



2007 / 08

Close Enterprise VCT plc

further offer for subscription of shares

Sponsored by
Winterflood Securities Limited



THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take you are recommended to consult an independent financial adviser authorised under the Financial Services and Markets Act 2000 immediately.

A copy of this document, which comprises a prospectus relating to the Company prepared in accordance with the Prospectus Rules of the Financial Services Authority ("FSA") made under Section 73(A) of the Financial Services and Markets Act 2000, has been filed with the FSA in accordance with Rule 3.2 of the Prospectus Rules. Neither the Shares nor the New Shares have been, or will be, registered under the United States Securities Act of 1933 (as amended) (the "Securities Act") or offered for sale under the laws of any state of the United States or under the applicable laws of any of Canada, Australia, the Republic of Ireland or Japan and, subject to certain exceptions, may not be offered or sold in the United States or to, or for the account or benefit of, US persons (as such term is defined in Regulation S under the Securities Act) or to any national, resident or citizen of Canada, Australia, the Republic of Ireland or Japan.

Application has been made to the FSA for the New Shares to be issued pursuant to the Further Offer to be admitted to the Official List and to the London Stock Exchange for the admission of such New Shares to trading on its market for listed securities. It is expected that such admission will become effective and that dealings will commence on or about 7 April 2008.

The Directors of the Company, whose names are set out on page 12 of this document, and the Company, accept responsibility for the information contained in this document. To the best of the knowledge of the Directors and the Company (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.

Winterflood Securities Limited, which is authorised and regulated by the FSA, is acting exclusively for the Company and for no-one else in relation to the Further Offer and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Winterflood Securities Limited or for providing advice in connection with the Further Offer.

CLOSE ENTERPRISE VCT PLC

(Incorporated in England and Wales under the Companies Act 1985 with registered number 5990732)



Further Offer for Subscription

of

up to 20,000,000 New Shares of 50 pence each

at 100 pence per New Share*

Sponsored by

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Share capital immediately following the Further Offer, assuming that all of the New Shares available under the Further Offer are subscribed for:

	Authorised		Issued and fully paid	
	No. of Shares	Nominal Value	No. of Shares	Nominal Value
Ordinary Shares	50,000,000	£25,000,000	39,793,147	£19,896,573.50

The Further Offer list will close at 12 noon on 4 April 2008 unless closed earlier. The terms and conditions of the Further Offer are set out on pages 45 to 47 of this document followed by Application Forms for use in connection with the Further Offer. This document does not constitute an offer to sell or issue or the solicitation of an offer to buy or subscribe for New Shares in any jurisdiction in which such offer or solicitation is unlawful. **Prospective investors should carefully consider the risk factors set out on pages 6 and 7 of this document before taking any action.**

Terms defined in this document are set out under the heading "Definitions" on pages 43 and 44 of this document.

*The Further Offer Price may change to a net asset value basis if the Net Asset Value per existing Ordinary Share is greater than 100 pence per Ordinary Share or less than 90 pence per Ordinary Share when the New Shares are allotted. See the Further Offer section on page 18.

23 November 2007



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SUMMARY

This summary should be read as an introduction to the full text of this document and any investment decision relating to the Further Offer should be based on the consideration of this prospectus as a whole. Where a claim relating to information contained in this prospectus is brought before a Court, a plaintiff investor might, under the national legislation of an EEA State, have to bear the costs of translating this prospectus before legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary, including any translation of this summary, but only if this summary is misleading, inaccurate or inconsistent when read together with other parts of this prospectus.

The Company and Investment Opportunity

The aim of Close Enterprise VCT, which began trading in April 2007, 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 50 per cent. of its funds in lower risk, asset-based businesses, principally operating in the leisure sector and related areas. The balance of the Company's funds are being invested in higher growth businesses across a variety of sectors of the UK economy. These range from lower risk, income-producing businesses to higher risk, technology companies.

The Company, which raised £19.8 million through an issue of Ordinary Shares on 5 April 2007, now intends to raise up to a further £20 million through an issue of New Shares, as described in this document. These New Shares will rank *pari passu* with the existing Ordinary Shares, save that they will not rank for the first dividend for the 2008/09 financial year.

The Manager

- The Manager of the Company, Close Ventures, is a subsidiary of Close Brothers Group plc and is one of the market leaders in the area of VCT investment. Close Ventures manages seven venture capital trusts with net assets of approximately £240 million (as at 22 November 2007, unaudited), comprising Close Brothers Venture Capital Trust PLC, Close Brothers Protected VCT PLC, Close Brothers Development VCT PLC, Close Technology & General VCT PLC, Close Income & Growth VCT PLC, Crown Place VCT PLC and Close Enterprise VCT PLC.
- The Manager was voted "Best VCT Provider" at the 2005 and 2006 Professional Investor Awards and "VCT Fund Manager of the Year" at the 2005 and 2006 Growth Company Awards.
- The Manager has an active policy of returning cash to shareholders through share buy-backs and dividends; to date £66.4 million has been returned in this way to shareholders in the VCTs it has launched.

Tax Benefits

For the current tax year to 5 April 2008, income tax relief at 30 per cent. on the amount invested (subject to a maximum of £200,000) is available to private investors who are over 18 and reside in the UK and who invest in new shares in a VCT, provided the shares are held for a minimum of five years.

In addition, such private investors in a VCT receive the following tax benefits in respect of new and existing VCT shares, irrespective of the holding period of the investment:

- dividends paid by a VCT are free of income tax; and
- capital gains made upon a disposal of shares in a VCT are free of tax.

Changes in VCT Legislation

- The Finance Act 2007 introduced changes to VCT legislation for new VCT funds (raised after 5 April 2007). These include certain provisions that are more restrictive than those in previous rules, in particular that new VCT funds may not be invested in companies that have more than 50 full-time employees.



- The funds raised through the issue of the New Shares will be invested so as to comply with these rules. Although the Ordinary Shares and the New Shares will rank *pari passu* in all respects (other than the entitlement to the first dividend payable in respect of the 2008/09 financial year), the underlying cash available for investment resulting from the Further Offer will be allocated to investments which qualify under the new VCT rules. The Manager estimates that, of the investments it has made over the past three years, and which qualified under the VCT rules in place under the previous legislation, approximately 85 per cent. by value would qualify under the new legislation.

General

- 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. The minimum investment under the Further Offer is £5,000.
- The annual management fee charged by the Manager is 2.5 per cent. (plus VAT) of the net asset value of the Company. Total annual expenses, including the annual management fee, are limited to 3.5 per cent. (inclusive of VAT) of the Net Asset Value. In addition, the Manager will be entitled to a management performance incentive of 20 per cent. of the excess of the total return over a performance benchmark of the average base rate of The Royal Bank of Scotland plc plus 2 per cent. per annum.

Introductory commission will be offered to authorised financial intermediaries usually at a rate of 2.5 per cent. on successful applications submitted through them, with a further trail commission of 0.25 per cent. per annum for the four years to 31 March 2012 provided investors continue to hold the New Shares.

Principal Risk Factors

- There is no assurance the Company will continue to meet its investment objectives.
- It is the intention of the Directors and the Manager that the Company will continue to 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 the Company and/or investors.
- The Company's investments are, and will be, generally 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 New Shares can fluctuate and there is no guarantee that the market price of the New Shares will reflect fully the Net Asset Value.

Further Offer Statistics

Further Offer Price per New Share*	100p
Issue costs per New Share	5.5p
Initial Net Asset Value per New Share*	94.5p
Maximum number of New Shares in issue following the Further Offer	20,000,000
Maximum net proceeds of the Further Offer, after issue costs	£18,900,000

*The Further Offer Price may change to a net asset value basis if the Net Asset Value per existing Ordinary Share is greater than 100 pence per Ordinary Share or less than 90 pence per Ordinary Share when the New Shares are allotted. See The Further Offer section on page 18.

EXPECTED TIMETABLE

2008

Closing (unless closed earlier). The Further Offer will not be extended beyond this time 12 noon on 4 April

Allotment and issue of New Shares on or before 4 April

Dealings commence and CREST accounts credited 8.00 a.m. on 7 April

Share and taxation certificates dispatched 16 April

The Directors reserve the right to allot and issue New Shares at any time whilst the Further Offer remains open and to allot New Shares on more than one occasion before 4 April 2008.



PART I

RISK FACTORS

Prospective investors should carefully review the following risks which the Directors consider to be material and that are known to the Directors at the date of this document in relation to the Company, the New Shares, and more generally, closed-ended investment funds of the same type and profile as the Company.

Prospective investors should consult their stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 before investing in the New Shares.

General

Prospective investors should be aware that the value of New 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 generally will reflect their underlying net asset value. Past performance is not a guide to future performance. An investment in New Shares is only suitable for investors who are capable of evaluating the merits and risks of such investment and who have sufficient resources to be able to bear any losses which may arise therefrom (which may be equal to the whole amount invested). Prospective investors should therefore consult an independent adviser authorised under FSMA before investing.

Having regard to the Company's investment objectives and the tax reliefs available, Close Enterprise VCT should be considered as a long term investment. Investing in a VCT such as Close Enterprise VCT, which itself invests in smaller unquoted companies in general, carries particular risks, the most important of which, in the opinion of the Directors, are set out below.

Taxation

- It is the intention of the Directors and the Manager that Close Enterprise 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 30 per cent. income tax relief received on subscribed New Shares;
 - (ii) loss of income tax relief on dividends paid (or subsequently payable) by the Company;
 - (iii) a potential liability to tax on capital gains on a disposal of New Shares where the Company has lost its VCT status; and
 - (iv) loss of tax relief previously obtained in relation to corporation tax on capital gains made by the Company.

Further details of the taxation implications of an investment in Close Enterprise VCT are given in Part III. Failure to meet the qualifying requirements could, in addition, result in a loss of the listing of the New 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.
- The sale of New Shares within five years of their subscription will result in the 30 per cent. income tax relief available upon investment becoming repayable.
- Any realised losses on the disposal of New Shares cannot be used to create an allowable loss for capital gains tax purposes.
- From the current tax year onwards, the restriction of investment to companies having less than 50 full time employees and the £2 million cap on the amount of funds which a company can raise in any 12 month period from VCTs, Enterprise Investment Schemes and Corporate Venturing Schemes (which themselves raised those funds subsequent to 5 April 2007), may limit the number of new investment opportunities available.

Investment Risk

- The value of the New Shares may go down as well as up and investors may not receive back the full amount invested.

- 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).
- The Company's investments are in companies whose securities are not publicly traded or freely marketable and may, therefore, be difficult to realise and more volatile than the securities of larger, longer established businesses.
- Investee Companies include fast-growing companies undergoing significant change. Such businesses are usually exposed to greater risks than lower growth businesses and therefore involve a higher degree of risk as they are more fragile and may not produce the hoped-for returns.
- The Company invests in smaller, younger, unquoted businesses which, by their nature, tend to be more fragile than larger, longer established businesses therefore involving a higher degree of risk.
- 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 and/or that such rights will be broad enough to protect proprietary interests and/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 leisure sector, where many of the asset-based investments may be made, is sensitive to any downturn in the economic environment.

Share Liquidity

- Although the New Shares will be listed on the Official List and traded on the London Stock Exchange, there may not be a liquid market in the New Shares and there may not be two competing market makers. It may therefore prove difficult to realise the investment. This factor may be exacerbated by the fact that any purchaser of existing Ordinary Shares in the Company, as opposed to a subscriber for New Shares pursuant to the Further Offer, will not qualify for income tax relief at 30 per cent. of the amount invested.

Discounts

- The market value and the realisable value of the New Shares are likely to fluctuate. Furthermore, as the shares of most VCTs trade at a discount to the underlying net asset value and because there is normally a difference between the middle-market price and the price at which shares in VCTs can be sold (known as the "spread"), there is no guarantee that the market value will fully reflect the underlying Net Asset Value per New Share.

Accounting policies

- Representations in this document concerning returns to Shareholders are based on current UK generally accepted accounting practice ("UK GAAP"). UK GAAP is likely to be subject to change, for example through ongoing convergence with international financial reporting standards. Any changes to UK GAAP may affect the Company's ability to provide returns to Shareholders as envisaged in this document.

Dividends and income

- The Company will only pay dividends on New Shares to the extent that it has revenue or capital profits available for that purpose. A reduction of income from the Company's investments may adversely affect the dividend payable to Shareholders. Such a reduction could arise, for example, from lower dividends or rates of interest paid on the Company's investments.



PART II

INVESTMENT OPPORTUNITY

INVESTMENT OBJECTIVE AND POLICY

Close Enterprise VCT raised £19.8 million through an offer of Ordinary Shares in the 2006/07 tax year and began trading in April 2007.

The Company's investment objective is to provide investors with a regular and predictable source of income, combined with the prospect of longer term capital growth.

