENT OF CORPORATE GOVERNANCE
(continued)

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. David Pinckney is Chairman of the Audit Committee. In accordance with the Code, the members of the Audit Committee have recent and relevant financial experience. The Committee met twice during the year ended 31 December 2006; all members attended the meetings.

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

- providing an overview of the Company's accounting policies and financial reporting;
- considering and reviewing the effectiveness of the Company's internal controls and risk management systems;
- monitoring the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them;
- meeting the Company's external auditors twice yearly, approving their appointment, reappointment, remuneration, terms of engagement and providing an ongoing review of auditor independence and objectivity;
- developing and implementing a policy for the supply of non-audit services by the external auditors; 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 that these issues, where raised, are subject to proportionate and independent investigation, and appropriate action;
- reporting to the Board, identifying any matters in respect of which action or improvement is needed and recommending appropriate steps to be taken; and
- undertaking the duties of the Engagement Committee, and therefore reviewing the performance of the Manager and all matters arising under the management agreement.

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

- formally reviewing the final report and accounts, the interim report, and the associated announcements, with particular focus on the main areas requiring judgement and on critical accounting policies;
- reviewing the effectiveness of the internal controls system and examination of the Internal Controls Report produced by the Manager;
- meeting with the Head of Internal Audit of Close Brothers Group plc;
- meeting with the external auditors and reviewing their findings; and
- reviewing the performance of the Manager and making recommendations regarding their re-appointment to the Board.

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 2006 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 27 March 2007. The terms and conditions of Directors' appointment are available for inspection at the Annual General Meeting.

Internal Control
In accordance with principle C.2 of the Combined Code, the Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place throughout the year and continues to be subject to regular review by the Board in accordance with the Internal Control Guidance for Directors in 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's monitoring covers all controls, including financial, operational and compliance controls, and risk management. 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 are, and 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 Manager's and the Board's attention.

STATEMENT OF CORPORATE GOVERNANCE
(continued)

Internal Control (continued)

The Board has also performed a specific assessment for the purpose of this Annual Report. This assessment considers all significant aspects of internal control arising during the year. The Audit Committee assists the Board in discharging its review responsibilities.

As the Board has delegated the investment management and administration to Close Ventures Limited, the Board feels that it is not necessary to have its own internal audit function. Instead, the Board has continual access to the internal audit department of Close Brothers Group plc, which undertakes periodic examination of the business processes and controls environment at Close Ventures Limited, and ensures that any recommendations to implement improvements in controls are carried out. The internal audit department of Close Brothers Group plc reports formally to the Board on an annual basis. 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 27 March 2007 will be used as an opportunity to communicate with 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.

The Annual General Meeting will also include a presentation from the Manager on the portfolio and on the Company, and a presentation from an investee company.

Statement of compliance

With the exception of the requirements to have a Remuneration Committee and a senior independent director, the Directors consider that the Company has complied throughout the year ended 31 December 2006 with all the relevant provisions set out in Section 1 of the Code, and with the AITC Code of Corporate Governance. The Company continues to comply with the Code as 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 Directors' 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

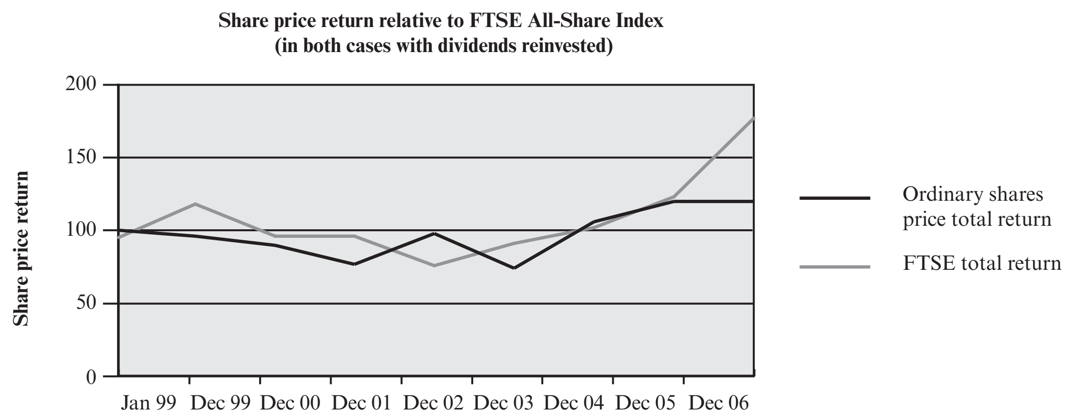
The Company's policy is that fees payable to non-executive directors should reflect their expertise, responsibilities and time spent on Company matters. In determining the level of non-executive remuneration, market equivalents are considered in comparison to the overall activities and size of the Company.

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 graphs below show Close Brothers Development VCT PLC's Ordinary and C share price against the FTSE All-Share Index, in both instances with dividends reinvested, for the eight years since the launch of the Ordinary Shares in January 1999 and the six 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 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.



