

**Close Brothers
Development VCT PLC**



**Report & Accounts
for the year ended
31 December 2004**

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DIRECTORS AND ADMINISTRATION

Directors

R M Davidson, Chairman
F K Malcolm BSc
D C Pinckney MA FCA
J G T Thornton MA MBA FCA

Investment manager

Close Venture Management Limited
4 Crown Place
London EC2A 4BT
Tel: 020 7422 7830

Secretary and registered office

Catherine Kinnear ACA
10 Crown Place
London EC2A 4FT

Registrar

Capita Registrars Limited
Northern House
Penistone Road
Fenay Bridge
Huddersfield HD8 0LA

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

INVESTMENT OBJECTIVES

Close Brothers Development VCT PLC (“the Company”) is a venture capital trust which raised a total of £14.6 million through an issue of shares in 1999, £11.7 million through an issue of ‘C’ shares in the late 2002 and first half of 2003 and a further £7.0 million through a New ‘C’ Share issue during 2004. The investment strategy of the Company is to establish a diversified portfolio of holdings in smaller, unquoted companies whilst at the same time selecting and structuring investments in such a way as to reduce the risks normally associated with investment in such companies. It is intended that this will be achieved as follows:

- Qualifying Investments are intended to represent in excess of 80 per cent of net funds raised and comprise investments in established businesses across a broad spread of industries;
- approximately two thirds of the amount invested in Qualifying Investments comprises debt secured on “bankable” assets. This debt generates a significant proportion of the total return from individual investments; and
- the balance of funds are invested in Non-Qualifying Investments comprising fixed and floating interest rate securities, financial instruments and short term money market deposits with major banks with a Moody’s credit rating of at least A.

FINANCIAL CALENDAR

Ex dividend date	2 March 2005
Record date for final dividend	4 March 2005
Annual General Meeting	30 March 2005
Posting of dividend cheques in respect of the final dividend	1 April 2005
Announcement of interim results for the six months ended 30 June 2005	September 2005
Payment of interim dividend	October 2005

FINANCIAL HIGHLIGHTS

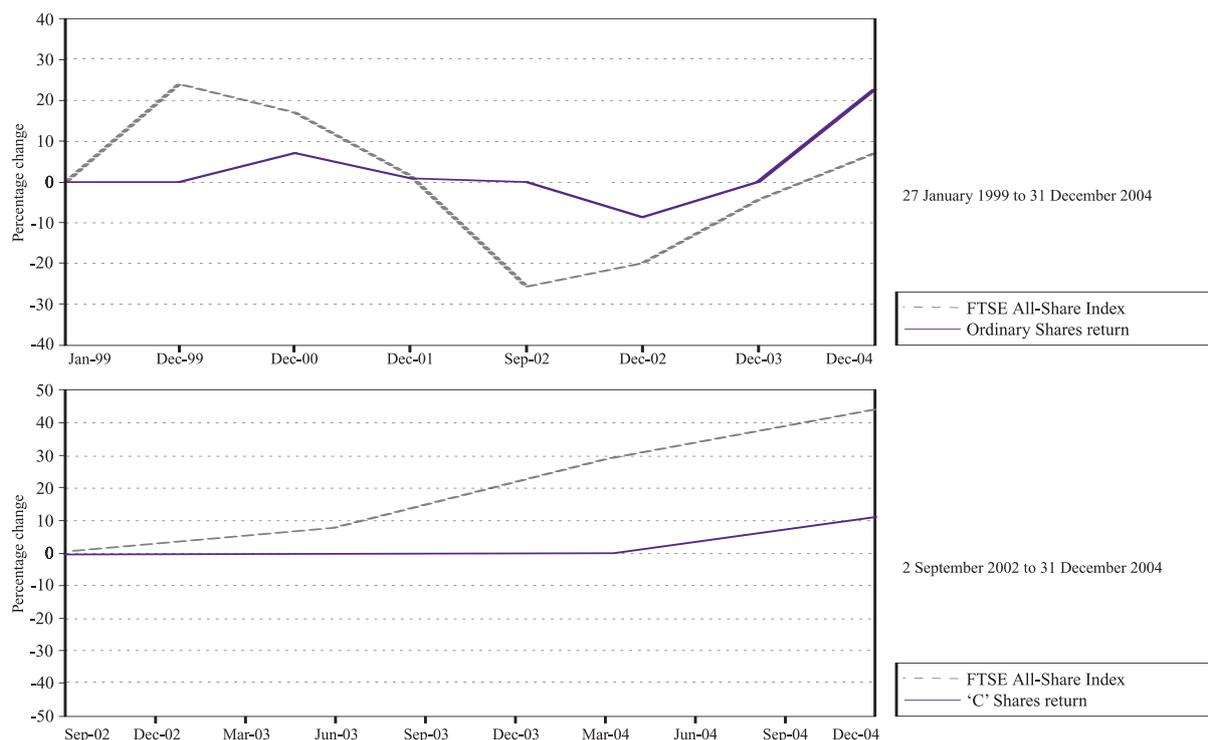
	Ordinary Shares Year ended 31 December 2004	‘C’ Shares Year ended 31 December 2004
Dividends per share	4.00 pence	3.50 pence
Net asset value per share	93.89 pence	100.19 pence
Shareholder value per share since launch:		
	Pence per share⁽ⁱⁱ⁾	Pence per share⁽ⁱⁱⁱ⁾
Total dividends for the period ended 31 December 1999 (i)	2.50	—
Total dividends for the year ended 31 December 2000	3.75	—
Total dividends for the year ended 31 December 2001	4.00	—
Total dividend for the year ended 31 December 2002	4.50	—
Total dividend for the year ended 31 December 2003 (iii)	4.00	1.65
Interim dividend for the period ended 30 June 2004 (iv)	1.80	1.10
Final dividend for the year ended 31 December 2004	2.20	2.40
Total dividends	<u>22.75</u>	<u>5.15</u>
Net asset value at 31 December 2004	<u>93.89</u>	<u>100.19</u>
Total	<u>116.64</u>	<u>105.34</u>

Notes

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

PERFORMANCE GRAPHS

Shareholder Return Relative to the FTSE All-Share Index (in both cases based on mid-market prices with dividends reinvested)



CHAIRMAN'S STATEMENT

Introduction

I am pleased to present the results of your Company for the year to 31 December 2004, being the sixth year following the launch of Close Brothers Development VCT PLC Ordinary Shares and the second full year of the 'C' Shares.

The net asset value at the year end was 93.89 pence per Ordinary Share and 100.19 pence per 'C' Share after total dividends for the year of 4.00 pence and 3.50 pence respectively. This represents a substantial turnaround for the Ordinary shareholders, with a 23 per cent increase in NAV since the last year end, and a pleasing increase for the C shareholders, an 8 per cent increase in NAV. The dividend levels reflect our strategy of aiming to provide investors with a strong and predictable yield.

Investment review and prospects

The year has been an eventful one for the Company. There were four disposals. The investment in Leisure Links was sold at a loss of £375,000, while the investment in Dolphin Day Nurseries, the children's nursery business, was sold, realising a profit of £694,000. The investment in Odyssey Clubs Group, the owner and operator of health and fitness clubs, was also sold during the year; although this realised a loss of £381,000, the sale also released unpaid interest, which boosted income and enabled the Company to restore its ordinary share dividend to the 4.00 pence paid in 2003. In addition, Careforce Group was successfully floated on AIM in November of last year, with both the Ordinary Shares and the C Shares benefiting. On total cost of £1.8 million, the Ordinary Shares received proceeds from the float of £1.8 million and still hold shares valued at £2.5 million, while the C Shares realised £1.3 million against a cost of £1.3 million, and still own shares valued at £0.65 million. Overall, between the two classes of share, we have recorded a combined realised and unrealised profit of £2.5 million over cost on the investment in Careforce.

Elsewhere in the portfolio, Automotive Technik, the military vehicle manufacturer, had a strong year, making a profit on greatly increased sales, mainly due to orders from the British and New Zealand armed forces. Grosvenor Healthcare, the occupational health provider to large corporates, was a new investment made during the early part of the year; its performance has been so strong, however, that its value has been written up at the year end. Against this, Q Gardens, the garden centre operator, continues to struggle, while City Centre Breweries, the freehold brewery in central Bristol and a C Share investment was placed into administration prior to the year end; following a restructuring in administration, however, we expect to realise value from our investment in due course, in excess of the level to which it has currently been written down.

