



# Close Income & Growth VCT PLC



## Offer for Subscription

Sponsored by  
**Close Brothers Securities**

A copy of this document, which comprises a prospectus relating to the Company in accordance with the listing rules made under Section 74 of the Financial Services and Markets Act 2000, has been delivered for registration to the Registrar of Companies in England and Wales in accordance with Section 83 of that Act.

Application has been made both to the UK Listing Authority for the Shares to be issued pursuant to the Offer to be admitted to the Official List of the UK Listing Authority and also to the London Stock Exchange for the Shares to be admitted to trading on the London Stock Exchange's market for listed securities. It is expected that such admission will become effective and that dealings will commence by no later than 5 April 2005 in respect of applications received by 4 April 2005.

The Directors of Close Income & Growth VCT PLC, whose names are set out on page 4 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Close Brothers Securities, which is authorised and regulated by the Financial Services Authority, is acting as sponsor for Close Income & Growth VCT PLC in connection with the Offer and is not advising any other person or treating any other person as a customer in relation to the Offer and will not be responsible to any such person for providing the protections afforded to customers of Close Brothers Securities or for providing advice in connection with the Offer. Close Brothers Securities does not give any representation, warranty or guarantee that the Company will qualify as a venture capital trust or that investors will obtain any tax relief in respect of their investment.

## CLOSE INCOME & GROWTH VCT PLC

*(Incorporated in England and Wales under the Companies Act 1985 with registered number 05132495)*



### Offer for Subscription

of

up to 45,000,000 Shares of 50 pence each at a price of 100 pence per Share

Sponsored by

**Close Brothers Securities**

3 August 2004

**Share capital immediately following the Offer, assuming that the overall maximum subscription is achieved:**

	Authorised		Issued and to be issued fully paid	
	No. of Shares	Nominal Value	No. of Shares	Nominal Value
<b>Ordinary Shares</b>	<b>50,000,000</b>	<b>£25,000,000</b>	<b>45,000,000</b>	<b>£22,500,000</b>

The subscription list for the Shares, all of which are being offered to the public under the Offer, will open at 10.00 a.m. on 1 October 2004 and may be closed at any time thereafter. The Offer will close in respect of the 2004/2005 tax year at 10.00 a.m. on 4 April 2005. The terms and conditions of the Offer are set out on pages 39 to 42 of this document followed by an Application Form for use in connection with the Offer.

**Prospective investors should carefully consider the risk factors set out on pages 19 to 20 of this document.**



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**EXPECTED TIMETABLE**

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	<b>2004</b>
First allotment under the Offer	1 October
	<b>2005</b>
Closing in respect of the 2004/2005 tax year	4 April
Final allotment in respect of the 2004/2005 tax year	4 April
Commencement of dealings in respect of final allotment for the 2004/2005 tax year and CREST accounts credited	5 April
Share and taxation certificates despatched	15 April

The Directors reserve the right to allot and issue Shares at any time whilst the Offer remains open, once the minimum subscription level of £3 million has been reached. Definitive Share and tax certificates will be despatched and CREST accounts credited as soon as practicable following allotment.

If the Offer has not been fully subscribed by 4 April 2005, the Directors reserve the right for the Offer to remain open into the 2005/2006 tax year.



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## DIRECTORS, MANAGER AND ADVISERS

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<b>Directors</b>	Friedrich Rudolf Ludwig Ternofsky Mary Anne Cordeiro John Michael Bryan Leslie Kerr Patrick Harold Reeve David Jones Watkins all of 10 Crown Place London EC2A 4FT
<b>Secretary and Registered Office</b>	Catherine Kinnear, ACA 10 Crown Place London EC2A 4FT
<b>Investment Manager</b>	Close Venture Management Limited 4 Crown Place London EC2A 4BT
<b>Sponsor and Stockbroker</b>	Close Brothers Securities 25 Dowgate Hill London EC4R 2GA
<b>Solicitors to the Company and to the Offer</b>	Berwin Leighton Paisner Adelaide House London Bridge London EC4R 9HA
<b>Auditors</b>	Deloitte & Touche LLP Stonecutter Court 1 Stonecutter Street London EC4A 4TR
<b>Taxation Advisers</b>	Ernst & Young LLP 1 More London Place London SE1 2AF
<b>Registrars</b>	Capita Registrars Northern House Penistone Road Fenay Bridge Huddersfield HD8 0LA
<b>Receiving Agents</b>	Close Brothers Investment Limited 10 Crown Place London EC2A 4FT
<b>Custodian</b>	Capita Trust Company Limited Guildhall House 81-87 Gresham Street London EC2V 7QE
<b>Public Relations Advisers</b>	Tavistock Communications Limited 131 Finsbury Pavement London EC2A 1NT
<b>Receiving Bankers</b>	The Royal Bank of Scotland plc 280 Bishopsgate London EC2M 4RB

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**DEFINITIONS**

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<b>“Application Form”</b>	the form of application for Shares under the Offer set out at the end of this document
<b>“BUEL”</b>	Brunel University Enterprises Limited, a wholly owned subsidiary of Brunel University established to commercialise intellectual property emerging out of the University
<b>“Close Brothers Group”</b>	Close Brothers Group plc and its subsidiaries
<b>“Close Brothers Investment”</b>	Close Brothers Investment Limited, a member of the Close Brothers Group, which is authorised and regulated by the Financial Services Authority
<b>“Close Brothers Securities” or “Sponsor”</b>	Close Brothers Securities, a division of Winterflood Securities Limited, a member of Close Brothers Group which is authorised and regulated by the Financial Services Authority and is a member of the London Stock Exchange
<b>“Closing”</b>	the closing date of the Offer, being 10.00 a.m. on 4 April 2005, or such later date as the Board may determine
<b>“Company” or “Close Income &amp; Growth VCT”</b>	Close Income & Growth VCT PLC
<b>“CREST”</b>	The relevant system (as defined in the Regulations) operated by CREST Co
<b>“CREST Co”</b>	CREST Co Limited
<b>“Directors” or “Board”</b>	the directors of the Company
<b>“Exclusivity Agreement”</b>	the agreement between the Company, the Manager and BUEL, further details of which are given in paragraph 6.4 of Part III of this document
<b>“Investee Company” or “Investee Companies”</b>	any or all of the companies in which Close Income & Growth VCT makes an investment
<b>“London Stock Exchange”</b>	London Stock Exchange plc
<b>“Manager” or “Close Venture Management”</b>	Close Venture Management Limited, a member of the Close Brothers Group and which is authorised and regulated by the Financial Services Authority
<b>“Moody’s”</b>	Moody’s Investor Services Inc.
<b>“Non-Qualifying Investment”</b>	an investment which does not comprise a qualifying holding for a venture capital trust under the Finance Act 1995
<b>“Offer”</b>	the offer for subscription of up to 45,000,000 Shares at the Offer Price
<b>“Offer Agreement”</b>	the agreement between the Directors (1), the Company (2), the Sponsor (3) the Manager (4) and Close Brothers Investment (5), a summary of which is set out in paragraph 5 of Part III of this document
<b>“Offer Price”</b>	100 pence per Share
<b>“Official List”</b>	the Official List of the UK Listing Authority



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<b>“Qualifying Investment”</b>	an investment in an unquoted trading company which comprises a qualifying holding for a venture capital trust under the Finance Act 1995
<b>“Receiving Agents”</b>	Close Brothers Investment
<b>“Regulations”</b>	The Uncertificated Securities Regulations 2001 (S.I. 2001/3755)
<b>“Shares”</b>	ordinary shares of 50 pence each in the Company
<b>“UK Listing Authority”</b>	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
<b>“VCT”</b>	Venture Capital Trust

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### KEY INFORMATION

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#### Investment Strategy

The aim of Close Income & Growth VCT is to provide investors with a regular and predictable source of income combined with the prospect of longer term capital growth.

The Company intends to achieve this by investing approximately 45 per cent. of the net funds raised under the Offer in lower risk, ungeared, property-based businesses operating in the leisure sector with particular emphasis on public houses. Approximately 35 per cent. of the net funds raised will be invested in higher growth businesses across a variety of sectors of the UK economy. These will range from lower risk, income producing businesses to higher risk technology companies. Approximately 10 per cent. of the net funds raised will be allocated for spin-out companies from Brunel University Enterprises Limited. The balance of the net funds raised will be used for liquidity purposes.

Once the funds have been fully invested in Qualifying Investments in accordance with the investment strategy, the Company's objective is to pay an annual net revenue dividend of 3.5 pence per Share. The projected dividend level is intended as a guide only and should not be regarded as a profit forecast. In addition, the Company intends to pay out dividends from realised capital profits when it is able to do so.

#### The Manager

- The Manager of the Company, Close Venture Management, is a member of the Close Brothers Group and is one of the market leaders in the area of venture capital trusts. In addition to other venture capital funds, Close Venture Management manages four venture capital trusts, comprising Close Brothers Venture Capital Trust PLC, Close Brothers Protected VCT PLC, Close Brothers Development VCT PLC and Close Technology & General VCT PLC which have raised a total of £115 million from private investors.
- The Manager has an active policy of returning cash to shareholders through share buy-backs and dividends: to date £35.8 million has been returned to shareholders in its existing VCTs in this way.

#### Tax Benefits

Income tax relief, at 40 per cent. on the amount invested, is available for qualifying private investors in new ordinary shares in a VCT in respect of investments of up to £200,000 per tax year, provided the shares are held for a minimum of three years. These provisions apply for each of the 2004/2005 and 2005/2006 tax years and are regardless of the rate at which the investor pays income tax for that year.

Qualifying private investors in a VCT receive the following tax benefits irrespective of the holding period of the investment:

- Dividends paid by a VCT are free of income tax.
- Capital gains made upon disposal of shares in a VCT are free of tax.
- Investors who are subject to tax under Pay As You Earn may obtain income tax relief in advance of submitting their tax returns for the year of investment by applying to their tax office for a change in their tax code.

Following the changes to the VCT rules in the last Budget, investors can no longer use an investment in a VCT to defer a chargeable gain.



## General

- The minimum subscription level for the Offer is £3 million.
- The Company reserves the right to allot Shares at any time up to the Closing.
- The maximum qualifying amount which an individual may invest in the Company and in any other VCT in the current tax year is £200,000. Therefore, the maximum qualifying amount which can be invested in Shares is £200,000 assuming no other VCT investment is made for this tax year. The minimum investment under the Offer is £1,000.
- The annual management fee charged by the Manager is 2.5 per cent. (plus VAT) of the net asset value of the Company. The Manager is also entitled to an incentive fee in the event that returns exceed a minimum target level.
- The overall operating expenses of the Company, including the management expenses (but excluding the incentive fee and the costs of the Offer), are limited to 3.5 per cent. per annum of the Company's net asset value.
- Investors who subscribe for Shares prior to 31 December 2004 will be entitled to the first interim dividend for the six month period to 31 March 2005.
- Introductory commission will be offered to authorised financial intermediaries usually at a rate of 2.5 per cent. on successful applications submitted through them. The Manager will offer an additional annual commission to authorised financial intermediaries of 0.25 per cent of the value of Shares subscribed by investors whose applications were submitted through them and who continue to hold the Shares. The additional commission will be calculated by reference to the number of Shares held on 30 September in each year, commencing on 30 September 2005. The additional commission will cease to be payable if the appointment of Close Venture Management as Manager is terminated and will cease, in any event, from 1 October 2008.

## Risk Factors

- There is no assurance the Company will meet its investment objectives.
- It is the intention of the Directors and the Manager that the Company will be managed so as to qualify as a VCT. A failure to meet the qualifying requirements for a VCT could result in negative tax consequences for investors, as set out in more detail under the heading "Risk Factors" in Part I.
- The Company's investments will generally be in companies whose securities are not publicly traded or freely marketable and may therefore be difficult to realise and there can be no assurance that appreciation in value will occur.
- The market price of the Shares can fluctuate and there is no guarantee that the market price of the Shares will reflect fully their underlying net asset value.