DIRECTORS' REMUNERATION REPORT

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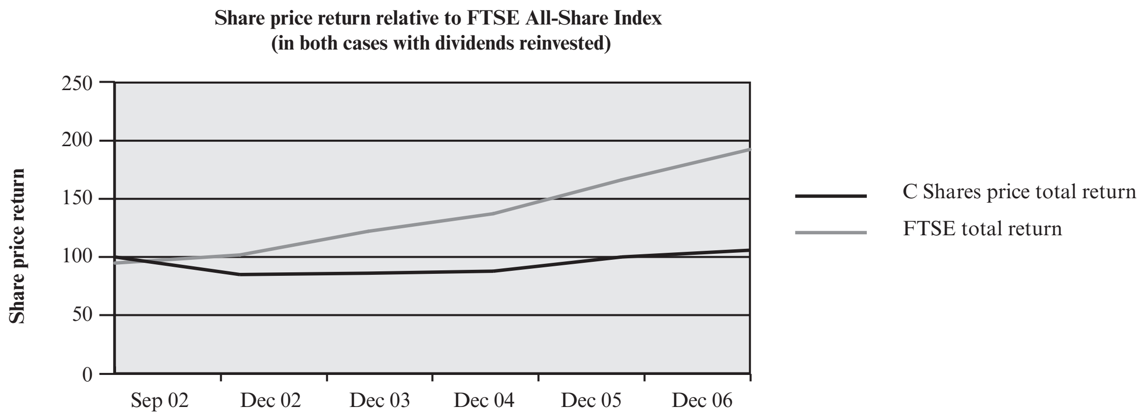

Service contracts

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

The Company's Articles of Association provide for the resignation and, if approved, re-election of one third of the Directors at each Annual General Meeting. At the forthcoming Annual General Meeting David Pinckney will retire by rotation and be proposed for re-election by shareholders.

Directors' remuneration

The following items have been audited.

The following table shows an analysis of the remuneration of individual directors (excluding VAT and employers NIC costs).

	Year ended 31 December 2006			Year ended 31 December 2005		
	Fees £'000	Expenses £'000	Total £'000	Fees £'000	Expenses £'000	Total £'000
Roderick Davidson	20.5	-	20.5	20.5	-	20.5
Jonathan Thornton	20.5	-	20.5	20.5	-	20.5
David Pinckney	20.5	-	20.5	20.5	-	20.5
Frank Malcolm	20.5	2.0	22.5	20.5	2.0	22.5
	82.0	2.0	84.0	82.0	2.0	84.0

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, except 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 Ventures Limited
Company Secretary

10 Crown Place
London EC2A 4FT

28 February 2007

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 2006 which comprise the income statement, the balance sheet, the reconciliation of movement in shareholders' funds, the cash flow statement and the related notes 1 to 22. 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 financial statements in accordance with applicable 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 to be audited in accordance with relevant 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 and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 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 statements on internal control cover 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 other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

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 to be 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 to be 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 to be 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 2006 and of its total loss for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Director's Report is consistent with the financial statements.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London 28 February 2007

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.

INCOME STATEMENT

		Ordinary Shares Year ended 31 December 2006			C Shares Year ended 31 December 2006			Total Year ended 31 December 2006		
	Note	**Revenue £'000**	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**
Losses on investments	3	–	(910)	(910)	–	(766)	(766)	–	(1,676)	(1,676)
Investment income	4	733	–	733	1,160	–	1,160	1,893	–	1,893
Investment management fee	5	(84)	(251)	(335)	(126)	(377)	(503)	(210)	(628)	(838)
Other expenses	6	(85)	–	(85)	(106)	–	(106)	(191)	–	(191)
Return on ordinary activities before tax		564	(1,161)	(597)	928	(1,143)	(215)	1,492	(2,304)	(812)
Tax (charge)/credit on ordinary activities	8	(168)	73	(95)	(271)	114	(157)	(439)	187	(252)
Return attributable to equity shareholders		**396**	**(1,088)**	**(692)**	**657**	**(1,029)**	**(372)**	**1,053**	**(2,117)**	**(1,064)**
Basic and diluted return pence per share (excluding treasury shares)	10	3.0	(8.3)	(5.3)	3.6	(5.7)	(2.1)	6.6	(14.0)	(7.4)

The accompanying notes on pages 34 to 45 form an integral part of these financial statements.

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

All revenue and capital items in the above statement 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.

INCOME STATEMENT

		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	3	–	1,423	1,423	–	1,638	1,638	–	3,061	3,061
Investment income	4	696	–	696	1,092	–	1,092	1,788	–	1,788
Investment management fee	5	(88)	(263)	(351)	(127)	(382)	(509)	(215)	(645)	(860)
Other expenses	6	(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 (charge)/credit on ordinary activities	8	(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**
Basic and diluted return pence per share	10	2.8	9.1	11.9	3.3	7.5	10.8	6.1	16.6	22.7

The accompanying notes on pages 34 to 45 form an integral part of these financial statements.

