

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about what action you should take, you are recommended to consult your independent financial adviser authorised under the Financial Services Act 1986 immediately or, in the case of recipients outside the United Kingdom, your stockbroker, bank manager, solicitor, accountant or other financial adviser.

If you have sold or transferred all your Gartmore Fledgling Shares, Gartmore Fledgling Warrants or Themis Fledgling Shares, please send this document together with the accompanying documents at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee. However, such documents should not be forwarded or transmitted in or into the United States, Canada, Australia or Japan.

The Gartmore Fledgling Directors (whose names appear on page 3 of this document) accept responsibility for the information contained in this document, save that the only responsibility accepted by them in respect of the information relating to Themis Fledgling (which has been extracted from published sources) is to ensure that such information has been correctly and fairly reproduced and presented. Subject as aforesaid, to the best of the knowledge and belief of the Gartmore Fledgling 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.

Dresdner Kleinwort Benson, which is regulated in the United Kingdom by The Securities and Futures Authority Limited, is acting exclusively for Gartmore Fledgling and for no-one else in connection with the Offer and will not be responsible to anyone other than Gartmore Fledgling for providing the protections afforded to customers of Dresdner Kleinwort Benson or for providing advice in relation to the Offer.

Gartmore Fledgling Index Trust plc ✓

Listing Particulars in Connection with the Offer

for the entire issued share capital of

Themis FTSE Fledgling Index Trust PLC

All statements relating to Gartmore Fledgling's and Themis Fledgling's businesses, financial positions and prospects should be viewed in light of the Year 2000 issues described in paragraph 14 of Part V of this document.

This document comprises listing particulars relating to Gartmore Fledgling and has been prepared in accordance with the listing rules made under section 142 of the Financial Services Act 1986. A copy of this document has been delivered for registration to the Registrar of Companies in England and Wales ✓ in accordance with section 149 of that Act. The definitions used in this document are set out on pages 53 to 55.

Application has been made to the London Stock Exchange for the New Gartmore Fledgling Shares to be issued pursuant to the Offer to be admitted to the Official List.

The Offer is not being made, directly or indirectly, in or into the United States, Canada, Australia or Japan and neither this document nor any of the accompanying documents will be mailed or otherwise distributed or sent to any person in the United States, Canada, Australia or Japan and may not be lodged from or by any person in the United States, Canada, Australia or Japan. The New Gartmore Fledgling Shares have not been and will not be registered under the United States Securities Act of 1933, as amended, or under any of the relevant securities laws of any state of the United States, Canada, Australia or Japan. Accordingly, unless an exemption under such Act or laws is applicable, the New Gartmore Fledgling Shares may not be offered, sold or delivered, directly, or indirectly, in or into the United States, Canada, Australia or Japan.

Dated: 11 November 1999 ✓



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DIRECTORS, INVESTMENT MANAGER AND ADVISERS

Directors

James Glynn West (*Chairman*)
John Philip Dale Hancox
James Rodier Kerr-Muir
Christopher John Poll
Nigel Whittaker

Investment Manager, Secretary and Registered Office

Gartmore Investment Limited
Gartmore House
8 Fenchurch Place
London EC3M 4PH

Financial Adviser and Sponsor

Dresdner Kleinwort Benson
20 Fenchurch Street
London EC3P 3DB

Solicitors to the Company

Stephenson Harwood
One St Paul's Churchyard
London EC4M 8SH

Auditors to the Company

PricewaterhouseCoopers
Southwark Towers
32 London Bridge Street
London SE1 9SY

Registrars to the Company

Lloyds TSB Registrars Scotland
117 Dundas Street
Edinburgh EH3 5ED

EXPECTED TIMETABLE

Last date for receipt of Forms of Proxy for the Extraordinary General Meeting	10.00 am on Saturday, 27 November 1999
Gartmore Fledgling Extraordinary General Meeting	10.00 am on Monday, 29 November 1999
First closing date of the Offer	3.00 pm on Thursday, 2 December 1999

PART I

GENERAL INFORMATION

1 Introduction

Gartmore Fledgling Index Trust plc is an investment trust, listed on the London Stock Exchange and managed by GIL. Its investment objective is to seek long term growth in capital and dividends from investment in the constituents of the FTSE Fledgling Index (ex-Investment Companies).

On 11 November 1999 Gartmore Fledgling announced the terms of an Offer, to be made by Dresdner Kleinwort Benson on behalf of Gartmore Fledgling on the terms and subject to the conditions set out in the Offer Document and Form of Acceptance, for the entire issued share capital of Themis FTSE Fledgling Index Trust PLC on the basis set out in paragraph 6 below.

Investors should rely on the contents of the whole of this document and not solely on any key points or summary information contained herein.