Further investments were made in The Bold Pub Company, which owns and manages an estate of 27 freehold pubs, principally in the North West, while new investments were made in City Screen (Greenwich), which is developing an "Art House" cinema in Greenwich, and two further small investments in additional pub operations. Finally, £700,000 was invested by the Ordinary Share portfolio in Evolutions Television, a television post production company operating from its own freehold premises North of Oxford Street, with a further £2.6 million invested, or reserved for investment, from the C Share portfolio. Overall, we are encouraged by the prospects for the portfolios.

Results and dividends

Ordinary Shares

As at 31 December 2004 the net asset value of the Ordinary Shares of your Company was £13.1 million, compared to £11.1 million at 31 December 2003. This equates to a net asset value per share of 93.89 pence (2003: 76.3 pence). Net income after taxation for the year amounted to £675,000 (2003: £590,000) enabling the board to declare a net final dividend of 2.2 pence per Ordinary share

(2003: 2.2 pence). This is in addition to the interim dividend of 1.8 pence per share (2003: 1.8 pence) and maintains the total dividend for the year at 4.0 pence (2003: 4.0 pence). The final dividend will be paid on 1 April 2005 to shareholders on the register on 4 March 2005.

‘C’ Shares

As at 31 December 2004 the net asset value of the ‘C’ Shares of your Company was £18.6 million compared to £10.9 million at 31 December 2003; the main contributor to the increases was the further issue of £7 million in new C Shares during the year. This NAV equates to a net asset value of 100.19 pence (2003: 92.85 pence). Net income after taxation for the period amounted to £616,000 (2003: £168,000) enabling the board to declare a net final dividend of 2.40 pence per Ordinary share (2003: 0.9p). This is in addition to the interim dividend of 1.10 pence per share (2003: 0.75p) and brings the total dividend for the year to 3.50 pence (2003: 1.65p). The final dividend will be paid on 1 April 2005 to shareholders on the register on 4 March 2005.

Roderick Davidson
Chairman

23 February 2005

THE BOARD OF DIRECTORS

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

Roderick Davidson (67), is the chairman of the Company. He joined B S Stock & Co., stockbrokers, in Bristol in 1960, becoming a partner in 1965, and managing director of Stock Beech & Co. Limited in 1985. In 1990 he joined Albert E Sharp where he was a director of Albert E Sharp Holdings Limited and managed investment portfolios on behalf of pension funds, charitable trusts and private investors. Throughout his stockbroking career, he had broad experience of investment in smaller companies. He retired in 1998. He is a director of Close Brothers Venture Capital Trust PLC, a £40 million VCT which invests in unquoted, asset backed businesses.

Francis Malcolm (61), 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. Since then he has been successively, head of research and institutional sales and, latterly, a director in the corporate finance department where his work includes the raising of finance from venture and development capital institutions on behalf of unquoted companies. He is a director of Close Brothers AIM VCT PLC, a £26 million VCT which invests in companies quoted on AIM.

David Pinckney (64), 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 was also chairman of the AIM quoted Park Row Group PLC.

Jonathan Thornton (57), MA, MBA, FCA, has extensive experience in the management of unquoted investments. He was a director of Close Brothers Group plc from 1984 to 1998 and was responsible for establishing Close Brothers Private Equity Limited, the private equity fund management arm of the Close Brothers Group. Prior to this he worked for 3i plc and Cinven (two of the largest UK investors in unquoted companies). Over the past 20 years he has been a non-executive director of a number of smaller unquoted companies which have raised institutional capital and he is a director of Close Brothers Venture Capital Trust PLC.

THE MANAGER

Close Venture Management Limited, a division of Close Brothers Investment Limited which is authorised and regulated by the Financial Services Authority, is the Manager of Close Brothers Development VCT. In addition to Close Brothers Development VCT it manages four further venture capital trusts: Close Brothers Venture Capital Trust PLC which raised approximately £40 million in 1996 and 1997 to invest principally in asset-based businesses; Close Brothers Protected VCT PLC which raised approximately £28million in 1997 which now invests in asset-based businesses and in shares issued by companies quoted on AIM; Close Technology & General VCT PLC which has raised £14 million to invest half its funds in technology stocks, including international quoted securities, and half in non-technology sectors of the UK economy. Fundraising on the new Close Income and Growth VCT is continuing and is now over £20m. It is the intention of the Manager to invest 45 per cent of the funds raised in lower risk, ungeared, property-based businesses. The balance of funds raised is intended to be invested in high growth businesses across a variety of sectors of the UK economy.

The Manager has been recently asked by the boards of the four Murray VCTs to assume their management, which would increase funds under management to £225 million.

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

The following are specifically responsible for the management and administration of the VCTs managed by Close Venture Management Limited, including Close Brothers Development VCT:

Patrick Reeve, (44), MA, ACA. He 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 in 1989, initially in the development capital subsidiary, where he was a director specialising in the financing of smaller unquoted companies. He joined the corporate finance division in 1991, where he was also a director. He established Close Venture Management with the launch of Close Brothers Venture Capital Trust PLC in the spring of 1996.

Henry Stanford, (39), MA, ACA. He qualified as a chartered accountant with Arthur Andersen before joining the corporate finance division of the Close Brothers Group in 1992 where he advised smaller quoted and private companies. He became an assistant director in 1996 and transferred to Close Venture Management Limited in 1998 to concentrate on venture capital investment.

Will Fraser-Allen, (34), BA (Hons), ACA qualified as a chartered accountant with Cooper Lancaster Brewers in 1996 before specialising in corporate finance and investigation. He joined Close Venture Management Limited in 2001.

Emil Gigov, (34), BA (Hons), ACA qualified as a chartered accountant with KPMG in 1997 and subsequently worked in KPMG's corporate finance division working on the media, marketing and leisure sectors. He joined Close Venture Management Limited in 2000.

Ed Lascelles, (29), BA (Hons), joined the corporate broking department of Charterhouse Securities in 1998 focusing on primary and secondary equity fundraisings. He then moved to the corporate finance department of ING Barings in 2000, retaining his focus on smaller UK companies. He joined Close Venture Management Limited in 2004.

THE PORTFOLIO OF INVESTMENTS
Ordinary Shares

	At 31 December 2004				At 31 December 2003	
	Equity owned	Investments at cost	Unrealised appreciation/ (depreciation)	Total value	Unrealised appreciation/ (depreciation)	Movement in unrealised appreciation/ (depreciation) since 2003
	£'000	£'000	£'000	£'000	£'000	£'000
Qualifying investments						
Automotive Technik (Holdings) Limited	10%	819	437	1,256	(66)	503
Careforce Group Plc	14%	534	1,968	2,502	709	1,259
City Screen (Liverpool) Limited	5%	50	(6)	44	–	(6)
Consolidated Communications Management Limited	11%	1,000	5	1,005	90	(85)
CS (Greenwich) Limited	2%	110	–	110	–	–
Evolutions Television Limited	12%	702	–	702	–	–
Grosvenor Health Limited	7%	325	190	515	–	190
Peakdale Molecular Limited	9%	1,064	(154)	910	(100)	(54)
The Bold Pub Company Limited	3%	320	14	334		14
The Independent Pub Company (VCT) Limited	3%	60	–	60	–	–
The Q Garden Company Limited	17%	682	(417)	265	(300)	(117)
Total qualifying investments		5,666	2,037	7,703	333	1,704