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

All revenue and capital items in the above statement 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

	Note	Ordinary Shares 31 December 2006 £'000	C Shares 31 December 2006 £'000	Total 31 December 2006 £'000
Fixed asset investments				
Qualifying investments		9,512	12,363	21,875
Non-qualifying investments		–	3,892	3,892
Total fixed asset investments	11	9,512	16,255	25,767
Current assets				
Debtors	13	20	389	409
Cash at bank		2,597	1,639	4,236
		2,617	2,028	4,645
Creditors: amounts falling due within one year	14	(48)	(70)	(118)
Net current assets		2,569	1,958	4,527
Total assets less current liabilities		**12,081**	**18,213**	**30,294**
Capital and reserves				
Called up share capital	15	6,521	9,060	15,581
Share premium		48	3,160	3,208
Special reserve		5,196	4,693	9,889
Capital redemption reserve		863	310	1,173
Realised capital reserve		(1,118)	(26)	(1,144)
Unrealised capital reserve		711	941	1,652
Own treasury shares reserve		(239)	(149)	(388)
Revenue reserve		99	224	323
Total equity shareholders' funds		**12,081**	**18,213**	**30,294**
Net asset value per share (pence) (excluding treasury shares)	16	**94.6**	**101.4**	

The financial statements on pages 26 to 45 were approved by the Board of Directors on 28 February 2007.
Signed on behalf of the Board of Directors.

Roderick Davidson
Chairman

BALANCE SHEET

	Note	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	11	8,805	17,160	25,965
Current assets				
Debtors	13	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	14	(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	15	6,678	9,151	15,829
Share premium		48	3,160	3,208
Special reserve		5,477	4,864	10,341
Capital redemption reserve		706	219	925
Realised capital reserve		(941)	393	(548)
Unrealised capital reserve		1,621	1,707	3,328
Revenue reserve		101	238	339
Total equity shareholders' funds		**13,690**	**19,732**	**33,422**
Net asset value per share (pence)	16	**102.5**	**107.8**	

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

For the year ended 31 December 2006

Ordinary shares

	Called up share capital £'000	Share premium £'000	Special reserve £'000	Capital redemption reserve £'000	Realised capital reserve £'000	Unrealised capital reserve £'000	Own treasury shares reserve £'000	Revenue reserve £'000	Total £'000
As adjusted at 1 January 2005	6,964	48	5,991	420	(2,206)	1,640	–	433	13,290
Net realised gains on investments in the period	–	–	–	–	1,442	–	–	–	1,442
Capitalised investment management and performance fees	–	–	–	–	(263)	–	–	–	(263)
Tax relief on costs charged to capital	–	–	–	–	85	–	–	–	85
Cancellation of own shares	(286)	–	(514)	286	–	–	–	–	(514)
Movement in unrealised appreciation	–	–	–	–	–	(19)	–	–	(19)
Revenue return attributable to shareholders	–	–	–	–	–	–	–	381	381
Dividends paid	–	–	–	–	–	–	–	(713)	(713)
As at 31 December 2005	**6,678**	**48**	**5,477**	**706**	**(941)**	**1,621**	**–**	**101**	**13,690**
Net realised gains on investments in the year	–	–	–	–	1	–	–	–	1
Capitalised investment management and performance fees	–	–	–	–	(251)	–	–	–	(251)
Tax relief on costs charged to capital	–	–	–	–	73	–	–	–	73
Cancellation of own shares	(157)	–	(281)	157	–	–	–	–	(281)
Purchase of own shares for Treasury	–	–	–	–	–	–	(239)	–	(239)
Movement in unrealised appreciation	–	–	–	–	–	(910)	–	–	(910)
Revenue return attributable to shareholders	–	–	–	–	–	–	–	396	396
Dividends paid	–	–	–	–	–	–	–	(398)	(398)
As at 31 December 2006	**6,521**	**48**	**5,196**	**863**	**(1,118)**	**711**	**(239)**	**99**	**12,081**

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

For the year ended 31 December 2006

C shares

	Called up share capital £'000	Share premium £'000	Special reserve £'000	Capital redemption reserve £'000	Realised capital reserve £'000	Unrealised capital reserve £'000	Own treasury shares reserve £'000	Revenue reserve £'000	Total £'000
As adjusted at 1 January 2005	9,278	3,160	5,100	93	(362)	1,262	–	535	19,066
Net realised gains on investments in the period	–	–	–	–	1,193	–	–	–	1,193
Capitalised investment management and performance fees	–	–	–	–	(382)	–	–	–	(382)
Tax relief on costs charged to capital	–	–	–	–	127	–	–	–	127
Share redemptions	(126)	–	(236)	126	–	–	–	–	(236)
Movement in unrealised appreciation	–	–	–	–	–	445	–	–	445
Revenue return attributable to shareholders	–	–	–	–	–	–	–	610	610
Dividends paid	–	–	–	–	(186)	–	–	(907)	(1,093)
As at 31 December 2005	**9,151**	**3,160**	**4,864**	**219**	**393**	**1,707**	**–**	**238**	**19,732**
Net realised gains on investments in the year	–	–	–	–	–	–	–	–	–
Capitalised investment management and performance fees	–	–	–	–	(377)	–	–	–	(377)
Tax relief on costs charged to capital	–	–	–	–	114	–	–	–	114
Share redemptions	(91)	–	(171)	91	–	–	–	–	(171)
Purchase of own shares for Treasury	–	–	–	–	–	–	(149)	–	(149)
Movement in unrealised depreciation	–	–	–	–	–	(766)	–	–	(766)
Revenue return attributable to shareholders	–	–	–	–	–	–	–	657	657
Dividends paid	–	–	–	–	(156)	–	–	(671)	(827)
As at 31 December 2006	**9,060**	**3,160**	**4,693**	**310**	**(26)**	**941**	**(149)**	**224**	**18,213**

