



Close Technology & General VCT PLC

Offers for Subscription | Sponsored by Brewin Dolphin Securities Limited



CLOSE VCT MANAGEMENT

EMU) Prices in £
01.15 01.75000000

ICT 20) 1.15 - 40.89000000

IRELAND (ICI 27) 1.15 - 40.89000000

SWITZERLAND (CH 30) 1.15 - 40.89000000

AGI	2.40	20.00	21.00	22.00	23.00	24.00	25.00	26.00	27.00	28.00	29.00	30.00	31.00	32.00	33.00	34.00	35.00	36.00	37.00	38.00	39.00	40.00	41.00	42.00	43.00	44.00	45.00	46.00	47.00	48.00	49.00	50.00	51.00	52.00	53.00	54.00	55.00	56.00	57.00	58.00	59.00	60.00	61.00	62.00	63.00	64.00	65.00	66.00	67.00	68.00	69.00	70.00	71.00	72.00	73.00	74.00	75.00	76.00	77.00	78.00	79.00	80.00	81.00	82.00	83.00	84.00	85.00	86.00	87.00	88.00	89.00	90.00	91.00	92.00	93.00	94.00	95.00	96.00	97.00	98.00	99.00	100.00					
Alstom	1.15	2.30	3.45	4.60	5.75	6.90	8.05	9.20	10.35	11.50	12.65	13.80	14.95	16.10	17.25	18.40	19.55	20.70	21.85	23.00	24.15	25.30	26.45	27.60	28.75	29.90	31.05	32.20	33.35	34.50	35.65	36.80	37.95	39.10	40.25	41.40	42.55	43.70	44.85	46.00	47.15	48.30	49.45	50.60	51.75	52.90	54.05	55.20	56.35	57.50	58.65	59.80	60.95	62.10	63.25	64.40	65.55	66.70	67.85	69.00	70.15	71.30	72.45	73.60	74.75	75.90	77.05	78.20	79.35	80.50	81.65	82.80	83.95	85.10	86.25	87.40	88.55	89.70	90.85	92.00	93.15	94.30	95.45	96.60	97.75	98.90	100.05
Amgen	1.15	2.30	3.45	4.60	5.75	6.90	8.05	9.20	10.35	11.50	12.65	13.80	14.95	16.10	17.25	18.40	19.55	20.70	21.85	23.00	24.15	25.30	26.45	27.60	28.75	29.90	31.05	32.20	33.35	34.50	35.65	36.80	37.95	39.10	40.25	41.40	42.55	43.70	44.85	46.00	47.15	48.30	49.45	50.60	51.75	52.90	54.05	55.20	56.35	57.50	58.65	59.80	60.95	62.10	63.25	64.40	65.55	66.70	67.85	69.00	70.15	71.30	72.45	73.60	74.75	75.90	77.05	78.20	79.35	80.50	81.65	82.80	83.95	85.10	86.25	87.40	88.55	89.70	90.85	92.00	93.15	94.30	95.45	96.60	97.75	98.90	100.05
Amgen	1.15	2.30	3.45	4.60	5.75	6.90	8.05	9.20	10.35	11.50	12.65	13.80	14.95	16.10	17.25	18.40	19.55	20.70	21.85	23.00	24.15	25.30	26.45	27.60	28.75	29.90	31.05	32.20	33.35	34.50	35.65	36.80	37.95	39.10	40.25	41.40	42.55	43.70	44.85	46.00	47.15	48.30	49.45	50.60	51.75	52.90	54.05	55.20	56.35	57.50	58.65	59.80	60.95	62.10	63.25	64.40	65.55	66.70	67.85	69.00	70.15	71.30	72.45	73.60	74.75	75.90	77.05	78.20	79.35	80.50	81.65	82.80	83.95	85.10	86.25	87.40	88.55	89.70	90.85	92.00	93.15	94.30	95.45	96.60	97.75	98.90	100.05
Amgen	1.15	2.30	3.45	4.60	5.75	6.90	8.05	9.20	10.35	11.50	12.65	13.80	14.95	16.10	17.25	18.40	19.55	20.70	21.85	23.00	24.15	25.30	26.45	27.60	28.75	29.90	31.05	32.20	33.35	34.50	35.65	36.80	37.95	39.10	40.25	41.40	42.55	43.70	44.85	46.00	47.15	48.30	49.45	50.60	51.75	52.90	54.05	55.20	56.35	57.50	58.65	59.80	60.95	62.10	63.25	64.40	65.55	66.70	67.85	69.00	70.15	71.30	72.45	73.60	74.75	75.90	77.05	78.20	79.35	80.50	81.65	82.80	83.95	85.10	86.25	87.40	88.55	89.70	90.85	92.00	93.15	94.30	95.45	96.60	97.75	98.90	100.05

A copy of this document, which comprises a prospectus relating to the Company in accordance with the listing rules made under Section 142 of the Financial Services Act 1986, has been delivered for registration to the Registrar of Companies in England and Wales in accordance with Section 149 of that Act.

Application has been made to the UK Listing Authority and the London Stock Exchange for the Shares to be admitted to the Official List and to trading on the London Stock Exchange respectively. It is expected that Admission will become effective and that dealings will commence by 17 January 2001 in respect of applications received by 16 January 2001 in respect of the 2000/2001 Offer, and by 9 April 2001 in respect of applications received by 3 April 2001 in respect of the 2001/2002 Offer.

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

Brewin Dolphin Securities Limited ("the Sponsor") is acting for the Company in connection with the Offers and is not advising any other person or treating any other person as a customer in relation to the Offers and will not be responsible to any such person for providing the protections afforded to customers of the Sponsor or for providing advice in connection with the Offers. The Sponsor does not give any representation, warranty or guarantee that the Company will qualify as a venture capital trust or that investors will obtain any tax relief in respect of their investment.

CLOSE TECHNOLOGY & GENERAL VCT PLC

(incorporated in England and Wales under the Companies Act 1985 with registered number 4114310)

Offers for Subscription

of a maximum of 25,000,000 Ordinary Shares

at 100 pence each

payable in full on application

comprising up to 25,000,000 Shares under the 2000/2001 Offer

and up to 10,000,000 Shares under the 2001/2002 Offer

Sponsored by

Brewin Dolphin Securities Limited

Share capital immediately following the Offers, assuming that the overall maximum subscription for the Shares is achieved:

	Authorised		Issued and to be issued fully paid	
	No. of Shares	Nominal Value	No. of Shares	Nominal Value
Ordinary Shares	30,000,000	£15,000,000	25,000,004	£12,500,002

The subscription lists for the Shares, all of which are being offered to the public under the Offers, will open at 10.00 a.m. on 18 December 2000 and may be closed at any time thereafter but in any event not later than 3.00 p.m. on 3 April 2001 unless extended prior to that date. The terms and conditions of the Offers are set out on pages 39 to 42 of this document followed by an Application Form for use in connection with the Offers.



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EXPECTED TIMETABLE

There are expected to be three separate allotments of Shares under the Offers as follows:

2000/2001 Offer

First Allotment

First closing date and basis of allocation announced (assuming the minimum subscription is received)	10.00 am 16 January 2001
First Admission expected to become effective and commencement of dealings	17 January 2001
CREST accounts credited	31 January 2001
Despatch of definitive certificates and of certificates to enable a claim for income tax relief to be submitted	31 January 2001

Second Allotment

Latest time for receipt of Application Forms under the 2000/2001 Offer and for payment in full (unless the 2000/2001 Offer is closed earlier)	3.00 pm 3 April 2001
Basis of allocation announced	4 April 2001
Second Admission expected to become effective and commencement of dealings	5 April 2001
CREST accounts credited	11 April 2001
Despatch of definitive certificates and of certificates to enable a claim for income tax relief to be submitted	19 April 2001

There is also likely to be an allotment of Shares under the 2000/2001 Offer immediately prior to the 2001 Budget which is expected to be in early to mid March 2001.

2001/2002 Offer

Latest time for receipt of Application Forms under the 2001/2002 Offer and for payment in full (unless the 2001/2002 Offer is closed earlier or extended)	3.00 pm 3 April 2001
Basis of allocation announced	6 April 2001
Final Admission expected to become effective and commencement of dealings	9 April 2001
CREST accounts credited	19 April 2001
Despatch of definitive certificates and of certificates to enable a claim for income tax relief to be submitted	19 April 2001



DIRECTORS, MANAGER AND ADVISERS

Directors	Dr Neil Earl Cross (Chairman) Lieutenant General Sir Edmund Fortescue Gerard Burton, KBE Michael John Hart Kingsley ("Kip") John Neville Meek all of 12 Appold Street London EC2A 2AW
Secretary and Registered Office	Jonathan Mark Gain 12 Appold Street London EC2A 2AW
Investment Manager	Close VCT Management 12 Appold Street London EC2A 2AW
Technology Adviser	Reabourne Limited 12 Appold Street London EC2A 2AW
Sponsor and Broker	Brewin Dolphin Securities Limited 48 St Vincent Street Glasgow G2 5TS
Marketing Adviser	Close Brothers Investment Limited 12 Appold Street London EC2A 2AW
Solicitors to the Sponsor and to the Company	Osborne Clarke OWA Hillgate House 26 Old Bailey London EC4M 7HW
Auditors	Deloitte & Touche 1 Stonecutter Street London EC4A 4TR
Taxation Advisers	Ernst & Young 7 Rolls Buildings Fetter Lane London EC4A 1NH



Registrars

Northern Registrars Limited
Woodsome Park
Fenay Bridge
Huddersfield HD8 0LA

Principal Bankers

The Royal Bank of Scotland plc
5-10 Great Tower Street
London EC3P 3HX

Custodians

Royal & Sun Alliance Trust Company Limited
Phoenix House
18 King William Street
London EC4N 7HE

The Royal Bank of Scotland plc
5-10 Great Tower Street
London EC3P 3HX



DEFINITIONS

In this document the following expressions have the following meanings unless the context otherwise requires.