The investment policy of the Company is broadly to invest up to 50 per cent. of its funds, once fully invested, in an asset-based portfolio of lower risk, ungeared businesses, principally operating in the leisure sector and related areas (the "Asset Based Portfolio"). The balance of the funds raised, other than funds retained for liquidity purposes, will be invested in a portfolio of higher growth businesses across a variety of sectors of the UK economy. These range from lower risk, income-producing businesses to higher risk, technology companies (the "Growth Portfolio"). Funds awaiting investment in either the Asset Based Portfolio or the Growth Portfolio, or retained for liquidity purposes, will be held on deposit, invested in floating rate notes (in both cases with banks with a Moody's credit rating of 'A' or above), or invested in government gilts.

The Company's investment portfolio is thus structured to provide a balance between income and capital growth for the longer term. The Asset Based Portfolio is designed to provide stability and income whilst still maintaining the potential for capital growth. The Growth Portfolio is intended to provide diversified exposure through its portfolio of investments in unquoted UK companies. Stock specific risk will be reduced by the Company's policy of holding a diversified portfolio of Qualifying Investments.

The Asset Based Portfolio has the following characteristics:

- Businesses are selected which are asset-based, often with freehold or long-leasehold property as their major asset, although other asset types may also be considered. Many will be in property-intensive sectors, such as leisure, though other sectors will also be considered.
- Investments are structured as a mixture of secured loans and ordinary shares, with up to two-thirds of the investment comprising secured loans, typically with a first charge on the underlying assets.

The Growth Portfolio has the following characteristics:

- The investments cover unquoted companies across a spread of sectors from technology (including areas such as software and pharmaceutical services), to other growth areas of the UK economy such as business services and healthcare.
- Investments are selected for their growth prospects and will be unlikely to have external borrowings. While many will be later stage, established businesses, some will be early stage and may, on occasion, have yet to earn any income.

Any material change in the Company's investment policy will only be made if approved by an ordinary resolution of Shareholders in a general meeting.

It is not currently intended that the Company will use any bank facilities to borrow although the Company's Articles of Association permit it to borrow up to 10 per cent. of its share capital and reserves.

While the Company may enter into derivative transactions for efficient portfolio management purposes up to a maximum of 10 per cent. of its gross assets, it has no current intention of doing so and will not enter into derivative transactions for speculative purposes.

The Directors intend to conduct the affairs of the Company in order that it may continue to be approved by HMRC as a VCT under section 274 of ITA. As a result, the Company must meet the investment restrictions as set out below.

- the Company's income must have been derived wholly or mainly from shares or securities;
- no holding in a company (other than another VCT) by the Company may represent more than 15 per cent. by value of the Company's investments;
- the Company must not have retained more than 15 per cent. of the gross income derived from shares or securities; and
- the ordinary share capital of the Company must be quoted on the Official List.

The following conditions also have to be satisfied by no later than the beginning of the Company'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:

- at least 70 per cent. by value of its investments are represented by shares or securities comprising Qualifying Investments for VCT purposes; and
- at least 30 per cent. by value of its Qualifying Investments are 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 by a VCT of £1 million per annum in each company.

The Investee Company's gross assets must not exceed £7 million immediately prior to the investment and £8 million immediately thereafter. The Company 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.

Following the Finance Act 2007, there are two further restrictions on qualifying companies in respect of VCT funds (being those raised subsequent to 5 April 2007). These are;

- new Investee Companies may raise a maximum of £2 million in any 12 month period from funds sourced from VCTs, Enterprise Investment Schemes or Corporate Venturing Schemes, which raised funds subsequent to 5 April 2007; and
- Qualifying Investments for new VCT funds must have fewer than the equivalent of 50 full-time employees at the time of investment.

INVESTMENT OPPORTUNITY

As at 16 November 2007, being the latest practicable date prior to the publication of this document, £2.8 million of the net funds raised by the Company in the 2006/07 tax year had been invested in Qualifying Investments, of which 40 per cent. are in the Asset Based Portfolio and 60 per cent. in the Growth Portfolio.

The Further Offer will provide benefits to existing and new Shareholders as follows. For existing Shareholders, it provides an enlarged fund over which to spread the fixed costs of managing the Company, whilst at the same time enabling a broader investment portfolio to be built up. For new Shareholders, an



investment in the New Shares will provide investors with the opportunity of investing in an existing operational VCT and participating in a carefully balanced and proven investment policy that is broadly similar to the majority of the other VCTs managed by the Manager, while benefiting from the substantial income tax benefits on investment that are available to UK taxpaying investors in the current tax year.

The Finance Act 2007 introduced changes to VCT legislation for new VCT funds, being those funds raised after 5 April 2007. These include certain provisions that are more restrictive than the previous rules, in particular that new VCT funds may not invest in companies that have more than 50 full-time employees.

The funds raised through the new issue of the New Shares will be invested so as to comply with these rules. Although the Ordinary Shares and the New Shares will rank *pari passu* in all respects (other than for the entitlement to the first dividend payable in respect of the 2008/09 financial year), the underlying cash available for investment resulting from the Further Offer will be allocated to investments which qualify under the new VCT rules. The Manager estimates that, of the investments it has made over the past three years, and which qualified under the VCT rules in place under the previous legislation, around 85 per cent. by value would qualify under the new legislation.

The Manager has a record of returning cash to VCT shareholders through dividends (both revenue and capital) and share buy-backs. The Manager has, to date, returned a total of £66.4 million to shareholders from those VCTs launched by the Manager, as follows:

Total funds returned to shareholders:	£ million
Revenue dividends	42.0
Capital dividends	13.0
Share buy-ins	11.4
Total:	<u>66.4</u>

(Source: Close Ventures as at 22 November 2007, being the latest practicable date prior to the publication of this document)

The typical investors for whom the Company is designed, are professionally advised private investors (both sophisticated and retail) seeking, over the longer term, both capital gains and a regular predictable source of income from an investment in a diversified portfolio of UK unquoted companies.

The New Shares may also be suitable for investors who are financially sophisticated non-advised private investors, who are capable of evaluating the risks and merits of an investment in the New Shares, and who have sufficient resources to bear any loss which may result from an investment in the New Shares. Such investors may wish to consult an independent financial adviser before investing in the New Shares.

Taxation

In the current tax year, VCTs offer the following income and capital gains tax advantages in respect of investments of up to £200,000 per person per tax year.

- Tax paying investors receive income tax relief at 30 per cent. on the amount invested under the Further Offer, irrespective of the investor's marginal rate of income tax. This reduces the effective net cost of the investment to 70 pence for each £1 invested, provided the New Shares are held for at least five years from investment.
- 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.

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

	The return for a higher rate income taxpayer investing in the Company
Amount invested	£10,000
Effective holding cost after income tax relief	£7,000
Income Return	
Average annual dividend over 5 year period	£300
Annual return on effective holding cost	4.3%
Equivalent annual return grossed up for a higher rate income taxpayer	7.1%
Total return (i.e. dividends paid plus the net asset value of 100 pence)	£11,500
Total annualised return from income and capital, free of tax	11.1%

Underlying assumptions relating to the above table

- (i) The investor subscribes £10,000 under the Further Offer.
- (ii) The effective holding cost of investment is calculated after deducting income tax relief at 30 per cent.
- (iii) The investor receives an average annual net dividend of 3.0 pence per New Share over the first 5 years following investment. 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.
- (iv) The investor disposes of his New Shares after 5 years at a price of 100 pence per New Share.

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

INITIAL RESULTS AND INVESTMENT OUTLOOK

The audited Initial Report and Accounts for Close Enterprise VCT for the period to 30 September 2007 have been prepared and are incorporated by reference into Part IV of this document. These show that the Company made a revenue profit, after tax, of £285,000, and declared a dividend of 0.7 pence per Share. The Net Asset Value per Ordinary Share, after deducting the declared dividend of 0.7 pence per Ordinary Share as at 30 September 2007 was 94.5 pence. A total of 7 Qualifying Investments in unquoted companies had been made, at a total cost of £2.4 million. Of these, 45 per cent. by value are in the Asset Based Portfolio, and 55 per cent. by value are in the Growth Portfolio.

The Directors (having taken advice from the Manager) believe that the prospects for continuing to build up the portfolio in line with the Company's strategy are good. The Manager benefits from a strong deal-flow and a successful track record in the management of VCTs with a similar investment policy to Close Enterprise VCT.

The Directors believe that the potential investment opportunities in the sectors in which the Company invests will, in the financial year to 31 March 2009, further strengthen 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.



DIRECTORS

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 investment experience, including investment in smaller unquoted companies. The Board, with the exception of Patrick Reeve who is managing director of the Manager, has confirmed that it will act independently of the Manager at all times.

Maxwell Packe FCA (62) (Chairman) is also chairman of Personal Injury Medical Services Limited and Schroder UK Mid & Small Cap Fund plc. Since 1996 he has been chairman of a number of private equity-backed companies with successful trade sales, including Crestacare PLC, Corgi Classics Limited and Parragon Book Services Limited. Previously he was founder and chief executive of Household Mortgage Corporation PLC from 1986 until its sale in 1996 to Abbey National Plc. Mr Packe was previously chairman of Murray VCT 2 PLC (which subsequently merged with Murray VCT PLC and Murray VCT 3 PLC and was renamed Crown Place VCT PLC).

Lady Balfour of Burleigh (62) is a non-executive director of Scottish American Investment Trust plc, Stagecoach Group plc and Murray International Trust plc. She is also chairman of the Nuclear Liabilities Fund. She was formerly a director of Cable and Wireless plc, Midland Electricity plc and WH Smith plc.

Lord St John of Bletso (50) is a qualified solicitor and Chairman of Equest Balkan Properties plc an AIM listed property fund focussed on the Balkans, as well as Spiritel plc, a telecommunication services and solutions provider. He acts as a consultant to Merrill Lynch and 2e2, a provider of mission critical IT services and solutions. He is also Chairman of the Governing Boards of Certification International and Eurotrust International. He has been a Crossbench Member of the House of Lords since 1979 and an extra Lord-in-Waiting to HM The Queen since 1999. He serves on several EU Select Committees.

Patrick Reeve MA ACA (47) 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 Ventures with the launch of Close Brothers Venture Capital Trust PLC in the spring of 1996 and is a director of Close Brothers Protected VCT, Close Income & Growth VCT PLC and Close Technology & General VCT PLC, all of which are managed by Close Ventures.

THE MANAGER

Close Ventures is the Manager of Close Enterprise VCT and is responsible for, *inter alia*, the following functions:

- the origination and negotiation of investment opportunities;
- the selection of investments to be made by Close Enterprise VCT, all of which are subject to the formal investment committee procedures adopted internally by the Manager;
- the continuing management and monitoring of the investment portfolios;
- the monitoring of the Company's continuing compliance with VCT status requirements; and
- arranging for the realisation of investments, when appropriate to do so.

The Manager acts on a discretionary basis. Each investment is subject to approval of an investment committee, which comprises personnel from the Manager and at least two members who are senior staff from other parts of Close Brothers Group's asset management division. Save as stated below, the Board does not play a role in selecting or approving investments; its task is to monitor the performance of the Manager.

Any allocation of investment outside the terms of the Investment Allocation Agreement (as described in paragraph 10.3 of Part V) and which is a co-investment by the Company and any other funds managed by the Manager (see under Conflicts of Interest below) is subject to the relevant VCT board approval with any consideration and approval given made independently of the Manager.

Further details of the Manager are given under the Investment Management section below.

INVESTMENT MANAGEMENT

The Manager of the Company, Close Ventures, is a subsidiary of Close Brothers Group and is one of the market leaders in the area of VCT investment. Close Ventures manages seven venture capital trusts with total assets of £242 million as at 22 November 2007 (unaudited). In addition to those set out in the table below, Close Ventures manages Crown Place VCT (formerly Murray VCT 3 PLC which merged with Murray VCT PLC and Murray VCT 2 PLC). The Manager was voted “Best VCT Provider” at the 2005 and 2006 Professional Investor Awards and “VCT Fund Manager of the Year” at the 2005 and 2006 Growth Company Awards.