2 Information on Gartmore Fledgling and Themis Fledgling

Gartmore Fledgling was incorporated in October 1994 and, as at 9 November 1999, Gartmore Fledgling had gross assets of £59.8 million and net assets of £52.8 million. Gartmore Fledgling's investment objective is to seek long term growth in capital and dividends from investment in the constituents of the Fledgling Index. The manager of Gartmore Fledgling follows a policy of indexation by investing in a portfolio of securities, the characteristics of which broadly match those of the Fledgling Index. The vast majority of the constituent companies of the Fledgling Index are represented in Gartmore Fledgling's portfolio. The Gartmore Fledgling Directors do not envisage any change in this investment policy following completion of the Offer.

Themis Fledgling, an investment trust listed on the London Stock Exchange, was launched in November 1994 with the objective of matching broadly the performance of its portfolio against changes in the capital value of the Hoare Govett 1000 Index (including investment trusts) and the gross dividend yield of that index. With effect from 1 January 1999 Themis Fledgling changed its benchmark index to the Fledgling Index.

3 Current trading and prospects

Since 30 June 1999, being the date to which Gartmore Fledgling's last published annual accounts relate, the Fledgling sector has performed relatively strongly – the Fledgling Index, to which Gartmore Fledgling is benchmarked, has risen from 1,480.4 to 1,745.5, representing an increase of over 17.9 per cent.; by comparison the FTSE All-Share Index has risen by around 1.6 per cent. over the same period. As at 9 November 1999, being the latest practicable date prior to the publication of this document, Gartmore Fledgling's share price stood at 133p, at a discount of 19.5 per cent. to net asset value.

As regards the prospects for the remainder of its current financial year, Gartmore Fledgling's Directors believe that the outlook for the UK economy and continuing takeover activity in the Fledgling company sector should prove beneficial for Fledgling companies, whose shares are still generally valued at a significant discount to those of larger companies. The Gartmore Fledgling Directors believe that this should continue to have a positive effect upon Gartmore Fledgling's performance.

As at the close of business on 9 November 1999 the unaudited NAV of each Gartmore Fledgling Share was 165.25p.

The Gartmore Fledgling Directors are aware of the Year 2000 issues and believe that an acceptable state of readiness will be achieved. Further details of Year 2000 compliance are set out in paragraph 14 of Part V of this document.

4. Gartmore Fledgling's capital structure and borrowings

There are 30,435,030 Gartmore Fledgling Shares in issue following the repurchase for cancellation of 5,125,000 Gartmore Fledgling Shares since Gartmore Fledgling's flotation in 1994. In addition, there are 3,876,601 Gartmore Fledgling Warrants in issue, following the repurchase for cancellation of 3,172,165 Gartmore Fledgling Warrants during the same period. Each Gartmore Fledgling Warrant entitles the

holder to subscribe for one Gartmore Fledgling Share at a price of 100p per share on 1 December in each year up to and including 2001.

Gartmore Fledgling has £7 million of term loans which are repayable by 31 December 2001. The term loans were introduced to counter the dilutive effect of the Gartmore Fledgling Warrants on the performance of the NAV per Gartmore Fledgling Share. As at 29 October 1999 Gartmore Fledgling held cash and/or short term deposits of approximately £3.7 million.

5 Information on GIL

The Gartmore Fledgling Directors are responsible for the determination of the Company's investment policy and have overall responsibility for the Company's activities. The Gartmore Fledgling Directors have appointed GIL as the Company's manager.

GIL, established in 1969, is a wholly owned subsidiary of Gartmore Investment Management plc. Gartmore Investment Management plc is ultimately a subsidiary of National Westminster Bank plc. As at 30 June 1999 the Gartmore Group had combined funds under management of in excess of £52.7 billion.

Under its management agreement with Gartmore Fledgling, GIL receives an aggregate annual fee from Gartmore Fledgling equal to 0.8 per cent. (plus VAT) on Gartmore Fledgling's gross assets, which fee is calculated and payable monthly in arrears.

GIL's management agreement is terminable on one year's notice by either party. GIL has agreed to contribute towards the costs incurred in connection with the Offer an amount equal to 0.7 per cent. of 70 per cent. of the net assets of Themis Fledgling as at the Unconditional Date. In addition, from 1 July 2001 Gartmore Fledgling and GIL have agreed to reduce the notice period under the management agreement from twelve to six months.

6 Terms of the Offer

Dresdner Kleinwort Benson, on behalf of Gartmore Fledgling, is offering to acquire the entire issued share capital of Themis Fledgling, on the following basis:

For each Themis Fledgling Share	Such number of New Gartmore Fledgling Shares, each valued at the Gartmore Fledgling NAV, as shall have a total value equal to the Themis Fledgling FAV.
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The Themis Fledgling FAV will be calculated as at the Unconditional Date in accordance with the formula set out in Part IV of this document. The Themis Fledgling FAV will broadly represent the Themis Fledgling net asset value, including all revenue reserves and current revenue less the interim dividend of 1p per share payable to Themis Fledgling Shareholders on 3 December 1999, and less any costs incurred by Themis Fledgling in pursuance of the Offer and any compensation payable to its manager, Themis Investment Management Limited, ("TIML") and other service providers.