“AIM”	the Alternative Investment Market of the London Stock Exchange
“Admission”	the admission of the Shares issued and to be issued pursuant to the Offers to the Official List and to trading on the London Stock Exchange becoming effective
“Application Form”	the form of application for Shares under the Offers set out at the end of this document
“Close Brothers Group”	Close Brothers Group plc and its subsidiaries
“Close Brothers Investment”	Close Brothers Investment Limited, which is a member of the Close Brothers Group and is regulated by the SFA
“Close VCT Management”	the division of Close Brothers Investment responsible for the management of venture capital trusts
“Code”	The City Code on Takeovers and Mergers
“Company” or “Close Technology & General VCT”	Close Technology & General VCT PLC
“CREST”	the relevant system (as defined in the Regulations) operated by CRESTCo
“CRESTCo”	CRESTCo Limited
“Directors” or “Board”	the directors of the Company
“ICTA”	Income and Corporation Taxes Act 1988 (as amended)
“IMRO”	Investment Management Regulatory Organisation Limited
“Investee Company” or “Investee Companies”	any or all of the companies in which Close Technology & General VCT makes an investment
“London Stock Exchange”	London Stock Exchange plc
“Manager”	Close VCT Management
“Non-Qualifying Investment”	an investment made by a venture capital trust which does not comprise a qualifying holding under the Finance Act 1995
“Offers”	the 2000/2001 Offer and the 2001/2002 Offer



“2000/2001 Offer”	the Offer for Subscription of up to 25,000,000 Shares for those investors who wish to subscribe in respect of the 2000/2001 tax year
“2001/2002 Offer”	the Offer for Subscription of up to 10,000,000 Shares for those investors who wish to subscribe in respect of the 2001/2002 tax year
“Offer Agreement”	the Offer for Subscription Agreement detailed on page • of this document
“Offer Price”	100 pence per Share
“Official List”	the Official List of the UK Listing Authority
“Qualifying Investment”	an investment made by a venture capital trust in a trading company which comprises a qualifying holding under the Finance Act 1995
“Regulations”	the Uncertificated Securities Regulations 1995 (S.I.95/3272)
“SFA”	the Securities and Futures Authority Limited
“Share” or “Shares”	ordinary share(s) of 50 pence each in the Company
“Sponsor”	Brewin Dolphin Securities Limited, which is regulated by the SFA
“Shareholder”	a holder of Shares
“Technology Adviser” or “Rebourne”	Rebourne Limited, which is a member of the Close Brothers Group and is regulated by IMRO
“UK Listing Authority”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part IV of the Financial Services Act 1986
“VCT”	venture capital trust



KEY INFORMATION

Objectives and Investment Strategy

Close Technology & General VCT is a new venture capital trust aimed at providing private investors with significant tax advantages through a balanced investment portfolio of technology and non-technology orientated businesses. The net funds raised under the Offers will be invested as follows:

- **50%** will be in technology companies, of which:
 - **20%** will be invested in a portfolio of international quoted technology stocks
 - **30%** will be invested in unquoted UK technology orientated companies
- **50%** will be invested in unquoted companies in the non technology orientated sectors of the UK economy.

The Manager

The Manager of Close Technology & General VCT is Close VCT Management, part of Close Brothers Group. It manages three existing VCTs which have raised a total of £82 million from private investors. Reabourne will act as Technology Adviser to the Manager in respect of the technology-orientated portion of the portfolio. Reabourne, which is also part of Close Brothers Group, is a specialist technology investment adviser which manages or advises some £250 million of funds, including the award-winning Finsbury Technology Trust PLC.

Tax Benefits

- Investors in new ordinary shares in a venture capital trust are eligible for income tax relief at 20% if the shares are held for three years, and also can defer capital gains realised 12 months prior to or after making the investment.
- Dividends paid by a venture capital trust are free of income tax.
- Capital gains made by a venture capital trust may be distributed by way of tax free dividends to investors.

- Capital gains made by investors on the disposal of shares in a venture capital trust are tax free. See part II for further details.

General

- The Directors and the executives of the Manager intend to apply for £211,500 in aggregate under the Offers.
- The first closing date of the 2000/2001 Offer will be 16 January 2001, with the final closing date on 3 April 2001, unless previously closed. Cheques in respect of Application Forms received prior to 31 December 2000 will not be presented for payment until 2 January 2001.
- The tax advantages will be available to investors in respect of either or both of the 2000/2001 and the 2001/2002 tax years. The last closing date for the 2001/2002 Offer will also be 3 April 2001, unless previously closed or extended.
- It is anticipated, assuming full subscription and current interest rates, that the average annual revenue dividend over the first five years of the Company will be in the region of two pence per Share.
- In addition, the Company intends to take advantage of the provision whereby VCTs may distribute capital profits by way of dividend free of tax.
- Shareholders who invest by the first closing date 16 January 2001 will be entitled to the full interim dividend for the period to 30 June 2001, whereas those who invest after that date will only be entitled to 50% of that dividend.
- For tax purposes the maximum qualifying amount which an individual may invest in the Company and in any other venture capital trust in any one tax year is £100,000. The minimum investment under each Offer is £2,000.
- The total minimum subscription under the Offers is £3 million, of which £1.5 million has been underwritten by Close Portfolio



Management Limited, a member of the Close Brothers Group.

- Introductory commission will be offered to authorised financial intermediaries, usually at a rate of 2.5% on successful applications submitted through them. The Manager will

offer an additional annual commission of 0.25% to authorised financial intermediaries in respect of investors whose applications were submitted through them and who continue to hold the Shares acquired under the Offers. This additional commission will be payable from 31 December 2001.

Offer Statistics

Offer price per Share	100p
Issue costs per Share	5p
Initial net asset value per Share	95p
Maximum number of Shares in issue following the Offers	25,000,004
Maximum net proceeds of the Offers, after issue costs	£23,750,000
Minimum number of Shares in issue following the Offers	3,000,004
Minimum net proceeds of the Offers, after issue costs	£2,850,000

This key information is in summary form and should be read in conjunction with the full text of this document and in particular the Risk Factors which are to be found on pages 16 and 17. Further details of the underwriting arrangement with Close Portfolio Management Limited, which, *inter alia*, refer to possible implications under the Code, are set out in paragraph 7.2 of Part III of this document.



PART I

INTRODUCTION

Close Technology & General VCT is a new venture capital trust offering investors the opportunity to participate in a balanced portfolio of technology and non-technology businesses. Once fully invested, it is anticipated that the Company's investment portfolio will be split approximately as follows:

- **50%** to be invested in technology companies, of which:
 - **20%** will be invested in quoted investments in international technology stocks, principally in Europe and the USA.
 - **30%** will be invested in unquoted investments in UK technology-related companies.
- **50%** to be invested in unquoted investments in UK non-technology businesses.

VENTURE CAPITAL TRUSTS

Venture capital trusts were introduced in the Finance Act 1995 and are particularly attractive to tax paying individual investors. Venture capital trusts offer the following income and capital gains tax advantages in respect of investments of up to £100,000 per person per tax year.

- Tax-paying investors receive income tax relief at 20% on the amount invested, thus reducing the effective net cost of the investment to 80 pence for each £1 invested, provided the shares are held for at least three years.
- Investors may defer a chargeable capital gain by investing the amount of the gain in a venture capital trust.
- Dividends paid by a venture capital trust are free of income tax.
- There is no tax on capital gains made upon disposal of shares in a venture capital trust except in relation to gains which have previously been deferred.
- Capital gains made by the venture capital trust on its underlying investments are free of corporation tax and, unlike an ordinary investment trust, these gains may be distributed by way of dividend to investors.

In order to qualify for these advantages the venture capital trust must invest not less than 70% of its funds in Qualifying Investments by the end of its third accounting period. Further details of the tax

provisions relating to venture capital trusts are set out in Part II of this document.

INVESTMENT STRATEGY

The investment strategy of Close Technology & General VCT is to allocate approximately 50% of the net funds raised to companies involved in technology or technology-related businesses. Of this portion of the funds, 20% will be invested in a portfolio of international quoted technology stocks and the remaining 30% will be invested in unquoted UK technology companies. The remaining 50% of the net funds raised will be invested in UK unquoted companies involved in the more traditional, non-technology orientated areas of the economy.

The technology related portfolio will be chosen with a view to generating capital growth over the medium term, while the non-technology portfolio will be aimed at supplementing capital growth with a strong income stream.

Technology-related portfolio

Quoted portion: 20% of the net funds raised will be invested in a portfolio of Non-Qualifying investments in international quoted technology stocks, principally comprising equity shares. These will comprise holdings in companies involved in technology-orientated activities such as communications equipment, internet infrastructure, electronics, software, biotechnology and technology services, and will enable the Company to participate in quoted technology-orientated opportunities overseas, with particular emphasis on Continental Europe and the United States.



Unquoted portion: 30% of the net funds raised will be invested in a portfolio of Qualifying Investments in unquoted UK technology companies. These will cover similar sectors to those for the quoted portion and may, on occasion, include companies whose shares are traded on AIM. Specific emphasis will be placed on companies that have proprietary technology in fast-growing markets where there is the prospect of a sale or flotation within three to five years.

Non technology-orientated portfolio

Approximately 50% of the net funds raised will be invested in a portfolio of Qualifying Investments in unquoted UK companies involved in the non-technology orientated sectors of the UK economy. These may include the engineering, distribution, retail, leisure, service and transport sectors. Investments will be principally in well-established businesses, unless there is a significant degree of asset backing, and will be conservatively structured to take advantage of any available security. The investment emphasis will be on lower risk opportunities which generate a strong dividend and interest yield to the Company.

General

The intended split of investments detailed above represents the current intention of the Manager. The precise amount invested in each category will vary from time to time, depending on the Company's liquidity requirements and the need to maintain sufficient Qualifying Investments to ensure that the Company maintains its VCT qualifying status.

It is the policy of the Manager to seek board representation for all its unquoted Investee Companies, other than companies traded on AIM.

THE DIRECTORS

The Board comprises four directors, all of whom are independent of the Manager. The Directors operate in a non-executive capacity and are responsible for overseeing the investment strategy of the Company. The Board has wide experience of smaller growing companies, particularly those with a technology orientation and will be applying for £120,000 under the Offers.

Dr Neil Cross (55) was formerly an executive director of 3i Group plc, from 1989 to 1996, having spent 27 years in a variety of investment and managerial roles, latterly in charge of the group's international operations. He is currently a non-executive director of Alliance UniChem Plc, Taylor Nelson Sofres plc, Perkins Food PLC and Dawson Holdings PLC as well as a number of private companies.