THE PORTFOLIO OF INVESTMENTS
‘C’ Shares

	At 31 December 2004				At 31 December 2003	
	Equity owned	Investments at cost	Unrealised appreciation/ (depreciation)	Total value	Unrealised appreciation/ (depreciation)	Movement in unrealised appreciation/ (depreciation) since 2003
	£'000	£'000	£'000	£'000	£'000	£'000
Qualifying investments						
Automotive Technik (Holdings) Limited	10%	839	469	1,308	–	469
Careforce Group Plc	4%	263	391	654	10	381
City Centres Breweries Limited	24%	804	(320)	484	–	(320)
CS (Greenwich) Limited	13%	650	–	650	–	–
Evolutions Television Limited	22%	305	–	305	–	–
Grosvenor Health Limited	29%	1,430	788	2,218	–	788
Peakdale Molecular Limited	3%	133	(100)	33	(67)	(33)
The Bold Pub Company Limited	13%	1,350	65	1,415	–	65
The Independent Pub Company (VCT) Limited	7%	230	–	230	–	–
Total qualifying investments		<u>6,004</u>	<u>1,293</u>	<u>7,297</u>	<u>(57)</u>	<u>1,350</u>
Non-qualifying investments						
Barclays FRN		2,003	–	2,003	1	(1)
Bradford & Bingley FRN		1,997	2	1,999	2	–
Citigroup FRN		2,999	–	2,999	–	–
Total non-qualifying investments		<u>6,999</u>	<u>2</u>	<u>7,001</u>	<u>3</u>	<u>(1)</u>
Total investments		<u>13,003</u>	<u>1,295</u>	<u>14,298</u>	<u>(54)</u>	<u>1,349</u>

Close Brothers Development VCT PLC ‘C’ Shares has also committed funds of £2.3 million to a future investment in Evolutions Television Limited.

PORTFOLIO COMPANIES**Automotive Technik (Holdings) Limited**

The company manufactures the Pinzgauer off-road vehicle, whose main clients are the UK Ministry of Defence and overseas armed forces. Growth has been strong and sales in the year to 31 December 2004 have more than doubled since the previous year.

Latest audited results – Year to 31 December 2003

	£'000
Turnover	9,847
PBIT	(1,067)
Basis of valuation:	Multiple of maintainable earnings

Careforce Group Plc

Careforce Group was established in 1999 to build, both organically and through acquisition, a group providing home care services to the elderly, principally on behalf of local authorities. Careforce currently operates an expanding branch network around the UK. The company floated on AIM in November 2004 and has since made three acquisitions.

Latest audited results – Year to 31 July 2004

	£'000
Turnover	12,495
PBIT	493
Basis of valuation:	Quoted share price less marketability discount

City Centre Breweries Limited

City Centre Breweries was formed to purchase the Smiles Brewery in central Bristol and thereafter to provide a base for building up an integrated brewery and pub business based in the South West. The Company was placed into administration in November 2004. The business has since been restructured, continues to trade, and Close Brothers Development VCT PLC has increased its share holding in the business.

Latest audited results – None produced as company in administration

Basis of valuation:	Third party offer for business
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City Screen (Liverpool) Limited

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

Latest audited results – Year to 31 December 2003

	£'000
Turnover	580
PBIT	(107)
Basis of valuation:	Third party professional valuation

Consolidated Communications Management Limited

Consolidated Communications is a management buy-out of an established public relations agency, formed in 1991, with a broad range of 'blue chip' clients. In 2001 the company was named "Consultancy of the Year" at the PR Week Awards.

Latest audited results – Year to 28 February 2004

	£'000
Turnover	4,846
PBIT	281
Basis of valuation:	Multiple of maintainable earnings

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

CS (Greenwich) Limited

CS (Greenwich) was established to own and operate a five screen art house cinema in Greenwich. This is scheduled to open in the autumn of 2005.

Latest audited results – None produced to date

Basis of valuation:	Cost
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Evolutions Television Limited

Evolutions Television is a television post production business, providing post production services, including video and sound editing and automation, to a broad range of TV production companies, including the BBC and the large independents. It operates from its own freehold premises north of Oxford Street, London. The investment was made in December 2004, and a further £2.3 million has been reserved for investment in the C share portfolio in future tax years.

Latest audited results – Year to 31 March 2004

	£'000
Turnover	3,563
PBIT	(235)
Basis of valuation:	Cost

Grosvenor Health Limited

Grosvenor Health was formed to acquire the UK occupational healthcare business of Capiro, which provides healthcare services to large corporates. Growth since investment in March 2004 has been strong.

Latest audited results – None produced to date

Basis of valuation: Multiple of maintainable earnings

Peakdale Molecular Limited

Peakdale Molecular is principally 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 28 February 2004

	£'000
Turnover	3,397
PBIT	363
Basis of valuation:	Multiple of maintainable earnings

The Bold Pub Company Limited

The Bold Pub Company was formed in February 2004 to acquire a group of ten freehold and long leasehold pubs in the North West of England and has since acquired a further seven pubs.

Latest audited results – None produced to date

Basis of valuation: Third party professional valuation

The Independent Pub Company (VCT) Limited

The Independent Pub Company (VCT) Limited has been set up to acquire edge of town freehold pubs in central and southern England and it acquired its first site near Hungerford in December 2004.

Latest audited results – None produced to date

Basis of valuation: Cost

The Q Garden Company Limited

The Q Garden Company is a chain of garden centres based in the south of England. It currently owns three centres in Fareham (Hampshire), Chinnor (Oxfordshire) and Stow-on-the-Wold (Gloucestershire).

Latest audited results – Year to 31 January 2004

	£'000
Turnover	2,675
PBIT	(244)
Basis of valuation:	Third party professional valuation

REPORT OF THE DIRECTORS

The Directors submit the Report and Accounts of the Company for the year ended 31 December 2004.

Principal activity and status

The principal activity of the Company is that of a venture capital trust. It was approved by the Inland Revenue as a venture capital trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988 for the year ended 31 December 2002. In the opinion of the Directors, the Company has subsequently conducted its affairs so as to enable it to continue to obtain such approval. Approval for the year ended 31 December 2004 is subject to review should there be any subsequent enquiry under corporation tax self assessment. The Company is not a close company for taxation purposes. Details of the principal investments made by the Company are given above in the review of the portfolio of investments. A review of the Company's business during the year is contained in the Chairman's Statement.

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

Results and dividends

	Ordinary Shares £'000	'C' Shares £'000
Revenue return for the year ended 31 December 2004 available for distribution	675	616
Interim dividend of 1.80 pence per Ordinary Share and 1.10 pence per 'C' Share	(257)	(129)
Final dividend for the year of 2.20 pence per Ordinary Share and 2.40 pence per 'C' Share payable on 1 April 2005 to shareholders on the register at the close of business on 4 March 2005.	(306)	(445)
Transferred to revenue reserves	<u>112</u>	<u>42</u>
Capital gain for the year ended 31 December 2004 transferred to capital reserves	<u>2,306</u>	<u>1,156</u>

Graphs showing the shareholder return relative to the FT-SE All Share Index with dividends reinvested for both class of share are located on page 3 of the Report and Accounts.

Future prospects

Details on the future prospects of the Company are discussed by the Chairman in his statement on page 4.

Directors

The Directors who held office throughout the period, and their interests in the shares of the Company (together with those of their immediate family) at 31 December were:

	2004		2003	
	Ordinary Shares	'C' Shares	Ordinary Shares	'C' Shares
Roderick Davidson	25,000	–	25,000	–
Jonathan Thornton	20,000	25,000	20,000	–
David Pinckney	5,000	10,000	5,000	10,000
Frank Malcolm	5,000	–	5,000	–

There have been no changes in the holdings of the Directors between 31 December 2004 and the date of this document.

No Director has a service contract with the Company.

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

The Company does not have any employees.

Management agreement

The Company and Close Brothers Investment Limited, of which Close Venture Management Limited, the Manager, is a division, 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 per cent (plus any applicable VAT) of the net asset value of the Company plus a 0.25% fee on the same basis for administrative and secretarial services. The management fee now incorporates the 0.25% administrative and secretarial fee in accordance with the revised SORP. The fee is payable quarterly in arrears.

Management performance incentive

In order to reward the Manager for the maximisation of returns to investors, the Manager will, under the Supplementary Management Agreement, be entitled to an incentive fee in the event that returns exceed minimum target levels per Ordinary Share and 'C' Share. These minimum target levels, comprising all dividends paid and capital (capital being the average of net assets per Ordinary Share and the mid market price of the Ordinary Shares for the period from the announcement of the preliminary results to the day prior to the Annual General Meeting for the year in question), will be equivalent to an annualised rate of return of 8 per cent per annum on the original subscription price of 100 pence per Share before taking account of the impact on returns of the initial income tax relief and any capital gains tax deferred. In order to reward the Manager for a consistent, above-target level of return over the life of the Company, the fee will be payable in stages over four years in respect of the financial years ending 31 December 2003 to 2006 in respect of Ordinary Shares and the financial years ending 31 December 2007 to 2010 in respect of '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.