The Gartmore Fledgling NAV will be calculated as at the same date on a fully diluted basis in accordance with normal accounting policies of Gartmore Fledgling, including current year revenue but excluding the interim dividend of 0.45p proposed to be paid on 13 December 1999 and prior to taking account of the costs of the Offer.

Gartmore Fledgling's costs in connection with the Offer, including 0.5 per cent. stamp duty on the value of the Themis Fledgling Shares acquired under the Offer and net of GIL's contribution, are estimated to be approximately 0.56 per cent. of the combined net assets of Gartmore Fledgling and Themis Fledgling as at 9 November 1999.

Fractions of a New Gartmore Fledgling Share will not be issued and entitlements will be rounded down to the nearest whole New Gartmore Fledgling Share.

The Themis Fledgling Shares to be acquired under the Offer will be acquired free from all liens, charges, equitable interests and encumbrances and together with all rights now or subsequently attached to such shares, including the right to receive all dividends and other distributions declared, made or paid on or after 11 November 1999 except for the interim dividend of 1p per share payable on

3 December 1999 to those Themis Fledgling Shareholders on the register of members of Themis Fledgling on 5 November 1999.

The New Gartmore Fledgling Shares to be issued under the Offer will be issued credited as fully paid and will rank *pari passu* in all respects with the Gartmore Fledgling Shares then in issue. The New Gartmore Fledgling Shares will not rank for the interim dividend of 0.45p per Gartmore Fledgling Share proposed to be paid on 13 December 1999 to those Gartmore Fledgling Shareholders on the register of members of Gartmore Fledgling on 26 November 1999.

Your attention is drawn to the further details of the Offer contained in the Offer Document which accompanies these Listing Particulars, in particular the letter from Dresdner Kleinwort Benson and the conditions and further terms of the Offer set out in Appendix II of the Offer Document. The Offer will comply with the rules and regulations of the London Stock Exchange and the Code.

Value of the Offer

On the Bases and Assumptions the Offer would value the entire issued share capital of Themis Fledgling at approximately £59.04 million. Under the Offer, on the Bases and Assumptions, 44.4 million New Gartmore Fledgling Shares would be issued, representing 59.3 per cent. of the enlarged issued share capital of Gartmore Fledgling following the Offer.

Themis Fledgling Shareholder support

Gartmore Fledgling has received an irrevocable undertaking to accept the Offer from a Themis Fledgling Shareholder representing 21.1 per cent. of the current issued share capital of Themis Fledgling. In addition, letters indicating an intention to accept the Offer have been received from Themis Fledgling Shareholders representing a further 27.0 per cent. in aggregate of Themis Fledgling's current issued share capital. Taken together, this undertaking and these letters of intent received from Themis Fledgling Shareholders represent 48.1 per cent. of the current issued share capital of Themis Fledgling.

7 Future Intentions

Upon the Offer becoming wholly unconditional, the Gartmore Fledgling Directors intend to terminate the management agreement between Themis Fledgling and its manager, TIML, and appoint GIL as manager of Themis Fledgling in its place. Assuming GIL is appointed as manager in TIML's place in early December 1999, it would thereafter carry out the rebalancing of the portfolios of each of Gartmore Fledgling and Themis Fledgling in December 1999, to realign the portfolios with the changes in the Fledgling Index.

GIL has agreed that, after its appointment as manager of Themis Fledgling, its management fees on the combined portfolios of Gartmore Fledgling and Themis Fledgling will be changed so that it will receive fees at a rate equivalent to 0.8 per cent. per annum on gross assets up to £75 million and 0.5 per cent. per annum on gross assets in respect of the excess above £75 million.

The Gartmore Fledgling Directors intend, within three months of the Offer becoming wholly unconditional, to seek the approval of shareholders and warrant holders of Gartmore Fledgling to purchase about 15 per cent. of the Gartmore Fledgling Shares then in issue by means of a tender offer, at a price equal to 8 per cent. discount on the then fully diluted net asset value per Gartmore Fledgling Share. The tender offer would be on a "mix and match" basis, thereby allowing those Gartmore Fledgling Shareholders who wish to realise more than 15 per cent. of their shareholding to do so, *pro rata* to the extent that there are Gartmore Fledgling Shareholders who do not wish to sell their shares pursuant to the tender.

A further tender on the same terms is intended to be made on or before 30 June 2000.