Lieutenant General Sir Edmund Burton KBE (57) was Deputy Chief of Defence Staff (Systems) from 1997 to 1999, with specific responsibility for developing a balanced and affordable equipment and research programme for the United Kingdom Armed Forces. His military career prior to that included three years as Commandant of the Royal Military College of Science at Shrivenham and two years as military attaché at the British Embassy in Washington.

Michael Hart (59) is currently executive chairman of AFA Systems PLC, the AIM quoted developer of treasury software for financial institutions which he founded in 1995. Prior to that, he was managing director of ACT Group PLC which he joined in 1989 after 15 years at Siemens Nixdorf. He is currently a non-executive director of ASW plc.

Kip Meek (45) is managing director of Spectrum Strategy Consultants Limited, a consultancy specialising in telecommunications, media and technology, which he founded in 1993. Spectrum advises both substantial and smaller companies, including early stage and start up businesses. Before setting up Spectrum he worked at Coopers & Lybrand where he was partner in charge of the strategy practice within its Communications Division. Prior to that he was Deputy Director of Marketing at BT, having previously worked at McKinsey & Co and the Boston Consulting Group.

THE MANAGER

Role and Profile of the Manager

Close VCT Management will be the Investment Manager of Close Technology & General VCT and will be responsible for, inter alia, the following functions:



- The origination and selection of investments to be made by Close Technology & General VCT, all of which will be subject to the formal investment committee procedures adopted internally by the Manager.
- The negotiation of investment opportunities.
- The continuing management and monitoring of the investment portfolio.
- The monitoring of the Company's continuing compliance with VCT status requirements.
- Arranging for the realisation of investments, when appropriate to do so.

The Manager also manages Close Brothers Venture Capital Trust PLC, Close Brothers Protected VCT PLC and Close Brothers Development VCT PLC which have raised a total of £82 million from private investors. These VCTs have the following investment profiles:

- **Close Brothers Venture Capital Trust PLC** invests in a broad range of unquoted asset-based businesses in the hotel, care home, residential property development, health and fitness and cinema sectors. It is aimed at providing investors with a lower risk investment profile whilst at the same time generating a strong dividend yield.
- **Close Brothers Protected VCT PLC** is similarly aimed at providing investors with a lower risk investment opportunity, with 50% of net funds raised invested in loans guaranteed by The Royal Bank of Scotland. The majority of the balance is invested in a portfolio of 32 AIM stocks, of which 16 are in technology-orientated sectors. At 30 November 2000, its AIM portfolio showed a realised and unrealised appreciation of 48% on cost compared with a rise of 32% for the AIM Index over the period since launch.
- **Close Brothers Development VCT PLC** provides equity and debt finance to growing unquoted companies across a variety of sectors, with investments ranging from technology-orientated to service and asset-based businesses.

The Manager also undertakes the administration of **Close Brothers AIM VCT PLC**, which raised £10 million from investors in 1998 and is currently raising up to a further £20 million for investment primarily in AIM stocks.

The Manager's ultimate holding company is Close Brothers Group plc, a substantial independent merchant banking group listed on the London Stock Exchange. The investment division of the Close Brothers Group has some £3.1 billion of funds under management in a variety of specialist portfolios and funds.

Investment Team

The following employees of the Manager will be specifically responsible for the management and administration of Close Technology & General VCT:

Patrick Reeve, (40), MA, ACA qualified as a chartered accountant with Deloitte Haskins & Sells before joining Cazenove & Co where he spent three years in the corporate finance department. He joined the Close Brothers Group 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 Brothers' VCT activities with the launch of Close Brothers Venture Capital Trust PLC in the spring of 1996.

Ole Bettum, (36), BSc, MBA obtained a BSc(Econ) from the London School of Economics before spending three years as a research economist for the Saudi Government. He graduated from Columbia Business School with an MBA in 1994 and subsequently worked in the corporate finance department of Price Waterhouse from 1994 before joining the Manager in 1996 to help establish its VCT operations.

Donald Maclennan, (49), B.Acc, MBA, CA qualified as a chartered accountant with KPMG in 1975, and then joined 3i plc, where he rose to the level of investment director before joining the private equity division of Gartmore plc in 1993. He joined the Manager in 1999.

Executives of the Manager and related parties will be investing not less than £91,500 under the Offers.



Track record of the Manager

The following is the performance record of the three existing VCTs managed by the Manager.

	<u>Commencement of trading</u>	<u>Total raised from investors</u>	<u>Amounts invested and reserved for investment as proportion of net funds raised⁽¹⁾</u>	<u>Dividends paid or declared to date plus net asset value^{(2) (3)}</u>
Close Brothers Venture Capital Trust PLC				
Ordinary Shares	April 1996	£24.2m	85%	131.0 pence
"C" Shares ⁽⁴⁾	April 1997	£15.5m	85%	119.5 pence
Close Brothers Protected VCT PLC				
	April 1997	£27.9m	83%	121.8 pence
Close Brothers Development VCT PLC				
	January 1999	£14.7m	40%	97.3 pence
Total		£82.3 million		

Notes

- (1) As at 30 November 2000.
- (2) Inclusive of associated tax credit for periods up to April 1999.
- (3) Net asset value as disclosed in latest publicly disclosed information being:
 - (i) the unaudited interim accounts for the six months to 30 September 2000 in respect of Close Brothers Venture Capital Trust PLC;
 - (ii) the unaudited net asset value per share at 30 November 2000 in respect of Close Brothers Protected VCT PLC; and
 - (iii) the annual report and accounts for the year to 30 June 2000 in respect of Close Brothers Development VCT PLC.
- (4) The "C" Shares were converted into Ordinary Shares on 31 May 2000.

Deal Flow

The Manager sources its deals from a wide network of accountancy firms, corporate finance advisory specialists and other smaller company specialists throughout the UK. The Manager is currently receiving an average of 50 investment opportunities per month, about one-third of which are technology-orientated and within the Company's stated investment parameters.

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 entered into between the VCTs managed by the Manager, including the Company, where a potential investment satisfies the criteria of more than one VCT, it is allocated between the VCTs in the ratio of the funds available for investment. This is subject to no VCT being in danger of not reaching, or falling below, the required 70% of level for Qualifying Investments. In addition, the Manager has the right to co-invest the Company's funds with other technology funds advised by the Technology Adviser, where the investment policy and structure are compatible.



TECHNOLOGY ADVISER

The Manager has appointed Reabourne, with its specialist team, as its Technology Adviser. Reabourne manages or acts as adviser to a total of some £255 million of technology related funds. Reabourne will advise the Manager on the technology aspects of the unquoted portion of the technology-orientated portfolio, as well as advising the Manager regarding the selection and management of the portfolio of international technology stocks in the quoted portion.

Reabourne is investment adviser to Finsbury Technology Trust PLC, a global technology investment trust, which was awarded first place both in Standard & Poors Investment Funds Performance Awards 2000 and in the Investment Trust of the Year Award 2000. In addition, Reabourne has been awarded Technology Fund Manager of the Year in the techMARK Awards 2000. Reabourne is investment manager to the Technology and Universal Life Sciences sub-funds which form part of Close Finsbury Global Investment Funds PLC, the Consulta Technology Fund and the Pulsar Technology Fund. In addition, Reabourne advises the Finsbury Life Sciences Investment Trust PLC, the recently launched Close Finsbury EuroTech Trust and The First Close Technology Fund.

Reabourne is a subsidiary of Close Brothers Group plc and is regulated by IMRO.

The Reabourne team includes:

Michael Bourne (42) BA, ACA who founded Reabourne in 1995. He was formerly a director of Henderson Investment Management, a division of Henderson Administration Group plc, where his responsibilities included the joint fund management of two top performing funds, HTR Global Technology Unit Trust and TR Technology Plc. From 1988 and 1992 he was the fund manager of Prolific Technology Unit Trust which won Micropal awards in 1991 and 1992.

Andrew Clark, (41) PhD who jointly founded Reabourne with Michael Bourne. He was formerly a biotechnology and pharmaceutical analyst with Barings Securities Limited. He was with Smith New Court Securities Limited from 1991 to 1993 providing quantitative support and technical information for the Japanese derivatives desk.

Prior to that he was a post-doctoral research fellow at Oxford University.

AGREEMENTS WITH THE MANAGER

Management Agreement

The Company and the Manager have entered into an investment management agreement for a fixed term expiring on 31 December 2005, which may be terminated by either party on 12 months' notice given at any time thereafter. The management agreement is subject to earlier termination in the event of certain breaches or upon the insolvency of either party. Under this agreement, the Manager also provides secretarial and administrative services to the Company.

The Manager is entitled to an annual fee equal to 2.5% (plus VAT) of the value of the funds invested by the Company in both Qualifying and Non-Qualifying Investments. This fee will cover the provision of investment management services as well as all secretarial, accounting and administrative services provided by the Manager and the additional annual trail commission payable to authorised financial intermediaries. Out of this fee, the Manager will pay a fee to the Technology Adviser. Further details of the management agreement are given on page 34.

Separately, in line with common practice, the Manager retains the right to charge arrangement fees, for example, when the Manager acts as the leading or sole institutional investor, and monitoring fees, where appropriate, from companies in which the Company invests. The Manager will be responsible for external costs, such as legal and accounting fees incurred on transactions that do not proceed to completion.

Management Performance Incentive

In order to provide the Manager with an incentive to maximise the return to investors, the Company has entered into a management performance incentive arrangement with the Manager.

Under the incentive arrangement, if the net asset value per Share at the end of a financial period, when added to the aggregate dividends per Share (both revenue and capital) paid to date, exceed £1 as increased at the compound rate of 8% per annum



since the Company's commencement of trading, then the Manager will be entitled to an incentive fee equal to 20% 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 calculated annually. The first payment will be made following the financial period to 31 December 2005 and annually thereafter.

Charging of Expenses

75% of management fees will be charged to capital; the balance of all expenses will be charged to revenue.

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

DIVIDEND POLICY

In order to qualify as a venture capital trust the Company must not retain, in respect of its second and subsequent accounting periods, more than 15% of the gross income it derives from shares and securities. It is intended that the Company will pay dividends twice a year in November and May, following the announcement of the interim and final results in September and March respectively.