The following are the records of the VCTs launched by the Manager (based on the latest annual or interim results):

	Commencement of trading	Total raised from investors £ million	Average annual dividends per share since launch	Dividends paid or declared to date plus net asset value per share ⁽¹⁾⁽²⁾
Close Brothers Venture Capital Trust PLC				
Ordinary Shares	April 1996	£39.7	7.4 pence	205.0 pence
“C” Shares ⁽³⁾	April 1997		7.0 pence	193.4 pence
Close Brothers Protected VCT PLC	April 1997	£27.9	2.9 pence	132.0 pence
Close Brothers Development VCT PLC				
Ordinary Shares	January 1999	£33.3	3.2 pence	131.7 pence
“C” Shares ⁽⁴⁾	December 2002		3.7 pence	123.5 pence
Close Technology & General VCT PLC				
Ordinary Shares	January 2001	£14.3	4.1 pence	148.9 pence
“C” Shares	January 2006	£35.0	N/A	94.9 pence
Close Income & Growth VCT PLC	October 2004	£45.4	2.0 pence	97.0 pence
Close Enterprise VCT PLC	April 2007	£19.8	N/A	95.2 pence
Total		£215.4		

(Source: Close Ventures, save as stated below)

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:
 - (i) the audited final accounts for the year to 31 March 2007 in respect of Close Brothers Venture Capital Trust PLC;
 - (ii) the audited final accounts for the year to 31 March 2007 in respect of Close Brothers Protected VCT PLC;
 - (iii) the unaudited interim accounts for the six months to 30 June 2007 in respect of Close Brothers Development VCT PLC;
 - (iv) the unaudited interim accounts for the six months to 30 June 2007 in respect of the Close Technology & General VCT PLC;
 - (v) the unaudited interim accounts for the six months to 31 March 2007 in respect of Close Income & Growth VCT PLC; and
 - (vi) the audited Initial Report and Accounts for the period to 30 September 2007 in respect of Close Enterprise VCT PLC.
- (3) Close Brothers Venture Capital Trust’s “C” Shares were converted into Ordinary Shares on 31 May 2000.
- (4) Close Brothers Development VCT’s “C” Shares were converted into Ordinary Shares on 31 March 2007.



Investment executives

The following are specifically responsible for the management of the Manager's VCTs, including Close Enterprise VCT:

Patrick Reeve (47), MA, ACA (see under Directors above).

Dr Andrew Elder (37), MA, FRCS, qualified as a surgeon and practiced for six years, specialising in neurosurgery, before joining the Boston Consulting Group as a consultant in 2001 specialising in healthcare strategy. He joined Close Ventures in 2005.

Will Fraser-Allen (37), BA (Hons), ACA qualified as a chartered accountant with Cooper Lancaster Brewer in 1996 before specialising in corporate finance and investigation. He joined Close Ventures in 2001.

Emil Gigov (37), BA (Hons), ACA qualified as a chartered accountant with KPMG in 1997 and subsequently worked in KPMG's corporate finance division working on the media, marketing and leisure sectors. He joined Close Ventures in 2000.

David Gudgin (35), BSc (Hons), ACMA, worked for ICL from 1993 to 1999 where he qualified as an accountant, before joining 3i Plc as an investment manager based in London and Amsterdam. In 2002 he joined Foursome Investments, the venture capital arm of the Englehorn family, responsible for investing an evergreen fund of US\$80 million, before joining Close Ventures in 2005.

Michael Kaplan (31), BA, MBA, after graduating from the University of Washington in 1999 with a BA in International Finance, he joined Marakon Associates as an Analyst. In 2000, he became the Chief Financial Officer of Widevine Technologies, a security software company based in Seattle. After graduating with an MBA from INSEAD, in 2004, he joined The Boston Consulting Group focussing on the retail and financial services industries. He joined Close Ventures in 2007.

Ed Lascelles (32), 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 Ventures in 2004.

Henry Stanford (42), MA, ACA qualified as a chartered accountant with Arthur Andersen before joining the corporate finance division of Close Brothers Group in 1992 where he advised smaller quoted and unquoted companies. He transferred to Close Ventures in 1998.

Robert Whitby-Smith (33), BA (Hons), MSI, ACA, qualified as a chartered accountant with KPMG in their corporate finance division. From 2000 to early 2005 he worked in the UK corporate finance departments of Credit Suisse First Boston and subsequently ING Barings, where he was a vice president. He joined Close Ventures in 2005.

Marco Yu (30), M Phil, MA, MRICS – qualified as a chartered surveyor in 2004. From 2002 to 2005, he worked at Bouygues (UK), developing cost management systems for PFI schemes, before moving to EC Harris in 2005, where he advised senior lenders on large capital projects. He joined Close Ventures in 2007.

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

MANAGEMENT FEES

The Company and the Manager entered into a management agreement on 8 December 2006 (the "Management Agreement") for an initial fixed term, which may be terminated at any time after 31 March 2009 by either party on 12 months' notice. Under this agreement, the Manager also provides secretarial and administrative services to the Company, including acting as Company Secretary and procuring a third party custodian for the Company's investments. 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 Company

payable quarterly in arrears. The Manager has agreed to ensure that the total ongoing and annual fixed expenses (before tax and the incentive fee referred to below), inclusive of VAT, do not exceed 3.5 per cent. of the Company's Net Asset Value.

In line with common practice in the VCT sector, the Manager is entitled to an arrangement fee, payable by each Investee Company, of approximately 2 per cent. on each investment made and is entitled to any non-executive director fees in respect of the Manager's representation on the board of Investee Companies. The Manager will, in addition, be entitled to an incentive fee in the event that returns exceed minimum target levels per Share. These minimum target levels, comprising dividends and Net Asset Value, will be equivalent to an annualised rate of return of the average base rate of The Royal Bank of Scotland plc plus 2 per cent. per annum on the original subscription price of 100 pence per Share before taking account of the impact on returns of the initial income tax relief. The fee will comprise 20 per cent. of the excess return achieved by the Company over the target returns for each financial period. Further details are given in paragraph 10.2 of Part V.

The annual management fees will be charged 75 per cent. against capital reserves for accounting purposes, with the balance and all other expenses being charged against revenue. Any performance fees payable to the Manager will be allocated between capital and reserves on a basis to be determined by the Board.

The same management fees will apply to the New Shares.

CONFLICTS OF INTEREST

Investment opportunities received by the Manager are allocated between the VCTs that it manages in accordance with the relevant VCT's specific investment policy. Under an investment allocation agreement dated 8 December 2006 (the "Investment Allocation Agreement") entered into between the VCTs and other funds managed by the Manager, including the Company, where a potential investment satisfies the investment criteria of more than one VCT, it is allocated between the VCTs in the ratio of the funds available for investment. The formula is subject to variation in certain circumstances, for instance in the event of any individual fund being in danger of failing its VCT tests, or in respect of those funds which are both more than 12 months into their investment period and which are less than 75 per cent. invested, are given an additional 50 per cent. weighting. In addition, there are certain exclusions, for instance in the case of rescues or if a fund might otherwise be in breach of VCT regulations. Any allocation outside the terms of the Investment Allocation Agreement is subject to the board approval by the relevant VCT.

In order to manage conflicts of interest between Mr Patrick Reeve as a Director of the Company and as a director of the Manager, Mr Reeve is not a member of the audit and management engagement committee of the Board and does not take part in discussions by the Board regarding the Company's relationship with the Manager. In addition, he has no decision making powers as regards the allocation of investments by the Manager to the Company and other investment funds managed by the Manager, that process being governed by the terms of the Investment Allocation Agreement.

DIVIDEND POLICY

It is the Company's policy, over the medium term, to create a strong and predictable dividend stream by supplementing dividends derived from investment income with distributions from realised capital profits. Initially, however, dividends will be generated solely from revenue profits and it is intended that, once fully invested, and assuming the Further Offer is subscribed in full, the Company will generate dividends of at least 3.5 pence per annum. However this should not be regarded as a forecast of dividends or profits.

Dividends are normally paid twice a year in January and August, following the announcement of the interim and final results in November and June respectively. It is currently anticipated that the first dividend in relation to the New Shares will be paid in January 2009.



VCT STATUS

To obtain VCT status, a company must be approved by HMRC as a VCT under section 274 of ITA, with such approval being attained following satisfaction of the conditions set out below. Tax reliefs are available during the provisional approval period provided that full unconditional approval is ultimately attained.

To obtain provisional approval, the conditions set out in the Investment Objective and Policy section above 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.

The further restrictions imposed by the Finance Act 2007 as detailed in the Investment Objective and Policy Section above, will apply to the Company to the extent that funding comes from the proceeds of the Further Offer, rather than the Ordinary Shares issued under the 2006/07 Offer.

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.

The Company may enter into derivative transactions (such as options, futures and contracts for differences) periodically for efficient portfolio management purposes up to a maximum of 10 per cent. of the Company's gross assets. The Company will not enter into derivative transactions for speculative purposes. In addition, the Company is permitted to borrow up to 10 per cent. of its share capital and reserves, though it has no current intention of so doing.

In the event of any breach of the investment restrictions stated above and in the Investment Objective and Policy Section, including risk diversification, asset allocation and gearing applicable to the Company, Shareholders will be informed of the actions to be taken by the Manager by an announcement issued through a Regulatory Information Service or a notice sent to Shareholders at their registered addresses in accordance with the Company's Articles of Association.

OTHER OPERATIONAL DETAILS

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 2017 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 as is deemed appropriate at that time will be submitted to Shareholders.

Ongoing and annual expenses

The Company will incur ongoing and annual expenses. Each Director is currently paid a fee, of approximately £16,000 per annum, save that approximately £18,000 is paid to the Chairman. Following the Further Offer, these fees will increase to £18,000 and £20,000 respectively. Further details are given in paragraph 4.8 of Part V.

Other ongoing operational expenses of the Company (which will be borne by the Company) include, amongst others, the fees payable to the Manager, the registrars, custodian and auditors, bank fees, insurance

costs, audit fees, VAT and other expenses. The total ongoing and annual fixed expenses, (before tax and any performance incentive due), will not exceed 3.5 per cent. of the Company's Net Asset Value.

Borrowing powers

The Company will not utilise structural gearing and it is not currently intended that Close Enterprise VCT will use any bank facilities to borrow. However, 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.

Other

The Company's annual report and accounts will be made up to 31 March in each year and will normally be sent to shareholders in July. The first annual report and accounts will be for the period to 31 March 2008. Shareholders will also receive unaudited half yearly accounts. In addition, the Company intends to publish unaudited interim management statements. The Company's first Annual General Meeting will be held on 19 December 2007. Thereafter, annual general meetings will usually be held in August of each year.

The Company's Net Asset Value per Share will be calculated quarterly by the Manager and, together with the interim management statements and half yearly report and accounts, will be published through a Regulatory Information Service provider. The Net Asset Value will also be reported in the annual and half yearly report and accounts of the Company. In valuing its unquoted investments the Company will comply with the International Private Equity and Venture Capital Valuation Guidelines. These provide, *inter alia*, for the following:

“Investments should be reported at fair value at the reporting date, except in situations where fair value cannot be reliably measured. In such situations, the investments should be reported at the carrying value at the previous reporting date, unless there is evidence that the investment has since been impaired. In such case the carrying value should be reduced to reflect the estimated extent of impairment.

Fair value should reflect reasonable estimates and assumptions for all significant factors that parties to an arm's length transaction would be expected to consider, including those which impact upon the expected cash flows from the investment and upon the degree of risk associated with those cash flows.”

The calculation of the Net Asset Value per Share will only be suspended in circumstances where the underlying data necessary to value the investments of the Company cannot readily, or without undue expenditure, be obtained. Details of any suspension in making such calculations will be announced through a Regulatory Information Service.

The Directors consider that the Company should have the ability to purchase Shares in the market with the aim of reducing any discount at which those Shares may trade to Net Asset Value. This, in turn, will increase the Net Asset Value per Share of the remaining Shares. Once the Further Offer closes, the Company will therefore be applying to the High Court for the share premium account relating to the New Shares to be cancelled in order to create a special distributable reserve from which such purchases may be funded. A special resolution will be proposed at the Extraordinary General Meeting of the Company to be held on 19 December 2007 which, will, if passed, grant the Company the authority to make market purchases of up to 14.99 per cent. of the issued Shares. A renewal of the authority will be sought from Shareholders at each annual general meeting. No purchases of New Shares will be made by the Company until the cancellation of the share premium account referred to above has been approved by the High Court and registered with the Registrar of Companies. Up to 10 per cent. of the repurchased Shares may be held in treasury, enabling the potential for their subsequent re-sale. Shares will only be sold out of treasury at a price higher than that at which they were originally bought in. Any purchase of Shares by the Company would be subject to the appropriate HMRC approval.

The share premium account created in relation to the Ordinary Shares was cancelled with effect from 12 July 2007.



THE FURTHER OFFER

Amount to be Raised under the Further Offer

The Company is now seeking to raise a further £20 million (before expenses). The New Shares are offered at 100 pence each payable in full upon application. However, if the Net Asset Value per existing Ordinary Share is greater than 100 pence or less than 90 pence when New Shares are allotted, the Further Offer Price per New Share may, with effect from the date on which an announcement on a Regulatory Information Service is made, change to a pricing formula (the "Pricing Formula"), which is: the Net Asset Value of an Ordinary Share on the business day prior to allotment divided by 0.945 (to allow for issue costs of 5.5 per cent.), rounded up to the nearest half penny per New Share.

If the Pricing Formula applies, the number of New Shares allotted will be determined by the amount subscribed divided by the Further Offer Price as calculated using the Pricing Formula rounded down to the nearest New Share. Subscription monies not used to acquire New Shares, as a result of the application of the Pricing Formula, will not be refunded but retained for investment for the benefit of all Shareholders.