In addition to the proposed tender offers, the Gartmore Fledgling Directors would also intend to seek the authority of Gartmore Fledgling Shareholder and Gartmore Fledgling Warrant holders to purchase up to 14.99 per cent. of its shares in issue during any financial year, commencing July 2000. The intention would be, subject to the overall discretion of the Gartmore Fledgling Directors, to buy in Gartmore Fledgling Shares from any surplus cash arising from takeovers and acquisitions of companies in Gartmore Fledgling's portfolio when its shares are trading at a discount to net asset value

of more than 10 per cent. provided that such surplus is not required to repay borrowings of Gartmore Fledgling or in the management of Gartmore Fledgling's portfolio.

In addition, the Gartmore Fledgling Directors believe that Gartmore Fledgling Shareholders should be given the opportunity to consider the continuation of Gartmore Fledgling at more frequent intervals than is currently required under Gartmore's Articles of Association (which provide for a continuation vote at the annual general meeting in 2005 and, if passed, at each fifth annual general meeting thereafter). Accordingly, the Gartmore Fledgling Directors will propose, at the time of the first tender offer, an amendment to Gartmore Fledgling's Articles of Association to require that a continuation vote is proposed at each annual general meeting of Gartmore Fledgling, commencing with the one to be held in 2001.

8 Settlement, listing and dealings

Application has been made to the London Stock Exchange for the New Gartmore Fledgling Shares to be admitted to the Official List. It is not intended to seek admission for the New Gartmore Fledgling Shares to listing on any other stock exchange. Dealings in the New Gartmore Fledgling Shares to be issued pursuant to the Offer are expected to commence on 30 November 1999 subject to the conditions of the Offer being satisfied.

The New Gartmore Fledgling Shares will be in registered form and will be issued as fully paid pursuant to the authorities contained in the Resolution referred to in paragraph 3.4 of Part V of this document and pursuant to resolutions of the Gartmore Fledgling Directors or a duly constituted committee thereof.

Temporary documents of title will not be issued and, pending the despatch of definitive certificates (or updating CREST accounts as the case may be), transfers will be certified against the register.

The New Gartmore Fledgling Shares will, when issued and fully paid, be capable of being held and transferred by means of CREST.

PART II

FINANCIAL INFORMATION ON GARTMORE FLEDGLING

Nature of the financial information

Set out in sections A to D (inclusive) of this Part II below is financial information relating to Gartmore Fledgling extracted without material adjustment from the audited statutory accounts of Gartmore Fledgling for the three financial periods to 30 June 1999. The financial information contained in this Part II does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. Statutory accounts for the periods to which the financial information relates have been delivered to the Registrar of Companies. Price Waterhouse, Registered Auditors, have reported under section 235 of the Companies Act 1985 on the accounts for the year ended 31 December 1996. PricewaterhouseCoopers, Registered Auditors, have reported under section 235 of the Companies Act 1985 on the accounts for the eighteen months ended 30 June 1998 and for the year ended 30 June 1999.

A Statement of total returns

	Notes	Year to 30 June 1999			Eighteen months to 30 June 1998			Year to 31 December 1996		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	11	—	196	196	—	7,457	7,457	—	4,352	4,352
Income	2	1,991	—	1,991	3,006	—	3,006	1,415	—	1,415
Gains on Warrant buy-backs		—	777	777	—	—	—	—	—	—
Investment management fee	3	(442)	—	(442)	(722)	—	(722)	(382)	—	(382)
Other expenses	4	(149)	—	(149)	(205)	(40)	(245)	(156)	—	(156)
Net return before Finance costs and taxation		1,400	973	2,373	2,079	7,417	9,496	877	4,352	5,229
Interest payable	6	(593)	—	(593)	(871)	—	(871)	(9)	—	(9)
Net return before taxation		807	973	1,780	1,208	7,417	8,625	868	4,352	5,220
Taxation on ordinary activities	7	(287)	—	(287)	(417)	—	(417)	(174)	—	(174)
Return on ordinary activities after taxation for the financial year		520	973	1,493	791	7,417	8,208	694	4,352	5,046
Dividends in respect of equity shares	8	(445)	—	(445)	(640)	—	(640)	(568)	—	(568)
Transfer to reserves		75	973	1,048	151	7,417	7,568	126	4,352	4,478
Return per ordinary share (basic and diluted)	10	1.57p	2.95p	4.52p	2.22p	20.86p	23.08p	1.95p	12.26p	14.21p

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

The Notes on pages 11 to 19 form part of this financial information.