The first dividend payable in respect of the Shares will be the interim dividend in respect of the period ending 30 June 2001. Shareholders who invest by the first closing date of 16 January 2001 will be entitled to the whole interim dividend for the period ending 30 June 2001 whereas shareholders who invest after the first closing date will be entitled to 50% of the interim dividend for that period.

It is anticipated, assuming full subscription under the Offers and current rates of interest, that the annual revenue dividends over the first five years of the Company's life will average around 2 pence per Share. This should not, however, be regarded

as a dividend forecast. In addition, a venture capital trust is able to distribute realised capital profits and it will be the policy of the Company that the majority of such profits are distributed by way of capital dividends.

DIVIDEND REINVESTMENT SCHEME

The Directors intend to offer Shareholders the opportunity to reinvest their dividends by subscribing for new Shares in the Company. Whether a particular dividend can be invested in this way will depend on a number of factors including the size of the dividend and the effect it might have on the Company's compliance with the VCT regulations. The Dividend Reinvestment Scheme enables Shareholders to increase their total holdings in the Company without incurring dealing costs or stamp duty. The Dividend Reinvestment Scheme is entirely optional and Shareholders will be sent a Form of Election in respect of each dividend declared to which the Scheme applies showing their entitlement and requiring their confirmation that they wish to participate in the Scheme in respect of the dividend concerned.

The substantial tax reliefs detailed in Part II of this document should be available to qualifying investors reinvesting their dividends in these new Shares. **Such reliefs will not be available in any tax year where a Shareholder has already subscribed £100,000 for venture capital trust shares.** Shareholders may sell their Shares at any time through the market although they must hold them for at least 3 years to retain the income tax relief referred to on page 21 of this document. If the Company is wound up within three years of Shares being issued (pursuant to dividend reinvestment or otherwise) then Shareholders may be required to repay their initial income tax relief on those Shares.

As is explained under "Life of the Company" below, the Company's Articles of Association provide that a resolution will be put to Shareholders to consider the future of the Company at the Annual General Meeting in 2010. There is some risk, therefore, that Shareholders may not hold Shares subscribed for pursuant to the Dividend Reinvestment Scheme in later years for the required three year period. Of the other tax reliefs, any gain deferred through capital gains tax



reinvestment relief would become chargeable if the Company is wound up, subject to any further deferral relief available at that time, but dividends previously received and capital gains on the disposal of Shares on the winding up should remain tax free. Further details of the consequence of loss of the reliefs are set out in Part II of this document.

Shareholders are advised to take independent professional advice before participating in the Dividend Reinvestment Scheme, whenever it is made available to them.

LIFE OF THE COMPANY, CANCELLATION OF SHARE PREMIUM ACCOUNT, BORROWING POLICY AND ANNUAL ACCOUNTS

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 a provision requiring the Directors to propose an ordinary resolution at the Company's Annual General Meeting in 2010 to seek confirmation from Shareholders that it should continue as a venture capital trust. 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 new proposals for the reorganisation, reconstruction or voluntary winding up of the Company (as is deemed appropriate at that time) will be submitted to Shareholders.

The Directors are aware of the possibility that the Shares may trade at a discount to net asset value following Admission. The Directors consider that the Company should have the ability to purchase its Shares in the market with the aim of reducing any discount and increasing the net asset value per Share of the remaining Shares. The Companies Act 1985 provides that a public company may only purchase its own shares out of distributable profits or out of the proceeds of a fresh issue of shares made for the purpose of the purchase. Therefore, the Company intends to apply to the Court to reduce its share premium account (created on the issue of Shares pursuant to the Offers) and to

establish a new special reserve, which may be treated as a distributable profit, out of which purchases of Shares can be made in the future. The application to the Court is likely to be made shortly after the closing of the Offers.

The Articles of Association allow the Company to borrow up to an amount equal to 10% of its share capital and reserves. This power has been included to provide flexibility, should unforeseen circumstances arise in the future. There is no current intention for these borrowing powers to be used.

The Company's annual report and accounts will be made up to 31 December in each year and will normally be sent to Shareholders in March. Shareholders will also receive unaudited half year accounts which will include an interim review by the Company's auditors. The first report to be sent to the Shareholders will be the interim accounts in respect of the period ending 30 June 2001.

TAXATION

The Directors intend to conduct the affairs of the Company so that it satisfies the conditions for approval as a venture capital trust laid down in section 842AA of ICTA. The Inland Revenue has agreed to grant Close Technology & General VCT provisional approval effective from the date that the Shares are first issued.

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

Further details of the tax legislation in respect of venture capital trusts are set out in Part II of this document.

RISK FACTORS

Prospective investors should be aware that the value of Shares and the income from them can fluctuate. In addition, there is no guarantee that the market price of shares in venture capital trusts will reflect their underlying net asset value. Having regard to the Company's investment objectives and



the tax reliefs available, Close Technology & General VCT should be considered as a medium to long term investment. Investing in a venture capital trust such as Close Technology & General VCT (which in turn is investing in smaller companies) carries particular risks, some of which are set out below.

- A failure to meet the qualifying requirements for a venture capital trust could result in:
 - (i) investors being required to repay the 20% income tax relief received on subscription for Shares;
 - (ii) any capital gains tax liability deferred by investors on subscription for Shares becoming payable;
 - (iii) loss of income tax relief on dividends paid (or subsequently payable) by the Company;
 - (iv) loss of tax relief previously obtained in relation to corporation tax on capital gains made by the Company. If the Company has lost its venture capital trust status a disposal of Shares may be liable to tax on capital gains; and
 - (v) the loss of the Company's listing on the London Stock Exchange.

Further details of the taxation implications of an investment in a venture capital trust are given in Part II of this document.

- The levels and bases of taxation may change. The tax reliefs referred to in this document are those currently available and their value depends on the individual circumstances of investors. In particular, a change in the rate of capital gains tax may adversely affect the tax position of an investor who is deferring a capital gain.
- The sale of Shares within three years of subscription will cause repayment of the 20% income tax relief available upon investment.
- Any realised losses on disposal of Shares cannot be used to create an allowable loss for capital gains tax purposes. In addition, for those investors sheltering a realised capital gain, the

amount of the original gain is still chargeable on disposal of the Shares at the then prevailing rate of capital gains tax.

- Although the Shares will be listed on the Official List and traded on the London Stock Exchange, there may not be a liquid market in the Shares and there may not be two competitive market makers. It may therefore prove difficult to realise the investment. Any purchaser of existing Shares, as opposed to a subscriber for new Shares pursuant to the Offers, will not qualify for income tax relief at 20% of the amount invested or be able to defer a capital gain.
- There is no guarantee that the Company's investment strategy will be successful. The value of Shares may go down as well as up and investors may not receive back the full amount invested.
- Investee Companies will include companies undergoing significant change. Such businesses are usually exposed to greater risks than established businesses.
- A significant proportion of Investee Companies will be involved in rapidly developing technologies, products and markets that are unproven and may not succeed, leading to the potential for a complete loss of value in respect of individual investments.
- 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 tax status of the Company (such as the obligation to have at least 70% by value of its investments in Qualifying Investments).
- The Company's investments will be largely in companies whose shares are not publicly traded or for which there is not a liquid market and may, therefore, be difficult to realise.
- The past performance of the Manager and the Technology Adviser is not necessarily a guide to the future performance of the Company.



THE OFFERS

Amount to be Raised under the Offers

The Shares are offered at 100 pence each payable in full upon application. Up to 25,000,000 Shares are being offered to the public under the Offers. The maximum amount receivable under the Offers is limited to £25 million before expenses. In the event that applications are received for more than 25,000,000 Shares, 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. Applicants are encouraged to submit their Application Forms early in order to be confident that their applications will be successful.

The aggregate minimum subscription level for both Offers is £3 million. If this amount has not been raised by 3 April 2001, both Offers will be withdrawn and any subscription monies received will be returned to investors. **£1.5 million of the minimum subscription has been underwritten by Close Portfolio Management Limited, a member of the Close Brothers Group.** Further details of the underwriting arrangement which, inter alia, refers to possible implications under the Code are set out in paragraph 7.2 of Part II of this document.

Personal Investment Levels

The minimum subscription per investor is £2,000 in respect of each Offer. The maximum subscription will be limited to £100,000 per person per Offer since this is the maximum investment which can be made in order to qualify for the personal tax reliefs available from an investment in a VCT.

Allotment of Shares

The Offers will open on 18 December 2000. The first allotment of Shares under the 2000/2001 Offer will be made on 16 January 2001 assuming the minimum subscription level has been reached. The 2000/2001 Offer may close at any time thereafter and is intended to close by 3.00 p.m. on 3 April 2001. There is likely to be an interim allotment of shares prior to the 2001 Budget in early to mid-March. The first closing date for the 2001/2002 Offer is 3 April 2001 and the first allotment of

Shares under the 2001/2002 Offer will be made on 6 April 2001. The 2001/2002 Offer may close any time thereafter, but in any event no later than 30 May 2001 unless previously extended.

Listing

Application has been made to the UK Listing Authority and the London Stock Exchange for the Shares to be admitted to the Official List and to trade on the London Stock Exchange respectively. The Shares will be issued in registered form, will be freely transferable and, will rank *pari passu* in all respects other than the entitlement to the interim dividend for the six months to 30 June 2001 (see page 15). It is anticipated that dealings in the Shares issued on 16 January 2001 in respect of the 2000/2001 Offer will commence on 17 January 2001, and for those issued on 3 April 2001 that dealings will commence on 4 April 2001. Dealings in Shares issued under the 2001/2002 Offer on 6 April 2001 will commence on 9 April 2001.

The Company will apply for permission for the Shares to be admitted to the CREST system and it is anticipated that Shareholders will be able to hold their 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 31 January 2001 in respect of applications received on or prior to 16 January 2001. Prior to 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 Shares in uncertificated form, it is expected that the Shares will be issued in uncertificated form by 31 January 2001 in respect of applications received on or prior to 16 January 2001.

The Company's Registrars will instruct CRESTCo to credit the appropriate electronic stock accounts of such persons with entitlements to Shares with effect from those days.