CASH FLOW STATEMENT
for the year ended 31 December 2006

	Notes	Ordinary Shares Year ended 31 December 2006 £'000	C Shares Year ended 31 December 2006 £'000	Total Year ended 31 December 2006 £'000
Operating activities				
Investment income received		506	577	1,083
Deposit income received		141	387	528
Other income received		22	13	35
Investment management fees paid		(429)	(637)	(1,066)
Other operating expenses paid		(98)	(116)	(214)
Other cash payments		39	(380)	(341)
Net cash inflow/(outflow) from operating activities	18	181	(156)	25
Taxation		(144)	(268)	(412)
Capital expenditure and financial investment				
Purchase of qualifying investments		(1,565)	(3,253)	(4,818)
Purchase of non-qualifying investments		–	(377)	(377)
Disposals of qualifying investments		1	–	1
Disposals of non-qualifying investments		–	4,000	4,000
Net cash (outflow)/inflow from investing activities		(1,564)	370	(1,194)
Equity dividends paid				
Dividends paid		(398)	(827)	(1,225)
Net cash outflow before financing		(1,925)	(881)	(2,806)
Financing				
Cancellation of shares		(281)	(171)	(452)
Own treasury shares		(239)	(149)	(388)
Intercompany account movement		67	(67)	–
Net cash outflow from financing		(453)	(387)	(840)
Decrease in cash in the year	17	**(2,378)**	**(1,268)**	**(3,646)**

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	18	(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 non-qualifying investments		2,405	2,340	4,745
Net cash inflow/(outflow) from investing activities		810	(1,372)	(562)
Equity dividends paid				
Dividends paid		(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	17	**(1,005)**	**(2,138)**	**(3,143)**

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting convention

The financial statements have been prepared 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") in January 2003 and revised in December 2005. Accounting policies have been applied consistently in current and prior periods.

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

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 account ("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 the disposal of investments are reflected in the capital column of the Income Statement 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 ("EIR"). 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 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

Dividend income is included in revenue when the investment is quoted ex-dividend. The fixed returns on non-equity shares and debt securities are recognised on a time apportionment basis using an effective interest rate over the life of the financial instrument.

Management fees and 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, net of corporation tax, (the balance of the management fee is charged to the revenue account) which represents the proportion of the investment management fee attributable to the enhancement of the value of the investments of the Company; and
- expenses which are incidental to the purchase or disposal of an investment.

Performance incentive fee

In the event that a performance incentive fee crystallises, the fee will be allocated between revenue and realised capital reserves (net of corporation tax), based upon the proportion to which the calculation of the fee is attributable to revenue and capital returns.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

2. Accounting policies (continued)

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

Creditors are non-interest bearing and are stated at their fair value at initial recognition and subsequently at amortised cost. The Directors consider that the carrying amount of creditors approximates their fair value.

Taxation
Taxation is applied on a current basis in accordance with Financial Reporting Standards ('FRS') 16. Taxation associated with capitalised management fees 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 the taxation of VCTs means 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.

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 paid or approved by shareholders in an Annual General Meeting.

Reserves

Realised capital reserves
The following are accounted for in this reserve:

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

(ii) capitalised management and performance fees together with the related taxation effect, charged in accordance with the above policies; and

(iii) dividends paid to equityholders.

Unrealised capital reserve
Increases and decreases in the valuation of investments held at the year end are accounted for in this reserve.

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

Capital redemption reserve
This reserve accounts for amounts by which the issued share capital is diminished through the repurchase of the Company's own shares.

Own treasury shares reserve
This reserve accounts for amounts by which the issued share capital is diminished through the purchase of the Company's own shares for treasury.

The Own treasury shares reserve was created this year in accordance with section 80 of the Companies Act 1985 (the "Act") as ratified by shareholders at the Annual General Meeting held on 3 May 2006.

C Shares
The C shares will be converted to Ordinary Shares on 31 March 2007. As at the balance sheet date, 31 December 2006, all investments and returns attributable to the C shares were separately identifiable from the existing Ordinary Shares. All residual expenses have been allocated on the basis of total funds raised for each class of share.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

3. Gains on investments

	Year ended 31 December 2006			Year ended 31 December 2005		
	Ordinary Shares £'000	C Shares £'000	Total £'000	Ordinary Shares £'000	C Shares £'000	Total £'000
Realised gains	1	–	1	1,526	1,262	2,788
Unrealised (losses)/gains	(911)	(766)	(1,677)	(19)	445	426
Costs of disposal	–	–	–	(84)	(69)	(153)
	(910)	**(766)**	**(1,676)**	**1,423**	**1,638**	**3,061**

4. Investment income

	Year ended 31 December 2006			Year ended 31 December 2005		
	Ordinary Shares £'000	C Shares £'000	Total £'000	Ordinary Shares £'000	C Shares £'000	Total £'000
Income from investments						
Return on investments	558	803	1,361	525	524	1,049
Other income						
Deposit income	141	147	288	145	207	352
FRN income	–	194	194	–	349	349
Dividend income	22	12	34	26	12	38
Management fees and other income	12	4	16	–	–	–
	733	**1,160**	**1,893**	**696**	**1,092**	**1,788**