B Balance sheet

		At 30 June 1999 £'000	At 30 June 1998 £'000	At 31 December 1996 £'000
	Notes			
Fixed Assets				
Investments	11	49,298	55,516	44,972
Current Assets				
Debtors	12	540	402	4,070
Short-term deposits		—	—	1,100
Bank balances		1,653	151	3,513
		<u>2,193</u>	<u>553</u>	<u>8,683</u>
Creditors: Amounts payable within one year	13	404	441	5,595
Net Current Assets		<u>1,789</u>	<u>112</u>	<u>3,088</u>
Total Assets less current liabilities		<u>51,087</u>	<u>55,628</u>	<u>48,060</u>
Creditors: Amounts payable after one year	14	7,000	7,000	7,000
Net Assets		<u>44,087</u>	<u>48,628</u>	<u>41,060</u>
Capital and Reserves				
Called-up share capital	15	7,609	8,890	8,890
Share premium account	16	—	23,162	23,161
Capital redemption reserve	16	1,281	—	—
Other reserves:				
Special reserve	16	18,706	—	—
Realised capital reserve	16	15,086	11,229	6,093
Unrealised capital reserve	16	(409)	2,475	194
Warrant reserve	16	1,384	2,517	2,518
Revenue reserve	16	430	355	204
Equity Shareholders' Funds	18	<u>44,087</u>	<u>48,628</u>	<u>41,060</u>
Net Asset Value Per Ordinary Share	19	<u>144.9p</u>	<u>136.7p</u>	<u>115.5p</u>
Net Asset Value Per Ordinary Share (Diluted)	19	<u>143.5p</u>	<u>133.8p</u>	<u>112.9p</u>

The Notes on pages 11 to 19 form part of this financial information.

C Cash Flow Statement

	Notes	Year to 30 June 1999 £'000	Eighteen months to 30 June 1998 £'000	Year to 31 December 1996 £'000
Revenue Activities				
Net dividends and interest received from investments		1,612	2,253	1,089
Interest received on deposits		76	37	18
Other interest		—	—	5
Expenses paid		(575)	(924)	(529)
Net Cash Inflow from Revenue Activities	20	<u>1,113</u>	<u>1,366</u>	<u>583</u>
Servicing of Finance				
Interest paid on fixed loan		(577)	(864)	—
Bank overdraft interest paid		(17)	(7)	(1)
Cash Outflow from Servicing of Finance		<u>(594)</u>	<u>(871)</u>	<u>(1)</u>
Taxation Recovered				
Tax credit		—	266	60
Income tax		—	3	1
Net Tax Paid		<u>—</u>	<u>269</u>	<u>61</u>
Financial Investment				
Acquisitions of investments		(18,608)	(33,881)	(13,485)
Disposals of investments		24,900	29,334	11,041
Expenses paid, allocated to capital		—	(40)	—
Net Cash Inflow/(Outflow) from Investing Activities		<u>6,292</u>	<u>(4,587)</u>	<u>(2,444)</u>
Cash Inflow/(Outflow) before use of Liquid Resources and Financing		<u>6,811</u>	<u>(3,823)</u>	<u>(1,801)</u>
Management of Liquid Resources				
Decrease/(increase) in cash placed on short-term deposits		—	1,100	(1,100)
Financing				
Proceeds from issue of Ordinary shares on exercise of Warrants		—	1	52
Financial loans		—	—	7,000
Cost of Ordinary shares bought in for cancellation		(4,456)	—	—
Cost of Warrants bought in for cancellation		(356)	—	—
Net Cash Flow (Outflow)/Inflow from Financing		<u>(4,812)</u>	<u>1</u>	<u>7,052</u>
Equity Dividends Paid				
Ordinary shares		(497)	(640)	(568)
Net Cash Inflow/(Outflow)	21	<u>1,502</u>	<u>(3,362)</u>	<u>3,583</u>

The Notes on pages 11 to 19 form part of this financial information.

D Notes to the Accounts

1. Accounting Policies

A summary of the principal accounting policies, all of which have been applied consistently, is set out below:

Basis of Accounting

The financial information has been prepared on a going concern basis under the historical cost convention as modified by the inclusion of the investments at market value.

The financial information has been prepared in accordance with applicable accounting standards and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" ("SORP").

Comparative figures

All 1998 figures reflect the results for the eighteen month period to 30 June 1998.

True and Fair Override

During the year ended 30 June 1999, the Company ceased to be an investment company within the meaning of Section 266 of the Companies Act 1985. However, it continued to conduct its affairs as an investment trust for taxation purposes under Section 842 of the Income and Corporation Taxes Act 1988 and the Articles of Association of the Company continued to prohibit capital profits from being distributed by way of dividend. Accordingly, the Directors consider it necessary to continue to present the accounts in accordance with the SORP. Under the SORP, the financial performance of the Company is presented in a statement of total return in which the revenue column is the profit and loss account of the Company. The revenue column excludes certain capital items which, since the Company is no longer an investment company, the Companies Act and/or Financial Reporting Standard 3 would ordinarily require to be included in the profit and loss account; profits and losses on disposal of investments, calculated by reference to their previous carrying amount of £362,000 (1998: £4,616,000, 1996: £2,289,000).