Notwithstanding any other provision of this document, the Company reserves the right to allot and issue any Shares in certificated form. In normal circumstances, the right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST), or of 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 at a rate of 2.5% on the value of successful applications submitted through them. The Manager will also offer an additional annual trail commission for a period of 5 years to authorised financial intermediaries of 0.25% on the value of Shares (at the Offer Price) subscribed by investors whose applications were submitted through them and who continue to hold Shares. The additional commission will be calculated by reference to the number of Shares held on 31 December in each year commencing on 31 December 2001 and ending on 31 December 2005. The additional commission will cease to be payable if the appointment of Close VCT Management as the investment manager of the Company is terminated.

Total Costs

The costs of the Offers (including introductory commission) are fixed at 5 % of funds raised.



PART II

TAXATION

Venture Capital Trusts: Summary of the relevant provisions in the Income and Corporation Taxes Act 1988

1. Approval

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

To obtain full unconditional approval, the conditions summarised below have to be satisfied in relation to the accounting period of the company 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 venture capital trust's next accounting period:

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

The above conditions must continue to be satisfied throughout the life of the venture capital trust.

The ordinary share capital of the venture capital trust must be quoted on the London Stock Exchange by no later than the beginning of the accounting period following that in which the application for approval is made.

The following conditions also have to be satisfied by no later than the beginning of the venture capital trust'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% by value of its investments is represented by shares or securities comprising Qualifying Investments for venture capital trust purposes; and
- (ii) at least 30% 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 on a winding up, and no present or future right 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, and the provision of legal and accounting services. A qualifying investment can also be made in a company which is the parent company of a trading group where the activities of the group, taken as a whole, consist of carrying on one or more qualifying trades one of which is carried on wholly or mainly in the United Kingdom. Qualifying Investments are limited to investments of £1 million per annum in each company.

The investee company's gross assets must not exceed £15 million immediately prior to the investment and £16 million immediately thereafter. The venture capital trust may not control the investee company.

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 part of a qualifying investment for a further five years following quotation.

2. **Taxation of a venture capital trust**

Venture capital trusts are exempt from corporation tax on chargeable gains. There is no restriction on the distribution of realised capital gains by a venture capital trust, subject to the requirements of company law. A venture capital trust 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 £100,000 in any tax year for new ordinary shares in a venture capital trust will be entitled to claim income tax relief on the investment, in the year in which the investment is made, at the rate of 20%, although this relief would be withdrawn in whole or in part should the shares be sold within three years. Relief is given by way of a deduction from the investor's income tax liability and is restricted to the amount which reduces that liability to nil.

An investor who subscribes for or acquires ordinary shares in a venture capital trust will not be liable for UK income tax on dividends paid by the venture capital trust in respect of investments up to a maximum of £100,000 in any one tax year.

Relief from capital gains tax

A disposal by an investor of ordinary shares (whether acquired by subscription for new shares or subsequent acquisition) in a venture capital trust will give rise to neither a chargeable gain nor an allowable loss for the purposes of UK capital gains tax. This relief is limited to disposals of ordinary shares acquired within the limit of £100,000 for any tax year.

An investor who is resident and ordinarily resident in the UK subscribing for new ordinary shares in a venture capital trust and in respect of which he obtains income tax relief may make a claim to defer chargeable gains realised within the period beginning 12 months before his subscription and ending 12 months after his subscription. The amount of the gain which can be deferred is limited to the amount subscribed for ordinary shares up to £100,000 in any tax year.



Investors should note that the prior gain is only deferred and the subsequent disposal of the ordinary shares in a venture capital trust, whether at a profit or a loss, will nevertheless result in the earlier gain being taxed in full at the then prevailing rate, subject to any further reinvestment of proceeds in investments qualifying for capital gains deferral relief at that time. Any loss realised on shares in a venture capital trust on which relief has been obtained will not be allowed against any other chargeable gains realised by the investor.

Loss of tax reliefs

- (i) If a company loses approval as a venture capital trust 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 venture capital trust status may (depending upon the timing of such withdrawal) result in:
 - clawback of the 20% income tax relief on subscription for new venture capital trust ordinary shares;
 - crystallisation of any capital gain deferred by investors on subscription for new venture capital trust ordinary shares. The capital gain would crystallise as at the time the venture capital trust status is withdrawn;
 - 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 venture capital trust was approved would be exempt.
- (iii) If, however, a company fails to obtain full unconditional approval as a venture capital trust, the company will be treated as if it were 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 venture capital trust are as follows:
 - loss of the 20% income tax relief on subscription for new shares;
 - 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; and
 - any capital gain for which deferral had been claimed by an investor would be treated as if it had never been deferred.

General

1. Investors who are not resident in the UK

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



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

No stamp duty or (unless shares in a venture capital trust are issued to a nominee for a clearing system or a provider of depository receipts) stamp duty reserve tax will be payable on the issue of shares in a venture capital trust.

The transfer on the sale of shares would normally be subject to ad valorem stamp duty or (if an unconditional agreement to transfer such shares is not completed by a duly stamped transfer within two months) stamp duty reserve tax generally, in each case, at the rate of 50 pence for every £100 or part of £100 of the consideration paid subject to a minimum of £5. Such duties would be payable by a person who purchases shares in a venture capital trust from the existing shareholder.



PART III

ADDITIONAL INFORMATION

1. The Company

- 1.1 The Company was incorporated in England and Wales on 21 November 2000 as Close Technology & General VCT PLC and operates under the Companies Act 1985 (the "Act") as a public company limited by Shares, with registered number 4114310.
- 1.2 On 8 December 2000, the Registrar of Companies issued the Company with a certificate under section 117 of the Act entitling it to commence business.

2. Share capital

- 2.1 The authorised share capital of the Company on incorporation was £100,000 divided into 100,000 Ordinary Shares of £1 each, of which two Ordinary Shares ("Subscriber Shares") were issued, nil paid, to the subscribers to the Memorandum of Association.
- 2.2 By ordinary and special resolutions passed on 6 December 2000:
- (i) the Share capital of the Company was sub-divided into Shares of 50 pence each and the authorised Share capital of the Company was increased to £15,000,000 by the creation of 29,700,000 Shares and 50,000 redeemable preference shares of £1 each ("Preference Shares");
 - (ii) the Directors were generally and unconditionally authorised in accordance with section 80 of the Act to exercise all the powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £14,999,998 such authority to expire on 5 December 2005 (unless previously revoked, varied or extended by the Company in general meeting);
 - (iii) the Directors were empowered (pursuant to section 95(1) of the Act) to allot or make offers or agreements to allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the authority referred to in sub-paragraph 2.2 (ii) above as if section 89(1) of the Act did not apply to any such allotment, such power to expire on 5 December 2005 (unless previously revoked, extended or varied by the Company in general meeting). This power was limited to the allotment of equity securities in connection with:
 - (a) the issue of 50,000 Preference Shares to Close Brothers Investment
 - (b) the Offers;
 - (c) an offer of equity securities by way of rights;
 - (d) any dividend reinvestment scheme which may be introduced by the Company; and
 - (e) otherwise than pursuant to sub-paragraphs (a), (b), (c) and (d) above, an offer of equity securities up to an aggregate nominal amount of 20% of the issued Ordinary Share capital of the Company immediately following the Offers;



- (iv) the Company altered its Memorandum of Association with respect to its objects;
 - (v) the Company adopted new Articles of Association;
 - (vi) the Company was authorised to make one or more market purchases (within the meaning of section 163 (3) of the Act) of Shares provided that:
 - (a) the maximum aggregate number of Shares authorised to be purchased is an amount equal to 10% of the issued Ordinary Share capital following the Offers;
 - (b) the minimum price which may be paid for a Share is 50 pence;
 - (c) the maximum price which may be paid for a Share is an amount equal to the average of the middle market prices shown in the quotations for a Share in the Official List for the five business days immediately preceding the day on which that Share is purchased or £1, whichever is the lower; and
 - (d) the authority expires on 5 May 2002; and
 - (vii) it was resolved that the amount standing to the credit of the share premium account of the Company at the date of the order to be made by the Court on the hearing for the Petition for Confirmation of this resolution be cancelled.
- 2.3 On 6 December 2000, the Subscriber Shares (as subdivided) were transferred to Patrick Reeve and Ole Bettum (who are employees of the Manager) and paid up in full in cash.
- 2.4 On 6 December 2000, 50,000 Preference Shares were allotted and issued to Close Brothers Investment and paid up as to one quarter so as to enable the Company to obtain a certificate under section 117 of the Act. Once fully paid up, the Preference Shares will be redeemed by the Company out of the proceeds of the Offers. Each of the Preference Shares which is redeemed shall automatically be redesignated on redemption as, and sub-divided into, two Shares in the authorised, but unissued capital of the Company without any further resolution or consent.
- 2.5 Save as disclosed in this paragraph 2 and paragraph 5 below, since the date of its incorporation, no Share or loan capital of the Company or any subsidiary has been issued or agreed to be issued, or (except pursuant to the Offers) is now proposed to be issued, for cash or any other consideration and no commissions, discounts, brokerages, or other special terms have been granted by the Company or any subsidiary, in connection with the issue or sale of any such capital.
- 2.6 No Share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 2.7 The Shares will be in registered form and temporary documents of title will not be issued.
- 2.8 Following admission of the Shares to the Official List and the redemption of the Preference Shares, the authorised Share capital of the Company will be £15,000,000 divided into 30,000,000 Shares of which, if the Offers are fully subscribed, 25,000,004 will have been issued and fully paid in cash. There will remain authorised but unissued a minimum of £2,499,998 of Share capital divided into 4,999,996 Shares (representing 16.67% of the authorised Share capital).
- 2.9 The Company will be subject to the continuing obligations of the London Stock Exchange 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 subparagraph 2.2 (iii) above.

3. Memorandum and Articles of Association

The Memorandum of Association of the Company provides that the Company's principal object is to carry on the business of a venture capital trust. 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 10 below.

The Articles of Association of the Company ("the Articles"), which were adopted as mentioned in paragraph 2 above, contain provisions, inter alia, to the following effect:

3.1 Voting Rights

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

3.2 Rights attaching to Preference Shares

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

3.3 Transfer of Shares

The Shares are in registered form. All transfers of Shares held in certified 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 partly paid Shares, 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.