**Your attention is drawn to further details of the risk factors set out on pages 19 to 20 of this document.**

### **Offer Statistics**

Offer Price per Share	100p
Issue costs per Share	5.5p
Initial net asset value per Share (after issue costs of 5.5 per cent. of sums raised)	94.5p
Maximum number of Shares in issue following the Offer	45,000,000
Maximum net proceeds of the Offer, after issue costs	£42,525,000



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## PART I

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### INTRODUCTION

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The aim of Close Income & Growth VCT is to provide investors with a regular and predictable source of income combined with the prospect of longer term capital growth. The Company intends to achieve this by investing approximately 45 per cent. of the net funds raised under the Offer in lower risk, ungeared, property-based businesses operating in the leisure sector with particular emphasis on public houses. Approximately 35 per cent. of the net funds raised will be invested in higher growth businesses across a variety of sectors of the UK economy. These will range from lower risk, income producing businesses to higher risk technology companies. Approximately 10 per cent. of the net funds raised will be allocated to spin-out companies from BUEL. The balance of the net funds raised will be used for liquidity purposes.

Close Venture Management specialises, inter alia, in the origination and management of VCTs. It now manages four VCTs (Close Brothers Venture Capital Trust PLC, Close Brothers Protected VCT PLC, Close Brothers Development VCT PLC and Close Technology & General VCT PLC) which have raised a total of £115 million from investors. It also manages Bamboo Investments PLC, an unquoted investment company specialising in unquoted technology companies, and acts as investment adviser to Healthcare & Leisure Property Fund PLC, an Isle of Man experienced investor fund.

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### VENTURE CAPITAL TRUSTS

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VCTs were introduced in the Finance Act 1995 and the VCT taxation benefits were significantly increased in the Finance Act 2004. VCTs offer the following tax advantages in respect of investments in new shares of up to £200,000 per tax year.

Tax paying investors receive income tax relief at 40 per cent. on the amount invested (regardless of the rate at which the investor pays income tax for that tax year), thus reducing the effective net cost of the investment to 60 pence for each £1 invested, if the shares are held for at least three years.

- Dividends paid by a VCT are free of income tax.
- There is no tax on capital gains made upon the disposal of shares in a VCT.
- Capital gains made by a VCT on its underlying investments are free of corporation tax and, unlike an ordinary investment trust, these gains may be distributed by way of dividend to investors.

In order to qualify for these advantages, the VCT must invest not less than 70 per cent. of its funds in Qualifying Investments by the end of its third accounting period.

Further details of the tax provisions relating to VCTs are set out in Part II of this document.

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**ILLUSTRATION OF HOW THE TAX BENEFITS ENHANCE THE RETURN**


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The example below demonstrates, for illustrative purposes only, the financial effects of the tax incentives available to a private investor in a VCT in the 2004/2005 and 2005/2006 tax years and the extent to which the return on both income and capital may be enhanced. The example shows the return from an investment in Shares by a higher rate income tax payer on the basis that the Shares show no capital growth on the Offer Price.

<b>Amount invested</b>	£10,000
<b>Effective holding cost after income tax relief</b>	£6,000
<b>Income Return</b>	
Average annual dividend received over 5 year period	£300
Annual return on effective holding cost	5%
Equivalent annual return grossed up for a higher rate income taxpayer	8.3%
<b>Total return after 5 years (i.e. dividends paid plus the net asset value of 100 pence)</b>	£11,500
<b>Total annual return on income and capital, net of tax</b>	<b>13.0%</b>

**Underlying Assumptions**

- (i) The investor subscribes £10,000 under the Offer.
- (ii) The investor receives an annual net revenue dividend rising to 3.5 pence per Share once the Company has invested sufficient funds in Qualifying Investments by 2007.
- (iii) The investor is able to dispose of his Shares at 100 pence per Share after five years. Investors should note, however, that venture capital investments should be made for the longer term, and that parts of the portfolio, in particular those in the technology sector, are unlikely to mature within a five year timescale.

**The Directors and Manager consider that the assumptions underlying the example set out above are fair and reasonable. Nevertheless, the example is provided for illustrative purposes only and should not be regarded as a forecast. It should be noted that neither the dividends nor the capital return from an investment in Close Income & Growth VCT can be predicted with any certainty and that they may differ materially from the example shown.**

If you are in any doubt about the taxation implications of investing in a VCT you should seek independent taxation advice.



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## INVESTMENT STRATEGY

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### Qualifying investments

The aim of Close Income & Growth VCT is to provide investors with a regular and predictable source of income combined with the prospect of longer term capital growth. The Company intends to achieve this by investing approximately 45 per cent. of the net funds raised under the Offer in lower risk, ungeared, property-based businesses in the leisure sector with particular emphasis on public houses. Approximately 35 per cent. of the net funds raised will be invested in higher growth businesses across a variety of sectors of the UK economy. These will range from lower risk, income producing businesses to higher risk technology companies. Approximately 10 per cent. of the net funds raised will be allocated to spin-out companies from BUEL. The balance of the net funds raised will be used for liquidity purposes.

Further details of these investment areas are as follows:

### Leisure and public house sectors (approximately 45 per cent. of the portfolio)

This section of the investment portfolio will concentrate on property-based businesses in the leisure sector, with particular emphasis on public houses. The Manager has a record of asset-based investments in the leisure sector and currently has £13.5 million invested or reserved for investment in public houses and other asset-rich leisure related businesses. It is intended that the Company's investments in the sector will have the following characteristics:

- Asset backing – all units will be freehold or long leasehold.
- The portfolio will be geographically diversified across the UK.
- The capacity for generating a strong yield – investments will be structured as a mixture of ordinary shares and secured loan stock. The loan stock will be designed to provide a major support to the Company's dividend policy.
- Investee companies will have no material borrowings other than loan stock invested by the Company, which will be secured by a first charge on the underlying property asset.
- Experienced managers will be responsible for the day to day operation of the units.

### Higher growth businesses (approximately 35 per cent. of the portfolio)

This section of the portfolio will invest in a broad range of higher growth businesses across a variety of sectors of the UK economy. The majority will be in non-technology businesses, with sectors that are less sensitive to the consumer cycle, such as healthcare, being particularly targeted. These will again be structured to reduce investment risk and generate a strong income flow for the Company, wherever possible; investments in this segment of the portfolio are therefore likely to have the following characteristics:

- Investments will be principally in established businesses across a broad spread of sectors.
- Most investments will be structured as a mixture of secured loan stock and ordinary shares.
- The secured loan stock will normally have a first charge over the investee company's assets and have a high yield designed to support further Close Income & Growth's dividend policy.
- Investments will be for the medium term; investee companies will only be selected if they have a clear strategy for exit from the date of investment and will normally be structured to encourage an exit after five years.

### **Spin-outs from BUEL (approximately 10 per cent. of the portfolio)**

The Company and the Manager (on behalf of the other funds it manages) have signed a 10 year Exclusivity Agreement with BUEL whereby the Company and the Manager are offered the right of first refusal to invest in all spin-out companies emerging from the departments of Mechanical Engineering, Electronic & Computer Engineering, and Design & Systems Engineering, as well as the Wolfson Centre for Materials Processing and the Brunel Institute of Bioengineering at Brunel University. Once the Company has invested 10 per cent. of its funds in spin-out companies, the exclusivity will be extended to the other funds managed by Close Venture Management.

Brunel University was established as a technological university in 1966. A number of companies have emerged either from intellectual property developed by Brunel research academics or from ventures originating at the Brunel Science Park, including Biocompatibles PLC, Anson Medical PLC (acquired in 2001 by Lombard Medical PLC), and Corac PLC. In the most recent UK national research quality survey, Brunel University's engineering research was graded as attaining to levels of international or national excellence. The Brunel University School of Engineering and Design is one of the largest units of its kind in the UK and comprises over 100 academic staff, 200 research staff and 300 students on postgraduate taught programmes. BUEL was set up in 2001 to commercialise the intellectual property arising from the University's activities.

The spin-out companies that are the subject of the Exclusivity Agreement are defined as those in which BUEL is a shareholder and which arise out of the commercialisation of intellectual property originating in the above-mentioned departments and which are created by staff or students of, and third parties associated with, Brunel University. In consideration for the grant of 10 years' exclusivity period, spin-out companies funded by the Company or by other funds managed by the Manager will pay a contribution towards BUEL's running expenses in the first five years following the Company's launch. Further details of the agreement are given under "Directors" below and in paragraph 6.4 of Part III of this document.

### **Non-Qualifying Investments (approximately 10 per cent. of the portfolio)**

The Non-Qualifying Investments of Close Income & Growth VCT will consist of short-term money market deposits and floating rate securities all issued by banks with a Moody's credit rating of at least A. Initially, all of the net proceeds of the Offer will be invested in Non-Qualifying Investments and it is anticipated that approximately 10 per cent. of the net funds raised under the Offer will eventually be retained in this way.

### **Outlook**

The Directors believe that the potential investment opportunities in the sectors in which the Company intends to invest will, in the financial year to 30 September 2005, provide the foundation for the Company's stated strategy of providing investors with a regular and predictable source of income combined with the prospect of longer term capital growth.



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## INVESTMENT MANAGEMENT

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Close Venture Management is the Manager of Close Income & Growth VCT and is responsible for, inter alia, the following functions:

- The origination, negotiation and execution of investments generated from its extensive deal flow, all of which are subject to the formal investment committee procedures adopted internally by the Manager.
- The continuing management and monitoring of the investment portfolio.
- The monitoring of the Company's continuing compliance with VCT status requirements.
- Arranging for the realisation of investments, when appropriate to do so.
- The provision of accounting and administration services to the Company.

Close Venture Management was previously a division of Close Brothers Investment. It is now a separate subsidiary within the Close Brothers Group and is authorised and regulated by the Financial Service Authority. The following are specifically responsible for the management and administration of the VCTs managed by Close Venture Management:

**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.

**Ole Bettum, (40), BSc, MBA.** After three years as a research economist for the Saudi Government, he graduated from Columbia Business School with an MBA. He worked in the corporate finance department of Price Waterhouse from 1994 and joined Close Venture Management in 1996 to help establish its operations.

**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 in 1998 to concentrate on venture capital investment.

**Will Fraser-Allen (33), BA (Hons), ACA** qualified as an chartered accountant with Cooper Lancaster Brewers in 1996 before specialising in corporate finance and investigation. He joined Close Venture Management in 2001.

**Emil Gigov, (33), 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 in 2000.

**Ed Lascelles, (28), BA (Hons)** joined the corporate broking department of Charterhouse Securities in 1998, focusing on primary and secondary fundraisings within the small and mid-cap market. 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 in 2004.

**Track Record**

The Manager manages the following VCTs:

	Commencement of trading	Amount raised from investors	Average dividend yield on gross cost since launch	Dividends paid or declared to date plus net asset value <sup>(1) (2)</sup>
<b>Close Brothers Venture Capital Trust PLC</b>				
Ordinary Shares	April 1996	} £39.7m	7.4%	174.8 pence
C Shares <sup>(3)</sup>	April 1997		6.8%	163.25 pence
<b>Close Brothers Protected VCT PLC</b>	April 1997	£27.9m	2.9%	109.25 pence
<b>Close Brothers Development VCT PLC</b>				
Ordinary Shares	January 1999	£14.8m	3.8%	96.1 pence
C Shares	December 2002	£18.7m	1.65%	96.7 pence
<b>Close Technology &amp; General VCT PLC</b>	January 2001	£14.4m	2.0%	114.4 pence
<b>Total</b>		<b><u>£115.5m</u></b>		

**Notes**

- (1) Inclusive of associated tax credit for periods up to April 1999.  
(2) Net asset value as stated in latest publicly disclosed information, being the unaudited net asset value at 30 June 2004.  
(3) The C Shares in Close Brothers Venture Capital Trust PLC were converted into Ordinary Shares on 31 May 2000.

In addition the Manager manages Bamboo Investments PLC, an unquoted investment company which has a net asset value of £9.8 million, and acts as investment adviser to Healthcare & Leisure Property Fund PLC, an Isle of Man experienced investor fund, which has net assets of £4.0 million. The Manager also undertakes the administration of Close Brothers AIM VCT PLC, which raised £33 million from investors between 1998 and 2004, and Close Brothers Second AIM VCT, formerly Legg Mason AIM VCT PLC, which raised £9 million from investors in 2001.

The Manager's emphasis on the regular payment of dividends to investors is supplemented by an active policy of returning cash to shareholders through share buy-backs. Total funds returned to shareholders through both of these two methods in the four existing VCTs managed by Close Venture Management, since the launch of Close Brothers Venture Capital Trust PLC in 1996, has been as follows:

		<b>£'million</b>
Total raised from investors:		115.5
Total returned to investors:	Revenue dividends	24.2
	Capital dividends	4.1
	Share buy-backs	7.5
	<b>Total</b>	<b><u>35.8</u></b>



### **Investment Allocation**

Investment opportunities received by the Manager are allocated between the other funds that it manages in accordance with the relevant fund's specific investment policy. Under an Investment Allocation Agreement entered into between those funds managed or advised by the Manager (including the Company), where a potential Qualifying Investment satisfies the investment criteria of more than one fund, it is allocated between the funds in the ratio of the funds available for investment. This is subject, inter alia, to no VCT being in danger of not reaching, or falling below, the required 70 per cent level for Qualifying Investments. Opportunities arising out of the Exclusivity Agreement with BUEL will be allocated to the Company in priority to the other funds managed by the Manager.