In the opinion of the Directors the inclusion of these items in the profit and loss account would be misleading because they would obscure and distort both the revenue and capital performance of the Company, and would not show clearly the revenue profits emerging to be distributable by way of dividend. The Directors therefore consider that these departures from the specific provisions of Schedule 4 of the Companies Act relating to the form and content of accounts for companies other than investment companies and these departures from accounting standards are necessary to give a true and fair view. The departures have no effect on total return or on the balance sheet.

Revenue

Revenue includes dividends receivable from investments marked ex-dividend on or before the balance sheet date. Franked dividends are shown inclusive of the tax credit. Deposit interest, expenses and interest payable are accounted for on an accruals basis.

Investments

Investments are treated as fixed assets and are shown in the balance sheet at valuation. The difference between book-cost and valuation is shown under Unrealised Appreciation/(Depreciation) of Investments.

Investments listed in Great Britain are valued at middle market prices at the close of business on the balance sheet date and investments quoted on the Unlisted Securities Market are valued at closing market prices on that date. Profits or losses on the realisation of investments are taken to capital reserve in accordance with the Company's Articles of Association and are not distributable.

No provision for taxation is required in respect of any realised or unrealised appreciation of investments which arises as the Company expects to qualify as an investment trust for tax purposes.

Notes to the Accounts continued.**Advance Corporation Tax**

Advance Corporation Tax on dividends paid and payable is not included as a liability in the balance sheet to the extent that UK franked dividends reflected in the accounts are available to relieve the liability. Any Advance Corporation Tax considered irrecoverable is written-off.

Warrants

The proceeds attributed to Warrants on issue are credited to Warrant reserve pending exercise or expiry of the Warrants.

When Warrants are exercised, the amounts previously recognised and credited to Warrant reserve are included in the net proceeds of shares issued and are transferred to the capital reserve account.

Winding-up

The Company has an initial life of ten years, subject to extension by ordinary resolution at the Annual General Meeting of the Company in 2005 (and at every fifth subsequent Annual General Meeting) to the effect that the Company continue as an investment trust. If such resolution is not passed and alternative proposals for the unitisation or other reconstruction of the Company are not approved, the Company will be wound up.

2. Income

	Year to 30 June 1999 £'000	Eighteen months to 30 June 1998 £'000	Year to 31 December 1996 £'000
Income from UK investments:			
Listed investments:			
Franked dividends	1,879	2,916	1,304
Foreign income dividends	34	54	11
UK stock dividends	2	—	—
Unfranked dividends	1	1	16
Unlisted investments:			
Franked dividends	—	—	57
	<u>1,916</u>	<u>2,971</u>	<u>1,388</u>
Interest:			
Listed investments:			
Interest on bonds	—	1	—
	<u>1,916</u>	<u>2,972</u>	<u>1,388</u>
Interest on deposits	75	34	22
Other income	—	—	5
	<u>1,991</u>	<u>3,006</u>	<u>1,415</u>

Notes to the Accounts continued.

3. Investment Management Fee

	Year to 30 June 1999 £'000	Eighteen months to 30 June 1998 £'000	Year to 31 December 1996 £'000
Investment management fee	376	614	325
Irrecoverable VAT thereon	66	108	57
	<u>442</u>	<u>722</u>	<u>382</u>

The investment management fee, payable to Gartmore Investment Limited, has been calculated monthly in arrears at 0.8 per cent. per annum of the Company's total assets, less current liabilities.

4. Other Expenses

	Year to 30 June 1999			Year to 31 December 1996		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Directors' remuneration	41	—	41	54	—	54
Auditors' remuneration	10	—	10	10	—	10
Reorganisation expenses	—	—	—	—	40	40*
General expenses	98	—	98	141	—	141
	<u>149</u>	<u>—</u>	<u>149</u>	<u>205</u>	<u>40</u>	<u>245</u>
						<u>156</u>

* Reorganisation expenses of £40,000 for 1998 were charged to realised capital reserve.

5. Directors' Remuneration

	Year to 30 June 1999 £'000	Eighteen months to 30 June 1998 £'000	Year to 31 December 1996 £'000
For services as Directors	41	42	25
Consideration paid to a third party	—	12	7
	<u>41</u>	<u>54</u>	<u>32</u>

The remuneration of the Chairman, who was the highest paid Director, was £12,000 (1998: £12,000, 1996: £10,000). The fees of the other Directors are payable at the rate of £9,000 (1998: £9,000, 1996: £7,500) each per annum. One Director waived half his remuneration for the year to 30 June 1999.

No other emoluments or pension contributions were paid to or on behalf of any Director.

6. Interest Payable

	Year to 30 June 1999 £'000	Eighteen months to 30 June 1998 £'000	Year to 31 December 1996 £'000
On sterling loan repayable within 5 years	577	862	8
On bank overdraft	16	9	1
	<u>593</u>	<u>871</u>	<u>9</u>

Notes to the Accounts continued.