3.4 Dividends

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



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

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

3.5 Disclosure of interest in Shares

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

The restrictions available are the suspension of voting or other rights conferred by membership in relation to meetings of the Company in respect of the relevant Shares and, additionally, in the case of a Shareholder representing at least 0.25% 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.

3.6 Distribution of assets on liquidation

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

3.7 Changes in Share capital

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



3.8 Variation of rights

Whenever the capital of the Company is divided into different classes of Shares, the rights attaching to any class may (unless otherwise provided by the terms of issue of that class) be varied or abrogated either with the consent in writing of the holders of not less than 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. The redemption of the Preference Shares is not a variation of the rights of any class of Shares.

3.9 Directors' Interests

- (i) A Director who is in any way, directly or indirectly, interested in a transaction or arrangement with the Company shall, at a meeting of the Directors, declare, in accordance with the Act, the nature of his interest.
- (ii) Provided that he has declared his interest in accordance with paragraph (i) above, a Director may be a party to or otherwise interested in any transaction or arrangement with the Company or in which the Company is otherwise interested and may be a director or other officer or otherwise interested in any body corporate promoted by the Company or in which the Company is otherwise interested. No Director so interested shall be accountable to the Company, by reason of his being a Director, for any benefit which he derives from such office or interest or any such transaction or arrangement.
- (iii) A Director shall not vote nor be counted in the quorum at a meeting of the Directors in respect of a matter in which he has any material interest otherwise than by virtue of his interest in Shares, debentures or other securities of, or otherwise in or through, the Company unless his interest arises only because the case falls within one or more of the following paragraphs:
 - (a) the giving to him of any guarantee, security or indemnity in respect of money lent or any obligation incurred by him at the request of or for the benefit of the Company or any of its subsidiary undertakings;
 - (b) the giving to a third party of any guarantee, security or indemnity in respect of a debt or an obligation of the Company or any of its subsidiary undertakings for which he has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
 - (c) any proposal concerning the subscription by him of Shares, debentures or other securities of the Company or any of its subsidiary undertakings or by virtue of his participating in the underwriting or sub-underwriting of an offer of such Shares, debentures or other securities for subscription, purchase or exchange;
 - (d) any proposal concerning any other company in which he is interested directly or indirectly, whether as an officer or Shareholder or otherwise, provided that he and any persons connected with him do not to his knowledge hold an interest in Shares representing 1% or more of any class of the equity Share capital of such company or of the voting rights available to members of the relevant company; and
 - (e) any proposal relating to an arrangement for the benefit of the employees of the Company or any subsidiary undertaking which does not award to any Director as such any privilege or advantage not generally awarded to the employees to whom such arrangement relates.



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

3.10 Remuneration of Directors

- (i) The ordinary remuneration of the Directors (other than an executive Director appointed under the Articles) shall be such amount as the Directors shall from time to time determine (provided that unless otherwise approved by the Company in general meeting the aggregate ordinary remuneration of such Directors, including fees, shall not exceed £75,000 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 reasonable 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 reasonable 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 each Annual General Meeting of the Company one third of the Directors shall retire from office. The Directors to retire will be those who have been longest in office or, in the case of those who were appointed or reappointed on the same day, will be (unless they otherwise agree) determined by lot.

A Director shall be capable of being appointed or reappointed a Director despite having attained the age of 70 or any other age and shall not be required to retire by reason of his having attained any particular age and section 293 of the Act (relating to the appointment and retirement as directors of persons who are aged 70 or over) shall not apply.

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% 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.

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") the distribution of the Company's capital profits (within the meaning of section 266(2)(c) of the Act) shall be prohibited. The Board shall establish a reserve to be called the capital reserve. During a Relevant Period, all surpluses arising from the realisation or revaluation of investments and all other monies realised on or derived from the realisation, payment off or other dealing with any capital asset in excess of the book value thereof and all other monies which are considered by the Board to be in the nature of accretion to capital shall be credited to the capital reserve. Subject to the Act, the Board may determine whether any amount received by the Company is to be dealt with as income or capital assets and, subject to the Act, any expenses, loss or liability (or provision therefor) which the Board considers to relate to a capital item or which the Board otherwise considers appropriate to be debited to the capital reserve shall be carried to the debit of the capital reserve. During a Relevant Period, all sums carried and standing to the credit of the capital reserve may be applied for any of the purposes for which sums standing to any revenue reserve are applicable except and provided that during a Relevant Period no part of the capital reserve or any other money in the nature of accretion to capital shall be transferred to the revenue reserves of the Company or be regarded or treated as profits of the Company available for distribution (as defined in 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 2010 and, if passed, to every fifth subsequent annual general meeting, proposing that the Company should continue as a venture capital trust 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 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.

4. Directors' and other interests in the Company

4.1 Save in the event that Close Portfolio Management Limited subscribes in accordance with paragraph 7(2) below, the Company is not aware of any person who, immediately following the Offers, is or will, directly or indirectly, be interested in 3% or more of the issued share capital of the Company, or who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

4.2 The Directors named below and their respective immediate families hold Shares as shown below and intend to apply for the following number of Shares under the Offers:



	Number of Shares
Dr Neil Cross	50,000
Michael Hart	50,000
Kip Meek	10,000
Lieutenant General Sir Edmund Burton, KBE	10,000

No Director, his family nor any person connected with any Director (within the meaning of section 346 of the Act) currently has any interest in the share or loan capital of the Company which is required to be notified pursuant to section 324 or section 328 of the Act or which is required to be entered in the register maintained under Section 325 of the Act, or in the case of a connected person, would have been so entered if the connected person were a Director and which is known to or could with reasonable diligence be ascertained by the Directors as at 14 December 2000 (the latest practicable date prior to the publication of this document).

- 4.3 Save as noted in paragraph 4.2 above no Shares are being reserved for allocation to existing Shareholders, Directors or employees.
- 4.4 None of the Directors has a service contract with the Company, and no such contract is proposed. The services of the Directors are provided to the Company pursuant to letters of appointment dated 7 December 2000 each of which is terminable upon three months' notice given by the Company at any time. All the Directors are non-executive.
- 4.5 No loan or guarantee has been granted or provided by the Company to any Director.
- 4.6 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.
- 4.7 It is estimated that the aggregate fees payable to the Directors by the Company for the financial period ending on 31 December 2001 under the arrangements in force at the date of this document will not exceed £60,000 in the event of the maximum subscription level under the Offers being reached and will not exceed £32,000 in the event of the minimum subscription level under the Offers being reached.
- 4.8 The Company has taken out Directors' and Officers' liability insurance for the benefit of the Directors.

5. Further information on the Directors

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

Dr Neil Cross

Current directorships

(Companies incorporated in Great Britain)

The Babraham Institute
Taylor Nelson Sofres plc
Dawson Holdings PLC
Alliance UniChem Plc
British Maritime Technology Limited
Perkins Foods PLC
RSA Adelphi Enterprises Limited



(Companies incorporated outside Great Britain)

The Bayard Fund (Cayman Islands)

Former directorships

(Companies incorporated in Great Britain)

3i Group plc
Imperial Exploitation Limited
Business in the Environment
Foundation for Science and Technology

(Companies incorporated outside Great Britain)

Gilde Venture Fund BV (Holland)
Gilde Investment Fund BV (Holland)
3iBJ Limited (Japan)
Dah Sing Financial Holdings Limited (Hong Kong)
Baring European Fund Managers Limited (Guernsey)
Babtie BMT (Asia) Ltd (Hong Kong)

Michael Hart

Current directorships

AFA Holdings PLC
ASW Holdings PLC

Kip Meek

Current directorships

Spectrum Strategy Consultants Limited
Exonet Communications SA (Greece)

Lieutenant General Sir Edmund
Burton, KBE

Former directorship

Royal Artillery Museums Limited

- 5.1 At the date of this document, none of the Directors have any unspent convictions in relation to indictable offences, nor have they been the subject of any public criticism by statutory or regulatory authorities (including recognised professional bodies). None of the Directors have been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company. None of the Directors have been declared bankrupt or have entered into an individual voluntary arrangement.
- 5.2 At the date of this document, there have been no receiverships, compulsory liquidations, creditors voluntary liquidations, administrations, company voluntary arrangements or any composition or arrangement with creditors generally or any class of creditors of any company where any Director was a director with an executive function at the time of, or within the 12 months preceding, such events.
- 5.3 At the date of this document, there have been no compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where any Director was a partner at the time of or within 12 months preceding such events and there have been no receiverships of any assets of any Director or of any partnership of which a Director was a partner at the time of or within the 12 months preceding such event.



6. Arrangements relating to the Offers

Under an agreement dated 14 December 2000 between the Company (1), the Directors (2), the Sponsor (3), the Manager (4) and Close Brothers Investment (5), the Sponsor has undertaken as agent of the Company to assist in procuring subscribers under the Offers for up to 25,000,000 Shares to raise a maximum of £25,000,000 before expenses. The Offers are conditional, inter alia, on Admission of the Shares becoming effective by not later than 5 April 2001.

Under the Offer Agreement the Company will pay Close Brothers Investment a fee of 5% on the amount subscribed for Shares. Close Brothers Investment, out of its fee, will pay the Sponsor's fees of up to 0.4 % of the gross proceeds of the Offers subject to a minimum of £15,000 and will offer a commission to recognised intermediaries usually at a rate of 2.5% of the Offer Price in respect of all applications accepted which bear the stamp of the recognised intermediary. Close Brothers Investment will also pay all other costs and expenses of or incidental to the Offers and the applications for Admission. The total costs payable by the Company, therefore, will be limited to 5% of the gross proceeds of the Offers.

7. 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 (being 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.

7.1 The Offer Agreement as described in paragraph 6 above.

7.2 An irrevocable undertaking dated 14 December 2000 given by Close Portfolio Management Limited to the Company and the Sponsor pursuant to which Close Portfolio Management Limited has irrevocably undertaken that it will by not later than 3.00 p.m. on 3 April 2001 apply under the 2000/2001 Offer for up to 1,499,999 Shares. Based on the minimum subscription, Close Portfolio Management Limited might own up to 49.99 per cent of the issued voting share capital of the company to the extent that the undertaking is not scaled down. The undertaking will be scaled down by an amount equal to the number of Shares in excess of 1,500,001 applied for under the 2000/2001 Offer and 2001/2002 Offer before 3.00 p.m. on 3 April 2001 by investors other than Close Portfolio Management Limited.