### **Management Agreement**

The Company and the Manager have entered into a management agreement for an initial fixed term of two years, which may be terminated thereafter 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 2.5 per cent. (plus any applicable VAT) of the net asset value of the Shares payable quarterly in arrears.

In line with common industry practice, the Manager will also be entitled to an arrangement fee, payable by each Investee Company, of approximately 2 per cent. on each investment made, and also to fees payable by Investee Companies for providing non-executive directors to those companies.

### **Management Performance Incentive**

In order to provide the Manager with a further reward to maximise the return to investors, the Company has entered into a management performance incentive arrangement with the Manager. Under the incentive arrangement, if the net asset value per Share at the end of a financial period, when added to the aggregate dividends per Share (both revenue and capital) paid to date, exceeds £1 as increased at the compound rate of 8 per cent. per annum since the Company's commencement of trading, then the Manager will be entitled to an incentive fee equal to 20 per cent. of such excess (plus VAT if applicable). In the event that the performance of the Company falls short of the target in any period, that shortfall must be made up in future periods before the Manager is entitled to any incentive in respect of such future periods. The fee will be payable annually commencing in 2005.

### **Charging of Expenses**

75 per cent. of management fees will be charged to capital; the balance will be charged to revenue. All other operational costs will be charged to revenue.

The total annual management and administration expenses of the Company, inclusive of any irrecoverable VAT, but not including the costs of the Offer or the Manager's incentive fee, will be not more than 3.5 per cent. of the value of the Company's net assets; any excess will either be paid by the Manager or be refunded by way of a reduction of its fees.

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### DIRECTORS

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The following are the Directors of the Company. They operate in a non-executive capacity and are responsible for overseeing the investment strategy of the Company. The Board has extensive experience of investment, including investing in smaller unquoted companies and has confirmed that it will, as a whole, act independently of the Manager at all times.

**Friedrich Ternofsky** Chairman (60). An Austrian national, he has spent much of his career in the hotel and leisure industry. He was chief executive of Marriott Hotels UK from 1981 to 1993 before becoming the chief executive of the UK and Scandinavian operations of Compass Group plc, a post he held until 2000. He is currently a non-executive director of Exel PLC, Care UK PLC and Punch Taverns PLC, as well as a number of private companies.

**Mary Anne Cordeiro** (42) MA. She worked at Goldman Sachs International Limited, first in the mergers and acquisitions department and subsequently in the Financial Institutions Group from 1986 to 1992. She worked in similar roles in Bankers Trust Company and Paribas, and was also co-head of Paribas' Financial Institutions Group, before leaving to found her own business in the insurance sector in 1998. She was executive director for Creative Industries at London First from 2001 to 2003 and is now the strategy and finance consultant to BUEL to identify and fund potential spin-out opportunities. The contribution to BUEL's running expenses as detailed under "Investment Strategy" above, will be paid to Mary Anne Cordeiro by BUEL as consideration for her services.

**John Kerr** (61) ACMA. He has worked as a venture capitalist and also in manufacturing and service industries. He held a number of finance and general management posts in the UK and USA, before joining SUMIT Equity Ventures, an independent Midlands based venture capital company, where he was managing director from 1985 to 1992. He then became chief executive of Price & Pierce Limited, which acted as the UK agent for overseas producers of forestry products, before leaving in 1997 to become finance director of Ambion Brick, a building material company bought out from Ibstock PLC. After retiring in 2002, he now works as a consultant. He is a non-executive director of Close Brothers Venture Capital Trust PLC.

**Patrick Reeve** (44) MA, see under Investment Management above.

**David Watkins** (59) MBA (Harvard). From 1972 until 1991 he worked for Goldman Sachs, where he was head of Euromarkets Syndication and Head of European Real Estate. He subsequently joined Mountleigh Group PLC where he worked as a director for 12 months on the restructuring of the business prior to it being placed into administration. Until late 1995 he worked at Baring Securities Limited as Head of Equity Capital Markets – London, before leaving ultimately to become Chief Financial Officer and one of the principal shareholders of his current company, The Distinguished Programs Group LLC, an insurance distribution and underwriting group. From 1985 to 1990 he was a Director of the Association of International Bond Dealers, and from 1986 to 1990 was a member of the Council of the London Stock Exchange. He is currently Chairman of Close Brothers Venture Capital Trust PLC and is a director of a number of private UK companies.



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## DIVIDEND POLICY

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It is the Company's intention that Shareholders should benefit from a reasonably predictable dividend yield arising out of revenue profits.

It is therefore the Company's objective, once the net funds raised under the Offer are fully invested in accordance with the Company's investment strategy, to be in a position to pay annual net revenue dividends of around 3.5 pence per Share. The projected dividend level should, however, be taken as a guide only and should not be regarded as a dividend forecast. In addition, a VCT is able to distribute realised capital profits and the Directors intend to take advantage of this provision in implementing the dividend policy of the Company.

Dividends will normally be paid twice a year in July and January, following the announcement of the interim and final results for March and September respectively. Only those Shareholders who subscribe under the Offer prior to 31 December 2004 will be entitled to the interim dividend for the period to 31 March 2005.

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## OTHER OPERATIONAL DETAILS

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### **Life of Company**

It is not intended that the Company should have a limited life. However, it is considered desirable that Shareholders should have the opportunity to review the future of the Company at appropriate intervals. Accordingly, the Articles of Association of the Company contain provisions requiring the Directors to propose an ordinary resolution at the Company's annual general meeting in 2014 to seek confirmation from Shareholders that it should continue as a VCT. If passed, such a resolution will be proposed again at five yearly intervals thereafter. If a resolution to continue is not passed, the Directors will within the following four months convene an extraordinary general meeting at which detailed proposals for the reorganisation, reconstruction or voluntary winding up of the Company will be submitted to Shareholders, as is deemed appropriate at that time.

### **Cancellation of Share Premium Account and buy-in policy**

The Directors are aware of the possibility that the Shares may trade at a discount to their net asset value following admission to the Official List. The Directors consider that the Company should have the ability to purchase its Shares in the market with the aim of reducing any discount and increasing the net asset value per Share of the remaining Shares. The Companies Act 1985 provides that a public company may only purchase its own shares out of distributable profits or out of the proceeds of a fresh issue of shares made for the purpose of the purchase. Therefore, the Company intends to apply to the Court to reduce its share premium account arising from the issue of Shares pursuant to the Offer and to establish a new special reserve, which may be treated as a distributable profit, out of which purchases of Shares can be made in the future. The application to the Court is likely to be made shortly after the closing of the Offer.

### **Borrowing Policy**

Although it is not intended that Close Income & Growth VCT will borrow, the Articles of Association allow the Company to borrow up to an amount equal to 10 per cent. of its share capital and reserves. This power has been made available to allow for flexibility, if required, in future unforeseen circumstances, for instance to support investment or disposal strategies within the constraints of maintaining the required 70 per cent. level for Qualifying Investments.

### **Annual Accounts**

The Company's annual report and accounts will be made up to 30 September in each year and will normally be sent to Shareholders in December. Shareholders will also receive unaudited half year accounts which will include an interim review by the Company's auditors. In valuing its unquoted investments Close Income & Growth VCT will comply with the guidelines issued by the British Venture Capital Association.

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## **RISK FACTORS**

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Prospective investors should be aware that the value of Shares in the Company and the income from them can fluctuate. In addition, there is no guarantee that the market price of shares in VCTs will reflect their underlying net asset value. An investment in Shares is only suitable for investors who are capable of evaluating the merits and risks of such investment and who may have sufficient resources to be able to bear any losses which may arise therefrom (which may be equal to the whole amount invested). Having regard to the Company's investment objectives and the tax reliefs available, Close Income & Growth VCT should be considered as a medium to long term investment. Investing in a VCT such as Close Income & Growth VCT, and in smaller unquoted companies in general, carries particular risks, the most significant of which are set out below.

- It is the intention of the Directors and the Manager that Close Income & Growth VCT will be managed so as to qualify as a VCT. A failure to meet the qualifying requirements for a VCT could result in:
  - (i) investors being required to repay the 40 per cent. income tax relief received on subscription for Shares;
  - (ii) loss of income tax relief on dividends paid (or subsequently payable) by the Company; and
  - (iii) loss of tax relief previously obtained in relation to corporation tax on capital gains made by the Company. A disposal of shares in a company which has lost VCT status may also result in a liability to tax on capital gains.

Further details of the taxation implications of an investment in Close Income & Growth VCT are given in Part II of this document. Failure to meet the qualifying requirements could, in addition, result in a loss of the listing of the Shares.

- The levels and bases of taxation may change. The tax reliefs referred to in this document are those currently available and their value depends on the individual circumstances of investors. In addition, rates of capital gains tax may change and adversely affect the tax planning position of an investor.
- The sale of Shares in the Company within three years of their subscription will result in the 40 per cent. income tax relief available upon investment becoming repayable.



- Any realised losses on disposal of Shares cannot be used to create an allowable loss for capital gains tax purposes.
- Although the Shares will be listed on the Official List and traded on the London Stock Exchange, there may not be a liquid market in the Shares and there may not be two competitive market makers. It may therefore prove difficult to realise the investment. Illiquidity may be exacerbated by the fact that a purchaser of existing Shares in the Company, as opposed to subscriber for Shares pursuant to the Offer, will not qualify for income tax relief at 40 per cent. of the amount invested.
- The Company will be investing in smaller, unquoted businesses which, by their nature, tend to be more fragile than larger, longer established businesses.
- The Company's investments will generally be in companies whose securities are not publicly traded or freely marketable and may, therefore, be difficult to realise.
- Investee Companies may include fast-growing companies undergoing significant change. Such businesses are usually exposed to greater risks than lower growth businesses.
- Leisure-based businesses such as public houses are likely to be affected by changes in the level of consumer spending, which may decline from the current levels, depending on the national and international financial climate.
- Technology related risks are likely to be greater in early, rather than later, stage technology investments, including the risks of the technology not becoming generally accepted by the market, or the obsolescence of the technology concerned, often due to the greater financial resources available to competing companies.
- The success of some investments may be based on the ability of investee companies to establish, protect and enforce intellectual property rights. There can be no assurance that any investee company can develop intellectual property rights or that its rights will be broad enough to protect its proprietary interests or that they will not infringe third party patents.
- A charge given to the Company over an asset will not always provide full capital protection for an investment.
- The value of the Shares may go down as well as up and investors may not receive back the full amount invested. In addition, the objective to pay annual dividends at a rate of 3.5 pence per Share once the portfolio is fully invested may not be achieved due to changing circumstances, including, inter alia, material changes in current interest rates.
- No guarantee is given or implied that the investment objectives or the realisation strategies set by the Company will be achieved. Furthermore, the Company's ability to obtain maximum value from its investments (for example through sale) may be limited by the requirements imposed in order to maintain the VCT status of the Company (such as the obligation to have at least 70 per cent. by value of its investments in Qualifying Investments).

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## TAXATION

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The Directors intend to conduct the affairs of the Company so that it satisfies the conditions for approval as a VCT laid down in section 842AA of the Income and Corporation Taxes Act 1988 (as amended).

**Any potential investors in doubt as to the personal tax reliefs which are available as a result of investing in a VCT, or of the taxation consequences of the acquisition, disposal or holding of shares in a VCT, should consult an appropriately qualified professional adviser.**

Investors who are subject to income tax under Pay As You Earn may obtain income tax relief in advance of submitting their tax return for the year of investment by applying to their tax office for a change in their tax code.

Further details of the tax legislation relating to VCTs are set out in Part II of this document.

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## THE OFFER

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### **Amount to be raised under the Offer**

The Shares are offered at 100 pence each payable in full upon application. Up to 45,000,000 Shares are being offered to the public under the Offer. The terms and conditions of application under the Offer appear in Part IV of this document and an Application Form is set out at the end of this document. In the event that applications are received for Shares in excess of the maximum subscription under the Offer, the Directors will exercise their discretion in the allocation of successful applications, although allocation will usually be on a first come first served basis. Applicants are encouraged to submit their Application Forms early in order to be confident that their applications will be successful. The minimum subscription level under the Offer is £3 million.