7. Taxation

	Year to 30 June 1999 £'000	Eighteen months to 30 June 1998 £'000	Year to 31 December 1996 £'000
United Kingdom taxation			
Tax credits on franked dividends	287	583	272
Tax credits recoverable against expenses	—	(163)	(102)
Deferred taxation	—	—	4
Prior year credit	—	(3)	—
	<u>287</u>	<u>417</u>	<u>174</u>

8. Equity dividends

	Year to 30 June 1999 £'000	Eighteen months to 30 June 1998 £'000	Year to 31 December 1996 £'000
1st Interim paid – 0.40p (1998: 0.40p, 1996: 0.60p)			
Ordinary shares	141	142	213
2nd Interim paid – Nil (1998: 0.40p, 1996: nil)	—	142	—
Proposed final – 1.00p (1998: 1.00p, 1996: 1.00p)	304	356	355
	<u>445</u>	<u>640</u>	<u>568</u>

9. Total Return per Ordinary Share

The Total Return per Ordinary share is calculated on a return for the period to Ordinary shareholders of £1,493,000 (1998: £8,208,000, 1996: £5,046,000) and the weighted average of Ordinary shares in issue during the period of 33,018,412 (1998: 35,559,419, 1996: 35,511,638).

10. Revenue Return per Ordinary Share

Revenue return per Ordinary share is calculated on a return of £520,000 (1998: £791,000, 1996: £694,000) for the period and the weighted average of 33,018,412 (1998: 35,559,419, 1996: 35,511,638) Ordinary shares in issue.

Notes to the Accounts continued.

11. Investments

	1999 £'000	1998 £'000	1996 £'000
(i) Movement of investments held as fixed assets:			
Book cost brought forward	53,041	44,778	35,490
Acquisitions at cost	18,611	28,726	16,640
Proceeds of disposals	(25,025)	(25,639)	(11,496)
Net profit on disposals	3,080	5,176	4,144
Disposals at cost	(21,945)	(20,463)	(7,352)
Book-cost at 30 June/31 December	49,707	53,041	44,778
Unrealised (depreciation)/appreciation	(409)	2,475	194
Valuation at 30 June/31 December	49,298	55,516	44,972
(ii) Analysis of investments at valuation:			
Listed in Great Britain at market value	49,298	55,449	44,342
Unlisted in Great Britain	—	67	630
	49,298	55,516	44,972
(iii) Analysis of gains/(losses) on investments at 30 June/ 31 December:			
Net realised gains based on historical cost	3,080	5,176	4,144
Less: Amount recognised as unrealised in earlier years	(2,718)	(560)	(1,855)
Net realised gains based on carrying value at previous balance sheet date	362	4,616	2,289
Net unrealised (depreciation)/appreciation arising during the year	(166)	2,841	2,063
	196	7,457	4,352

During the year to 30 June 1999 the Company's investments are registered in the name of nominees of, and held to the order of, the Bank of New York, as custodians. During the eighteen months to 30 June 1998 and the year to 31 December 1996, the Company's investments were registered in the name of nominees and held to the order of Gartmore Money Management Limited, a company related to Gartmore Investment Limited. There were no contingent liabilities in respect of investments held at the year-end.

12. Debtors

	1999 £'000	1998 £'000	1996 £'000
Amounts receivable within one year:			
Investments sold	256	131	3,826
Prepayments	4	5	7
Taxation recoverable	—	—	103
Accrued income	280	266	134
	540	402	4,070

Notes to the Accounts continued.

13. Creditors

	1999 £'000	1998 £'000	1996 £'000
Amounts payable within one year:			
Investments purchased	—	—	5,155
Accrued expenses	100	85	85
Proposed final dividend	304	356	355
	<u>404</u>	<u>441</u>	<u>5,595</u>

14. Creditors

	1999 £'000	1998 £'000	1996 £'000
Amounts payable after one year:			
Fixed loan (unsecured)	3,600	3,600	3,600
Fixed loan (unsecured)	3,400	3,400	3,400
	<u>7,000</u>	<u>7,000</u>	<u>7,000</u>

The loans are repayable on 24 December 2001 and 31 December 2001 respectively with interest fixed at 8.27% and 8.22% for the entire term of the loan.

15. Called-up share capital

	1999 No '000	1999 £'000	1998 No '000	1998 £'000	1996 No '000	1996 £'000
Ordinary shares of 25p each						
Authorised	70,000	17,500	70,000	17,500	70,000	17,500
Allotted, called up and fully paid	<u>30,435</u>	<u>7,609</u>	<u>35,560</u>	<u>8,890</u>	<u>35,559</u>	<u>8,890</u>

The Ordinary shares, together with one Warrant for every five shares, were subscribed at 100p per share as to 32,767,105 shares in cash and 2,740,225 shares for a consideration other than cash on the Company's flotation on 20 December 1994.