Under Rule 9 of the Code, when a person, or a group of persons acting or deemed to be acting in concert, acquire shares in a company which is subject to the Code and such shares, when taken together with shares, if any, already held, would result in such person or group holding shares carrying 30% or more of the voting rights, such person or group would normally be obliged to make a general offer to all other shareholders for the remaining issued equity shares in the capital of that company. For these purposes Close Portfolio Management Limited and amongst others any other member of the Close Brothers Group and any discretionary clients of Close Brothers Group could constitute a concert party. The Panel on Take-overs and Mergers has agreed to waive any requirement for Close Portfolio Management Limited, or such other persons who will be deemed to be acting in concert with it for the purposes of the Code, to make a general offer under Rule 9 of the Code where such obligation would otherwise have arisen as a result of any application for Shares referred to in the paragraph above or pursuant to the Offers. The Code will, however, apply to any subsequent acquisition of Shares by Close Portfolio Management Limited or any other persons deemed to be acting in concert with it.



The attention of potential applicants under the Offers is drawn to the fact that if Close Portfolio Management Limited or any other person acting in concert with it for the purposes of the Code or individually at any time becomes a holder of Shares carrying more than 50% of the voting rights of the Company they will be entitled to increase their shareholding without triggering any obligation under Rule 9 of the Code to make a general offer to other shareholders of the Company.

- 7.3 An agreement (the "Management Agreement") dated 14 December 2000 between the Company (1) and Close VCT Management (2) whereby Close VCT Management will provide or procure 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 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 will offer an additional annual commission to authorised financial intermediaries of 0.25% of the value, at the Offer Price, of Shares subscribed by investors whose applications were submitted through them and who continue to hold Shares. The additional commission will be calculated by reference to the number of Shares held on 31 December in each year commencing on 31 December 2001 and ending 31 December 2005 in respect of Shares issued pursuant to the Offers. 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 8% per annum (compounding annually), since the Company's commencement of trading, then the Manager will be entitled to an incentive fee equal in value to 20% 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 being in respect of the periods to 31 December 2005. 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 December 2005 (if the date of termination is prior to such date) and otherwise as at 31 December in the year following termination (excluding in each case any value attributable to investments made following the date of termination).

The Management Agreement is for an initial fixed period expiring on 31 December 2005 and is terminable by either party at any time thereafter 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 December 2005. 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 the Financial Services Act 1986 or the rules of The Securities and Futures Authority Limited.

- 7.4 An agreement dated 14 December 2000 between Close Brothers Venture Capital Trust PLC (1), Close Brothers Protected VCT PLC (2), Close Brothers Development VCT PLC (3), the Company (4) and the Manager (5) relating to the allocation of investment opportunities as described on page 13.

8. General

- 8.1 The principal place of business and registered office of the Company is at 12 Appold Street, London EC2A 2AW. The Company does not have, nor has it had since incorporation, any employees.
- 8.2 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 Offers, as stated in paragraph 6 above, and may also be entitled to receive commission in its capacity as a recognised intermediary. The Manager and Close Brothers Investment 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 6 and 7.3 above.

Save as disclosed in this paragraph and in paragraphs 6 and 7 above, no amount or benefit has been paid or given to any promoters and none is intended to be paid or given.

- 8.3 The Company has not traded since the date of incorporation. No accounts for the Company have been made up and no dividends have been paid.
- 8.4 The Company has not, since incorporation, been engaged in any legal or arbitration proceedings which may have or have had a significant effect on the Company's financial position and no legal or arbitration proceedings are known to the Directors to be pending or threatened against the Company.
- 8.5 The Offers are sponsored by Brewin Dolphin Securities Limited, which is regulated by the SFA. The principal place of business of the Sponsor is 5 Giltspur Street, London EC1A 9BD. The Manager is Close VCT Management, which is regulated by the SFA and whose principal place of business is 12 Appold Street, London EC2A 2AW.
- 8.6 The initial issue price of 100 pence per Share represents a premium of 50 pence over the nominal value of such Shares and is payable in full on application.
- 8.7 The Offers are not underwritten save as disclosed in paragraph 7.2. The expenses of and incidental to the Offers and the listing of the Shares, including registration and listing fees, printing, advertising and distribution costs, legal and accounting fees and expenses, will amount to 5% of the gross proceeds of the Offers (including irrecoverable VAT) and are payable by the Company. If the maximum of £25 million is raised under the Offer, the net proceeds will amount to £23.75 million. If the minimum of £3.0 million is raised, the net proceeds will be £2.85 million. The net proceeds will be applied in accordance with the Company's investment strategy and to redeem the Preference Shares.
- 8.8 Independent market makers will be offered the opportunity to subscribe for Shares under the Offers.



- 8.9 Deloitte & Touche of Stonecutter Court, 1 Stonecutter Street, London EC4R 4TR have been the only auditors of the Company since its incorporation.
- 8.10 The Company has given notice to the Registrar of Companies, pursuant to section 266 of the Act, of its intention to carry on business as an investment company which will enhance its ability to pay dividends out of income. Whilst it is an investment company, the Company's Articles of Association are required to preclude it from distributing capital profits. If and when capital profits are realised which the Directors consider it appropriate to distribute by way of dividend (for example on the disposal of a successful investment), the Directors would anticipate revoking this status, whereupon the prohibition in the Company's Articles against distributing capital profits will automatically terminate.
- 8.11 The UK Listing Authority requires that no more than 20% of a venture capital trust's gross assets be invested in the securities of property companies and that none of the Company's investments, other than in a venture capital trust or a company which would qualify as a venture capital trust, if it were listed, represents more than 15% by value of the Company's investments. Moreover, a venture capital trust must satisfy the UK Listing Authority that its directors and any investment managers have sufficient and satisfactory experience in the management of investments of the type in which the venture capital trust proposes to invest. In particular, the managers must demonstrate that they have experience of managing a venture capital fund or funds of at least the value which the venture capital trust proposes to manage over at least a three year period. The venture capital trust's board of directors must be able to demonstrate that it will act independently of any investment managers of the venture capital trust. A majority of the board must not be directors or employees, or former directors or employees of, or professional advisers to, the investment managers or any other company in the same group as the investment managers. The UK Listing Authority also requires that, until such time as the Company has obtained approval as a venture capital trust from the Inland Revenue, it will not control the companies in which it invests in such a way as to render them subsidiary undertakings.

Close Technology & General VCT will meet the above conditions and will continue to meet them.

9. Significant Changes

There have been no significant changes in the financial or trading position of the Company since it was incorporated.

10. Documents for Inspection

Copies of the following documents are available for inspection at the offices of Osborne Clarke OWA, Hillgate House, 26 Old Bailey, London EC4M 7HW during normal business hours on any weekday (Saturdays and public holidays excepted) for a period of 14 days from the date of this document.

- (a) the Memorandum and Articles of Association of the Company;
- (b) the material contracts referred to in paragraph 7 above; and
- (c) the mini prospectus relating to the Company.

Dated 15 December 2000



PART IV

THE DIVIDEND REINVESTMENT SCHEME

Terms of the Dividend Reinvestment Scheme (“the Scheme”)

1. Election to participate

Shareholders on the register of members at the close of business on the record date for each dividend for which the Scheme is offered may, subject to the terms set out below, by signing and returning a Form of Election, elect to reinvest their dividend in new Shares credited as fully paid instead of receiving the dividend in cash.

Shareholders may only elect for the Dividend Reinvestment Scheme in respect of the whole of their shareholding. If an election for the Dividend Reinvestment Scheme is made, the amount of the dividend and the associated tax credit will be held in trust for 14 days before the reinvestment is made during which time the Form of Election may be revoked.

2. Fractional entitlements

No Shareholders participating in the Scheme (“Participants”) can receive a fraction of a new Share. Any fractional entitlement to a relevant dividend which has not been reinvested will be paid to the Company to help defray the costs of the Dividend Reinvestment Scheme.

3. Basis of allotment

The entitlement of a Participant to new Shares in respect of a particular dividend will be calculated on the basis of the amount of the dividend per Share and the greater of the net asset value per Share and the share price. This price will be equal to the higher of the net asset value per Share as disclosed in the most recent interim or annual accounts, and the average of the middle market quotations for a Share derived from the London Stock Exchange Daily Official List for the five consecutive dealing days commencing on the ex-dividend date for that dividend.

In order to protect Participants against any major and sudden fall in share prices, elections will automatically lapse in respect of a particular dividend if the price of a Share on the business day prior to the proposed date of issue of the new Shares has fallen by 15% or more below the price per Share mentioned above. The share price on such date will be the middle market quotation for that day derived from the London Stock Exchange Daily Official List.

4. Listing of new Shares

The Company will apply to the UK Listing Authority for all new Shares issued under the Scheme to be admitted to the Official List and to the London Stock Exchange for the new Shares to be admitted to trading on the London Stock Exchange. Subject to such admission new Shares will be issued approximately 14 days after the payment of the dividend and definitive share certificates for the new Shares will be issued and posted to Participants, at their risk, immediately after the issue of the new Shares. Dealing in the new Shares will begin as soon as is practical.

In the unlikely event that the new Shares are not admitted to the Official List or to trading on the London Stock Exchange, Participants will receive the full dividend in cash as soon as practical.



The new Shares may be held in uncertificated form.

5. Entitlement to dividends

New Shares issued under the Scheme will not usually rank for the next dividend payable by the Company. This matter will, however, be reviewed by the Directors on each occasion.

Otherwise the new Shares will rank equally with the then existing issued Shares and will qualify for all future dividends.

6. Amendment, suspension or termination

The Dividend Reinvestment Scheme may be amended, suspended or terminated by the Directors at any time without notice to Participants although advice of any such action will normally be sent to all Shareholders. The operation of the Dividend Reinvestment Scheme is subject to a Directors' decision to offer the Scheme in respect of any particular dividend and to the terms and conditions of any such offer. If the Directors decide not to make the Scheme available in respect of any particular dividend or the terms and conditions of such an offer are not satisfied, the cash dividend will be paid in the usual way.