In the event that the Pricing Formula has been utilised for allotment during the Further Offer period and the Net Asset Value of an Ordinary Share subsequently moves back into the 90 pence to 100 pence range on the business day prior to an allotment then the Further Offer Price per New Share shall revert back to 100 pence per New Share.

Applications received on or before the date on which an announcement is made that the Further Offer Price will move to a Net Asset Value basis will be allotted at a Further Offer Price of 100 pence. Setting the Further Offer Price in accordance with the Pricing Formula avoids any dilution in the Net Asset Value attributable to each existing Ordinary Share when the New Shares are issued.

In the event that applications are received for New Shares in excess of the maximum subscription under the Further Offer, the Directors reserve the right to exercise their discretion in the allocation of successful applications, although allocation will usually be on a first come first served basis. The minimum subscription per investor is £5,000 in respect of the Further Offer. The maximum subscription will be limited to £200,000. The Further Offer is not conditional on any minimum amount being raised.

If any application is not accepted in full, 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 concerned.

The Further Offer is conditional upon the Further Offer Agreement having become unconditional in all respects and not having been terminated in accordance with its terms.

Use of proceeds

The net proceeds of the Further Offer of approximately £18.9 million (assuming the Further Offer is subscribed in full) will be initially placed on deposit, and subsequently applied in accordance with the investment policy of the Company, as set out in this document.

Application for New Shares

The final date for receipt of applications under the Further Offer, to the extent the Further Offer is not already fully subscribed, will be 12 noon on 4 April 2008.

The New Shares will be allotted and issued by no later than 4 April 2008 and it is expected that the New Shares will be admitted to dealings by no later than 7 April 2008 against payment in full being received from the relevant applicant.

It is expected that an announcement will be made on a Regulatory Information Service following the closing of the Further Offer on 4 April 2008 stating the results of the Further Offer and the basis of allocation of New Shares in the event the Further Offer is over subscribed. Dealings in the New Shares allotted pursuant to the Further Offer will not be permitted prior to Admission.

Allotment

Applicants under the Further Offer are encouraged to submit an Application Form and the remittance for the New Shares for which they are applying as soon as possible and, in any event, by no later than 12 noon on 4 April 2008 to be confident that their application will be successful.

To apply for New Shares investors should complete an Application Form and return it accompanied by a cheque or banker's draft payable to "Capita Registrars Limited re: Close Enterprise VCT PLC" for the appropriate amount by post or by hand (during normal business hours only) to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham Kent BR3 4TU. Subject to the maximum subscription per investor, multiple subscriptions will be permitted. Applicants should telephone 0800 269824 (calls to this number will be recorded) or write to Close Investments Limited, Customer Service Team, 10 Exchange Square, London EC2A 2BY to request additional Application Forms or visit www.closeventures.co.uk to obtain an electronic copy of this prospectus and Application Form.

Listing

Application has been made to the UK Listing Authority for the New Shares issued under the Further Offer to be admitted to the Official List of the UK Listing Authority and to the London Stock Exchange for the New Shares to be admitted to trading on the London Stock Exchange's market for listed securities. At least one market maker is expected to be appointed. The New Shares will be transferable, will rank *pari passu* in all respects and will rank for all dividends and other distributions declared, paid or made by Close Enterprise VCT, both with each other and with the New Shares, save for the first dividend payable in respect of the 2008/09 financial year, which is expected to be paid in August 2008.

It is anticipated that dealings in the New Shares issued pursuant to the Further Offer will commence by not later than 8.00 a.m. on 7 April 2008.

The Company will apply for permission for the New Shares to be admitted to the CREST system. New Shares will be issued in registered form only and Shareholders will be able to hold their New Shares in certificated or uncertificated form. In the case of applicants requesting share certificates, it is intended that definitive share certificates will be despatched by 16 April 2008. Prior to the despatch of definitive share certificates, transfers will be certified against the register. No temporary documents of title will be issued. In the case of applicants requesting New Shares in uncertificated form, the Registrars will instruct Euroclear to credit the appropriate electronic stock accounts of such persons with entitlements to New Shares with effect from 7 April 2008.

Notwithstanding any other provision of this document, the Company reserves the right to allot and issue any New Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST), 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 New Shares subscribed by investors whose applications were submitted through them and who continue to hold the New Shares. The additional commission will be calculated by reference to the number of New Shares held on 31 March in each year, commencing on 31 March 2009. The additional commission will cease to be payable if the appointment of Close Ventures as Manager is terminated and will cease, in any event, from 31 March 2012.



Total Costs

The costs of the Further Offer (including introductory commission) are fixed at 5.5 per cent. of funds raised. Assuming the Further Offer is subscribed in full, the total cost of the Further Offer will amount to £1.1 million. The costs of the Further Offer will be borne only by those subscribing for New Shares.

PART III

TAXATION

Prospective investors should note that the summary set out below of the relevant provisions of the UK taxation legislation is in relation to tax years commencing on or after 6 April 2007. The following paragraphs are intended as a general guide only and are based on current legislation and HM Revenue & Customs practice, which is subject to change. If you are in any doubt as to your tax position or you are subject to tax in a jurisdiction outside the UK, you should consult an appropriate professional adviser without delay.

1. Approval

To obtain VCT status a company must be approved by HMRC as a VCT. HMRC has granted the Company provisional approval as a VCT which became effective upon the admission of the Ordinary 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 attained.

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;
- (iii) the VCT must not have retained more than 15 per cent. of the gross income derived from shares or securities; and
- (iv) the ordinary share capital of the VCT must be quoted on the Official List.

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

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. Qualifying Investments must be in companies with less than 50 full time equivalent employees at the time of investment. 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 by any one VCT in each company, and to £2 million in aggregate from any VCT, Enterprise Investment Scheme or Corporate Venturing Scheme funds raised after 5 April 2007.



The Investee Company's gross assets must not exceed £7 million immediately prior to the investment and £8 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 30 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 five 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.

Relief from capital gains tax

An investor who disposes of shares in a VCT will be exempt from tax on gains arising on their disposal while any loss will not be an allowable capital loss. This treatment applies to shares however acquired up to the permitted maximum, £200,000 in the current tax year.

Loss of tax reliefs

- (i) If a company never obtains full unconditional 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 30 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 loses 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 30 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.

4. General

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.

5. Stamp duty and stamp duty reserve tax

No stamp duty or stamp duty reserve tax (“SDRT”) will be payable on the issue of New Shares unless New Shares are issued to a nominee for a clearing system or a provider of depository receipts.

Except in relation to depository receipt arrangements or clearance services, where special rules apply, under current UK legislation relating to stamp duty and SDRT, the transfer or conveyance on sale of New 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 of the (VAT inclusive) consideration (with duty rounded up to the nearest £5 in the case of stamp duty and the nearest penny in the case of SDRT). A charge to SDRT (generally at the same rate and generally collected through CREST for New Shares within that system) may arise on any unconditional agreement to transfer such New 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 IV

FINANCIAL INFORMATION

1. Nature of the financial information

The information set out in this Part IV has been extracted without material adjustment from the Initial Report and Accounts of the Company for the period from 7 November 2006 (the date of incorporation) to 30 September 2007.

2. Initial Report and Accounts for the period to 30 September 2007

For the period to 30 September 2007, the Company's auditors, Deloitte & Touche LLP (registered auditors), have given an unqualified opinion that the Initial Report and Accounts of the Company give a true and fair view of the state of affairs of the Company for the period to 30 September 2007.

The Company has prepared its financial statements under UK GAAP.

3. Published Initial Report and Accounts for the period from 7 November 2006 to 30 September 2007.

3.1 *Historical financial information*

The published audited Initial Report and Accounts for the Company for the period to 30 September 2007, which has been incorporated in this document by reference, included, on the pages specified in the table below, the following information:

**Initial report and Accounts
for the period ended
30 September 2007**

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3.2 *Selected financial information*

The key audited figures that summarise the Company's financial condition in respect of the period to 30 September 2007, which have been extracted without material adjustment from the historical financial information referred to in paragraph 3.1 of this Part IV:

**Selected information
for the period to
30 September 2007**

Audited

<i>Balance Sheet</i>	<i>£'000</i>
Total fixed asset investments (£'000)	3,906
Net current assets	14,944
Net assets attributable to holders of Ordinary Shares (£'000)	18,850
NAV per Ordinary Share (pence)	95.2
<i>Revenue Return</i>	
Total income (£'000)	547
Revenue return attributable to shareholders (£'000)	285
Basic and diluted revenue return per Ordinary Share (pence)	1.4
Dividend per Ordinary Share (pence)	0.7
<i>Capital Return</i>	
Gains on investments (£'000)	2
Capital (loss) attributable to shareholders (£'000)	(119)
Basic and diluted capital (loss) per Ordinary Share (pence)	(0.6)

3.3 *Operating and financial review*

The Company's published Initial Report and Accounts for the period to 30 September 2007 included, on the pages specified in the table below, descriptions of the Company's financial condition (in both capital and revenue terms), details of the Company's investment activity and portfolio exposure, and changes in its financial condition for the period.

**Initial Report and Audited Accounts
for the period ended
30 September 2007**

<i>Section</i>	<i>Page No(s)</i>
Chairman's statement	4
Financial highlights	3
Portfolio analysis	8 and 9

Availability of Initial Report and Accounts for inspection

Copies of the Company's Initial Report and Accounts for the period to 30 September 2007 are available for inspection at the address set out in paragraph 12 of Part V of this document, on the website www.closeventures.co.uk, at the FSA document viewing facility and at the Registrar of Companies.

(ii) Investment Portfolio

The following were all of the investments held by the Company at 16 November 2007, being the latest practicable date prior to publication of this document. All investments were made in sterling and in UK companies.

<i>Qualifying investments</i>	<i>% of the portfolio</i>	<i>Total carrying/fair value £'000</i>
<u>Asset-based investments</u>		
Bravo Inns Limited	4.0	751
Owns and operates six freehold pubs in North West England		
Churchill Taverns VCT Limited	1.4	267
Owns and operates seven freehold pubs in central England		
CS (Norwich) Limited	0.5	100
A new three screen art-house cinema in the centre of Norwich		
Total asset-based leisure investments	5.9	1,118
<u>Growth investments</u>		
Oxsensis Limited	2.0	380
Development and production of industrial sensors for use in super high temperature environments		
Point 35 Microstructures Limited	2.0	383
Refurbisher of semi-conductor fabrication equipment and production of proprietary MEMS device fabrication equipment		
Process Systems Enterprise Limited	1.6	295
Process systems modelling for industrial and chemical process industries		
Resort Hoppa	1.4	270
The provision of airport transfer services to hotels in 350 destinations worldwide		
MiPay Limited	1.8	340
The provision of top-up services for mobile telecoms operators		
Total high growth unquoted investments	8.8	1,668
Total qualifying investments	14.7	2,786



<i>Non-qualifying investments</i>	<i>% of the portfolio %</i>	<i>Total carrying/fair value £'000</i>
Nationwide Building Society Floating Rate Note June 2010	7.9	1,497
Cash	77.4	14,671
Total non-qualifying investments	85.3	16,168
Total investment portfolio	100	18,954

The following financial instruments were held by the Company at 16 November 2007, being the latest practicable date prior to publication of this document.

<i>Investment instruments</i>	<i>% of the portfolio</i>	<i>Total carrying/fair value £'000</i>
Unquoted equity	8.9	1,670
Unquoted loan Stock	5.8	1,116
Quoted floating rate note	7.9	1,497
Cash	77.4	14,671
Total investment portfolio	100	18,954

Net Asset Value and Share Price

As at the close of business on 16 November 2007 (being the latest practicable date prior to the publication of this document), the unaudited Net Asset Value per Ordinary Share (after deducting the dividend of 0.7 pence per Ordinary Share payable on 28 December 2007 to Shareholders on the register as at 30 November 2007) was 94.7 pence and the Ordinary Share price was 100 pence representing a premium of 5.6 per cent. to the Net Asset Value per Ordinary Share.

PART V

ADDITIONAL INFORMATION

1. The Company

- (a) The Company was incorporated and registered in England and Wales on 7 November 2006 under the Companies Act 1985 (the “Act”) as a public company limited by shares, with registered number 5990732. The Company is domiciled in the United Kingdom.
- (b) On 28 November 2006, the Registrar of Companies issued the Company with a certificate under section 117 of the Act entitling it to commence business, and it commenced trading on 6 April 2007.
- (c) The Company is not (and is not required to be) regulated by the FSA under FSMA. However, in common with other venture capital trusts listed on the Official List, it is subject to the Listing Rules and the Disclosure Rules made by the FSA and is bound to comply with applicable law including the Act, ICTA and the FSMA.