### **Personal Investment Levels**

The minimum subscription per investor is £1,000. The maximum subscription will be limited to £200,000 per person, since this is the maximum investment which can be made in the current tax year in order to qualify for the personal tax reliefs available from an investment in a VCT.

### **Allotment of Shares**

The first allotment under the Offer is expected to be on 1 October 2004. The Directors reserve the right to allot Shares at any time after 1 October 2004 whilst the Offer remains open, so long as the minimum subscription level of £3 million has been reached. Dealings in the Shares will commence on the business day after such allotment. The Closing for the Offer in respect of the 2004/2005 tax year will be at 10.00 a.m. on 4 April 2005 with allotment on the same day and dealings commencing on 5 April 2005. If the Offer is not fully subscribed at that time, the Directors reserve the right to allow the Offer to remain open for the 2005/2006 tax year.



## **Listing**

Application has been made to the UK Listing Authority for the Shares to be issued pursuant to the Offer to be admitted to the Official List of the UK Listing Authority and to the London Stock Exchange for the Shares to be admitted to trading on the London Stock Exchange's market for listed securities. The Company will have at least one market maker. The Shares will be issued in registered form, will be freely transferable and will rank *pari passu* in all respects with each other, save in respect of the interim dividend for the six months period to 31 March 2005 which will only be paid to holders of Shares issued on or before 31 December 2004.

An application will be made for the Shares to be admitted to the CREST system. Shareholders will be able to hold their Shares in certificated or uncertificated form. It is intended that CREST accounts will be credited on the day following allotment, and definitive share certificates will be despatched within 10 days of allotment. Prior to despatch of definitive share certificates, transfers will be certified against the register. No temporary documents of title will be issued.

Notwithstanding any other provision of this document, the Company reserves the right to allot and issue any Shares in certificated form. In normal circumstances, the right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of the CREST system), or on the part of the facilities and systems operated by the Registrars in connection with CREST. This right may also be exercised if the correct details (such as Participant ID and Member Account ID details) are not provided as requested on the Application Form.

## **Introductory Commission**

Introductory commission is being offered to authorised financial intermediaries usually at a rate of 2.5 per cent. on the value of successful applications submitted through them. The Manager will offer an additional annual commission to authorised financial intermediaries of 0.25 per cent of the value of Shares subscribed by investors whose applications were submitted through them and who continue to hold the Shares. The additional commission will be calculated by reference to the number of Shares held on 30 September in each year, commencing on 30 September 2005. The additional commission will cease to be payable if the appointment of Close Venture Management as Manager is terminated and will cease, in any event, from 1 October 2008.

## **Total Costs**

The costs of the Offer (including introductory commission) are fixed at 5.5 per cent. of funds raised.

**PART II**

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**TAXATION**

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**VCTs: Summary of the relevant provisions of the UK taxation legislation in relation to the tax years to 5 April 2005 and 5 April 2006****1. Approval**

To obtain VCT status a company must be approved by the Inland Revenue as a VCT. The Inland Revenue has granted the Company provisional approval as a VCT which will become effective upon the admission of the Shares to the Official List. Full unconditional approval should follow pending satisfaction of the conditions set out below. Tax reliefs are available during the provisional approval period provided that full unconditional approval is ultimately granted.

To obtain provisional approval, the conditions summarised below have to be satisfied in relation to the accounting period of the VCT which is current when the application for approval is made, or in any event must be satisfied by no later than the beginning of the VCT's next accounting period:

- (i) the VCT's income must have been derived wholly or mainly from shares or securities;
- (ii) no holding in a company by the VCT may represent more than 15 per cent. by value of the VCT's investments; and
- (iii) the VCT must not have retained more than 15 per cent. of the gross income derived from shares or securities.

The above conditions must continue to be satisfied throughout the life of the VCT.

The ordinary share capital of the VCT must be quoted on the Official List by no later than the beginning of the accounting period following that in which the application for approval is made.

The following conditions also have to be satisfied by no later than the beginning of the VCT's accounting period which commences no more than three years after provisional approval takes effect or in the case of funds raised by a further share issue by the beginning of the accounting period which commences no more than three years after the further issue of shares:

- (i) at least 70 per cent. by value of its investments is represented by shares or securities comprising Qualifying Investments for VCT purposes; and
- (ii) at least 30 per cent. by value of its Qualifying Investments is represented by holdings of ordinary shares which carry no present or future preferential rights to dividends or assets in a winding up and no present or future rights to be redeemed.

Qualifying Investments comprise shares or securities (including loans with a five year or greater maturity period) issued by unquoted trading companies which exist wholly or mainly for the purpose of carrying on one or more qualifying trades wholly or mainly in the United Kingdom. The definition of a qualifying trade excludes dealing in property, shares, securities, commodities or futures. It also excludes banking, insurance, receiving certain royalties or licence fees, leasing, the provision of legal and accounting services, property development, farming and market gardening, woodland and forestry activities, operating or managing hotels and operating or managing nursing homes or residential care homes. A Qualifying Investment can also be made in a company which is the parent company of a trading group where the activities of the group, taken as a whole, consist of carrying on one or more qualifying trades one of which is carried on wholly or mainly in the United Kingdom. Qualifying Investments are limited to investments of £1 million per annum in each company.



The investee company's gross assets must not exceed £15 million immediately prior to the investment and £16 million immediately thereafter. The VCT may not control the investee company, and at least 10 per cent. by value of its total holding in the investee company must be in ordinary shares which carry no present or future preferential rights to dividends or assets in a winding up and no present or future rights to be redeemed.

Companies whose securities are quoted on AIM are treated as unquoted companies for the purposes of calculating Qualifying Investments. Shares in an unquoted company which subsequently become quoted may still be regarded as a Qualifying Investment for a further five years following quotation.

## **2. Taxation of a VCT**

VCTs are exempt from corporation tax on chargeable gains. There is no restriction on the distribution of realised capital gains by a VCT, subject to the requirements of company law. A VCT will be subject to corporation tax on its income (excluding dividends received from UK companies) after deduction of attributable expenses.

## **3. Tax reliefs for individual investors resident in the UK**

Individuals must be aged 18 or over to qualify for the tax reliefs below.

### *Relief from income tax*

An investor subscribing up to £200,000 in the current tax year for new shares in a VCT will be entitled to claim income tax relief on the investment, in the year in which the investment is made, at the rate of 40 per cent., (regardless of the rate at which the investor pays income tax for that year) although this relief would be withdrawn in whole or in part should the shares be sold within three years. Relief is given by way of a deduction from the investor's income tax liability and is restricted to the amount which reduces that liability to nil.

An investor who subscribes for or acquires shares in a VCT will not be liable for UK income tax on dividends paid by the VCT in respect of investments up to a maximum of £200,000 in the current tax year.

### *Loss of tax reliefs*

- (i) If a company loses approval as a VCT the company will be liable to pay corporation tax on chargeable gains which are realised after such approval is lost.
- (ii) For investors, the withdrawal of formal approval as a VCT may (depending upon the timing of such withdrawal) result in:
  - clawback of the 40 per cent. tax relief on subscription for new VCT shares;
  - income tax becoming payable on subsequent payments of dividends by the company; and
  - a liability to tax on capital gains being suffered in the normal way on the disposal of shares in the company, except that any part of the gain attributable to the period for which the VCT was approved would be exempt.
- (iii) If, however, a company fails to obtain full unconditional approval as a VCT, tax reliefs previously claimed will be withdrawn and the company will be treated as if it was never entitled to the exemption from capital gains tax and will therefore be liable to corporation tax on all chargeable gains it has realised.

- (iv) The consequences for investors in a company which never obtains full unconditional approval as a VCT are as follows:
- loss of the 40 per cent. income tax relief on subscription for new shares;
  - for higher rate income tax payers, income tax becoming payable on dividends paid, and subsequently payable, by the company; and
  - any gain arising on a disposal of the shares would be liable to capital gains tax and losses on the shares would be allowable losses for capital gains tax purposes.

### General

#### 1. Investors who are not resident in the UK

Non-resident investors should seek their own professional advice as to the consequences of making an investment in the Company as they may be subject to tax in another jurisdiction.

#### 2. Stamp duty and stamp duty reserve tax

No stamp duty or, unless Shares are issued to a nominee for a clearing system or a provider of depository receipts, stamp duty reserve tax will be payable on the issue of Shares.

Except in relation to depository receipt arrangements or clearance services, where special rules apply, under current UK legislation relating to stamp duty and stamp duty reserve tax (“SDRT”), the transfer or conveyance on the sale of Shares will generally be subject to stamp duty on the instrument of transfer, normally at the rate of 0.5 per cent. of the amount or value of the consideration (with duty rounded up to the nearest £5). A charge to SDRT (generally at the same rate and generally collected through CREST for Shares within that system) may arise on any unconditional agreement to transfer such Shares although any liability will be cancelled and any SDRT already paid will be repaid, provided that an instrument of transfer is executed and stamp duty is paid on that instrument within six years after the date on which the liability to SDRT arises. SDRT is generally payable by the purchaser except where the purchase is effected through a stockbroker or other financial intermediary, in which case such person will normally account for SDRT and should indicate that this has been done in any contract note issued to the purchaser. Stamp duty is generally payable by the purchaser or transferee. Special rules apply to market makers, intermediaries, broker dealers and certain other persons.



## PART III

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### ADDITIONAL INFORMATION

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#### 1. The Company

- (a) The Company was incorporated in England and Wales on 19 May 2004 and operates under the Companies Act 1985 (the “Act”) as a public company limited by shares, with registered number 05132495.
- (b) Since the date of incorporation and registration of the Company, the Company has not traded or prepared any accounts.
- (c) On 20 July 2004, the Registrar of Companies issued the Company with a certificate under section 117 of the Act entitling it to commence business.
- (d) There has been no significant change in the financial or trading position of the Company since its date of incorporation.

#### 2. Share Capital

- 2.1 The authorised share capital of the Company on incorporation was £100,000 divided into 100,000 Ordinary Shares of £1 each, of which two Ordinary Shares (“Subscriber Shares”) were issued, nil paid, to the subscribers to the Memorandum of Association.
- 2.2 By ordinary and special resolutions passed on 2 July 2004:
  - (i) the share capital of the Company was sub-divided into Shares of 50 pence each and the authorised Share capital of the Company was increased to £25,000,000 by the creation of 49,700,000 Shares and 50,000 redeemable preference shares of £1 each (“Preference Shares”);
  - (ii) the Directors were generally and unconditionally authorised in accordance with section 80 of the Act to exercise all the powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £24,999,998 such authority to expire on 1 July 2009 (unless previously revoked, extended or varied by the Company in general meeting);
  - (iii) the Directors were empowered (pursuant to section 95(1) of the Act) to allot or make offers or agreements to allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the authority referred to in sub-paragraph 2.2(ii) above as if section 89(1) of the Act did not apply to any such allotment, such power to expire on 1 July 2009 (unless previously revoked, extended or varied by the Company in general meeting). This power was limited to the allotment of equity securities in connection with:
    - (a) the issue of 50,000 Preference Shares to Close Venture Management;
    - (b) the Offer;
    - (c) an offer of equity securities by way of rights;
    - (d) any dividend reinvestment scheme which may be introduced by the Company; and
    - (e) otherwise than pursuant to sub-paragraphs (a), (b), (c) and (d) above, an offer of equity securities up to an aggregate nominal amount of 10 per cent. of the issued share capital of the Company immediately following the closing of the Offer;
  - (iv) the Company adopted new Articles of Association;
  - (v) the Company was authorised to make one or more market purchases (within the meaning of section 163 (3) of the Act) of Shares provided that:
    - (a) the aggregate maximum number of Shares authorised to be purchased is an amount equal to 10 per cent. of the Shares in issue following the Offer;

- (b) the minimum price which may be paid for a Share is 50 pence;
  - (c) the maximum price which may be paid for a Share is an amount equal to the average of 105 per cent. of the middle market prices shown in the quotations for a Share in the Official List for the five business days immediately preceding the day on which that Share is purchased; and
  - (d) the authority expires on 31 December 2006.
- (vi) it was resolved that the amount standing to the credit of the share premium account of the Company at the date of the order to be made by the Court on the hearing for the Petition for Confirmation of this resolution be cancelled.
- 2.3 On 2 July 2004, the Subscriber Shares (as subdivided) were transferred to Patrick Reeve and Ole Bettum (who are employees of the Manager) and paid up in full in cash.
- 2.4 On 2 July 2004, 50,000 Preference Shares were allotted and issued to Close Venture Management and paid up as to one quarter so as to enable the Company to obtain a certificate under section 117 of the Act. Once fully paid up, the Preference Shares will be redeemed by the Company out of the proceeds of the Offer. Each of the Preference Shares which is redeemed shall automatically be redesignated on redemption as, and sub-divided into, two Shares in the authorised, but unissued capital of the Company without any further resolution or consent.
- 2.5 Save as disclosed in this paragraph 2 and paragraph 5 below, since the date of its incorporation, no share or loan capital of the Company or any subsidiary has been issued or agreed to be issued, or (except pursuant to the Offer) is now proposed to be issued, for cash or any other consideration and no commissions, discounts, brokerages, or other special terms have been granted by the Company or any subsidiary, in connection with the issue or sale of any such capital.
- 2.6 No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 2.7 The Shares will be in registered form and temporary documents of title will not be issued.
- 2.8 If the Offer is fully subscribed, 45,000,000 Shares will have been issued and fully paid in cash. Following the redemption of the Preference Shares there will remain authorised but unissued a minimum of 5,000,000 Shares (representing 10 per cent. of the authorised share capital).
- 2.9 The Company will be subject to the continuing obligations of the UK Listing Authority with regard to the issue of securities for cash and the provisions of section 89 of the Act (which confers on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) will apply to the balance of the authorised but unissued share capital of the Company which is not subject to the disapplication referred to in sub-paragraph 2.2 (iii) above.