Substantial interests

As at 31 December 2004 the Company was not aware of any beneficial interest exceeding 3 per cent of the issued share capital.

Statement of directors' responsibilities

United Kingdom company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether all applicable accounting standards have been followed; 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 safeguarding the assets of the Company, for the system of internal control 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 which accompany this report.

Suppliers payment policy

The Company's policy is to pay all suppliers within 30 days of the invoice date, or as otherwise agreed. There were no overdue trade creditors at 31 December 2004 (2003: nil).

Cancellation of Share Premium

A special resolution was passed at an EGM of the Company on 21 October 2002 to petition the High Court to cancel the share premium account relating to 'C' Shares shortly after the final closing. The cancellation of the share premium account took effect on the Court Order being duly registered by the Registrar of Companies on 23 July 2003.

New 'C' Share Offer

On 16 January 2004 the Company authorised the raising of up to £13.2 million through an issue of New 'C' Shares.

Until 31 March 2007 the 'C' Shares shall be treated as a separate pool from the Ordinary Shares with reference to investments and returns attributable to those investments. Residual expenses shall be allocated between the Ordinary Shares and the 'C' Shares on the basis of total funds raised for each class. As to the rights to attend and vote at any general meeting of the Company the Ordinary Shares and 'C' Shares rank pari passu. Conversion of 'C' Shares on 31 March 2007 will be carried out in accordance with the procedures contained in the Company's Articles of Association.

Annual General Meeting

The Annual General Meeting will be held at 10 Crown Place, London EC2A 4FT on 30 March 2005 at 2:30 p.m. The notice of the Annual General Meeting is at the end of this document. A resolution will be proposed as special business at the Annual General Meeting for the following purpose:

Purchase of own shares

A special resolution, number 5 in the notice of meeting, will give the Company authority to purchase in the market and cancel up to 1,392,871 of the Company's Ordinary issued shares and 1,855,510 'C' issued shares (equivalent to 10 per cent of the share capital currently in issue). Purchases of shares will be made within guidelines established from time to time by the Board, but only if it is considered that such purchases would be to the advantage of the Company and its shareholders taken as a whole. Purchases will only be made in the market for cash at prices below the prevailing net asset value per Ordinary Share. Under the rules of the London Stock Exchange the maximum price which can be paid by the Company is 5 per cent above the average of the relevant market value of the shares for the five business days preceding the purchase. Shares which are purchased will be cancelled. In making purchases the Company will deal only with member firms of the London Stock Exchange. Purchases of shares will be funded from distributable reserves. To the extent that the Company purchases shares at a discount to net asset value, the net asset value of the remaining shares in issue will increase.

By Order of the Board,

R M Davidson
Director
10 Crown Place
London EC2A 4FT

23 February 2005

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. Mr Davidson is the senior independent Director and Chairman. Messrs Pinckney, Malcolm and Thornton are also independent Directors. The Directors have a range of business and financial skills which are extremely relevant to the Company. 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 insurance.

The Board met four times during 2004. All of the Directors attended each meeting with the exception of Mr Pinckney 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, these include the following:

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

The main issues reserved for the Board include:

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

Directors' Performance Evaluation

The Board takes corporate governance very seriously. Performance of the Board and the Directors is assessed on the following:

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

Remuneration Committee

Since the Company has no executive directors, the detailed Directors' Remuneration disclosure requirements set out in Listing Rules 12.43A(a), 12.43A(b) and 12.43A(c) as they relate to Combined Code Provisions B.1 to B.2, B1.1 to B1.6, and B2.1 to B2.4 are not relevant.

Audit Committee

The Audit Committee consists of all Directors, with Mr Pinckney as Chairman. In accordance with the Code, the members of the Audit Committee have recent and relevant financial experience. The Committee met twice during 2004; all members attended.

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

- providing an overview of the Company's accounting policies and financial reporting;
- considering the effectiveness of the Company's internal controls;
- to monitor the integrity of the financial statements of the Company;
- meeting the Company's external auditors twice yearly, approving their appointment, reappointment and providing an ongoing review of auditor independence and objectivity;
- meeting with the Head of Internal Audit when appropriate.
- the Audit Committee also undertakes the duties of the Engagement Committee, and therefore also reviews all matters arising under the management agreement.

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 2004 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 for the forthcoming AGM in 2006. The terms and conditions of Directors' appointment are available for inspection at AGMs.

Internal control

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process is subject to regular review by the Board and accords with the Internal Control Guidance for Directors on the Combined Code published in September 1999 ("the Turnbull guidance"). The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board, assisted by the Manager, undertakes a full review of the Company's business risks. The Board receives each year from the Manager a formal report which details the steps taken to monitor the areas of risk, including those that are not directly the responsibility of the Manager, and which reports the details of any known internal control failures. Steps will continue to be taken to embed the system of internal control and risk management into the operations and culture of the Company and its key suppliers, and to deal with areas of improvement which comes to management's and the Board's attention.

The Company does not have an internal audit function but it does have access to the internal audit department of Close Brothers Group which reports on the Manager's activities. The Board will continue to monitor its system of internal control in order to provide assurance that it operates as intended.

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.

Statement of compliance

The Directors consider that the Company has complied throughout the year ended 31 December 2004 with all the relevant provisions set out in Section 1 of the Code on Corporate Governance issued by the Financial Services Authority. The Company continues to comply with the Code at the date of this report.

DIRECTORS' REMUNERATION REPORT

Introduction

This report is submitted in accordance with the Directors' Remuneration Report Regulations 2002 in respect of the year ended 31 December 2004.

Remuneration Committee

Since the Company consists solely of non-executive directors, a remuneration committee is not warranted.

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, amendment to which is by way of a special resolution subject to ratification by shareholders.

Approval to alter the Articles of Association was received on 21 October 2002 providing for aggregate non-executive directors' fees not to exceed £100,000 per annum.

During the year the directors received an increase in their fees equal to 0.045 per cent of the total funds raised under the New 'C' Share issue.

Service contracts

No director has a service contract with the Company.

Directors' remuneration

The following items have been audited.

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

	Year ended 31 December 2004			Year ended 31 December 2003		
	Fees £'000	Expenses £'000	Total £'000	Fees £'000	Expenses £'000	Total £'000
Roderick Davidson	19	–	19	17	–	17
Jonathan Thornton	19	–	19	17	–	17
David Pinckney	19	–	19	17	–	17
Frank Malcolm	19	1	20	17	2	19
	<u>76</u>	<u>1</u>	<u>77</u>	<u>68</u>	<u>2</u>	<u>70</u>

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

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

In addition to directors' remuneration, the Company pays annual premiums in respect of directors' liability insurance.

By Order of the Board

R M Davidson
Director

23 February 2005

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 2004 which comprise the statement of total return, the balance sheet, 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 part of 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

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. They are also responsible for the preparation of the other information contained in the annual report including the directors' remuneration report. Our responsibility is to audit the financial statements and the part of the directors' remuneration report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 described as having been audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We review whether the corporate governance statement reflects the company's compliance with the nine provisions of the July 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the groups corporate governance procedures or its risk and control procedures.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section including the unaudited part of the directors' remuneration report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the directors' remuneration report described as having been audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the Company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the directors' remuneration report described as having been audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the directors' remuneration report described as having been audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2004 and the total return for the year then ended; and
- the financial statements and part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
United Kingdom

23 February 2005

Notes: A review does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on 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.