5. Investment management fee

	Year ended 31 December 2006			Year ended 31 December 2005		
	Ordinary Shares £'000	C Shares £'000	Total £'000	Ordinary Shares £'000	C Shares £'000	Total £'000
Charged to revenue	84	126	210	88	127	215
Charged to capital	251	377	628	263	382	645
	335	**503**	**838**	**351**	**509**	**860**

Total management fees for the year ended 31 December 2006 include irrecoverable VAT amounting to approximately £125,000, (2005: £128,000). Further details of the Management Agreement under which the investment management fee is paid are given in the Report of the Directors on page 17.

6. Other expenses

	Year ended 31 December 2006			Year ended 31 December 2005		
	Ordinary Shares £'000	C Shares £'000	Total £'000	Ordinary Shares £'000	C Shares £'000	Total £'000
Directors' fees (see note 7)	39	50	89	42	52	94
Auditors' remuneration – audit fees	11	13	24	9	11	20
Other	35	43	78	26	39	65
	85	**106**	**191**	**77**	**102**	**179**

NOTES TO THE FINANCIAL STATEMENTS
(continued)

7. Directors' fees

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

	Year ended 31 December 2006			Year ended 31 December 2005		
	Ordinary Shares £'000	**C Shares £'000**	**Total £'000**	**Ordinary Shares £'000**	**C Shares £'000**	**Total £'000**
Directors' fees	36	46	82	36	46	82
National Insurance and/or VAT	3	4	7	4	6	10
Expenses	1	1	2	2	-	2
	40	**51**	**91**	**42**	**52**	**94**

Expenses charged relate to travel expenses in furtherance of their duties as Directors. Further information regarding Directors' remuneration can be found in the Directors' Remuneration Report on pages 23 and 24.

8. Tax charge/(credit) on ordinary activities

	Year ended 31 December 2006			Year ended 31 December 2005		
	Revenue £'000	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**
UK Corporation tax at 30%	252	–	252	191	–	191
Tax attributable to capital expenses	187	(187)	-	212	(212)	–
	439	**(187)**	**252**	**403**	**(212)**	**191**

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 2006			Year ended 31 December 2005		
	Revenue £'000	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**
Return before taxation	1,492	(2,304)	(812)	1,393	2,418	3,811
Tax on profit at the standard rate	448	(691)	(243)	418	725	1,143
Factors affecting the charge						
Non-taxable (gains)/losses	(9)	504	495	–	(937)	(937)
Marginal relief	–	–	–	(15)	–	(15)
	439	**(187)**	**252**	**403**	**(212)**	**191**

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.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

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

	Year ended 31 December 2006		Year ended 31 December 2005	
	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
First Interim 2005 revenue paid of 1.80p per Ordinary share and 0.80p per C share.	–	–	248	149
First Interim 2005 capital paid of 1.00p per C share	–	–	–	186
Second Interim 2005 revenue paid of 1.20p per Ordinary share and 1.70p per C share.	–	–	160	312
First Interim 2006 revenue paid of 1 .00p per Ordinary share and 1.50p per C share	134	277	–	–
Second Interim 2006 revenue paid of 2.00p per Ordinary share and 2.15p per C share	264	394	–	–
Second Interim 2006 capital paid of 0.85p per C share	–	156	–	–
Total dividends	**398**	**827**	**713**	**1,093**

10. Basic and diluted return per share

	Year ended 31 December 2006			Year ended 31 December 2005		
	Revenue	Capital	Total	Revenue	Capital	Total
Ordinary Shares	3.0p	(8.3)p	(5.3)p	2.8p	9.1p	11.9p
C Shares	3.6p	(5.7)p	(2.1)p	3.3p	7.5p	10.8p

Ordinary Shares

Revenue return per Ordinary share is based on the net revenue return attributable to equity holders for the financial year of £396,000 (2005: £381,000) in respect of the weighted average number of shares in issue during the year, being 13,075,011 shares (excluding Treasury shares) (2005: 13,629,952 shares).

Capital return per Ordinary share is based on net capital loss attributable to equity holders for the financial year of £1,088,000 (2005: profit £1,245,000) and based on the same weighted average number of shares as for revenue return shown above.

C Shares

Revenue return per C share is based on the net revenue return attributable to equity holders for the financial year of £657,000 (2005: £610,000) in respect of the weighted average number of shares in issue during the period, being 18,136,143 shares (excluding Treasury shares) (2005: 18,448,357).

Capital return per C share is based on net capital loss attributable to equity holders for the financial year of £1,029,000 (2005: profit £1,383,000) 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.