### **3. Memorandum and Articles of Association**

The Memorandum of Association of the Company provides that the Company's principal object is to carry on the business of a VCT. The objects of the Company are set out in full in clause 4 of the Memorandum of Association which is available for inspection at the address specified in paragraph 8 below.

The Articles of Association of the Company ("the Articles") contain provisions, inter alia, to the following effect.

#### **3.1 Voting Rights**

Subject to any disenfranchisement as provided in paragraph 3.5 below and subject to any special terms as to voting on which any Shares may be issued, on a show of hands every member present in person (or being a corporation, present by authorised representative) shall have one vote and on a poll every member who is present in person or by proxy shall have one vote for every Share of which he is the holder.



### 3.2 Rights attaching to Preference Shares

Each of the Preference Shares carries the right to a fixed dividend of 0.01 pence per annum but confers no right to vote except as otherwise agreed by the holders of a majority of Shares. On a winding-up the Preference Shares confer the right to be paid the nominal amount paid on such shares. The Preference Shares are redeemable at any time by the Company.

### 3.3 Transfer of shares

All transfers of Shares must be effected by a transfer in writing in any usual form or any other form approved by the Directors. The instrument of transfer of a Share shall be executed by or on behalf of the transferor and, in the case of a partly paid share, by or on behalf of the transferee. The Directors may refuse to register any transfer of a partly paid Share, provided that such refusal does not prevent dealings taking place on an open and proper basis, and may also refuse to register any instrument of transfer unless:

- (i) it is duly stamped (if so required), is lodged with the Company's registrars or at such other place as the Directors may appoint and is accompanied by the certificate for the Shares to which it relates or such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (ii) it is in respect of only one class of Share; and
- (iii) the transferees do not exceed four in number.

### 3.4 Dividends

The Shareholders shall be entitled to receive, in that capacity, any dividends paid out of the net income derived from the assets attributable to the Shares.

The Company may in general meeting by ordinary resolution declare dividends in accordance with the rights of the members, provided that no dividend shall be payable in excess of the amount recommended by the Directors. The Directors may pay such interim dividends as appear to them to be justified. No dividend or other monies payable in respect of a Share shall bear interest as against the Company. There are no fixed dates on which entitlement to dividend arises.

All dividends unclaimed for a period of 12 years after being declared or becoming due for payment shall be forfeited and shall revert to the Company.

### 3.5 Disclosure of interest in shares

If any member or other person appearing to be interested in shares of the Company is in default in supplying within 14 days after the date of service of a notice requiring such member or other person to supply to the Company in writing all or any such information as is referred to in section 212 of the Act, the Directors may, for such period as the default shall continue, impose restrictions upon the relevant shares.

The restrictions available are the suspension of voting or other rights conferred by membership in relation to meetings of the Company in respect of the relevant shares and, additionally, in the case of a shareholder representing at least 0.25 per cent. by nominal value of any class of shares of the Company then in issue, the withholding of payment of any dividends on, and the restriction on transfer of, the relevant shares.

### 3.6 Distribution of assets on liquidation

The capital and assets of the Company shall on a winding up or on a return of capital shall be divided amongst the holders of the Shares

On a winding-up any surplus assets will be divided amongst the holders of the Shares according to the respective number of Shares held by them and in accordance with the provisions of the Act, subject to the rights of any Shares which may be issued with special rights or privileges. The Articles provide that the liquidator may, with the sanction of an extraordinary resolution and any other sanction required by the Act, divide amongst the members in specie the whole or any part of the assets of the Company in such manner as he may determine.

### 3.7 Changes in share capital

- (i) Without prejudice to any rights attaching to any existing Shares, any Share may be issued with such rights or restrictions as the Company may by ordinary resolution determine or, in the absence of such determination, as the Directors may determine. Subject to the Act, the Company may issue Shares which are, or at the option of the Company or the holder are, liable to be redeemed.
- (ii) The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of larger amount, subdivide its Shares or any of them into shares of smaller amount or cancel or reduce the nominal value of any shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount so cancelled or the amount of the reduction.
- (iii) Subject to the Act, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account, and may also, subject to the Act, purchase its own Shares.

### 3.8 Directors' interests

- (i) A Director who is in any way, directly or indirectly, interested in a transaction or arrangement with the Company shall, at a meeting of the Directors, declare, in accordance with the Act, the nature of his interest.
- (ii) Provided that he has declared his interest in accordance with paragraph (i) above, a Director may be a party to or otherwise interested in any transaction or arrangement with the Company or in which the Company is otherwise interested and may be a director or other officer of or otherwise interested in any body corporate promoted by the Company or in which the Company is otherwise interested. No Director so interested shall be accountable to the Company, by reason of his being a Director, for any benefit which he derives from such office or interest or any such transaction or arrangement.
- (iii) A Director shall not vote at a meeting of the Directors in respect of a matter in which he has any material interest otherwise than by virtue of his interest in shares, debentures or other securities of, or otherwise in or through, the Company unless his interest arises only because the case falls within one or more of the following paragraphs:
  - (a) the giving to him of any guarantee, security or indemnity in respect of money lent or any obligation incurred by him at the request of or for the benefit of the Company or any of its subsidiary undertakings;
  - (b) the giving to a third party of any guarantee, security or indemnity in respect of a debt or an obligation of the Company or any of its subsidiary undertakings for which he has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
  - (c) any proposal concerning the subscription by him of shares, debentures or other securities of the Company or any of its subsidiary undertakings or by virtue of his participating in the underwriting or sub-underwriting of an offer of such shares, debentures or other securities for subscription, purchase or exchange;
  - (d) any proposal concerning any other company in which he is interested directly or indirectly, whether as an officer or shareholder or otherwise, provided that he and any persons connected with him do not to his knowledge hold an interest in shares representing 1 per cent. or more of any class of the equity share capital of such company or of the voting rights available to members of the relevant company; and
  - (e) any proposal relating to an arrangement for the benefit of the employees of the Company or any subsidiary undertaking which does not award to any Director as such any privilege or advantage not generally awarded to the employees to whom such arrangement relates.



- (iv) When proposals are under consideration concerning the appointment of two or more Directors to offices or employment with the Company or any company in which the Company is interested the proposals may be divided and considered in relation to each Director separately and (if not otherwise precluded from voting) each of the Directors concerned shall be entitled to vote and be counted in the quorum in respect of each resolution except that concerning his own appointment.

### 3.9 Remuneration of Directors

- (i) The ordinary remuneration of the Directors (other than an executive director appointed under the Articles) shall be such amount as the Directors shall from time to time determine (provided that unless otherwise approved by the Company in general meeting the aggregate ordinary remuneration of such Directors, including fees, shall not exceed £120,000 per year) to be divided among them in such proportion and manner as the Directors may determine.
- (ii) Any Director who, by request of the Directors, performs special services or goes or resides abroad for any purposes of the Company may be paid such extra remuneration as the Directors may determine.
- (iii) The emoluments and benefits of any executive director for his services as such shall be determined by the Directors and may be of any description, including membership of any pension or life assurance scheme for employees or their dependants or, apart from membership of any such scheme, the payment of a pension or other benefits to him or his dependants on or after retirement or death.

### 3.10 Retirement of Directors

At each annual general meeting of the Company one third of the Directors shall retire from office. The Directors to retire will be those who have been longest in office or, in the case of those who were appointed or re-appointed on the same day, will be (unless they otherwise agree) determined by lot.

A Director shall not be required to retire at the age of 70.

### 3.11 Borrowing powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital.

The Directors shall restrict the borrowings of the Company and, by the exercise of the Company's voting and other rights or powers of control over its subsidiary undertakings (if any) secure that they restrict their borrowings, so that the aggregate amount at any time outstanding in respect of money borrowed by the group, being the Company and its subsidiary undertakings for the time being (excluding intra-group borrowings), shall not without the previous sanction of an ordinary resolution of the Company exceed a sum equal to 10 per cent. of the aggregate of the amount paid up or credited as paid up on the allotted or issued share capital of the Company and the amount standing to the credit of the consolidated capital and revenue reserves of the group as shown by the latest audited consolidated balance sheet of the group adjusted as specified in the Articles. Prior to the publication of an audited balance sheet of the Company such aggregate amounts shall be limited to 10 per cent. of the amount paid up or credited as paid up (whether in respect of the nominal value or premium) on the allotted or issued share capital of the Company.

### 3.12 Distribution of realised capital profits

At any time when the Company has given notice in the prescribed form (which has not been revoked) to the Registrar of Companies of its intention to carry on business as an investment company ("a Relevant Period"), distribution of the Company's capital profits (within the meaning of section 266(2)(c) of the Act) shall be prohibited. The Board shall establish a reserve to be called the capital reserve. During a Relevant Period, all surpluses arising from the realisation or revaluation of investments and all other monies realised on or derived from the realisation, payment off or other dealing with any capital asset in excess of the book value thereof and all other monies which are considered by the Board to be in the nature of accretion

to capital shall be credited to the capital reserve. Subject to the Act, the Board may determine whether any amount received by the Company is to be dealt with as income or capital assets and, subject to the Act, any expenses, loss or liability (or provision therefor) which the Board considers to relate to a capital item or which the Board otherwise considers appropriate to be debited to the capital reserve shall be carried to the debit of the capital reserve. During a Relevant Period, all sums carried and standing to the credit of the capital reserve may be applied for any of the purposes for which sums standing to any revenue reserve are applicable except and provided that during a Relevant Period no part of the capital reserve or any other money in the nature of accretion to capital shall be transferred to the revenue reserves of the Company or be regarded or treated as profits of the Company available for distribution (as defined by section 263(2) of the Act) or applied in paying dividends on any shares in the Company.

### 3.13 Duration of the Company

The Directors shall put an ordinary resolution to the annual general meeting of the Company in 2014 and, if passed, to every fifth subsequent annual general meeting, proposing that the Company should continue as a VCT for a further five year period. If any such ordinary resolution is not passed, the Directors shall draw up proposals for the reorganisation, reconstruction or voluntary winding up of the Company for submission to the members of the Company at an extraordinary general meeting to be convened by the Directors on a date not more than four months after such annual general meeting. Implementation of the proposals will require the approval of members by special resolution.

### 3.14 CREST

The Articles enable Shares to be held in uncertificated form in accordance with the Regulations and to be eligible for transfer and settlement in CREST, in accordance with the CREST rules.

## 4. Directors' and others' interests in the Company

4.1 The Company is not aware of any person who, immediately following the Offer, is or will, directly or indirectly, be interested in 3 per cent. or more of the issued share capital of the Company, or who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

4.2 The Directors named below and their respective immediate families intend to apply for the following Shares under the Offer, all of which will be beneficially owned.