Close Brothers Development VCT PLC
Statement of Total Return (incorporating the revenue account)
for the year to 31 December 2004

	Notes	Ordinary Shares Year ended 31 December 2004			'C' Shares Period ended 31 December 2004			Total Year ended 31 December 2004		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	2	–	2,463	2,463	–	1,366	1,366	–	3,829	3,829
Income	3	1,121	–	1,121	1,097	–	1,097	2,218	–	2,218
Investment management fees	4	(76)	(229)	(305)	(101)	(303)	(404)	(177)	(532)	(709)
Other expenses	5	(81)	–	(81)	(116)	–	(116)	(197)	–	(197)
Return on ordinary activities before tax		964	2,234	3,198	880	1,063	1,943	1,844	3,297	5,141
Tax on ordinary activities	7	(289)	72	(217)	(264)	93	(171)	(553)	165	(388)
Return attributable to equity shareholders		675	2,306	2,981	616	1,156	1,772	1,291	3,462	4,753
Dividends	8	(563)	–	(563)	(574)	–	(574)	(1,137)	–	(1,137)
Transfer from reserves		112	2,306	2,418	42	1,156	1,198	154	3,462	3,616
Return per share	9	4.7p	16.1p	20.8p	3.6p	6.8p	10.4p			

The accompanying notes are an integral part of this statement.

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

There were no recognised gains and losses other than those disclosed above. Accordingly a statement of total recognised gains and losses is not required.

No operations were acquired or discontinued in the year.

Close Brothers Development VCT PLC
Statement of Total Return (incorporating the revenue account)
for the year to 31 December 2003

	Notes	Ordinary Shares Year ended 31 December 2003			'C' Shares Period ended 31 December 2003			Total Year ended 31 December 2003		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on investments	2	–	(443)	(443)	–	(65)	(65)	–	(508)	(508)
Income	3	976	–	976	347	–	347	1,323	–	1,323
Investment management fees	4	(67)	(201)	(268)	(65)	(194)	(259)	(132)	(395)	(527)
Other expenses	5	(93)	(26)	(119)	(75)	(24)	(99)	(168)	(50)	(218)
Return on ordinary activities before tax		816	(670)	146	207	(283)	(76)	1,023	(953)	70
Tax on ordinary activities	7	(226)	74	(152)	(39)	43	4	(265)	117	(148)
Return attributable to equity shareholders		590	(596)	(6)	168	(240)	(72)	758	(836)	(78)
Dividends	8	(583)	–	(583)	(157)	–	(157)	(740)	–	(740)
Transfer to/(from) reserves		7	(596)	(589)	11	(240)	(229)	18	(836)	(818)
Return per share	9	4.0p	(4.0)p	(0.0)p	1.8p	(2.5)p	(0.7)p			

The accompanying notes are an integral part of this statement.

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

There were no recognised gains and losses other than those disclosed above. Accordingly a statement of total recognised gains and losses is not required.

No operations were acquired or discontinued in the year.

Close Brothers Development VCT PLC
Balance Sheet at 31 December 2004

	Notes	Ordinary Shares 31 December 2004 £'000	'C' Shares 31 December 2004 £'000	Total 31 December 2004 £'000
Fixed asset investments				
Qualifying		7,703	7,297	15,000
Non-qualifying		–	7,000	7,000
Total fixed asset investments	10	7,703	14,297	22,000
Current assets				
Debtors	12	186	110	296
Cash		5,980	5,045	11,025
		6,166	5,155	11,321
Creditors: amounts falling due within one year	13	(791)	(861)	(1,652)
Net current assets		5,375	4,294	9,669
Net assets		13,078	18,591	31,669
Represented by:				
Called up share capital	14	6,964	9,278	16,242
Share premium	15	48	3,160	3,208
Special reserve	15	5,991	5,100	11,091
Capital redemption reserve	15	420	93	513
Capital reserve	15			
<i>realised</i>		(2,206)	(362)	(2,568)
<i>unrealised</i>		(1,679)	1,272	2,951
Revenue reserve	15	182	50	232
Total equity shareholders' funds	17	13,078	18,591	31,669
Net asset value per share	16	93.9p	100.2p	

The financial statements on pages 25 to 44 were approved by the Board of Directors on 23 February 2005.

Signed on behalf of the Board of Directors

Roderick Davidson
Chairman

Close Brothers Development VCT PLC
Balance Sheet at 31 December 2003

	Notes	Ordinary Shares 31 December 2003 £'000	'C' Shares 31 December 2003 £'000	Total 31 December 2003 £'000
Fixed asset investments				
Qualifying		9,163	2,236	11,399
Non-qualifying		–	6,002	6,002
		<u> </u>	<u> </u>	<u> </u>
Total fixed asset investments	10	9,163	8,238	17,401
Current assets				
Debtors	12	35	51	86
Cash		2,468	2,792	5,260
		<u> </u>	<u> </u>	<u> </u>
		2,503	2,842	5,346
Creditors: due within one year	13	(580)	(200)	(763)
		<u> </u>	<u> </u>	<u> </u>
Net current assets		1,923	2,642	4,583
		<u> </u>	<u> </u>	<u> </u>
Net assets		11,086	10,880	21,984
		<u> </u>	<u> </u>	<u> </u>
Represented by:				
Called up share capital	14	7,264	5,859	13,123
Share premium	15	48	–	48
Special reserve	15	6,416	5,259	11,675
Capital redemption reserve	15	120	–	120
Capital reserve	15			
<i>realised</i>		(2,166)	(182)	(2,348)
<i>unrealised</i>		(666)	(64)	(730)
Revenue reserve	15	70	8	96
		<u> </u>	<u> </u>	<u> </u>
Total equity shareholders' funds	17	11,086	10,880	21,984
		<u> </u>	<u> </u>	<u> </u>
Net asset value per share	16	76.3p	92.8p	

Close Brothers Development VCT PLC
Cash Flow Statement
for the year ending 31 December 2004

	Notes	Ordinary Shares Year ended 31 December 2004 £'000	'C' Shares Period ended 31 December 2004 £'000	Total Year ended 31 December 2004 £'000
Operating activities				
Investment income received		1,397	822	2,219
Other income		1	–	1
Deposit interest received		84	192	276
Investment management fees paid		(366)	(403)	(769)
Other cash (payments)/receipts		(101)	27	(74)
Net cash inflow from operating activities	19	1,015	638	1,653
Taxation				
UK corporation tax paid		–	–	–
Capital expenditure and financial investments				
Purchase of qualifying investments		(1,741)	(4,733)	(7,474)
Purchase of non-qualifying investments		–	(2,999)	(2,999)
Disposal of qualifying investments		5,240	1,056	6,296
Disposals of non-qualifying investments		–	1,999	1,999
Net cash inflow/(outflow) from investing activities		3,499	(4,677)	(1,178)
Equity dividends paid				
Dividends paid on Ordinary Shares		(577)	(233)	(810)
Net cash inflow/(outflow) before financing		3,937	(4,272)	(335)
Financing				
Issue of equity net of expenses		–	6,671	6,671
Cancellation of shares		(425)	(146)	(571)
Cost of share premium cancellation		–	–	–
Net cash (outflow)/inflow from financing		(425)	6,525	6,100
Increase in cash	18	3,512	2,253	5,765

Close Brothers Development VCT PLC
Cash Flow Statement
for the year ending 31 December 2003

	Notes	Ordinary Shares Year ended 31 December 2003 £'000	'C' Shares Period ended 31 December 2003 £'000	Total Year ended 31 December 2003 £'000
Operating activities				
Investment income received		860	118	978
Deposit interest received		67	173	240
Investment management fees paid		(272)	(205)	(477)
Other cash payments		(128)	(88)	(216)
		-----	-----	-----
Net cash inflow/(outflow) from operating activities	19	527	(2)	525
Taxation				
UK corporation tax paid		(155)	-	(155)
Capital expenditure and financial investments				
Purchase of qualifying investments		(698)	(2,293)	(2,991)
Purchase of non-qualifying investments		-	(5,998)	(5,998)
Disposal of qualifying investments		1,500	-	1,500
Disposals of non-qualifying investments		1,355	-	1,355
		-----	-----	-----
Net cash inflow/(outflow) from investing activities		2,157	(8,291)	(6,134)
Equity dividends paid				
Dividends paid on Ordinary Shares		(658)	(53)	(711)
		-----	-----	-----
Net cash inflow/(outflow) before financing		(1,871)	(8,346)	(6,475)
Financing				
Issue of equity net of expenses		-	9,665	9,665
Cancellation shares		(97)	-	(97)
Cost of share premium cancellation		-	(14)	(14)
		-----	-----	-----
Net cash (outflow)/inflow from financing		(97)	9,651	9,554
Increase in cash	18	1,774	1,305	3,079
		-----	-----	-----

Notes to the financial statements
For the year ended 31 December 2004

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable UK law and accounting standards and with the Statement of Recommended Practice “Financial Statements of Investment Trust Companies” (SORP) issued by the IATC in January 2003 in all material aspects. There has been no significant change resulting from the application of the new SORP. The particular accounting policies adopted are described below.