The City Code applies to the Company. Under the City Code, if an acquisition of the Company’s ordinary shares were to increase the aggregate holding of the acquirer and any parties acting in concert with it to ordinary shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties (if any) would be required (except with the consent of the Panel) to make a cash offer for the Company’s ordinary shares not already owned by the acquirer and its concert parties (if any) at a price not less than the highest price paid for the Company’s ordinary shares by the acquirer or its concert parties (if any) during the previous 12 months. A similar obligation to make such a mandatory cash offer would also arise on the acquisition of ordinary shares by a person holding (together with its concert parties, if any) ordinary shares carrying at least 30 per cent. but not more than 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase the percentage of the aggregate voting rights held by the acquirer and its concert parties (if any).

Under the Companies Act 2006, if a person who has made a general offer to acquire the Company’s ordinary shares (the “offeror”) were to acquire 90 per cent. of the Company’s ordinary shares to which the offer relates, the offeror could then compulsorily acquire the remaining 10 per cent. The offeror would do so by sending a notice to outstanding Shareholders telling them that the offeror will compulsorily acquire their ordinary shares and then, six weeks later, executing a transfer of the outstanding ordinary shares in the offeror’s favour and paying the consideration to the Company, which would hold the consideration on trust for outstanding Shareholders. The consideration offered to those Shareholders whose ordinary shares are compulsorily acquired under the Companies Act 2006 must, in general, be the same as the consideration that was available under the general offer.

The Companies Act 2006 gives minority Shareholders a right to be bought out in certain circumstances by a person who has made a general offer. If, at any time before the end of the period within which the general offer can be accepted, the offeror holds or has agreed to acquire not less than 90 per cent. of the Company’s ordinary shares to which the offer relates, any holder of the Company’s ordinary shares to which the general offer relates who has not accepted the general offer can, by a written communication to the offeror, require it to acquire that holder’s ordinary shares.

The offeror is required to give each Shareholder notice of his right to be bought out within once month of that right arising. The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Shareholder exercises his rights, the offeror is entitled and bound to acquire those ordinary shares on the terms of the offer or on such other terms as may be agreed.



2. Share Capital

- (a) The authorised share capital of the Company is £20,000,000 divided into 40,000,000 ordinary shares of 50p each, of which 19,793,147 Ordinary Shares were issued fully paid, pursuant to the 2006/07 Offer, on 4 April 2007. These Ordinary Shares were admitted to the Official List and are traded on the London Stock Exchange.
- (b) By a special resolution passed on 23 November 2006 the amount standing to the credit of the share premium account attributable to the Ordinary Shares was cancelled. The cancellation was confirmed by the Court on 4 July 2007 and registered by the Registrar of Companies on 12 July 2007.
- (c) At an Extraordinary General Meeting of the Company convened for 19 December 2007, ordinary and special resolutions will be proposed to:
 - (i) increase the authorised share capital of the Company to £25,000,000 by the creation of 10,000,000 ordinary shares of 50 pence each;
 - (ii) authorise the Directors generally and unconditionally, 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 £10,000,000 in connection with the Further Offer and up to an aggregate nominal amount equal to 10 per cent. of the total Shares in issue following the Further Offer, such authority to expire on the date which is the earlier of 15 months from the date of passing of the resolution or on the conclusion of the annual general meeting of the Company to be held in 2008 (unless previously revoked, varied or extended by the Company in general meeting);
 - (iii) empower the Directors (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(c)(ii) above as if section 89(1) of the Act did not apply to any such allotment during the period commencing on the date of the passing of the resolution and ending on the date which is the earlier of 15 month from the date of passing of the resolution or on the conclusion of the annual general meeting of the Company to be held in 2008. This power will be limited to the allotment of equity securities in connection with:
 - (1) the Further Offer;
 - (2) an offer of securities by way of rights;
 - (3) the sale of Shares out of treasury at a price which is equal to, or represents a discount to, the prevailing Net Asset Value per Share (as defined);
 - (4) otherwise than pursuant to sub-paragraphs (1) and (2) above, an offer of equity securities up to an aggregate nominal amount of 10 per cent. of the issued ordinary share capital of the Company immediately following the Further Offer;
 - (iv) resolve that the amount standing to the credit of the share premium account attributable to the New Shares be cancelled; and
 - (v) authorise the Company to make market purchases of up to 5,964,992 Shares, assuming the Further Offer is subscribed in full subject to the maximum and minimum prices set out in the resolution.
- (d) Save as disclosed in this paragraph 2 above 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 Further 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.
- (e) No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.
- (f) The Company does not hold any Shares in treasury.
- (g) The New Shares will be in registered form and temporary documents of title will not be issued.

- (h) If the resolutions are passed at the EGM, the authorised share capital of the Company will be £25,000,000 divided into 50,000,000 ordinary shares. If the Further Offer is fully subscribed, 20,000,000 New Shares will be issued and fully paid in cash (being 101 per cent. of the Ordinary Shares currently in issue). Assuming the Further Offer is fully subscribed there will remain authorised but unissued a minimum of 10,206,853 Shares (representing 20 per cent. of the authorised share capital).
- (i) 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(c)(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 12 below.

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

3.1 *Classes of Shares*

Assuming the first resolution is passed at the EGM on 19 December 2007, the authorised share capital of the Company will be £25,000,000 is divided into 50,000,000 ordinary shares.

3.2 *Variation of Rights*

Subject to the Act, whenever the capital of the Company is divided into different classes of shares, the rights attached to any class may (unless otherwise provided by the terms of issue of the shares of that class) be varied or abrogated, whether or not the Company is being wound up, either with the consent in writing of the holders of three-fourths of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate meeting of such holders (but not otherwise).

3.3 *Voting Rights*

Subject to any disenfranchisement as provided in paragraph 3.6 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. The shares shall rank *pari passu* as to the rights to attend and vote at any general meeting of the Company. The Companies Act 2006 provides that a duly appointed proxy or proxies may vote on a show of hands.

3.4 *Transfer of shares*

All transfers of shares in uncertificated form may be effected by means of a relevant system. All transfers of shares in certificated form 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 and 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.



3.5 *Dividends*

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. Shareholders may also be entitled to receive dividends paid from realised capital profits, once the Company has renounced its investment company status.

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 twelve years after being declared or becoming due for payment shall be forfeited and shall revert to the Company.

3.6 *Disclosure of interests 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 793 of the Companies Act 2006, 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 of transfer of, the relevant shares.

3.7 *Distribution of assets on liquidation*

The capital and assets of the Company on a winding up or on a return of capital shall be divided amongst the holders of the shares pro rata according to their holding of shares.

On a winding-up any surplus assets will be divided amongst the holders of the shares in the Company according to the respective number of shares held by them and in accordance with the provisions of the Companies Act 2006, subject to the rights of any shares which may be issued with special rights or privileges. The Articles of Association provide that the liquidator may, with the sanction of an extraordinary resolution and any other sanction required by the Companies Act 2006, divide amongst the members *in specie* the whole or any part of the assets of the Company in such manner as he may determine.

3.8 *Changes in share capital*

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.

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.

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.

3.9 *Directors' interests*

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.

Provided that he has declared his interest in accordance with the paragraph 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.

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 one 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.

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.

3.10 *Remuneration of Directors*

- (i) The ordinary remuneration of the Directors (other than an executive director appointed under the Articles of Association) 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 £100,000 per year) to be divided among them in such proportion and manner as the Directors may determine. The Directors shall also be paid by the Company, all travelling, hotel and other expenses they may incur in attending meetings of the Directors or general meetings or otherwise in connection with the discharge of their duties.
- (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.

3.11 Retirement of Directors

At the first Annual General Meeting of the Company all of the Directors shall retire from office.

At each subsequent annual general meeting of the Company one third of the Directors who are subject to retirement by rotation 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 be required to retire at the age of 70.

3.12 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 of Association. 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.

3.13 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 therefore) 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.

3.14 Duration of the Company

The Directors shall put an ordinary resolution to the annual general meeting of the Company in 2017 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 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.

3.15 **CREST**

The Articles of Association enable the shares to be held in uncertificated form in accordance with the Uncertificated Securities Regulations 1995 and to be eligible for transfer and settlement in CREST, in accordance with the CREST rules.

3.16 **General meetings**

The Company must hold an annual general meeting in each calendar year. The annual general meeting will usually be held in the United Kingdom. The Directors will decide when and where the meeting is to be held. The notice calling the meeting must say that the meeting is the annual general meeting. The Directors can call an extraordinary general meeting at any time, which will usually be held in the United Kingdom.

At least 21 clear days' written notice must be given for every annual general meeting and for any other meeting to pass a special resolution or (except where the Companies Act 2006 provides otherwise) to pass a resolution of which special notice under the Companies Act 2006 has been given to the Company. For all other general meetings, at least 14 clear days' written notice must be given. The notice for any general meeting must state, among other things, (i) where the meeting is to be held; and (ii) the date and time of the meeting.

Subject to legislation and the Articles of Association, every Shareholder can attend a general meeting in person or by proxy. The Directors can make arrangements that they, in their discretion, think appropriate to (i) regulate the number of people attending at a place where a general meeting (or adjourned meeting) is to be held; (ii) ensure the safety of people attending at that place; or (iii) enable attendance at that meeting or adjourned meeting, and can change those arrangements at any time.

The right of a Shareholder to participate in the business of any general meeting shall include without limitation the right to speak, vote on a show of hands, vote on a poll, be represented by a proxy or proxies and have access to all documents which are required by legislation or the Articles of Association to be made available at the meeting. Any proxy appointed in accordance with the Articles of Association may speak and vote at any general meeting.

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

- 4.1 The Company is not aware of any person who, immediately following the Further Offer, is or will, directly or indirectly, be interested in three per cent. or more of the issued share capital of the Company.
- 4.2 The Company is not aware of any person or persons who, immediately following the Further Offer, directly or indirectly, jointly or severally exercise or could exercise control over the Company.
- 4.3 The Directors named below and their respective immediate families have the following interests in the Ordinary Shares, and intend to apply for the following number of New Shares under the Further Offer:

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>Number of New Shares</i>
Maxwell Packe	40,000	40,000
Lady Balfour of Burleigh	–	10,000
Lord St. John of Bletso	–	10,000
Patrick Reeve	31,201	10,000

Save as disclosed above, no Director, his family nor any person connected with any Director (within the meaning of section 252 of the Companies Act 2006), currently has any interest in the share or loan capital of the Company which is required to be notified pursuant to Disclosure and Transparency Rules 3 or 5 or which is required to be entered in the register maintained under section 808 of the Companies Act 2006 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 22 November 2007 (the latest practicable date prior to the publication of this document).

- 4.4 No New Shares are being reserved for allocation to existing shareholders, Directors or employees.
- 4.5 None of the Directors has a service contract with the Company and no such contract is proposed. The services of the Directors are provided to the Company pursuant to letters of appointment dated 28 November 2006 as amended by a letter dated 23 November 2007, each of which is terminable upon three months' notice given by the Company at any time. The Directors will receive no benefits upon termination of their appointment.
- 4.6 No loan or guarantee has been granted or provided by the Company to any Director.
- 4.7 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.
- 4.8 The aggregate remuneration payable to the Directors by the Company will not exceed £65,798 for the year to March 2008. Each Director is currently entitled to receive a fee of £15,951 per annum save for the Chairman who receives £17,945 per annum. The fee in respect of Patrick Reeve is paid to Close Ventures Limited. The Directors' fees for the year to March 2009 will not exceed £74,000, with the Directors' and Chairman's salaries increasing to £18,000 and £20,000 respectively.
- 4.9 The Company has taken out Directors and Officers' liability insurance for the benefit of the Directors.
- 4.10 The Company has indemnified the Directors by deed poll against claims for conduct in accordance with the rules as permitted by the Act.
- 4.11 Patrick Reeve is a director of the Manager. Except for Patrick Reeve, none of the Directors has any conflict of interest or potential conflict of interest between his duties to the Company and his private interests or other duties.
- 4.12 The voting rights of major Shareholders are no different to those of other Shareholders.