<b>Name</b>	<b>Number of Shares</b>
Friedrich Ternofsky	10,000
Mary Anne Cordeiro	7,500
John Kerr	5,000
Patrick Reeve	200,000
David Watkins	5,000

Save as disclosed in this paragraph, no Director, his family nor any person connected with any Director (within the meaning of section 346 of the Act) has any interest in the share or loan capital of the Company which is required to be notified pursuant to section 324 or section 328 of the Act or which is required to be entered in the register maintained under section 325 of the Act, or in the case of a connected person, would have been so entered if the connected person were a Director and which is known to or could with reasonable diligence be ascertained by the Directors as at 2 August 2004 (the latest practicable date prior to the publication of this document).



- 4.3 Save as noted in paragraph 4.2 above, no Shares are being reserved for allocation to existing shareholders, Directors or employees.
- 4.4 None of the Directors has a service contract with the Company and no such contract is proposed.
- 4.5 No loan or guarantee has been granted or provided by the Company to any Director.
- 4.6 Save for the interests of Mary Anne Cordeiro in the Exclusivity Agreement and Patrick Reeve in the Management Agreement, no Director has an interest in any transaction effected by the Company since its incorporation which is or was unusual in its nature or conditions or significant to the business of the Company during the current or immediately preceding financial year or during an earlier financial year which remains in any way outstanding or unperformed.
- 4.7 It is estimated that the aggregate remuneration payable to the Directors by the Company for the financial period ending on 30 September 2005 under the arrangements in force at the date of this document will not exceed £100,000 in the event of the maximum subscription level under the Offer being reached and that the Directors, other than the Chairman, Friedrich Ternofsky, will each be initially entitled to receive a fee of £18,500 per annum. Friedrich Ternofsky, as Chairman, will receive a fee of £21,000 per annum. The fee in respect of Patrick Reeve will be paid to Close Venture Management Limited.
- 4.8 The Company will maintain Directors and Officers' liability insurance for the benefit of the Directors.

## **5. Arrangements relating to the Offer**

Under an agreement dated 2 August 2004 between the Directors (1), the Company (2), the Sponsor (3), the Manager (4), and Close Brothers Investment (5), Close Brothers Securities has been appointed as the sponsor of the Company for the purposes of the Offer and Close Brothers Investment has undertaken as agent of the Company to assist in the procurement of subscribers under the Offer for up to 45 million Shares. The Offer is conditional on admission to the Official List of the relevant Shares by 5 April 2005.

Under the Offer Agreement the Company will pay Close Brothers Investment a commission of 5.5 per cent. on the value (at the Offer Price) of the Shares subscribed, or £2.475 million if the Offer is fully subscribed. Close Brothers Investment, out of its commission, will pay the Sponsor a fee of £75,000, Close Venture Management a fee of £200,000 and will offer a commission to authorised intermediaries usually at a rate of 2.5 per cent. of the Offer Price in respect of all applications accepted which bear the stamp of the relevant authorised intermediary. Close Brothers Investment will also pay all other costs and expenses of or incidental to the Offer and the application for admission of the Shares to the Official List. Total costs payable by the Company, therefore, will be limited to 5.5 per cent. of the gross proceeds of the Offer.

Under the Offer Agreement, which may be terminated by the Sponsor and the Manager in certain circumstances, certain warranties, which are customary for an agreement of this nature, have been given by the Company and the Manager to the Sponsor. The Company and the Manager have also agreed to indemnify the Sponsor in respect of its obligations as sponsor and under the Offer Agreement.

## **6. Material Contracts**

The Company has entered into the following material contracts (not being contracts entered into in the ordinary course of business,) within the last two years immediately preceding the date of this document.

- 6.1 The Offer Agreement as described in paragraph 5 above.
- 6.2 The Management Agreement dated 2 August 2004 between the Company (1) and the Manager (2) pursuant to which the Manager will provide or procure the provision of certain investment management services to the Company for a fee payable quarterly in arrears on 1 January, 1 April, 1 July and 1 October in each year (together with any applicable VAT) of an amount

equal to 2.5 per cent. per annum of the net asset value of the Company. For the purpose of calculating the fee payable to the Manager, the net asset value of the Company is calculated on 30 September and 31 March preceding such payment or on 31 December 2004 for the purposes of the first payment due on 1 January 2005.

Out of this fee, the Manager will offer an additional annual commission to authorised financial intermediaries of 0.25 per cent of the value of Shares subscribed by investors whose applications were submitted through them and who continue to hold the Shares. The additional commission will be calculated by reference to the number of Shares held on 30 September in each year, commencing on 30 September 2005. The additional commission will cease to be payable if the appointment of Close Venture Management as Manager is terminated and will cease, in any event, from 1 October 2008.

The Manager will also provide secretarial and administrative services to the Company. Under the Management Agreement, the Company's operating expenses, including all sums payable under the Management Agreement, save for the costs of the Offer and the performance incentive described below, will not exceed 3.5 per cent. of the Company's audited net asset value at the relevant year end (save that the Manager's liability hereunder will not exceed the amount of its fees).

The Management Agreement also contains the Manager's incentive fee arrangement. Under the incentive arrangement, if the net asset value per Share at the end of a financial period, when added to the aggregate dividends per Share paid to date, exceeds £1 as increased by 8 per cent. per annum (compounding annually), since the Company's commencement of trading, then the Manager will be entitled to an incentive fee equal in value to 20 per cent. of such excess (plus VAT if applicable). In the event that the performance of the Company falls short of the target in any period, such shortfall must be made up in future periods before the Manager is entitled to any incentive in respect of such future periods. The fee will be payable annually. In the event that the Management Agreement is terminated after the second anniversary of the first allotment of Shares under the Offer (unless terminated by reason of the Manager's default) a one off payment will be made to the Manager, calculated as at 30 September in the year following termination (excluding any value attributable to investments made following the date of termination).

The Management Agreement is for an initial two year period and is terminable thereafter by either party by 12 months' prior written notice subject to earlier termination by either party in the event of, inter alia, a party having a receiver, administrator or liquidator appointed or committing a material breach of the Management Agreement, or by the Company if it ceases to be a VCT for tax purposes or if the Manager shall cease to be able to carry out its obligations under the Management Agreement lawfully. If terminated by the Company without due cause or on less than the requisite notice, the Manager shall be entitled to receive an amount representing the fees which would have been payable during the period for which notice shall not have been given, calculated by reference to the previous quarterly payment. The Management Agreement will terminate automatically, without compensation (other than accrued management incentive fees), upon the passing of a resolution for the voluntary liquidation, reconstruction or reorganisation of the Company under the Company's Articles of Association.

- 6.3 An agreement dated 2 August 2004 between Close Brothers Venture Capital Trust PLC (1), Close Brothers Protected VCT PLC (2), Close Brothers Development VCT PC (3), Close Technology & General VCT PLC (4), Healthcare & Leisure Property Fund PLC (5), Bamboo Investments PLC (6), the Company (7) and the Manager (8) relating to the allocation of investment opportunities as described under "Investment Allocation" in Part I of this document.
- 6.4 The Exclusivity Agreement dated 28 June 2004 made between the Manager (1), BUEL (2) and the Company (3) pursuant to which BUEL has granted to the Manager, on behalf of the Company and other funds managed by the Manager, the exclusive right to invest in corporate vehicles or other undertakings in which BUEL is a shareholder ("Spin-Out Companies") and which will engage in the commercialisation of intellectual property rights created by BUEL personnel. The rights are to be granted for a period of ten years from the date the Company first allots Shares under the Offer. Once the Company has invested 10 per cent. of its funds from time to time in Spin-Out Companies, the exclusive investment rights will be extended to other funds managed by the Manager.



In consideration for the grant of the exclusive rights the parties will procure that each Spin-Out Company will pay to BUEL a contribution towards the overheads of BUEL of up to 5 per cent. of the amount invested in each Spin Out Company by the Company and other funds managed by the Manager. This, in turn, will be used by BUEL to make payments to Mary Anne Cordeiro under a consultancy agreement between BUEL and Mary Anne Cordeiro. BUEL will also have the right to appoint a director to the Board of the Company who will be paid a fee by the Company of £13,500 per annum if the Company raises up to £20 million under the Offer rising, on a pro rata basis, to £18,500 per annum if £45 million is raised.

The agreement may be terminated by BUEL if it has offered a minimum value of investment opportunities to the Manager in any two year period and the total and cumulative amount of all investments made by the Manager on behalf of the funds it manages in Spin-Out Companies during that two year period is less than £2 million. The agreement is also subject to early termination by any party in the event of, inter alia, a party having a receiver, administrator or liquidator appointed or committing a material breach of the agreement, or if the minimum subscription level under the Offer is not reached by 31 December 2004.

Save as otherwise disclosed in this paragraph 6, as at the date of this document there are no contracts (not being contracts entered into in the ordinary course of business) entered into by the Company which contain any provision under which the Company has any obligation or entitlement which is material to the Company.

## **7. General**

7.1 The principal place of business and registered office of the Company is at 10 Crown Place, London EC2A 4FT. The Company does not have, nor has it had since incorporation, any employees. The Company has no subsidiaries.

7.2 The Sponsor is or may be a promoter of the Company and will be entitled to receive a fee in connection with the Offer as stated in paragraph 5 above. Close Brothers Investment and Close Venture Management are or may be promoters of the Company and will receive management fees and other payments from the Company under the Offer Agreement and the Management Agreement described in paragraph 5 and 6 above.

Save as disclosed in this paragraph and in paragraphs 5 and 6 above, no amount or benefit has been paid or given to any promoter and none is intended to be paid or given.

7.3 The Offer is sponsored by Close Brothers Securities, which is authorised and regulated by the Financial Services Authority. The principal place of business of the Sponsor is 25 Dowgate Hill, London EC4R 2GA. The Manager's principal place of business is 4 Crown Place, London EC2A 4BT. The Manager is authorised and regulated by the Financial Services Authority.

7.4 The Offer Price of 100 pence per Share represents a premium of 50 pence over the nominal value of each Share and is payable in full on application.

7.5 The Offer is not underwritten. The expenses of and incidental to the Offer and the listing of the Shares, including registration and listing fees, printing, advertising and distribution costs, legal and accounting fees and expenses, will amount to 5.5 per cent. of the gross proceeds of the Offer (including irrecoverable VAT) and are payable by the Company. If the maximum of £45 million is raised under the Offer, the net proceeds will amount to £42.5 million. The net proceeds will be applied in accordance with the Company's investment strategy.

7.6 Independent market makers will be offered the opportunity to subscribe for Shares under the Offer.

7.7 Deloitte & Touche LLP, London have agreed to be the auditors of the Company. No information contained in this document has been audited.

7.8 The Company has given notice to the Registrar of Companies, pursuant to section 266 of the Act, of its intention to carry on business as an investment company which will enhance its ability to pay dividends out of income. Whilst it is an investment company, the Company's Articles of Association are required to preclude it from distributing capital profits. If and when the Company has accumulated capital profits which the Directors consider it appropriate to distribute by way of dividend (for example on the disposal of a successful investment), the Directors would anticipate revoking this status, whereupon the prohibition in the Company's Articles against distributing capital profits will automatically terminate.

- 7.9 A VCT must satisfy the UK Listing Authority that its directors and any investment managers have sufficient and satisfactory experience in the management of investments of the type in which the VCT proposes to invest. The VCT's board of directors must be able to demonstrate that it will act independently of any investment managers of the VCT. A majority of the board must not be directors or employees, or former directors or employees of, or professional advisers to, the investment managers or any other company in the same group as the investment managers. The UK Listing Authority also requires that, until such time as the company has obtained approval as a VCT from the Inland Revenue, it will not control the companies in which it invests in such a way as to render them subsidiary undertakings. Furthermore, none of the Company's investments, other than in a venture capital trust or a company which would qualify as a venture capital trust if it were listed, must represent more than 15 per cent. by value of the Company's investments. Not more than 20 per cent. of its gross assets may be invested in the securities of companies which are property companies.

Close Income & Growth VCT will, if listed, meet the above conditions, and will continue to do so after the listing has become effective

- 7.10 The Company will be applying for permission for Shares to be transferable following admission of the Shares to the Official List by means of CREST. Settlement of transfers through CREST will permit shareholders to hold their Shares either by way of definitive share certificates or in electronic form in a CREST account.