Accounting convention

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

Capital reserves

Realised reserves

The following are accounted for in this reserve:

- gains and losses on the realisation of investments;
- expenses and finance costs, together with the related taxation effect; and
- realised gains and losses on transactions undertaken to hedge an exposure of a capital nature.

Unrealised reserve

The following are accounted for in this reserve:

- increases and decreases in the valuation of investments held at the year end; and
- unrealised gains and losses on transactions undertaken to hedge an exposure of a capital nature.

Special reserve

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

Investments

Quoted and AIM investments are based upon middle market prices at the end of the accounting period. Unquoted investments are stated at a valuation determined by the directors in accordance with the British Venture Capital Association guidelines. Other than amounts accrued under redemption premium on secured loan stock, the unrealised depreciation or appreciation on the valuation of investments is dealt with in the unrealised capital reserve and gains and losses arising on the disposal of investments are dealt with in the realised capital reserve. Amounts accrued under the redemption premium are accounted for in the revenue return.

It is not the Company’s policy to exercise controlling or significant influences over investee companies. Therefore the results of these companies are not incorporated into the revenue account except to the extent of any income accrued.

Income and expenses

All income and expenses are treated on the accruals basis and dividend income (other than on non-equity shares) is included in revenue when the investment is quoted ex-dividend. The fixed returns on non-equity shares and on debt securities are recognised on a time apportionment basis. Amounts accrued under the redemption premium are recognised on a time apportioned basis in the revenue return.

Management expenses

75 per cent of management expenses, representing the proportion of the investment management fee and other expenses attributable to the enhancement of the value of the investments of the Company, has been charged to capital reserves, net of corporation tax. The balance of expenses is charged to the revenue account.

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

Taxation

Taxation associated with capital expenses is applied in accordance with recommended practice.

Deferred taxation is considered in accordance with FRS 19 on timing differences that result in an obligation at the balance sheet date to pay more 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.

The specific nature regarding the taxation of VCTs means that it is unlikely any deferred tax will arise. The directors have considered the requirements of FRS 19 and do not believe any provision should be made.

'C' Shares

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

2. Gains/(losses) on investments

	Year ended 31 December 2004 £'000		Year ended 31 December 2003 £'000	
	Ordinary Share	'C' Share	Ordinary Share	'C' Share
Realised gains/(losses)	118	29	(145)	–
Unrealised gains/(losses)	2,345	1,337	(298)	(65)
	<u>2,463</u>	<u>1,366</u>	<u>(443)</u>	<u>(65)</u>

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

3. Income

	Year ended 31 December 2004 £'000		Year ended 31 December 2003 £'000	
	Ordinary Share	'C' Share	Ordinary Share	'C' Share
Income from investments				
UK unfranked investment income	527	643	488	162
Redemption premium	505	254	421	12
	<u>1,032</u>	<u>897</u>	<u>909</u>	<u>174</u>
Other income				
Deposit income	88	200	67	173
Dividend income	1	–	–	–
	<u>1,121</u>	<u>1,097</u>	<u>976</u>	<u>347</u>
Total income				
	<u>1,121</u>	<u>1,097</u>	<u>976</u>	<u>347</u>
Total income comprises:				
Interest	615	843	555	335
Redemption premium	505	254	421	12
Dividend income	1	–	–	–
	<u>1,121</u>	<u>1,097</u>	<u>976</u>	<u>347</u>
Total income				
	<u>1,121</u>	<u>1,097</u>	<u>976</u>	<u>347</u>
Income from investments:				
Listed	–	324	5	145
Unlisted	1,032	573	904	29
	<u>1,032</u>	<u>897</u>	<u>909</u>	<u>174</u>
Total income from investments				
	<u>1,032</u>	<u>897</u>	<u>909</u>	<u>174</u>

4. Investment management fee

	Year ended 31 December 2004 £'000		Year ended 31 December 2003 £'000	
	Ordinary Share	'C' Share	Ordinary Share	'C' Share
Charged to revenue	76	101	67	65
Charged to capital	229	303	201	194
	<u>305</u>	<u>404</u>	<u>268</u>	<u>259</u>
Total				
	<u>305</u>	<u>404</u>	<u>268</u>	<u>259</u>

Total management fees for the year ended 2004 include irrecoverable VAT amounting to approximately £106,000, (2003: £78,000). Further details of the Management Agreement under which the investment management fee is paid are given in the Report of the Directors on page 14.

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

5. Other expenses

	Year ended 31 December 2004 £'000		Year ended 31 December 2003 £'000	
	Ordinary Share	'C' Share	Ordinary Share	'C' Share
Secretarial and Administrative fee	–	–	34	32
Directors' fees	36	42	42	33
Auditors' remuneration – audit fees	9	11	9	7
Other	36	63	34	27
Less: charged to capital	–	–	(26)	(24)
	81	116	93	75

6. Directors' fees

The amounts paid on behalf of directors during the year are as follows;

	Year ended 31 December 2004 £'000		Year ended 31 December 2003 £'000	
	Ordinary Share	'C' Share	Ordinary Share	'C' Share
Directors' fee	35	42	38	30
National Insurance and/or VAT	–	–	3	2
Expenses	1	–	1	1
	36	42	42	33

Expenses charged relate to travel expenses in furtherance of their duties as directors.

Further information regarding directors' remuneration can be found on the Directors' Remuneration Report on page 21.

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

7. Tax on ordinary activities

	Year ended 31 December 2004			Year ended 31 December 2003		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Total						
UK corporation tax at 30% Tax attributable to capital expenses	388	–	388	148	–	148
	165	(165)	–	117	(117)	–
	<u>227</u>	<u>(70)</u>	<u>157</u>	<u>223</u>	<u>(70)</u>	<u>153</u>

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 2004			Year ended 31 December 2003		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Total						
Return before taxation	1,844	3,297	5,141	1,023	(953)	70
Tax on profit at the standard rate	553	989	1,542	307	(286)	21
Factors affecting the charge						
(Gains)/losses on investments	–	(1,154)	(1,154)	–	152	152
Fractional relief	–	–	–	(42)	17	(25)
	<u>553</u>	<u>(165)</u>	<u>388</u>	<u>265</u>	<u>(117)</u>	<u>148</u>

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 the relief in accordance with the SORP.
- (iii) No deferred tax asset or liability has arisen in the year.

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

8. Dividends

	Year ended 31 December 2004 £'000		Year ended 31 December 2003 £'000	
	Ordinary Share	'C' Share	Ordinary Share	'C' Share
Dividends on equity shares:				
Interim paid of 1.80p per share (2003: 1.80p) and 1.10p per 'C' Share (2003: 0.75p)	257	129	263	53
Final proposed of 2.20p per Ordinary share (2003: 2.20p) and 2.40p per 'C' Share (2003: 0.90p)	306	445	320	104
Total dividends	563	574	583	157

9. Return per share

	Year ended 31 December 2004			Year ended 31 December 2003		
	Revenue	Capital	Total	Revenue	Capital	Total
Ordinary Shares	4.7 pence	16.1 pence	20.8 pence	4.0 pence	(4.0) pence	(0.0) pence
'C' Shares	3.6 pence	6.8 pence	10.4 pence	12.8 pence	(2.5) pence	(0.7) pence

Ordinary Shares

Revenue return per share is based on the net revenue profit on ordinary activities after taxation but before deduction of dividends and other appropriations of £675,000 (2003: £590,000) in respect of the weighted average number of shares in issue during the year, being 14,298,916 shares (2003: 14,587,080 shares).

Capital return per ordinary share is based on net capital gain for the financial year of £2,306,000 (2003: £596,000 loss) and based on the same weighted average number of shares as for revenue return shown above.