5. Further information on the Directors

- 5.1 The current directorships and partnerships of the Directors and the directorships and partnerships held by them over the previous five years ending on the date hereof (ignoring subsidiaries of a company of which the relevant Director is also a director) are as follows:

Maxwell Packe

Current directorships

Personal Injury Medical Services Limited
Schroder UK Mid and Small Cap Fund Plc

Former directorships

Accuracy Group Limited
Accuracy International Limited
Accuracy International North America Inc
Accuracy International Shooting Sports Limited
Carterton Estates Limited
Cooper Precision Manufacturing Inc
Dartington Crystal Group Limited
Dartington Crystal Limited
Dartington Glass Limited
Devon Crystal Limited
Hotel and Catering Training Company Limited
Mid-Small Ark Plc
Murray VCT2 Plc
Neville Johnson Offices Limited

Lady Balfour of Burleigh

Current directorships

Murray International Trust PLC
 Nuclear Liabilities Fund Limited
 Stagecoach Group PLC
 The Scottish American Investment Company PLC
 The Scottish Oriental Smaller Companies Trust PLC

Former directorships

BPB Public Limited Company
 Cable and Wireless Public Limited Company
 NMT Group PLC
 Scran Limited
 The Scran Trust

Lord St. John of Bletso

Current directorships

Equest Balkan Properties Plc
 Maafrika Tikkun UK
 Palace Ventures Limited
 Regal Petroleum Plc
 Spiritel Plc
 Tudor Consultancy Services Limited

Former directorships

Affinity Plus Limited
 The Oxford Philomusical Trust

Patrick Reeve

Current directorships

Close Brothers Protected VCT PLC
 Close Technology & General VCT PLC
 Close Income & Growth VCT PLC
 Close Ventures Limited
 Evolutions Television Limited
 Ferard Reeve Publishing Limited
 Healthcare & Leisure Property Fund PLC
 Smiles Brewing Company Limited
 Smiles Pub Company Limited
 UCL Business Limited

Former directorships

Automotive Technik Holdings Limited
 Chesfield Downs Golf Club Limited
 Close Investments Limited
 Hawkwell VCT Limited
 Hornchurch VCT Limited
 Jewsons Associates Limited
 Leisure Links International Limited
 Odyssey Clubs Group Limited
 Premier VCT (Mailbox) Limited
 Premier VCT (Bristol) Limited
 Prospect Swetenhams Limited



5.2 As at the date of this document, none of the Directors:

- (i) has any convictions in relation to fraudulent offences for at least the previous five years;
- (ii) save for Maxwell Packe, who was a director of Accuracy Group Limited and Accuracy International Limited, which were put into receivership in 2005, owing, respectively £9,842,204 and £6,522,274 to creditors, has been bankrupt or been a director of any company or been a member of the administrative, management or supervisory body of an issuer or a senior manager of an issuer at the time of any receivership or compulsory or creditors' voluntary liquidation for at least the previous five years; or
- (iii) has been subject to any official public incrimination of him and/or sanctions by any statutory or regulatory authority (including designated professional bodies) nor has he been disqualified by a court from acting as a director of a company or from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer, for at least the previous five years.

6. Corporate governance

The Chairman and two of the other Directors, Lady Balfour of Burleigh and Lord St. John of Bletso, are independent of the Manager. Patrick Reeve is managing director of Close Ventures and may not be considered to be independent of the Manager. Each member of the Board is non-executive. The Board has arrangements which it considers appropriate for a VCT to ensure proper corporate governance and to enable the Company to comply with the recommendations of the Combined Code, and with the Association of Investment Companies Code of Corporate Governance, except as disclosed below.

The Board does not consider it necessary, in light of the size and composition of the Board, for a senior independent Director to be appointed. The Board does not consider it necessary for the Company to establish separate remuneration or nomination committees. All of the matters recommended by the Combined Code to be delegated to such committees will be considered by the Board as a whole including the consideration of matters that would otherwise be dealt with by a nomination committee. The Board has established a separate audit and management engagement committee chaired by Lord St. John of Bletso. Patrick Reeve is not a member of the audit committee and management engagement committee.

Written terms of reference have been constituted for the audit committee, which are as follows:

- providing an overview of the Company's accounting policies for financial reporting;
- considering and reviewing the effectiveness of the Company's internal controls and risk management systems;
- monitoring the integrity of the financial statements of the Company;
- meeting the Company's external auditors yearly, approving their appointment, reappointment, remuneration, terms of engagement and providing an ongoing review of auditor independence and objectivity;
- meeting the Head of Internal Audit of Close Brothers Group plc when appropriate;
- ensuring all Directors of the Company, and staff of companies who provide services to the Company feel able to raise issues of serious concern with the chairman of the audit committee; and
- undertaking the duties of the management engagement committee, and therefore reviewing all matters arising under the Management Agreement referred to in paragraph 10.2 below.

7. Working Capital

In the Company's opinion, the Company has sufficient working capital for the Company's present requirements (that is, for at least the 12 months following the date of this document).

8. Capital and Indebtedness

The following table shows the Company's unaudited gross indebtedness as at 16 November 2007 (being the latest practicable date prior to the publication of this document). The information below has been extracted without material adjustment from internal management accounting records:

	<i>As at</i> <i>16 November 2007</i> <i>£'000</i>
Total current debt	
Guaranteed	Nil
Secured	Nil
Unguaranteed/Unsecured	Nil
Total non-current debt (excluding current position of non-current debt)	
Guaranteed	Nil
Secured	Nil
Unguaranteed/Unsecured	Nil

The following table shows the capitalisation of the Company as at 30 September 2007 (the last date in respect of which audited interim financial information of the Company has been published):

	<i>£'000</i>
Shareholders' equity	
Share capital	9,897
Legal reserve ¹	Nil
Other reserves (special reserve)	8,787
Total	<u>18,684</u>

Notes:

¹ Extracted without material adjustment from the Company's audited Initial Report and Accounts for the period ended 30 September 2007 and excludes the Company's revenue, and realised and unrealised capital reserves.

There has been no change to Shareholders' equity between 30 September 2007 and 16 November 2007 (being the latest practicable date prior to the publication of this document).

There has been no material change in the capitalisation of the Company since 30 September 2007 (being the end of the last financial period of the Company for which audited Initial Report and Accounts has been published). As at 16 November 2007 (being the latest practicable date prior to the publication of this document), the Company has no indirect or contingent indebtedness.



The following table shows the Company's unaudited net indebtedness as at 16 November 2007 (being the latest practicable date prior to the publication of this document). The information below has been extracted without material adjustment from internal management accounting records:

	<i>£'000</i>
A. Cash	14,671
B. Cash equivalent	Nil
C. Trading securities	1,497
D. Liquidity (A+B+C)	<u>16,168</u>
E. Current financial receivable	Nil
F. Current bank debt	Nil
G. Current position of non-current debt	Nil
H. Other current financial debt	Nil
I. Current financial debt (F+G+H)	<u>Nil</u>
J. Net current financial indebtedness/(cash) (I-E-D)	<u>(16,168)</u>
K. Non-current bank loans	Nil
L. Bonds issued	Nil
M. Other non-current loans	Nil
N. Non-current financial (indebtedness)/cash (K+L+M)	<u>Nil</u>
O. Net financial indebtedness (J+N)	<u>(16,168)</u>

Source: Close Ventures Limited

9. Arrangements relating to the Further Offer

Under an agreement dated 23 November 2007 between the Company (1), the Directors (2), the Sponsor (3), the Manager (4) and Close Investments (5), the Sponsor has undertaken as agent of the Company to assist in procuring subscribers under the Further Offer for up to 20,000,000 New Shares to raise a maximum of £20,000,000 before expenses (the "Further Offer Agreement"). The fee arrangements under the Further Offer Agreement are as follows:

- 9.1 The Company shall pay to Close Investments an amount equal to 5.5 per cent. of the amount subscribed for New Shares. Out of this amount, Close Investments shall pay (together with VAT where applicable):
- (i) the Sponsor's fees of £75,000;
 - (ii) commissions to UK intermediaries (being authorised persons under FSMA and which may include the Sponsor) introducing subscriptions for New Shares usually at a rate of 2.5 per cent. of the Further Offer Price of New Shares allotted pursuant to such subscriptions, provided that all relevant applications bear the stamp of the recognised intermediary. For the avoidance of doubt, the trail commission of 0.25 per cent. for a period of up to four years referred to in this document shall be paid by the Manager separately and shall not be paid out in the amount of 5.5 per cent. referred to above.
 - (iii) all out of pocket expenses properly incurred by the Sponsor in connection with its obligations hereunder;
 - (iv) all the other costs and expenses of the Further Offer including (without limitation) the fees and expenses of professional advisers, the cost of printing the Further Offer documents, share certificates and letters of acceptance, rejection and regret; the fees of the Registrars and the Receiving Agents and the fees of the UK Listing Authority and the London Stock Exchange. Close Investments will reimburse the Company or the Sponsor the amount of any such expenses which the Company or the Sponsor (as the case may be) may have paid. The Company may withhold any such amounts from any payment otherwise due to Close Investments pursuant to this Agreement;

- (v) to the Manager, an additional amount equal to 0.5 per cent. of the total gross amount raised under the Further Offer, provided that at least £10,000,000 (gross) is raised under the Further Offer. Such payment is in recognition of the advisory services provided by the Manager in connection with the Further Offer process.

The total costs payable by the Company, therefore, will be limited to 5.5 per cent. of the gross proceeds of the Further Offer.

- 9.2 If the obligations of the Sponsor fail to become or be declared unconditional or are terminated, the fees referred to in paragraph 9.1(i) shall not be payable but the Manager shall reimburse the Sponsor for all out of pocket expenses and legal costs properly incurred by the Sponsor (plus VAT if applicable) in connection with its obligations hereunder. Such amounts shall be paid within seven days of the delivery of the Sponsor's invoice in respect of such fees or expenses.
- 9.3 In the event that the amount referred to in paragraph 9.1 is insufficient to pay the amounts set out the paragraphs 9.1(i), 9.1(iii), 9.1(iv), 9.1(v) or 9.2 Close Investments has undertaken to the other parties to pay any shortfall promptly on production to it of evidence of the amounts being due and payable.

10. Material Contracts

The following section contains summaries of each material contract (not being a contract entered into in the ordinary course of business) entered into by the Company within the two years immediately preceding the date of this document and any other contract (not being a contract entered into in the ordinary course of business) entered by the Company which contains any provision under which the Company has any obligation or entitlement which is material to the Company as at the date of this document.

10.1 The Further Offer Agreement as described in paragraph 9 above.

10.2 An investment management agreement (the "Management Agreement") dated 8 December 2006 between the Company (1) and Close Ventures (2) whereby Close Ventures provides or procures the provision of certain management services to the Company for a fee payable quarterly in arrears on 1 April, 1 July, 1 October and 1 January in each year (together with any applicable VAT) at the rate of 2.5 per cent. per annum of the Net Asset Value of the Company. For the purposes of calculating the fee paid to the Manager, the values of all investments are calculated in accordance with the Company's normal accounting policies with any disputes being referred to the Company's auditors. Out of this fee, the Manager offers an additional annual commission to authorised financial intermediaries of 0.25 per cent. of the value, at the Further Offer Price and the offer price of Ordinary Shares offered pursuant to the 2006/07 Offer (the "2006/07 Offer Price"), of New Shares and Ordinary Shares subscribed by investors whose applications were submitted through them and who continue to hold Ordinary Shares or New Shares as applicable. The additional commission is calculated by reference to the number of Ordinary Shares held on 31 March in each year commencing on 31 March 2008 and ending 31 March 2011 in respect of Ordinary Shares subscribed by investors under the 2006/07 Offer and commencing on 31 March 2009 and ending 31 March 2012 in respect of New Shares subscribed under the Further Offer. The additional commission will cease to be payable if the appointment of the Manager is terminated.

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 2 per cent. in excess of the base rate of The Royal Bank of Scotland plc on 100 pence per Share 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, with the first payment, if any, being in relation to the period to 31 March 2008. In the event that the Management Agreement is terminated (unless terminated by reason of the Manager's default) a one off payment will be made to the Manager, calculated as at 31 March in the year following termination (excluding in each case any change in value attributable to investments made following the date of termination).



The Management Agreement is for an initial fixed period expiring on 31 March 2010 and is terminable by either party at any time after 31 March 2009 by one year's 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 fails to become or ceases to be a venture capital trust for tax purposes or if the Manager shall cease to be lawfully able to carry out its obligations under the Management Agreement. 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 payments but on the basis that the fixed period expires on 31 March 2010. The Management Agreement will terminate automatically without compensation, upon the passing of a resolution for the voluntary liquidation, reconstruction or reorganisation of the Company mentioned in paragraph 3.14 above under "Duration of the Company".

The Management Agreement contains provisions indemnifying the Manager against any liability not due to its default, negligence, fraud, breach of FSMA or the rules of the FSA.

- 10.3 An agreement (the "Investment Allocation Agreement") dated 8 December 2006 between Close Brothers Venture Capital Trust PLC (1), Close Brothers Protected VCT PLC (2), Close Brothers Development VCT PLC (3), Close Income & Growth (4), Crown Place VCT PLC (5), Close Technology & General VCT PLC (6), the Company (7), and the Manager (8) relating to the allocation of investment opportunities as described in Part II of this document under "Conflicts of Interest".
- 10.4 An agreement dated 6 December 2006 (the "Custodian Agreement") between the Company (1) and Capita Trust Company Limited (2) relating to the provision of custodian services to the Company by the Custodian as described in paragraph 11.18 below.
- 10.5 An agreement dated 8 December 2006 between the Company (1), the Directors (2), Sponsor (3), the Manager (4) and Close Investments (5), (the "2006/07 Offer Agreement") pursuant to which the Sponsor undertook as agent of the Company to assist in procuring subscribers under the 2006/07 Offer.