Return per share calculations treat Treasury shares as if they had been cancelled.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

11. Fixed asset investments

Ordinary Shares	31 December 2006 £'000	31 December 2005 £'000
Investments quoted on AIM	1,981	2,393
Unlisted investments	7,531	6,412
Total	**9,512**	**8.805**

	Qualifying AIM £'000	Qualifying asset based £'000	Non-qualifying £'000	Total £'000
Opening book cost	534	6,145	60	6,740
Opening unrealised profit/(loss)	1,859	(224)	(14)	1,621
Opening accrued amortised loan stock interest	–	444	–	444
Opening valuation at 1 January 2006	**2,393**	**6,366**	**46**	**8,805**
Purchases at cost	–	1,565	–	1,565
Reclassification from non-qualifying to qualifying	–	60	(60)	–
Sales proceeds	–	–	–	–
Realised gain for the year	–	1	–	1
Movement in loan stock carrying value	–	38	14	52
Unrealised (loss) for the year	(412)	(499)	–	(911)
Closing valuation at 31 December 2006	**1,981**	**7,531**	**–**	**9,512**
Closing book cost	534	7,770	–	8,305
Accrued amortised loan stock interest	–	496	–	496
Closing unrealised profit/(loss)	1,447	(737)	–	711
Closing valuation at 31 December 2006	**1,981**	**7,531**	**–**	**9,512**
Gains/(losses) on investments				
Net movement in realised profit in the year	–	1	–	1
Net movement in unrealised (loss) in the year	(412)	(499)	–	(911)
Losses on investments in the year	**(412)**	**(498)**	**–**	**(910)**

Fixed asset investments held at fair value through the profit or loss account total £4,809,000. Investments held at amortised cost total £4,703,000.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

11. Fixed asset investments (continued)

C Shares	31 December 2006 £'000	31 December 2005 £'000
Investments quoted on AIM	518	625
Unlisted investments	15,737	16,535
Total	**16,255**	**17,160**

	Qualifying AIM £'000	Qualifying asset based £'000	Non-qualifying £'000	Total £'000
Opening book cost	263	7,183	7,814	15,260
Opening unrealised profit/(loss)	362	1,457	(110)	1,709
Opening accrued amortised loan stock interest	–	191	–	191
Opening valuation at 1 January 2006	**625**	**8,831**	**7,704**	**17,160**
Purchases at cost	–	3,259	377	3,636
Reclassification from qualifying to non-qualifying	–-	230	(230)	–
Sales proceeds	–	–	(4,000)	(4,000)
Realised gain/(loss) for the year	–	–	–	–
Movement in loan stock carrying value	–	226	–	226
Unrealised (loss)/profit for the year	(107)	(700)	41	(766)
Closing valuation at 31 December 2006	**518**	**11,845**	**3,892**	**16,255**
Closing book cost	263	10,672	3,961	14,896
Accrued amortised loan stock interest	–	418	-	418
Closing unrealised profit/(loss)	255	757	(69)	941
Closing valuation at 31 December 2006	**518**	**11,845**	**3,892**	**16,255**
Gains/(losses) on investments				
Net movement in realised profit/(loss) in the year	–	–	–	–
Net movement in unrealised (loss)/profit in the year	(107)	(700)	41	(766)
(Losses)/gains on investments in the year	**(107)**	**(700)**	**41**	**(766)**

Fixed asset investments held at fair value through the profit or loss account total £5,331,000. Investments held at amortised cost total £10,924,000.

12. 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 2006 as described below:

Company	Country of incorporation	Principal activity	% class and share type	% total voting rights
Grosvenor Health Ltd	Great Britain	Occupational health provider	63% A ordinary	32%
			& 32% 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	22%
The Q Garden Company Ltd	Great Britain	Garden centre operator	33% A ordinary	17%
Lowcosttravelgroup Ltd	Great Britain	On line travel	36% A ordinary	3%
Blackbay Group Ltd	Great Britain	Provider of mobile data solutions	21% ordinary	7%

NOTES TO THE FINANCIAL STATEMENTS
(continued)

12. Significant interests (continued)

As permitted by FRS 9, the investments listed above 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 AIM. 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%	1,981
C Shares	4%	518
	18%	2,499

13. Debtors

	31 December 2006 Ordinary Shares £'000	C Shares £'000	Total £'000	31 December 2005 Ordinary Shares £'000	C Shares £'000	Total £'000
Prepayments and accrued income	18	9	27	28	55	83
Interclass debtor	2	–	2	69	–	69
Other debtors	–	380	380	14	–	14
	20	**389**	**409**	**111**	**55**	**166**

14. Creditors: amounts falling due within one year

	31 December 2006 Ordinary Shares £'000	C Shares £'000	Total £'000	31 December 2005 Ordinary Shares £'000	C Shares £'000	Total £'000
UK corporation tax payable	16	14	30	65	128	193
Interclass creditor	–	2	2	–	69	69
Accruals and deferred income	32	54	86	136	193	329
	48	**70**	**118**	**201**	**390**	**591**

15. Share capital

	31 December 2006 £'000	31 December 2005 £'000
Ordinary Shares		
Authorised:		
25,000,000 Ordinary Shares of 50p each	12,500	12,500
Allotted, called up and fully paid:		
13,042,663 Ordinary Shares of 50p each (including 275,118 treasury shares) (2005: 13,355,781 Ordinary Shares of 50p each)	6,521	6,678
C Shares		
Authorised:		
25,000,000 C Ordinary Shares of 50p each	12,500	12,500
Allotted, called up and fully paid:		
18,120,057 C Ordinary Shares of 50p each (including 156,715 treasury shares) (2005: 18,302,472 C Ordinary Shares of 50p each)	9,060	9,151

NOTES TO THE FINANCIAL STATEMENTS
(continued)

15. Share capital (continued)

During the year to 31 December 2006 the Company purchased 313,118 (2005: 572,931) of its own Ordinary Shares for cancellation at a cost of £281,000 (2005: £514,000) representing 2.3% of the share capital as at 1 January 2006. The Company also purchased 275,118 Ordinary shares to be held in Treasury at a cost of £239,000 representing 2.1% of the share capital as at 1 January 2006. The shares purchased for cancellation were funded from the Ordinary Shares special reserve and the shares purchased for Treasury were funded from the Ordinary Shares Own treasury reserve.