PART V

TERMS AND CONDITIONS OF APPLICATION

- (a) The contract created by the acceptance of applications under the Offers will be conditional upon:
- (i) Admission occurring by not later than 5 April 2001; and
 - (ii) the Offer Agreement referred to in paragraph 6 of Part III becoming unconditional and not being terminated in accordance with its terms, including the minimum level of applications under the Offers of £3 million being reached.
- (b) The right is reserved by the Company to present all cheques and bankers' drafts for payment on receipt and to retain surplus application monies pending clearance of successful applicants' cheques. The Company also reserves the right to reject, in whole or in part, any application. If any application is not accepted in full or if any contract created by acceptance does not become unconditional, the application monies or, as the case may be, the balance thereof will be returned by crossed cheque in favour of the applicant, through the post at the risk of the person entitled thereto.
- (c) The right is reserved by the Company to allot Shares, for which valid applications under the 2000/2001 Offer have been received, at any time between the first closing date of 16 January 2001 and 4 April 2001. **Cheques in respect of Application Forms received prior to 31 December 2000 will not be presented for payment until 2 January 2001.**
- (d) By completing and delivering an Application Form you:
- (i) offer to subscribe for the number of Shares specified in your Application Form (or such lesser number for which your application is accepted) at the Offer price 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 prior to 30 May 2001 issue or allot any Shares which are subject to the Offers to any person other than by means of the procedures referred to in this document, your application shall not be revoked until after 30 May 2001 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 for, or have your CREST account credited in respect of, the Shares applied for unless and until you make payment in cleared funds for such Shares and such payment is accepted by the Company in its absolute discretion (which acceptance may be on the basis that you indemnify it against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and you agree that, at any time prior to the unconditional acceptance by the Company, it may (without prejudice to other rights) avoid the agreement to allot such Shares and may allot such Shares to some other person, in which case you will not be entitled to any payment in respect of such Shares;



- (iv) agree that if, following the issue of all or any Shares applied for pursuant to the Offers (the "Issued Shares"), your remittance is not honoured on first presentation, the Issued Shares shall, forthwith upon payment by Close Brothers Investment of the Offer Price of the issued Shares to the Company, be transferred to Close Brothers Investment at the Offer Price per Issued Share and any director of Close Brothers Investment 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 Brothers Investment or such other person as Close Brothers Investment 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 Brothers Investment, or such other person, in which case you will not be entitled to any payment in respect of such Shares;
- (v) agree that, in respect of those Shares for which your application has been received and is not rejected, acceptance of your application shall be constituted, at the election of the Company either (i) by notification to the UK Listing Authority of the basis of allocation (in which case acceptance shall be on that basis) or (ii) by notification of acceptance thereof to the Receiving Agent;
- (vi) agree that any monies returnable to you may be retained by the Receiving Agent pending clearance of your remittance and that such monies will not bear interest;
- (vii) subject as provided in paragraphs (iii), (iv) and (v) above, authorise the Receiving Agent to send a share certificate or credit your CREST account in respect of the number of Shares for which your application is accepted and/or to send a crossed cheque for any monies returnable, by post, at the risk of the person entitled thereto, to the address of the person named as the applicant in the Application Form;
- (viii) warrant that if you sign the Application Form on behalf of somebody else you have due authority to do so on behalf of that other person and such person will also be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained herein and undertake to enclose your power of attorney or a copy thereof duly certified by a solicitor with the Application Form;
- (ix) agree that all applications, acceptances of applications and contracts resulting therefrom under the Offers 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 Agent, or any persons authorised by them, as your agent, to do all things necessary to effect registration of any Shares subscribed by you into your name or into the name of any person in whose favour the entitlement to any such Shares has been transferred and authorise any representative of the Receiving Agent or of Close Brothers Investment to execute any document required therefor;



- (xii) agree that, having had the opportunity to read this document, you shall be deemed to have had notice of all information and representations concerning the Company contained therein;
 - (xiii) confirm and warrant that you have read and complied with paragraph (e) below;
 - (xiv) confirm that you have read the restrictions contained in paragraph (f) below and warrant as provided therein;
 - (xv) warrant that you are not under the age of 18; and
 - (xvi) agree that all documents and cheques sent by post to, by or on behalf of the Company or the Receiving Agent, will be sent at the risk of the person(s) entitled thereto.
- (e) 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, nor should he in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him 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 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 requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
- (f) The Shares have not been and will not be registered under the United States Securities Act 1933 (as amended) and, subject to certain exceptions, the Shares may not be offered, sold, renounced, transferred or delivered, directly or indirectly, in the United States or to any person in the United States. Persons subscribing for Shares shall be deemed, and (unless the Company is satisfied that Shares can be allotted without breach of United States security laws) shall be required, to represent and warrant to the Company that they are not a person in the United States and that they are not subscribing for such Shares for the account of any such person and will not offer, sell, renounce, transfer or deliver, directly or indirectly, such Shares in the United States or to any such person. As used herein, "United States" means the United States of America (including each of the States and the District of Columbia), its territories or possessions or other areas subject to its jurisdiction. In addition, the Company has not been and will not be registered under the United States Investment Company Act of 1940, as amended. The Manager will not be registered under the United States Investment Advisers Act of 1940, as amended.
- (g) 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 Offers, 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.
- (h) 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 Offers close, from the Company and from:

Close Brothers Investment Limited, 12 Appold Street, London EC2A 2AW; and

Brewin Dolphin Securities Limited, 48 St Vincent Street, Glasgow G2 5TS.



GUIDE TO THE APPLICATION FORM

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

1. **Insert your full name, address and date of birth and national insurance number in Block Capitals in Box 1.**

Applications may only be made by persons aged 18 or over.

2. **Insert in Box 2 (in figures) the number of Shares for which you are applying.** Your application in respect of each Offer must be for a minimum of 2,000 Shares at the Offer Price.
3. **Insert in Box 3 (in figures) the amount of your investment.** Your cheque(s) or bankers' draft(s) should be for this.
4. **You must affix to the completed Application Form cheque(s) or bankers' draft(s) for the full amount payable.** A separate cheque or banker's draft is required for each Offer. Your cheque or bankers' draft must be payable to "Close Technology & General VCT- Subscription A/C" for the amount payable on application inserted in Box 3 and should be crossed "A/C Payee". No receipt will be issued for this payment which must be solely for this application. Your cheque or bankers' draft must be drawn in sterling on an account at a branch (which must be in the UK, the Channel Islands or the Isle of Man) of a bank which is either a settlement member of the Cheque & Credit Clearing Company Limited or the CHAPS Town Clearing Company Limited or a member of either of the Committees of the Scottish or Belfast Clearing Houses or which has arranged for its cheques or bankers' drafts to be presented for payment through the clearing facilities provided for the members of any of those companies or committees, and must bear the appropriate sort code number in the top right hand corner. The right is reserved to reject any application in respect of which the applicant's cheques or bankers' drafts have not been cleared on first presentation. Applications may be accompanied by a cheque or bankers' draft drawn by someone other than the applicant(s), but any monies to be returned will be sent by crossed cheque in favour of the person(s) named in Box 1. **If your cheque(s) or bankers' draft(s) is/are not honoured on first presentation, any Shares issued to you may be transferred to Close Brothers Investment.**

5. **Money Laundering Regulations**

It is a term of the Offers that, to ensure compliance with the Money Laundering Regulations 1993, Close Brothers Investment may at its absolute discretion require verification of identity from any person lodging an Application Form (the "Applicant") and without prejudice to the generality of the foregoing, in particular from any person who either (i) tenders payment by way of cheque or bankers' draft drawn on an account in the name of a person or persons other than the Applicant or (ii) appears to be acting on behalf of some other person. In the former case, verification of the identity of the Applicant may be required. In the latter case, verification of the identify of any person on whose behalf the Applicant appears to be acting may be required.

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



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

- (a) 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
- (b) ask the bank or building society (if relevant) to endorse on the reverse of the draft or cheque the full name and account number of the person whose account is being debited and stamp such endorsement.

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

6. Investments made by individuals aged 18 or over, up to £100,000 per tax year (6 April to 5 April) in venture capital trusts should qualify for tax exemptions on dividends and the other venture capital trust reliefs.

If the aggregate of amounts you have already invested in venture capital trusts in the 2000/2001 tax year and the amount which you are applying to invest in Close Technology & General VCT under the Offers exceeds £100,000, you must state the amount of the excess. Similarly, if the amount you are applying to invest in the Offers and the amount you have applied to invest in any other venture capital trust in respect of the 2001/2002 tax year exceeds £100,000, you must state the amount of the excess.

7. **Sign and date the Application Form in Box 5.** The Application Form may be signed by someone else on your behalf, if duly authorised by power of attorney to do so, but any power of attorney pursuant to which it is done (or a duly certified copy thereof) must be enclosed for inspection.
8. Agents who are entitled to receive commission should stamp and complete Box 7 on the reverse of the Application Form, giving their full name and address, telephone number and details of their authorisation under the Financial Services Act 1986. The right is reserved to withhold payment of any commission if Close Brothers Investment is not, in its sole discretion, satisfied that the agent is so authorised.
9. **Dividend payments directly to Bank or Building Society Accounts.** If you would like all future dividends to be paid directly into your bank or building society account, please complete the mandate instruction form in Box 8 on the reverse of the Application Form.
10. **Share Certificates and CREST**
The Company will be applying for permission for the Shares to be transferable, following Admission, by means of the CREST System and it is anticipated that you will be able to hold your Shares in either certificated or uncertificated form. If you do not complete Box 9 on the reverse of the Application Form, a share certificate will be sent to you incorporating the details included in Box 1. If you complete Box 9 CRESTCo will be instructed to credit your electronic stock account with the appropriate number of Shares.
11. **If you have any queries on the procedure for application and payment, you should contact Close Brothers Investment or your normal financial adviser.**



12. **Delivery of Application Form**

Send the completed Application Form together with the cheque(s) or bankers' draft(s) by post, or deliver it by hand, to Close Brothers Investment Limited (Technology & General VCT), 12 Appold Street, London EC2A 2AW so as to be received no later than 3.00 p.m. on 3 April 2001.

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