- 7.11 The Directors have held the following directorships over the past five years:

Friedrich Ternofsky:

**Current**

Exel Plc (formerly NFC Plc)  
 Care UK Plc  
 Dolphin Nurseries Limited  
 Kew Green Hotels Limited  
 TH-Industries Holding AG (CH)  
 UK Explorer.com Limited  
 Punch Taverns Plc  
 Eurest Restaurationbetriebsgesellschaft  
 Compass Deutschland Gmbh  
 Eurest Restaurationbetriebgesellschaft GmbH-Austria

**Former**

Compass Group Plc  
 The Wisley Golf Club Plc  
 Premier Hotels Plc

John Kerr:

**Current**

Close Brothers Venture Capital Trust PLC  
 Guardian Homecare Northampton Limited  
 Dilbey Limited  
 Dizzy Heights Limited

**Former**

Ambion Brick Company Limited  
 DMWSL 320 Limited

Mary Anne Cordeiro:

**Current**

CarandHome.com Limited  
 George Piper Dances Limited  
 Holland Park Gardens Management Co Limited  
 The London Pavilion (Design) Limited

**Former**

CarandHome Ltd



Patrick Reeve:

**Current**

Leisure Links International Limited  
Close Brothers Investment Limited  
Close Brothers Protected VCT PLC  
Close Technology & General VCT PLC  
Close Venture Management Limited  
E Jewson Consultants Limited  
Ferard Reeve Publishing Limited  
Jewsons Associates Limited  
Healthcare & Leisure Property Fund PLC  
Odyssey Clubs Group Limited

**Former**

Automotive Technik Holdings Limited  
Cathedral Homes VCT Limited  
Chase Midland VCT Limited  
Chesfield Downs Golf Club Limited  
Close Investment Management Limited  
Country & Metropolitan VCT Limited  
Downing Harnham Croft Nursing Home Limited  
Hawkwell VCT Limited  
Hornchurch VCT Limited  
Kerrington VCT Limited  
Portland Homes (Woodside Green) Limited  
Prime VCT Limited  
Premier VCT (Mailbox) Limited  
Premier VCT (Bristol) Limited  
Premier VCT (Dartford) Limited  
Prospect Swetenhams Limited  
Rose & Crown VCT Limited  
TPVCT Limited

David Watkins:

**Current**

ATSW Developments (CGT) Limited  
Auton Developments Limited  
Avidoc Limited  
B J Harris, Oxford (Developments) Limited  
BGA Developments Limited  
Black Magic Property Developments Limited  
Calvert Estates Limited  
Cedar Developments (CGT) Limited  
CGT Developments II Limited  
CGT Developments III Limited  
CGT Developments IV Limited  
CGT Developments Limited  
CGT Developments XII Limited  
CGT Developments XIV Limited  
CGT Developments XIX Limited  
CGT Developments XV Limited  
CGT Developments XXIII Limited  
CGT Developments XXV Limited  
CGT Developments XXVII Limited  
Close Brothers Venture Capital Trust PLC  
Colyer Developments Limited  
Eileen Gershon Developments Limited  
Galistar Developments 1997 Limited  
Gaynor Developments Limited

Glenister Developments Limited  
Glenister Estates Developments Limited  
Gray Property Developments Limited  
Gregory Developments Limited  
Hawkswick Developments Limited  
Janitin Limited  
K W Developments Limited  
Keanacre Developments Limited  
KLP Developments Limited  
Lace Curtains Developments Limited  
Paddock Developments Limited  
Pegsdon Developments Limited  
Pinewinds Properties Limited  
Plonquer Developments Limited  
Renaude Limited  
Seamark Developments Limited  
Sheila Drake Developments Limited  
Springfield Property Developments Limited  
TJK Developments Limited  
Tom Drake Developments Limited  
Torrey Pines Developments Limited  
Twerne Limited  
Value Added Limited

### **Former**

A J Simpson Developments Limited  
AISH Developments Limited  
Augusta Residential Developments Limited  
CGT Developments XI Limited  
CGT Developments XVI Limited  
CGT Developments XVIII Limited  
CGT Developments XXIX Limited  
CGT Developments XXVI Limited  
CGT Developments XXXII Limited  
CGT Developments XXXIV Limited  
D R G Developments Limited  
D W L Developments Limited  
HAL Developments Limited  
Florida Select Insurance Company Inc.  
Hill Farm Stables Limited  
Lakeview Developments (CGT) Limited  
Lawson Houses Limited  
Libra Developments Limited  
MacPherson Developments Limited  
Pacific Select Insurance Company Inc.  
Paul Development Limited  
Residential Property Reversions II Limited  
Scott Developments Limited  
Sioux Limited  
SJK Management Limited  
Stuart Developments Limited  
T M Parrott Limited  
Tember Developments Limited  
Tinwell Times Limited  
Treliggan Developments Limited  
Triance Developments Limited  
William Drake Developments Limited



- 7.12 At the date of this document, none of the Directors:
- (i) has any unspent convictions in relation to indictable offences;
  - (ii) has been bankrupt or has entered into an individual voluntary arrangement;
  - (iii) was a director with an executive function of any company at the time or within 12 months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, company voluntary arrangements or any composition or arrangement with that company's creditors generally or with any class of its creditors other than:
    - (a) David Watkins, who was an executive director of Mountleigh Group Ltd from 1991 to 1992, and which went into administrative receivership in 1992. The estimated deficiency to creditors, as extracted from the statement of affairs drawn up at the date the company went into receivership, was £511,748,666, and;
    - (b) John Kerr who was an executive director of Millioniser 2000 Limited in 1984 and which went into liquidation towards the end of that year. The estimated deficiency to creditors at the date the company went into liquidation did not exceed £100,000;
  - (iv) has been a partner in a partnership at the time of or within 12 months preceding any compulsory liquidation, administration or partnership voluntary arrangements or such partnership; or
  - (v) has had his or her assets the subject of any receivership or has been the partner of a partnership at the time of or within 12 months preceding any assets thereof being the subject of a receivership; or
  - (vi) has been subject to any public criticisms by statutory or regulatory authorities (including designated professional bodies) or has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- 7.13 All of the Shares to be issued pursuant to the Offer, and for which application has been made for admission to the Official List, are available for subscription by the public.
- 7.14 The Company is not involved nor has it since its incorporation been involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had, a significant effect on the Company's financial position.

## **8. Documents for Inspection**

Copies of the following documents are available for inspection at the offices of Berwin Leighton Paisner, Adelaide House, London Bridge London EC4R 9HA during normal business hours on any weekday (Saturdays and public holidays excepted) whilst the Offer remains open:

- 8.1 the Memorandum and Articles of Association of the Company;
- 8.2 the material contracts referred to in paragraphs 5 and 6 above
- 8.3 the mini-prospectus relating to the Company and this prospectus; and
- 8.4 letters of appointment for the Directors.

Dated 3 August 2004.

**PART IV**

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**TERMS AND CONDITIONS AND  
GUIDE TO THE APPLICATION FORM**

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**TERMS AND CONDITIONS**

- (a) The contract created by the acceptance of applications under the Offer will be conditional upon:
- (i) the admission of the Shares to the Official List of the UK Listing Authority becoming effective by not later than 5 April 2005, and
  - (ii) the Offer Agreement becoming unconditional and not being terminated in accordance with its terms.
- (b) The right is reserved by the Company to present all cheques and bankers' drafts for payment on receipt and to retain surplus application monies pending clearance of successful applicants' cheques. The Company also reserves the right to reject, in whole or in part, any application. If any application is not accepted in full or if any contract created by acceptance does not become unconditional, the application monies or, as the case may be, the balance thereof will be returned by crossed cheque in favour of the applicant, through the post at the risk of the person entitled thereto.
- (c) The right is reserved by the Company to allot Shares, for which valid applications under the Offer have been received, at any time up to the Closing.
- (d) By completing and delivering an Application Form you:
- (i) offer to subscribe for the number of Shares specified in your Application Form (or such lesser number for which your application is accepted) at the Offer Price per Share on the terms of and subject to this document, including these terms and conditions, and the Memorandum and Articles of Association of the Company;
  - (ii) agree that, in consideration of the Company agreeing that it will not issue or allot any Shares which are subject to the Offer to any person other than by means of the procedures referred to in this document, your application shall not be revoked until after 5 April 2005, and this paragraph shall constitute a collateral contract between you and the Company which will become binding upon despatch by post to, or (in the case of delivery by hand) on receipt by, the Receiving Agents of your Application Form;
  - (iii) warrant that your remittance will be honoured on first presentation and agree that if it is not honoured you will not be entitled to receive a share certificate or have your CREST account credited in respect of the Shares applied for unless and until you make payment in cleared funds for such Shares and such payment is accepted by the Company in its absolute discretion (which acceptance may be on the basis that you indemnify it against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and you agree that, at any time prior to the unconditional acceptance by the Company, it may (without prejudice to other rights) avoid the agreement to allot such Shares and may allot such Shares to some other person, in which case you will not be entitled to any payment in respect of such Shares;
  - (iv) agree that if, following the issue of all or any Shares applied for pursuant to the Offer (the "Issued Shares"), your remittance is not honoured on first presentation, the Issued Shares shall, forthwith upon payment by Close Venture Management of the Offer Price of the Issued Shares to the Company, be transferred to Close Venture Management at the Offer Price per Issued Share and any director of Close Venture Management or any director of the Sponsor is hereby irrevocably appointed and instructed to complete and



execute all or any form(s) of transfer and/or any other documents in relation to the transfer of Issued Shares to Close Venture Management or such other person as Close Venture Management may direct and to do all such other acts and things as may be necessary or expedient for the purpose of, or in connection with, transferring title to the Issued Shares to Close Venture Management, or such other person, in which case you will not be entitled to any payment in respect of such Shares;

- (v) agree that, in respect of those Shares for which your application has been received and is not rejected, acceptance of your application shall be constituted, at the election of the Company either (i) by notification to the UK Listing Authority of the basis of allocation (in which case acceptance shall be on that basis) or (ii) by notification of acceptance thereof to the Receiving Agents;
- (vi) agree that any monies returnable to you may be retained by the Receiving Agents pending clearance of your remittance and the completion of any verification of identity required by the Money Laundering Regulations 2003 (the “Regulations”) and that such monies will not bear interest;
- (vii) subject as provided in paragraphs (iii), (iv) and (v) above, authorise the Receiving Agents to send a share certificate or arrange for your CREST account to be credited in respect of the number of Shares for which your application is accepted and/or to send a crossed cheque for any monies returnable, by post, at the risk of the person entitled thereto, to the address of the person named as the applicant in the Application Form;
- (viii) warrant that if you sign the Application Form on behalf of somebody else you have due authority to do so on behalf of that other person and such person will also be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained herein and undertake to enclose your power of attorney or a copy thereof duly certified by a solicitor with the Application Form;
- (ix) agree that all applications, acceptances of applications and contracts resulting therefrom under the Offer shall be governed by and construed in accordance with English law, and that you submit to the jurisdiction of the English Courts and agree that nothing shall limit the right of the Company to bring any action, suit or proceedings arising out of or in connection with any such applications, acceptances of applications and contracts in any other manner permitted by law or in any court of competent jurisdiction;
- (x) confirm that in making such application you are not relying on any information or representation in relation to the Company other than the information contained in this document and accordingly you agree that no person responsible solely or jointly for this document or any part thereof or involved in the preparation thereof shall have any liability for any such other information or representation;
- (xi) authorise the Receiving Agents and/or Close Venture Management, or any persons authorised by either of them, as your agent, to do all things necessary to effect registration of any Shares subscribed by you into your name or into the name of any person in whose favour the entitlement to any such Shares has been transferred and authorise any representative of the Receiving Agents or of Close Venture Management to execute any document required therefor;
- (xii) agree that, having had the opportunity to read this document, you shall be deemed to have had notice of all information and representations concerning the Company contained therein;
- (xiii) confirm and warrant that you have read and complied with paragraph (e) below;
- (xiv) confirm that you have read the restrictions contained in paragraphs (f) and (g) below and warrant as provided therein;
- (xv) warrant that you are not under the age of 18;
- (xvi) agree that all documents and cheques sent by post to, by or on behalf of the Company or the Receiving Agents, will be sent at the risk of the person(s) entitled thereto; and

(xvii) agree that future dividend payments in respect of Shares subscribed for will be paid direct into your bank or building society account.

- (e) It is a term of the Offer that, to ensure compliance with the Money Laundering Regulations 2003, Close Brothers Investment may at its absolute discretion require verification of identity from any person lodging an Application Form (the “Applicant”) and, without prejudice to the generality of the foregoing, in particular any person who either (i) tenders payment by way of cheque or bankers’ draft drawn on an account in the name of a person or persons other than the Applicant or (ii) appears to be acting on behalf of some other person. In the former case, verification of the identity of the Applicant may be required. In the latter case, verification of the identify of any person on whose behalf the Applicant appears to be acting may be required.