'C' Shares

Revenue return per share is based on the net revenue profit on ordinary activities after taxation but before deduction of dividends and other appropriations of £616,000 (2003: £168,000) in respect of the weighted average number of shares in issue during the period, being 16,981,079 shares (2003: 9,437,908).

Capital return per ordinary share is based on net capital gain for the financial period of £1,156,000 (2003: £240,000) and based on the same weighted average number of shares as for revenue return shown above.

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

10. Investments

	31 December 2004 £'000	31 December 2003 £'000	
Ordinary shares			
Investments quoted on AIM	2,502	–	
Unlisted investments	5,201	9,163	
Total	<u>7,703</u>	<u>9,163</u>	
	Qualifying unlisted £'000	Listed £'000	Total £'000
Valuation basis			
Opening valuation: 1 January 2004	9,163	–	9,163
Investments floated in the year	(1,107)	1,107	–
Purchases at cost	1,740	1	1,741
Disposal			
– proceeds	(5,049)	(220)	(5,269)
– realised (loss)/gain	(43)	161	118
Redemption premium movement in the year	(395)	–	(395)
Unrealised appreciation in the year	892	1,453	2,345
	<u>5,201</u>	<u>2,502</u>	<u>7,703</u>
Closing valuation: 31 December 2004			
Opening unrealised depreciation	87	–	87
Investments floated in the year	(515)	515	–
Redemption premium movement in the year	(395)	–	(395)
Appreciation of investments in the year	892	1,453	2,345
Closing unrealised appreciation	<u>69</u>	<u>1,968</u>	<u>2,037</u>
<i>Closing unrealised depreciation represented by:</i>			
Accumulated redemption reserve	360	–	360
Unrealised depreciation	(291)	1,968	1,677
	<u>69</u>	<u>1,968</u>	<u>2,037</u>
Historical cost basis			
Opening book cost	9,076	–	9,076
Investments floated in year	(592)	592	–
Additions at cost	1,740	1	1,741
Disposals at cost	(5,092)	(59)	(5,151)
Closing book cost	<u>5,132</u>	<u>534</u>	<u>5,666</u>

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

10. Investments (continued)

	31 December 2004 £'000	31 December 2003 £'000	
'C' shares			
Investments quoted on a recognised investment exchange	6,643	6,002	
Unlisted investments	7,654	2,236	
Total	<u>14,297</u>	<u>8,238</u>	
	Qualifying unlisted £'000	Listed £'000	Total £'000
Valuation basis			
Opening valuation: 1 January 2004	2,236	6,002	8,238
Investments floated in the year	(292)	292	–
Purchases at cost	4,733	2,999	7,732
Disposal			
– proceeds	(998)	(2,057)	(3,055)
– realised gain	–	29	29
Redemption premium movement in the year	17	–	17
Unrealised appreciation in the year	947	389	1,336
	<u>6,643</u>	<u>7,654</u>	<u>14,297</u>
Closing valuation: 31 December 2004			
Opening unrealised (depreciation)/appreciation	(57)	4	(53)
Investments floated in the year	–	–	–
Redemption premium movement in the year	17	–	17
Appreciation of investments in the year	947	389	1,336
Closing unrealised appreciation	<u>907</u>	<u>393</u>	<u>1,300</u>
<i>Closing unrealised depreciation represented by:</i>			
Accumulated redemption reserve	29	–	29
Unrealised depreciation	878	393	1,271
	<u>907</u>	<u>393</u>	<u>1,300</u>
Historical cost basis			
Opening book cost	2,293	5,998	8,291
Investments floated in year	(292)	292	–
Additions at cost	4,733	2,999	7,732
Disposals at cost	(998)	(2,027)	(3,025)
Closing book cost	<u>5,736</u>	<u>7,262</u>	<u>12,998</u>

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

11. Significant interests

Details of investments in which the Company has an interest of 3 per cent. or more of the nominal value of the allotted shares of any class, or of the net assets, are as follows. It is considered that, as permitted by FRS9, the below investments are held as part of an investment portfolio and their value to the Company is through their marketable value as part of a portfolio of investments. Therefore, the investments are not considered to be associated undertakings.

	Percentage of issued ordinary share capital	Country of incorporation
Grosvenor Health Limited	36%	United Kingdom
Evolutions Television Limited	34%	United Kingdom
City Centre Breweries Limited	24%	United Kingdom
Automotive Technik (Holdings) Limited	20%	United Kingdom
Careforce Group Plc	18%	United Kingdom
The Q Garden Company Limited	17%	United Kingdom
The Bold Pub Company Limited	16%	United Kingdom
CS (Greenwich) Limited	15%	United Kingdom
Peakdale Molecular Limited	12%	United Kingdom
Consolidated Communications Management Limited	11%	United Kingdom
The Independent Pub Company (VCT) Limited	10%	United Kingdom
City Screen (Liverpool) Limited	5%	United Kingdom

All shares are 'Ordinary' shares with voting rights

12. Debtors

	31 December 2004		31 December 2003	
	£'000		£'000	
	Ordinary Shares	'C' Shares	Ordinary Shares	'C' Shares
Prepayments and accrued income	4	110	23	45
Interclass debtor	100	–	12	–
Other debtors	82	–	–	6
	<u>186</u>	<u>110</u>	<u>35</u>	<u>51</u>

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

13. Creditors: amounts falling due within one year

	31 December 2004		31 December 2003	
	£'000		£'000	
	Ordinary Share	'C' Share	Ordinary Share	'C' Share
UK corporation tax payable	372	166	155	–
Interclass creditor	–	100	–	12
Proposed dividend	306	445	320	104
Other creditors	113	150	105	84
	791	861	580	200

14. Share Capital

	31 December	31 December
	2004	2003
	£'000	£'000
Ordinary Shares		
Authorised:		
25,000,000 Ordinary Shares of 50p each	12,500	12,500
Allotted, called-up and fully-paid:		
13,928,712 Ordinary Shares of 50p each (2003: 14,529,012 Ordinary Shares of 50p each)	6,964	7,264
'C' Shares		
Authorised:		
25,000,000 'C' Ordinary Shares of 50p each	12,500	12,500
Allotted, called-up and fully-paid:		
18,555,100 'C' Ordinary Shares of 50p each (2003: 11,718,656 'C' Shares of 50p each)	9,278	5,859

During the year the Company issued 7,022,394 'C' shares at 100 pence per share each with a nominal value of 50 pence per share. Issue costs of 5 pence per share have been taken against the share premium account in accordance with FRS 4. During the year to 31 December 2004, the Company purchased for cancellation a total of 600,300 of its own Ordinary Shares, representing 4.1% of the Ordinary Shares in issue as at 1 January 2004. These purchases cost £425,000 including stamp duty, and were funded from the Ordinary Shares special reserve. The Company also purchased for cancellation a total of 84,050 of its own 'C' Shares, representing 0.7% of the 'C' Shares in issue as at 1 January 2004. These purchases cost £159,000 including stamp duty, and were funded from the 'C' Shares special reserve.

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

15. Reserves

	Share premium £'000	Special reserve £'000	Capital redemption reserve £'000	Realised capital reserve £'000	Unrealised capital reserve £'000	Revenue reserve £'000
Ordinary shares						
Beginning of year	48	6,416	120	(2,166)	(666)	70
Cancellation of share premium	–	(425)	300	–	–	–
Gains/(losses) on investments	–	–	–	118	2,345	–
Capitalised expenses net of tax	–	–	–	(158)	–	–
Retained net revenue	–	–	–	–	–	(112)
End of year	<u>48</u>	<u>5,991</u>	<u>420</u>	<u>(2,206)</u>	<u>1,679</u>	<u>182</u>

	Share premium £'000	Special reserve £'000	Capital redemption reserve £'000	Realised capital reserve £'000	Unrealised capital reserve £'000	Revenue reserve £'000
'C' Shares						
Beginning of year	–	5,259	–	(182)	(64)	8
Issue of equity net of expenses	3,160	–	–	–	–	–
Cancellation of share premium	–	(159)	93	–	–	–
Gains on investments	–	–	–	29	1,336	–
Capitalised expenses net of tax	–	–	–	(209)	–	–
Retained net revenue	–	–	–	–	–	42
End of year	<u>3,160</u>	<u>5,100</u>	<u>93</u>	<u>(362)</u>	<u>1,272</u>	<u>50</u>

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 13,928,712 Ordinary Shares and 18,555,100 'C' Shares in issue at 31 December 2004, (2003: 14,529,012 Ordinary Shares and 11,718,656 'C' Shares).