The Company also purchased 182,415 (2005: 252,628) of its own C shares for cancellation at a cost of £171,000 (2005: £263,000) representing 1.0% of the share capital as at 1 January 2006. The Company also purchased 156,715 C shares to be held in Treasury at a cost of £149,000 representing 0.9% of the share capital as at 1 January 2006. The shares purchased for cancellation were funded from the C Shares special reserve and the shares purchased for Treasury were funded from the C Shares Own treasury reserve.

16. 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 the shares in issue, less the Treasury shares, of 12,767,545 Ordinary Shares and 17,963,342 C Shares in issue at 31 December 2006 (2005: 13,355,781 Ordinary Shares and 18,302,472 C Shares).

	31 December 2006		31 December 2005	
	Ordinary Shares	C Shares	Ordinary Shares	C Shares
Net asset value per share attributable (pence)	94.6	101.4	102.5	107.8

17. Analysis of changes in cash during the year

	Year ended 31 December 2006		Year ended 31 December 2005	
	Ordinary Shares £'000	C Shares £'000	Ordinary Shares £'000	C Shares £'000
Beginning of the year	4,975	2,907	5,980	5,045
Net cash (outflow)	(2,378)	(1,268)	(1,005)	(2,138)
End of the year	**2,597**	**1,639**	**4,975**	**2,907**

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

	Year ended 31 December 2006		Year ended 31 December 2005	
	Ordinary Shares £'000	C Shares £'000	Ordinary Shares £'000	C Shares £'000
Return on ordinary activities before taxation	564	928	531	863
Investment management fee charged to capital	(251)	(377)	(263)	(382)
Movement in loan stock carrying value	(52)	(226)	(141)	(66)
Decrease/(increase) in debtors	24	(332)	(199)	135
Increase (decrease) in creditors	(104)	(149)	19	25
Net cash inflow/(outflow) from operating activities	**181**	**(156)**	**(53)**	**575**

NOTES TO THE FINANCIAL STATEMENTS
(continued)

19. Financial instruments and risk management

The Company's financial assets comprise equity and loan stock investments in unquoted companies, floating rate notes, 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 unquoted investments interest rate 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.

Unquoted investments interest rate risk

Unquoted investments in loan stock and equity are not subject to price movements as a result of interest rate movements. Floating rate note investments, due to the floating rate nature of these instruments, are not subject to significant price 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 loan stock instruments have a first charge over the assets of the investee company. Floating rate note investments are made in notes issued by banks with a Moody's credit rating of at least 'A'. In this way, the Manager seeks to limit credit risk to the Company.

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 page 4. To mitigate the investment risk, the 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 has no committed borrowing facilities as at 31 December 2006 (2005: £nil) and had cash balances of £4,236,296 together with £3,004,000 invested in floating rate notes which are considered to be readily realisable. 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 all interest rates would have reduced profits before tax for the year by approximately 8% (2005: 7%).

The weighted average interest rate applied to the Company's fixed rate assets during the year was approximately 12% (2005: 11%) for the Ordinary shares and 10% (2005: 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 (2005: four years for the Ordinary shares and four years for the C shares).

Fair values of financial assets and financial liabilities

All of the Company's financial assets and liabilities as at 31 December 2006 are stated at fair value as determined by the Directors, with the exceptions of loans and receivables, which are carried at amortised cost, in accordance with FRS 26. In the opinion of the Directors, the amortised cost of loan stock approximates to the fair value of the loan stock. See note 2 of the financial statements for accounting policies. 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 all are payable within one year.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

19. Financial instruments and risk management (continued)

The Company's financial assets as at 31 December 2006, all denominated in pounds sterling, consist of the following:

Ordinary Shares	Fixed rate £'000	Floating rate £'000	Non-interest bearing £'000	Total £'000
Equity	–	–	3,851	3,851
Loan stock	3,238	2,423	–	5,661
Debtors	–	–	20	20
Cash	–	1,447	1,150	2,597
Total assets	**3,238**	**3,870**	**5,021**	**12,129**

C Shares	Fixed rate £'000	Floating rate £'000	Non-interest bearing £'000	Total £'000
Equity	–	–	5,122	5,122
Loan stock	6,316	1,813	–	8,129
Floating rate notes	–	3,004	–	3,004
Debtors	–	–	389	389
Cash	–	789	850	1,639
Total assets	**6,316**	**5,606**	**6,361**	**18,283**

The Company's financial assets as at 31 December 2005, all denominated in pounds sterling, consisted 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**

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

	31 December 2006		31 December 2005	
	Ordinary Shares £'000	C Shares £'000	Ordinary Shares £'000	C Shares £'000
Less than one year	–	–	1,683	–
1-2 years	931	–	36	–
2-3 years	1,111	4,198	–	–
3-5 years	3,619	3,931	3,006	5,603
Total	**5,661**	**8,129**	**4,725**	**5,603**

The contractual re-pricing of the Floating Rate Notes held in the portfolio will occur within one year (2005: within one year).