Under the 2006/07 Offer Agreement the Company paid Close Investments a fee of 5.5 per cent. on the amount subscribed for Ordinary Shares. Close Investments, out of its fee, paid the Sponsor's fee of £75,000 and commission to recognised intermediaries at a rate of 2.5 per cent. of the issue price of the Ordinary Shares in respect of all applications accepted which bore the stamp of the recognised intermediary. Close Investments also paid all other costs and expenses of or incidental to the 2006/07 Offer and the applications for admission of the Ordinary Shares including a fee of 0.5 per cent. to the Manager. The total costs payable by the Company, therefore, were limited to 5.5 per cent. of the gross proceeds of the 2006/07 Offer.

11. General

- 11.1 The principal place of business and the registered office of the Company is 10 Crown Place, London EC2A 4FT (telephone: 0207 422 7830). The Company does not have, nor has it had since incorporation, any employees.
- 11.2 The Sponsor is or may be a promoter of the Company and will be entitled to receive a fee from the Company in connection with the Further Offer, as stated in paragraph 9 above, and may also be entitled to receive commission in its capacity as a recognised intermediary. The Manager and Close Investments are or may be a promoter of the Company and will receive management fees and other payments from the Company under the Offer Agreement and Management Agreement described in paragraphs 9 and 10 above.
- 11.3 Save as disclosed in this paragraph and in paragraphs 9 and 10 above, no amount or benefit has been paid or given to any promoters and none is intended to be paid or given.

- 11.4 The Company has not, in the 12 months preceding the date of this document, been engaged in any governmental, legal or arbitration proceedings which may have or have had a significant effect on the Company's financial position or profitability and no governmental, legal or arbitration proceedings are known to the Company to be pending or threatened against the Company.
- 11.5 There has been no significant change in the financial or trading position of the Company since 30 September 2007, being the date to which the Company's latest audited financial results were prepared.
- 11.6 The effect of the Further Offer (on the assumption that all of the New Shares available under the Further Offer are subscribed for and that all of the net proceeds are invested in accordance with the Company's investment policy immediately following the conclusion of the Further Offer) is to increase the net assets of the Company from £18.9 million at 30 September 2007 to £37.8 million and the issued share capital from 19,793,147 ordinary shares to 39,793,147 ordinary shares. The aggregate nominal value of the issued share capital will increase from £9,896,573.50 to £19,896,573.50. Had the transaction occurred on 30 September 2007, the net proceeds would have been invested in line with the Company's existing assets. As a result there would have been no adverse impact on the Company's earnings on a per Share basis. Any impact on the Company's earnings would have been as a result of a reduction in the fixed running expenses of the Company relative to its net assets as a result of the larger size of the Company following completion of the Further Offer. It is expected that such running expenses will fall from approximately 3.5 per cent. to approximately 3.4 per cent. of net assets.
- 11.7 The Further Offer is sponsored by Winterflood Securities Limited, which is authorised and regulated by the FSA. The principal place of business of the Sponsor is The Atrium Building, Cannon Bridge, 25 Dowgate Hill, London EC4R 2GA.
- 11.8 Winterflood Securities Limited has given and not withdrawn its written consent to the issue of this document with the inclusion herein of its name and the references to it in the form and context in which they appear.
- 11.9 Following the Further Offer the issued share capital of the Company will be fully paid as to its nominal value. The Further Offer Price of 100 pence per New Share represents a premium of 50 pence over the nominal value of such New Shares and is payable in full on application. The Further Offer Price may change to a Net Asset Value basis if the Net Asset Value per existing Ordinary Share is greater than 100 pence per Ordinary Share or less than 90 pence per Ordinary Share when the New Shares are allotted. Details are shown in the section headed The Further Offer on page 18.
- 11.10 The Further Offer is not being underwritten. The expenses of and incidental to the Further Offer and the listing of the New 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 Further Offer (including irrecoverable VAT) and are payable by the Company. If the maximum of £20 million is raised under the Further Offer, the net proceeds will amount to £18.9 million. The net proceeds will be applied in accordance with the Company's investment strategy.
- 11.11 Independent market makers will be offered the opportunity to subscribe for New Shares under the Further Offer.
- 11.12 Deloitte & Touche LLP of Hill House, 1 Little New Street, London EC4A 3TR, members of the Institute of Chartered Accountants in England and Wales have been the only auditors of the Company since its incorporation.
- 11.13 The Company is an investment company, within the meaning of section 266 of the Act. This means that, until such status is relinquished, the Company's Articles of Association prohibit distributing capital profits.
- 11.14 The UK Listing Authority requires that a closed-ended investment fund such as the Company must invest and manage its assets in a way which is consistent with its objective of spreading risk. Furthermore, a closed-ended investment fund must ensure that, collectively, its directors and



investment manager have sufficient and appropriate experience in the management of assets of a scale and type in which the Company proposes to invest.

Close Enterprise VCT currently meets the above conditions and it is the Directors' intention that it will continue to meet them.

11.15 There is no over-allotment or green-shoe facility under the Further Offer.

11.16 Where information in this document has been sourced from third parties, the Company confirms that such information has been accurately reproduced and as far as the Company is aware and is able to ascertain from information published by such third parties, no facts have been omitted which would render the information so reproduced inaccurate or misleading.

11.17 The Manager was incorporated and registered in England and Wales on 12 February 2004 as a private company limited by shares under the Companies Act 1985 with registered number 5042911. The Manager has its registered office and place of business at 10 Crown Place, London EC2A 4FT and the telephone number at its registered office is 020 7422 7830. The Manager is domiciled in the UK and authorised and regulated in the UK by the FSA.

11.18 The Custodian was incorporated and registered in England and Wales on 22 May 1929 as a private company limited by shares under the Companies Act 1985 with registered number 239726. The Custodian has its registered office at 34 Beckenham Road, Beckenham, Kent, BR3 4TU and its telephone number at its registered office is 020 7800 4155. The Custodian is domiciled in the UK and is authorised and regulated in the UK by the FSA.

11.19 Capita Trust Company Limited, as the Custodian, is responsible for the safekeeping of the Company's securities with such securities and certain cash balances being held in client accounts maintained by the Custodian. In performing its duties, the Custodian may, with the prior consent of the Company, appoint agents, sub-custodians and delegates as may be necessary for the performance in whole or in part of the Custodian's duties, provided that the Custodian will remain responsible to the Company for any acts or omissions of any such person. Under the Custodian Agreement, the Custodian has assumed responsibility for any loss occasioned by reason of the negligence, reckless disregard or wrongful misconduct of the Custodian's directors, employees, officers or agents.

11.20 The Ordinary Shares are currently listed on the Official List and are admitted to trading on the London Stock Exchange.

12. Documents for Inspection

Copies of the following documents are available for inspection at the offices of Berwin Leighton Paisner LLP, Adelaide House, London Bridge, London EC4R 9HA and at the registered office of the Company, 10 Crown Place, London EC2A 4FT during normal business hours on any weekday (public holidays excepted) from the date of this document up to and including 4 April 2008:

12.1 the Memorandum and Articles of Association of the Company;

12.2 the material contracts referred to in paragraphs 9 and 10 above;

12.3 this prospectus; and

12.4 the Initial Report and Accounts for the period to 30 September 2007.

23 November 2007

DEFINITIONS

“Act”	the Companies Act 1985
“Admission”	Admission of the New Shares to the Official List becoming effective
“Annual General Meeting” or “AGM”	the annual general meeting of the Company to be held on 19 December 2007 at 2.30 p.m.
“Application Form”	the form for the application of New Shares under the Further Offer set out at the end of this document
“Articles of Association”	the Articles of Association of the Company in force from time to time
“City Code”	the City Code on Takeovers and Mergers
“Capita Registrars”	Capita Registrars Limited, being the registrars and the receiving agents to the Company
“Close Brothers Group”	Close Brothers Group plc and its subsidiaries
“Close Investments”	Close Investments Limited, a subsidiary of Close Brothers Group, and which is authorised and regulated by the FSA
“Close Ventures” or “Manager”	Close Ventures Limited, the manager of the Company and a subsidiary of Close Brothers Group, and which is authorised and regulated by the FSA
“Company” or “Close Enterprise VCT”	Close Enterprise VCT PLC
“CREST”	the relevant system (as defined in the Regulations) operated by Euroclear
“Custodian”	Capita Trust Company Limited
“Directors” or “Board”	the directors of the Company
“Euroclear”	Euroclear UK & Ireland Limited
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company to be held on 19 December 2007 immediately after the AGM
“FSA”	Financial Services Authority
“FSMA”	Financial Services & Markets Act 2000
“Further Offer”	the offer for subscription of up to 20,000,000 New Shares at 100 pence per share pursuant to this document
“Further Offer Agreement”	the agreement between the Directors (1), the Company (2), the Sponsor (3) the Manager (4) and Close Investments (5), a summary of which is set out in paragraph 9 of Part V of this document
“Further Offer Price”	the offer price under the Further Offer of 100 pence per New Share or the offer price under the Further Offer calculated on a Net Asset Value basis
“HMRC”	HM Revenue & Customs
“Initial Accounts”	the Initial Report and Accounts of the Company for the period from 7 November 2006 to 30 September 2007, which have been audited



“ITA”	Income Tax Act 2007
“IFA”	an independent financial adviser authorised and regulated by the FSA
“Investee Company” or “Investee Companies”	any or all of the companies in which Close Enterprise VCT makes a Qualifying Investment
“Listing Rules”	the listing rules of the UK Listing Authority
“London Stock Exchange”	London Stock Exchange plc
“Moody’s”	Moody’s Investor Services Inc.
“Net Asset Value”	the aggregate of the gross assets of the Company less all current liabilities of the Company
“Net Asset Value per Ordinary Share” or “Net Asset Value per New Share” or “Net Asset Value per Share”	the Net Asset Value divided by the Ordinary Shares or New Shares or Shares, as appropriate, in issue
“New Shares”	the new ordinary Shares of 50 pence each with ISIN GB00B29GNL45 to be issued under the Further Offer
“New Share Premium Account”	the share premium arising on the issue of New Shares under the Further Offer
“New VCT Funds”	funds raised by VCTs subsequent to 5 April 2007
“Non-Qualifying Investment”	an investment made by the Company which does not comprise a qualifying holding for a venture capital trust under ITA 2007
“2006/07 Offer”	the offer for subscription under which 19,793,147 Ordinary Shares were allotted on 4 April 2007 at 100 pence per Ordinary Share
“Official List”	the Official List of the UK Listing Authority
“Ordinary Shares”	ordinary shares of 50 pence each in the capital of the Company with ISIN GB00B1G3LR35, listed under the 2006/07 Offer
“Panel”	the Panel on Takeovers and Mergers
“Qualifying Investment”	an investment made by the Company in an unquoted trading company which comprises a qualifying holding for a venture capital trust under ITA 2007
“Receiving Agents”	Capita Registrars
“Regulations”	The Uncertified Securities Regulations 2001 (S.I. 2001/3755)
“Shares”	Ordinary Shares and/or New Shares, as the context may require
“Shareholders”	holders of Ordinary Shares and/or New Shares, as the context may require
“Sponsor” or “Winterflood Securities Limited”	Winterflood Securities Limited which is authorised and regulated by the Financial Services Authority, is a member of the London Stock Exchange and is a subsidiary of Close Brothers Group plc, acting through its division, Winterflood Investment Trusts
“UK Listing Authority” or “UKLA”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the FSMA
“VCT”	Venture Capital Trust

PART VI

APPLICATION PROCEDURE

TERMS AND CONDITIONS

- (a) The contract created by the acceptance of applications under the Further Offer will be conditional upon the Further 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 New Shares, for which valid applications under the Further Offer have been received, at any time up to the closing of the Further Offer.
- (d) By completing and delivering an Application Form you:
 - (i) offer to subscribe for the number of New Shares specified in your Application Form (or such lesser number for which your application is accepted) at the Further Offer Price per New 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 New Shares which are subject to the Further Offer to any person other than by means of the procedures referred to in this document, your application shall not be revoked until after 4 April 2008, 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 New Shares applied for unless and until you make payment in cleared funds for such New 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 New Shares and may allot such New Shares to some other person, in which case you will not be entitled to any payment in respect of such New Shares;
 - (iv) agree that if, following the issue of all or any New Shares applied for pursuant to the Further Offer (the "Issued Shares"), your remittance is not honoured on first presentation, the Issued Shares shall, forthwith upon payment by Close Ventures of the Further Offer Price of the Issued Shares to the Company, be transferred to Close Ventures at the Further Offer Price per Issued Share and any director of Close Ventures 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 Ventures or such other person as Close Ventures 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 Ventures, or such other person, in which case you will not be entitled to any payment in respect of such New Shares;
 - (v) agree that, in respect of those New 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 New 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 Further 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 Ventures, or any persons authorised by either of them, as your agent, to do all things necessary to effect registration of any New Shares subscribed by you into your name or into the name of any person in whose favour the entitlement to any such New Shares has been transferred and authorise any representative of the Receiving Agents or of Close Ventures to execute any document required therefore;
 - (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 New Shares subscribed for will be paid direct into your bank or building society account.
- (e) It is a term of the Further Offer that, to ensure compliance with the Regulations, Capita Registrars 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) appears to be acting on behalf of some other person or (ii) who subscribe for in excess of the sterling equivalent of €15,000 (under the Regulations). In these cases, verification of the identity of the Applicant or 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 12 noon on the relevant date of allotment Capita Registrars has not received evidence

satisfactory to it as aforesaid, the Company with the agreement of Capita Registrars, 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 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 limit Capita Registrars' 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 Regulations 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 New Shares have not been and will not be registered under the United States Securities Act 1933 (as amended) and, subject to certain exceptions, the New 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 New Shares shall be deemed, and (unless the Company is satisfied that New 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 New Shares for the account of any such person and will not offer, sell, renounce, transfer or deliver, directly or indirectly, such New 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 Further 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 Further Offer closes, from the Company and from:

Close Ventures Limited, 10 Crown Place, London EC2A 4FT;

Winterflood Securities Limited, 25 Dowgate Hill, London EC4R 2GA; and

Close Investments Limited, 10 Exchange Square, Primrose Street, London EC2A 2BY.