	31 December 2004		31 December 2003	
	Ordinary Shares	'C' Shares	Ordinary Shares	'C' Shares
Net asset value per share attributable	93.9 pence	100.2 pence	76.3 pence	92.8 pence

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

16. Net asset value per share (continued)

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

	31 December 2004 £'000		31 December 2003 £'000	
	Ordinary Shares	'C' Shares	Ordinary Shares	'C' Shares
Total assets attributable at beginning of the year	11,086	10,880	11,771	2,320
Issue of equity net of expenses	–	6,671	–	8,803
Cancellation of own shares	(426)	(158)	(96)	–
Cost of share premium cancellation	–	–	–	(14)
Total return for the year	2,981	1,772	(6)	(72)
Dividends appropriated in the year	(563)	(574)	(583)	(157)
Total net assets attributable at end of year	<u>13,078</u>	<u>18,591</u>	<u>11,086</u>	<u>10,880</u>

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

17. Reconciliation of movements in shareholders' funds

	31 December 2004 £'000		31 December 2003 £'000	
	Ordinary Share	'C' Share	Ordinary Share	'C' Share
Opening shareholders' funds	11,086	10,880	11,771	2,320
(Decrease)/increase in share capital	(300)	3,419	–	4,632
Increase in share premium	–	3,160	–	4,171
Cost of share premium cancellation	(2)	–	–	(14)
Redemption of own shares	(124)	(66)	(96)	–
Total return to shareholders before dividends	2,981	1,772	(6)	(72)
Dividends	(563)	(574)	(583)	(157)
Closing shareholders' funds	<u>13,078</u>	<u>18,591</u>	<u>11,086</u>	<u>10,880</u>

18. Analysis of changes in cash during the year

	31 December 2004 £'000		31 December 2003 £'000	
	Ordinary Shares	'C' Shares	Ordinary Shares	'C' Shares
Beginning of the year	2,468	2,792	694	1,487
Net cash inflow	3,512	2,253	1,774	1,305
End of the year	<u>5,980</u>	<u>5,045</u>	<u>2,468</u>	<u>2,792</u>

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

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

	31 December 2004		31 December 2003	
	£'000		£'000	
	Ordinary Share	'C' Share	Ordinary Share	'C' Share
Net revenue before finance costs and taxation	964	880	816	207
Investment management fee charged to capital	(229)	(303)	(201)	(194)
Other expenses charged to capital	–	–	(26)	(24)
Decrease/(increase) in redemption premium	392	(18)	(72)	(12)
(Increase)/decrease in debtors	(114)	(64)	13	(43)
Increase/(decrease) in creditors	2	143	(3)	64
Tax on investment income	–	–	–	–
Net cash inflow from operating activities	<u>1,015</u>	<u>638</u>	<u>527</u>	<u>(2)</u>

20. Financial instruments and risk management

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

The principal risks arising from the Company's operations are:

- interest rate risk; and
- market price risk.

The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies remain unchanged since the formation of the Company.

Borrowing facilities

The Company had no committed borrowing facilities as at 31 December 2004 (2003: nil).

Fair values of financial assets and financial liabilities

All the Company's financial assets and liabilities as at 31 December 2004 are stated at fair value as determined by the directors, unless otherwise stated. See note 1 of the financial statements.

Interest rate risk

It is the Company's policy to accept a degree of interest rate risk on its financial assets through the effect of interest rate changes. On the basis of the Company's analysis, it is estimated that a fall of one percentage point in interest rates would have reduced profit before tax for the period to 31 December 2004 by approximately 1 per cent, (2003: 10 per cent)

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

20. Financial instruments and risk management (continued)

The Company's financial assets at 31 December 2004, all denominated in pound sterling, consist of the following;

	31 December 2004				31 December 2003			
	Fixed rate £'000	Floating rate £'000	Interest free £'000	Total £'000	Fixed rate £'000	Floating rate £'000	Interest free £'000	Total £'000
Ordinary Shares	1,209	5,295	4,502	11,006	494	7,418	3,087	10,999
'C' Shares	3,439	12,500	2,830	18,769	875	9,352	724	10,951
Total	235	10,725	3,690	14,650	–	10,196	3,252	13,448

The weighted average interest rate applied to the Company's fixed rate assets during the year was approximately 14% for the Ordinary Shares and 16% 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 five years for the 'C' Shares (2003: two and a half years for the Ordinary shares and approximately five years in respect of the 'C' Shares).

Foreign currency exposure risk

As at 31 December 2004 the Company had no foreign currency exposures (2003: nil).

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, the results of which are detailed in the Portfolio Review. The manager and Board regularly monitor this risk.

Investment risk

As a venture capital trust, it is the Company's specific business to evaluate and control the investment risk in its portfolio of unquoted companies, the results of which are detailed in the Chairman's statement.

21. Contingencies, guarantees and financial commitments

Close Brothers Development VCT PLC 'C' Shares has a future commitment to Evolutions Television Limited in the sum of £2.3 million, the funds of which are held in a bridging loan account and appear as part of cash balance in the Balance Sheet.

22. Post balance sheet events

Since 31 December 2004 the Company has entered into the following transactions:

- Invested a further £16,500 from the Ordinary Shares into The Q Garden Company Limited.
- Invested £70,000 from the Ordinary Shares and £95,000 from the 'C' Shares into Churchill Taverns VCT Limited
- Disposed of the investment in City Centre Breweries and reinvested the proceeds in Smiles Pub Company Limited and Smiles Brewing Company Limited.

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of Close Brothers Development VCT PLC will be held at 2:30 p.m. at 10 Crown Place, London EC2A 4FT on 30 March 2005 for the purpose of dealing with the following business, of which item 5 is special business.

Ordinary Business

1. To receive and adopt the accounts and the reports of the Directors and Auditors for the year ended 31 December 2004.
2. To reappoint Deloitte & Touche LLP as Auditors for the ensuing year and to authorise the Directors to fix their remuneration.
3. To declare a final dividend of 2.20 pence net per Ordinary Share of 50p each and 2.40 pence net per 'C' Share of 50p each for the year ended 31 December 2004 payable to shareholders on the register at the close of business on 4 March 2005.
4. To approve the directors' remuneration report for the year ended 31 December 2004.

Special Business

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

5. That the Company be generally and unconditionally authorised to make one or more market purchases (within the meaning of Section 163(3) of the Companies Act 1985), of Ordinary Shares of 50p each in the capital of the Company ("Shares") provided that:
 - (a) the maximum aggregate number of shares authorised to be purchased is 1,392,871 Ordinary Shares and 1,855,510 'C' Shares (representing 10 per cent of the current issued share capital of each class);
 - (b) the minimum price which may be paid for a share is 50p;
 - (c) the maximum price which may be paid for a share is an amount equal to 5 per cent above the average of the middle market quotations for that share in the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that share is purchased;
 - (d) this authority expires at the conclusion of the next Annual General Meeting of the Company or eighteen months from the date of the passing of this resolution whichever is earlier; and
 - (e) the Company may make a contract or contracts to purchase shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of shares in pursuance of any such contract or contracts.

BY ORDER OF THE BOARD

Catherine Kinnear
Secretary
Registered Office
10 Crown Place, London EC2A 4FT

Date: 23 February 2005

NOTES

1. A shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote in his stead. Such proxy need not be a member of the Company.
2. A form of proxy is enclosed and to be valid must be lodged with the Registrars of the Company not less than forty-eight hours before the time fixed for the meeting.
3. The register of interests of directors kept by the Company in accordance with Section 325 of the Companies Act 1985 will be open for inspection at the meeting.
4. No director has a service contract or contract for services with the Company.
5. The Company pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995 specifies that only those shareholders registered in the register of members of the Company as at 2:30 p.m on 30 March 2005 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 2:30 p.m. on 30 March 2005 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 30 March 2005 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.