If within a reasonable period of time following a request for verification of identity and in any case by no later than 3.00 p.m. on the relevant date of allotment Close Brothers Investment has not received evidence satisfactory to it as aforesaid, the Company with the agreement of Close Brothers Investment may, at its absolute discretion, reject any such application in which event the remittance submitted in respect of that application will be returned to the Applicant (without prejudice to the rights of the Company to undertake proceedings to recover any loss suffered by it as a result of the failure to produce satisfactory evidence of identity).

Where possible Applicants should make payment by their own cheque. If a third party cheque, bankers’ draft or building society cheque is used, the Applicant should:

- (i) write his/her name and address on the back of the draft or cheque and, in the case of an individual, record his/her date of birth against his/her name; and
- (ii) ask the bank or building society (if relevant) to endorse on the reverse of the draft or cheque the full name and account number of the person whose account is being debited and stamp such endorsement.

The above information is provided by way of guidance to reduce the likelihood of difficulties, delays and potential rejection of an Application Form (but without limiting Close Brothers Investment’s right to require verification of identity as indicated above).

The completion by an authorised financial intermediary of the agent’s box on the application form, confirms that the requirements of the Money Laundering Regulations 2003 for the identification and verification of the Applicant have been complied with by the intermediary.

- (f) No person receiving a copy of this document or an Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him or her, nor should he or she in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or her or such Application Form could lawfully be used without contravention of any registration or other legal requirements. It is the responsibility of any person outside the United Kingdom wishing to make an application hereunder to satisfy himself or herself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
- (g) The Shares have not been and will not be registered under the United States Securities Act 1933 (as amended) and, subject to certain exceptions, the Shares may not be offered, sold, renounced, transferred or delivered, directly or indirectly, in the United States or to any person in the United States. Persons subscribing for Shares shall be deemed, and (unless the Company is satisfied that Shares can be allotted without breach of United States security laws) shall be required, to represent and warrant to the Company that they are not a person in the United States and that they are not subscribing for Shares for the account of any such person and will not offer, sell, renounce, transfer or deliver, directly or indirectly, such Shares in the United States or to any such person. As used herein, “United States” means the United States of America (including each of the States and the District of Columbia), its territories or possessions or other areas subject to its jurisdiction. In addition, the Company has not been and will not be registered under the United States Investment Company Act of 1940, as amended. The Manager is not registered under the United States Investment Advisers Act of 1940, as amended.



- (h) Applicants are encouraged to submit their Application Forms early in order to be confident that their applications will be successful. In the event that applications are received for an amount in excess of the maximum subscription under the Offer, the Directors reserve the right to exercise their discretion in the allocation of successful applications although the allocation will usually be on a first come first served basis. The right is also reserved to reject in whole or in part any application or any part thereof and to treat as valid any application not in all respects completed in accordance with the instructions relating to the Application Form.
- (i) Save where the context otherwise requires, words and expressions defined in this document have the same meaning when used in the Application Form and any explanatory notes in relation thereto.

### **Availability of this Prospectus**

Copies of this document and the Application Form are available for collection, until the Offer closes, from the Company and from:

Close Brothers Investment, 10 Crown Place, London EC2A 4FT; and

Close Brothers Securities, 25 Dowgate Hill, London EC4R 2GA.

A copy of this document will also be available to the public for inspection at the Document Viewing Facility at the Financial Services Authority, 25 North Colonnade, Canary Wharf, London E14 5HS.

## PART V

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**GUIDE TO THE APPLICATION FORM**


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The following instructions should be read in conjunction with the Application Form.

1. **Insert your full name, address and date of birth in Block Capitals in Box 1.**  
Applications may only be made by persons aged 18 or over.
2. **Insert in Box 2 (in figures) the number of Shares for which you are applying.** Your application in respect of the Offer must be for a minimum of 1,000 Shares.
3. **Insert in Box 3 (in figures) the amount of your payment.** Your cheque or bankers' draft should be for the amount which represents £1 multiplied by the number of Shares inserted in Box 2.
4. **You must affix to the completed Application Form a cheque or bankers' draft for the full amount payable.** Your cheque or bankers' draft must be payable to "Close Income & Growth VCT – Subscription A/C" for the amount payable on application inserted in Box 3 and should be crossed "A/C Payee". No receipt will be issued for this payment which must be solely for this application. Your cheque or bankers' draft must be drawn in sterling on an account at a bank which must be in the UK, the Channel Islands or the Isle of Man and must bear the appropriate sort code number in the top right hand corner. The right is reserved to reject any application in respect of which the applicant's cheque or bankers' draft has not been cleared on first presentation. Applications may be accompanied by a cheque or bankers' draft drawn by someone other than the applicant(s), but any monies to be returned will be sent by crossed cheque in favour of the person(s) named in Box 1. **If your cheque is not honoured on first presentation, any Shares issued to you may be transferred to Close Venture Management.**
5. **Share Certificates and CREST**  
The Company will be applying for permission for its Shares are transferable by means of the CREST System and it is anticipated that you will be able to hold your Shares in either certificated or uncertificated form. If you do not complete Box 9 on the reverse of the Application Form, a share certificate will be sent to you incorporating the details included in Box 1. If you complete Box 9, CRESTCo will be instructed to credit your electronic stock account with the appropriate number of Shares.
6. **Dividend payments directly to Bank or Building Society Accounts.** All future dividends will be paid directly into your bank or building society account. Consequently, please complete the dividend mandate instruction form in Box 8 on the reverse of the Application Form.
7. Investments made by individuals aged 18 or over, up to £200,000 in the current tax year in VCTs qualify for tax exemptions on dividends and the other VCT reliefs.  
**If the aggregate of amounts you have already invested in VCTs in the current tax year and the amount which you are applying to invest in Close Income & Growth VCT under the Offer exceeds £200,000, you must state the amount of the excess.**  
**If there is no such excess over the permitted maximum please state "nil" in Box 3.**
8. **Sign and date the Application Form in Box 6.** The Application Form may be signed by someone else on your behalf, if duly authorised by power of attorney to do so, but any power of attorney pursuant to which it is done (or a duly certified copy thereof) must be enclosed for inspection.
9. Agents who are entitled to receive commission should stamp and complete Box 7 on the reverse of the Application Form, giving their full name and address, telephone number and details of their authorisation under the Financial Services and Markets Act 2000. The right is reserved to withhold payment of any commission if Close Brothers Investment is not, in its sole discretion, satisfied that the agent is so authorised.



10. **If you have any queries on the procedure for application and payment, you should contact Close Brothers Investment or your normal financial adviser.**

11. **Delivery of Application Form**

**Send the completed Application Form together with the cheque or bankers' draft by post, or deliver it by hand, to Close Brothers Investment Limited, 10 Crown Place, London EC2A 4FT so as to be received no later than 10.00 a.m. on 4 April 2005. In the event that applications are received for an amount in excess of the maximum subscription, Shares will normally be allocated on a first come first served basis.**

*If you post your Application Form you are recommended to use first class post and to allow at least two working days for delivery. Photostat or faxed copies of the Application Forms will not be accepted.*

# CLOSE INCOME & GROWTH VCT PLC

## APPLICATION FORM

**PLEASE USE BLOCK CAPITALS**

1. Mr., Mrs., Miss or title	
Forename(s) (in full)	
Surname	
Address (in full)	
Post code	Daytime tel. no.
Permanent address (if different from address given above)	
Postcode	
Date of Birth	National Insurance Number

2. I apply for

	(max. 200,000)	Shares
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(or any smaller number or greater number of Shares for which this application is accepted) at a price of 100 pence per Share payable in full on application, on the terms and conditions set out in this Application Form and the Prospectus dated 3 August 2004 and subject to the Memorandum and Articles of Association of Close Income & Growth VCT PLC.

3. I attach a cheque or bankers' draft for the amount payable to "Close Income & Growth VCT – Subscription A/C"

	£ (max. £200,000)		£
		If the amounts for which you are applying under the Offer, together with the amounts you have invested in other VCTs, exceed £200,000 in respect of the current tax year, please state the excess.	

Please send me a certificate confirming my entitlement to venture capital trust tax reliefs. I will acquire Shares in Close Income & Growth VCT. I acknowledge that if my cheque is not honoured on first presentation, any Shares issued to me may be transferred to Close Venture Management or such other person as Close Venture Management may direct.

4.  **Affix here your cheque or bankers' draft for the amount applied for above made payable to "Close Income & Growth VCT – Subscription A/C" and crossed "A/C Payee"**  
**(Please pin, staple or clip; do not glue or tape cheque to form)**

5. By signing this form I HEREBY DECLARE THAT:

- (i) I have received and read the Prospectus dated 3 August 2004 and have read the terms and conditions of application contained therein and agree to be bound by them.
- (ii) I will be the beneficial owner of the Shares in Close Income & Growth VCT PLC issued to me pursuant to the Offer.
- (iii) To the best of my knowledge and belief, the particulars I have given Close Income & Growth VCT PLC are correct.

If the Shares are issued on a different date or if the Offer is over-subscribed I hereby authorise Close Income & Growth VCT PLC or its agent to complete the boxes designated for official use below, and for this information to be treated by the Inland Revenue as modifying the information provided in boxes 1, 2 and 3 and the date on which the Shares are issued.

**The Inland Revenue may inspect this declaration. It is a serious offence to make a false declaration.**

6. Signature  Date

**DELIVERY OF APPLICATION FORM**

Send the completed Application Form, together with your cheque or bankers' draft by post or by hand to Close Brothers Investment Limited (Income & Growth VCT), 10 Crown Place, London EC2A 4FT to be received by not later than 10.00 a.m. on 4 April 2005.

<b>FOR OFFICIAL USE ONLY</b>			
Date on which Shares issued	Amount paid for Shares issued	Number of Shares issued	The excess of the average aggregate subscription price over £200,000 for the tax year to 5 April 2005 is (state nil if appropriate)
			£ <span style="border: 1px solid black; display: inline-block; width: 80px; height: 20px; vertical-align: middle;"></span>

7. Due completion of the agent's box indicates that the agent is duly authorised to transact investments of this type under the Financial Services and Markets Act 2000 and confirms that the requirements of the Money Laundering Regulations 2003 for the identification and verification of the Applicant have been complied with.  
**Commission, usually at 2.5 per cent. of the funds invested, will be paid to authorised financial intermediaries. An additional commission of 0.25 per cent. will be payable by the Manager to financial intermediaries in respect of investors whose applications were submitted through them and who continue to hold the Shares in the Company which were originally allotted to them under the Offer. The additional commission will be calculated by reference to the number of Shares held on 30 September each year, commencing on 30 September 2005, and will cease to be payable if the appointment of Close Venture Management Limited as Manager is terminated, and will cease, in any event, from 1 October 2008.**

Stamp of authorised financial intermediary

Authorised Ref. No.

8. **Payment of dividends directly to Bank or Building Society Accounts.** Dividends on Shares held in Close Income & Growth VCT PLC will be paid directly into bank or building society accounts. To arrange for all future dividend payments to be paid directly into your account, please complete the mandate instruction form below.

Dividends paid directly to your account will be paid in cleared funds on the dividend payment date. You will receive notification by post advising you of the payment amount and date. Your bank or building society statement will identify details of the dividend as well as the date and amount paid.

Please forward, until further notice, all dividends that may from time to time become due on any Shares now standing, or which may hereafter stand, in my name in the register of members of Close Income & Growth VCT PLC to:

Bank or Building Society reference number and details:

(1)	Sort code number	<input style="width: 95%;" type="text"/>
(2)	Name of Bank/Building Society	<input style="width: 95%;" type="text"/>
	Title of Branch	<input style="width: 95%;" type="text"/>
	Address of Branch	<input style="width: 95%;" type="text"/>
Please quote all digits including zeros.		
(3)	Account number	<input style="width: 95%;" type="text"/>
(4)	Signature	<input style="width: 95%;" type="text"/>
	Date	<input style="width: 95%;" type="text"/>

9. If you wish to have your Shares placed directly into your CREST account please complete the details in this box.

Participation ID No.  
Member Account No.

FOR OFFICE USE ONLY						
1. Form number	2. Acceptance number	3. Shares allocated	4. Amount received £	5. Amount payable £	6. Amount returned £	7. Cheque number
Cheque over £10,000 Y/N	Drawn on applicant's own account Y/N	Proof of identity attached Y/N	Proof of identity requested Y/N	Proof of identity received Y/N		