In addition, a copy of this Prospectus and its accompanying circular to Close Enterprise VCT PLC shareholders can be found on the Close Ventures Limited website www.closeventures.co.uk.

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.

NOTES ON COMPLETION OF THE APPLICATION FORM

It is essential that you complete all parts of the Application Form in accordance with the following instructions. Authorised Financial Intermediaries MUST read Points 4 and 5 of these notes.

1. Personal Details

Insert your full name, address, date of birth and National Insurance Number in BLOCK CAPITALS and black ink in Box 1.

Applications can only be made by persons over the age of 18.

Please provide a daytime telephone number and email address in case of query.

2. Application and Amount Payable

Insert in Box 2 the number of New Shares you wish to apply for in the 2007/2008 tax year and the amount of your payment. Your cheque or bankers draft should be for an amount that represents 100 pence multiplied by the number of shares you are applying for. Your application must be for a minimum of 5,000 New Shares. The price per New Share may change if the Net Asset Value per Ordinary Share is greater than 100 pence per Ordinary Share or less than 90 pence per Ordinary Share.

Payment

Payments must be made by cheque or bankers' draft in pounds sterling drawn on a branch in the United Kingdom of a bank or building society. Cheques, which must be drawn on the personal account of the individual investor where they have sole or joint title to the funds, should be made payable to "**Capita Registrars Limited re: Close Enterprise VCT PLC**". Third party cheques will not be accepted with the exception of building society cheques or bankers' drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the building society cheque/bankers' draft to such effect.

The account name should be the same as that shown on the application.

Money Laundering Regulations

Under the Money Laundering Regulations 2003, Capita Registrars may be required to check the identity of persons who subscribe for in excess of the sterling equivalent of €15,000.

Capita Registrars may therefore undertake electronic searches for the purposes of verifying identity. To do so Capita Registrars may verify the details against the applicant's identity, but also may request further proof of identity. Capita Registrars reserve the right to withhold any entitlement (including any refund cheque) until such verification of identity is completed to its satisfaction.

3. Declaration and Signature

Sign and date Box 3.

The Application Form may only be signed by someone other than the applicant named in Box 1 if duly authorised to do so. In such cases the original Power of Attorney (or other relevant legal document) or duly certified copy thereof must be enclosed for inspection.



NOTES FOR AUTHORISED FINANCIAL INTERMEDIARIES ONLY

4. Financial Intermediaries Details

IFAs must complete (in BLOCK CAPITALS) and STAMP Box 4 giving their full name and address, giving a contact name, telephone number, email address and details of their authorisation under the Financial Services and Markets Act 2000. The right is reserved to withhold any payment of commission if the Company is not, at their sole discretion, satisfied that the IFA is authorised or is unable to identify the IFA on the basis of the information provided.

Please note: Commission cheques will be made payable only to the IFA detailed in Box 4.

Money Laundering Regulations

If you complete and stamp Box 4 on the Application Form you are warranting that the applicant is known to you and that you have completed all the verification procedures as required by the relevant rules and guidance of the FSA, the Joint Money Laundering Steering Group Guidance Notes and other anti-money laundering laws and regulations as may be considered appropriate.

You also confirm that this information can be relied upon by the Receiving Agent and will, subject to reasonable notice, be made available to the Company or the Receiving Agent for inspection upon request.

In the event of delay or failure to produce such information, the Company may refuse to accept an application for the Further Offer.

5. Commission

Complete Box 5 to show the commission structure you wish to receive. If Box 5 is not completed or the election is unclear, and Box 4 has been validly completed, commission of 2.5 per cent. will be paid in cash to the appropriate financial intermediary.

IFAs must complete and stamp Box 4 and complete Box 5 in order to receive commission. Commission cheques will only be issued in accordance with the details submitted on the Application Form. No other form of instruction will be accepted.

If you have any queries regarding the procedure for application and payment please call the

Capita Registrars VCT Helpline on 0870 162 3124

For legal reasons, the helpline will not be able to provide advice on the merits of the Further Offer or give any personal tax, legal, investment or financial advice

Return this form by post or (during normal business hours only) by hand to
Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
to arrive no later than 12 noon on **4 April 2008**

2007/2008
Tax year

APPLICATION FORM
Close Enterprise VCT PLC

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE YOU ARE RECOMMENDED TO CONSULT A PERSON AUTHORISED UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000 WHO SPECIALISES IN ADVISING ON THE ACQUISITION OF SHARES AND OTHER SECURITIES.

Before completing this Application Form you should read the Terms and Conditions of Application and Notes on Completion of the Application Form.

The Further Offer opens on 19 December 2007 and closes at 12 noon on 4 April 2008 (or earlier if the maximum subscription level has been reached before this time).

Make your cheque payable to **Capita Registrars Limited re: Close Enterprise VCT PLC** (crossed A/C payee only) and return it together with this form by post or (during normal business hours only) by hand to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to **arrive no later than 12 noon on 4 April 2008.**

If you require assistance or have any queries regarding the completion of this application form please call the **Capita Registrars VCT Helpline on 0870 162 3124.**

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Box 1 – Personal Details PLEASE COMPLETE IN BLOCK CAPITALS ONLY and in BLACK INK

Title	<input type="text"/>	Surname	<input type="text"/>
First Name	<input type="text"/>		
Home Address	<input type="text"/>		
	<input type="text"/>	Postcode	<input type="text"/>
Daytime Telephone Number	<input type="text"/>	Email Address	<input type="text"/>
National Insurance Number	<input type="text"/>	Date of Birth	<input type="text"/>

Box 2 – Application and Amount Payable

Applications must be for a minimum of 5,000 New Shares* (VCT tax reliefs are limited to £200,000 per tax year).

2007/2008 Tax Year:			
Number of New Shares	<input type="text"/>	@ 100p per New Share*	£ <input type="text"/>
Total:			
Number of New Shares	<input type="text"/>	Total Invested	£ <input type="text"/>

Box 3 – Declaration and Signature

By signing this form I HEREBY DECLARE THAT:

- (i) I have received and read the Prospectus dated 23 November 2007 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 New Shares in Close Enterprise VCT PLC issued to me pursuant to the Further Offer; and
- (iii) to the best of my knowledge and belief, the particulars I have given Close Enterprise VCT PLC are correct.

HM Revenue & Customs may inspect this application form. It is a serious offence to make a false declaration.

Signature	<input type="text"/>	Date	<input type="text"/>
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* The price per New Share may change if the Net Asset Value per Ordinary Share is greater than 100 pence per Ordinary Share or less than 90 pence per Ordinary Share.



BOX 4 AND BOX 5 MUST BE COMPLETED BY AUTHORISED FINANCIAL INTERMEDIARIES ONLY

Box 4 – Financial Intermediaries Details

By completing and stamping Box 4 below you are deemed to have given the warranty and undertaking set out in Note 4 of the accompanying Notes on completion of the Application Form.

IFA STAMP <div style="border: 1px solid black; height: 150px; width: 100%;"></div>	Name of Firm	<input style="width: 100%;" type="text"/>
	FSA Number	<input style="width: 100%;" type="text"/>
	Signature	<input style="width: 100%;" type="text"/>
	Print Name	<input style="width: 100%;" type="text"/>
	Position	<input style="width: 100%;" type="text"/>
	Date	<input style="width: 100%;" type="text"/>
	Telephone No.	<input style="width: 100%;" type="text"/>

Box 5 – Commission

In order to receive commission you must complete and stamp Box 4 above and complete Box 5 below, clearly indicating the commission structure you wish to receive.

- INSTRUCTIONS:
- Box A shows the rate of commission paid
 - Indicate in Boxes B and C how much commission you wish to have paid or waived (expressed as a per cent. of the TOTAL SUBSCRIPTION detailed in Box 2)
 - Insert in Box D the total of Boxes B and C. This must equal the rate shown in Box A

BOX A Commission	BOX B Paid		BOX C Waived		BOX D TOTAL B+C	For Official Use Only
2.5% <input style="width: 30px;" type="text"/>	<input style="width: 30px;" type="text"/> %	+	<input style="width: 30px;" type="text"/> %	=	<input style="width: 30px;" type="text"/> %	<input style="width: 100%; height: 20px;" type="text"/>

If no election is made or the election is unclear and Box 4 has been validly completed a commission of 2.5 per cent. will be paid to the financial intermediary named in Box 4 above

If you have any queries regarding the procedure for application and payment please call the
Capita Registrars VCT Helpline on 0870 162 3124

For legal reasons, the helpline will not be able to provide advice on the merits of the Further Offer or give any personal tax, legal, investment or financial advice

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Home Address	<input type="text"/>		
	<input type="text"/>	Postcode	<input type="text"/>
Daytime Telephone Number	<input type="text"/>	Email Address	<input type="text"/>
National Insurance Number	<input type="text"/>	Date of Birth	<input type="text"/>

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Applications must be for a minimum of 5,000 New Shares* (VCT tax reliefs are limited to £200,000 per tax year).

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	Signature	<input type="text"/>
	Print Name	<input type="text"/>
	Position	<input type="text"/>
	Date	<input type="text"/>
	Telephone No.	<input type="text"/>

Box 5 – Commission

In order to receive commission you must complete and stamp Box 4 above and complete Box 5 below, clearly indicating the commission structure you wish to receive.

- INSTRUCTIONS:
- Box A shows the rate of commission to be paid
 - Indicate in Boxes B and C how much commission you wish to have paid or waived (expressed as a per cent. of the TOTAL SUBSCRIPTION detailed in Box 2)
 - Insert in Box D the total of Boxes B and C. This must equal the rate shown in Box A

BOX A Commission	BOX B Paid		BOX C Waived		BOX D TOTAL B + C	For Official Use Only
2.5% <input type="text"/>	<input type="text"/> %	+	<input type="text"/> %	=	<input type="text"/> %	<input type="text"/>

If no election is made or the election is unclear and Box 4 has been validly completed a commission of 2.5 per cent. will be paid to the financial intermediary named in Box 4 above

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Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
to arrive no later than 12 noon on 4 April 2008

DIRECTORS, MANAGER AND ADVISERS

Directors	Maxwell Packe Lady Balfour of Burleigh Lord St. John of Bletso Patrick Reeve all of whom are non-executive and are of 10 Crown Place, London EC2A 4FT
Registered Office	10 Crown Place London EC2A 4FT Telephone Number: 0207 422 7830
Investment Manager, Company Secretary and Administrator	Close Ventures Limited 10 Crown Place London EC2A 4FT Telephone Number: 0207 422 7830
	Prospectus helpline 0800 269 824 (calls to this number will be recorded)
Sponsor	Winterflood Securities Limited The Atrium Building 25 Dowgate Hill London EC4R 2GA
Registrar	Capita Registrars Limited Northern House Penistone Road Fenay Bridge Huddersfield HD8 0LA Registrars helpline: 0870 162 3131
Custodian	Capita Trust Company Limited Guildhall House 81-87 Gresham Street London EC2V 7QE Telephone number: 0207 776 5570
Auditors	Deloitte & Touche LLP Hill House 1 Little New Street London EC4A 3TR
Taxation Advisers	Ernst & Young LLP 1 More London Place London SE1 2AF
Solicitors to the Company and to the Further Offer	Berwin Leighton Paisner LLP Adelaide House London Bridge London EC4R 9HA
Receiving Agents to the Further Offer	Capita Registrars Corporate Actions The Registry 34 Beckenham Road Beckenham Kent BR3 4TU Receiving Agent Helpline: 0870 162 3124