NOTES TO THE FINANCIAL STATEMENTS
(continued)

20. Contingencies, guarantees and financial commitments

The Company has a future commitment to Evolutions Television Limited of £380,000. These funds are held as third party security for a bank loan granted to Evolutions Television Limited and appear as part of the debtor balance in the Balance Sheet.

21. Post balance sheet events

Conversion of C shares into Ordinary shares

In accordance with the terms of the circular to shareholders issued in September 2002 and the Articles of Association, on 31 March 2007, the C shares will convert to Ordinary shares on the basis of the net assets attributable to the Ordinary shares and the C shares as disclosed in the audited accounts for the year to 31 December 2006 and in accordance with the calculation as described and approved by shareholders' resolution number 2(4) at the Extraordinary General Meeting on 21 October 2002. The C shareholders will receive 1.0715 Ordinary shares for each C share.

The following investments have completed since 31 December 2006:

- A further £40,000 from the Ordinary Shares and £80,000 from the C Shares into Grosvenor Health Limited.
- £250,000 from the Ordinary Shares and £450,000 from the C Shares into Chichester Holdings Limited.
- A further £100,000 from the C Shares into a bank loan guarantee account in respect to a future investment in Kensington Health Clubs Limited.
- A further £20,000 from the Ordinary Shares and £23,000 from the C Shares into Novello Pub Limited.
- A further £14,000 from the Ordinary Shares and £55,000 from the C Shares into Pelican Inn Limited.
- £130,000 from the Ordinary Shares and £350,000 from the C Shares into Premier Leisure Suffolk Limited.
- A further £50,000 from the Ordinary Shares and £80,000 from the C Shares into The Dunedin Pub Company VCT Limited.
- £200,000 from the Ordinary Shares into Rostima Limited.

22. Related party transactions

The Manager, Close Ventures 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 17 of this report). During the year, services of a total value of £837,000 were purchased by the Company from Close Ventures Limited. At the financial year end, the amount due to Close Ventures Limited disclosed within the amounts disclosed as accruals and deferred income was £15,000.

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of Close Brothers Development VCT PLC will be held at 10:30 a.m. at 10 Crown Place, London EC2A 4FT on 27 March 2007 for the purpose of dealing with the following business, of which items 5 to 7 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 2006.

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

3. To approve the Directors' remuneration report for the year ended 31 December 2006.

4. To re-elect David Pinckney as a Director of the Company.

Special Business

5. To consider and if thought fit, pass the following 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 exercise all powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Act) up to a maximum aggregate nominal amount of £638,377 comprising 10% of the Ordinary share capital and £898,167 comprising 10% of the C share capital, or, following the conversion of the C shares into Ordinary shares, an aggregate nominal amount of £1,600,763 comprising 10% of the Ordinary shares (in all cases excluding Treasury shares), such authority to expire on 30 September 2008, 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; and all unexercised authorities previously granted to the Directors to allot relevant securities be, and are hereby, revoked.

6. 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 5, 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 5 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, bonus issue, open offer or other offer of securities in favour of the holders of Ordinary or C shares on the register of members at such record date as the Directors shall determine where the equity securities respectively attributable to the interest of the Ordinary or C shareholders are proportionate (as nearly may be) to the respective numbers of the Ordinary and C shares held by them on any such record date, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with Treasury shares, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange by virtue of shares being represented by depository receipts or any other matter whatever; and

(b) otherwise than pursuant to sub-paragraph above, up to an aggregate nominal amount of £319,188 equal to 5% of the Ordinary share capital and £449,083 equal to 5% of the C share capital, or following the conversion of the C shares into Ordinary shares, an aggregate nominal amount of £800,381 equal to 5% of the Ordinary shares (in all cases excluding Treasury shares);

NOTICE OF MEETING
(continued)

and shall expire on 30 September 2008, 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.

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 5" were omitted.

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

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 in the capital of the Company ("Shares") provided that:

(a) the maximum aggregate number of Shares authorised to be purchased is 1,276,754 Ordinary shares and 1,796,334 C shares representing 10% of the respective share classes, or following the conversion of the C shares into Ordinary shares, 3,201,525 Ordinary shares representing 10% of the Ordinary share capital (in all cases excluding Treasury shares);

(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 as derived from the London Stock Exchange Daily Official List for the shares over the five business days immediately preceding the date on which the shares are contracted to be purchased; 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 eighteen months from the date of the passing of this resolution whichever is earlier; and

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

BY ORDER OF THE BOARD

Close Ventures Limited
Company Secretary

Registered Office
10 Crown Place
London EC2A 4FT

28 February 2007

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 10:30 a.m on 25 March 2007 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 10:30 a.m. on 25 March 2007 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 25 March 2007 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.

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