During the year ended 30 June 1999 no Ordinary shares were issued against the cancellation of Warrants. During the same period the Company repurchased 5,125,000 Ordinary shares for £4,456,000 representing 14.4 per cent. of its issued share capital and 3,172,165 Warrants for £356,000 for cancellation. During the eighteen months to 30 June 1998, 1,000 Ordinary shares of 25p were issued against the cancellation of 1,000 Warrants to subscribe. During the year to 31 December 1996, 51,700 Ordinary shares of 25p each were issued against the cancellation of 51,700 Warrants to subscribe.

At 30 June 1999, there were 3,876,601 (1998: 7,048,766, 1996: 7,049,766) Warrants remaining in issue entitling the holders to subscribe for Ordinary shares at 100p per share on the basis of one Ordinary share for each Warrant held on 1 December in any of the years to 2001, the last exercise date.

Notes to the Accounts continued.

16. Changes in Share Capital and Reserves

	Share Capital £'000	Capital Redemption Reserve £'000	Share Premium £'000	Warrant Reserve £'000	Special Reserve £'000	Realised Capital Reserve £'000	Unrealised Capital Reserve £'000	Revenue Reserve £'000	Total £'000
1 January 1996	8,877	—	23,104	2,536	—	1,949	(14)	78	36,530
Movement in unrealised appreciation on investments	—	—	—	—	—	—	208	—	208
Realised gains on investments	—	—	—	—	—	4,144	—	—	4,144
Transfer from Warrant Reserve	—	—	18	(18)	—	—	—	—	—
Net Revenue return after Taxation	—	—	—	—	—	—	—	694	694
Equity Dividends	—	—	—	—	—	—	—	(568)	(568)
Issue of Ordinary shares on exercise of Warrants	13	—	—	—	—	—	—	—	13
Premium on issue of Ordinary shares	—	—	39	—	—	—	—	—	39
1 January 1997	8,890	—	23,161	2,518	—	6,093	194	204	41,060
Movement in unrealised appreciation on investments	—	—	—	—	—	—	2,281	—	2,281
Realised gains on investments	—	—	—	—	—	5,176	—	—	5,176
Reorganisation expenses	—	—	—	—	—	(40)	—	—	(40)
Transfer from Warrant Reserve	—	—	1	(1)	—	—	—	—	—
Net Revenue return after Taxation	—	—	—	—	—	—	—	791	791
Equity Dividends	—	—	—	—	—	—	—	(640)	(640)
1 July 1998	8,890	—	23,162	2,517	—	11,229	2,475	355	48,628
Share Premium Cancellation	—	—	(23,162)	—	23,162	—	—	—	—
Share Buy-backs	(1,281)	1,281	—	—	(4,456)	—	—	—	(4,456)
Warrant Buy-backs	—	—	—	—	—	(356)	—	—	(356)
Transfer of unrealised appreciation on investments sold	—	—	—	—	—	2,718	(2,718)	—	—
Movement in unrealised appreciation on investments	—	—	—	—	—	—	(166)	—	(166)
Realised gains on investments	—	—	—	—	—	362	—	—	362
Transfer from Warrant Reserve	—	—	—	(1,133)	—	1,133	—	—	—
Net Revenue return after Taxation	—	—	—	—	—	—	—	520	520
Equity dividends	—	—	—	—	—	—	—	(445)	(445)
30 June 1999	7,609	1,281	—	1,384	18,706	15,086	(409)	430	44,087

During the year to 30 June 1999, the Company repurchased 5,125,000 of its own Ordinary shares and 3,172,165 Warrants. The buy-backs of the Ordinary shares were made from the special distributable reserve arising from the cancellation of the share premium account. Legal and other costs amounting to £92,000 in respect of the share buy-backs have been charged against the special reserve.

17. Contingent Liabilities

At 30 June 1999 there were no contingent liabilities (1998: nil, 1996: nil).

Notes to the Accounts continued.

18. Reconciliation of Movements in Shareholders' Funds

	1999 £'000	1998 £'000	1996 £'000
Balance brought forward	48,628	41,060	36,530
Shares issued on exercise of warrants	—	—	52
Share buy-backs	(4,456)	—	—
Transfer from Warrant reserve	(1,133)	—	—
Distributable revenue	520	791	694
Dividends paid and payable	(445)	(640)	(568)
Capital profits	973	7,417	4,352
Balance attributable to Ordinary shares at period end	44,087	48,628	41,060
Attributable to:			
Equity interests:			
Ordinary shares	44,087	48,628	41,060

19. Net Asset Value per Ordinary Share

The Net Asset Value per Ordinary share is calculated on attributable assets of £44,087,000 (1998: £48,628,000, 1996: £41,060,000) and 30,435,030 (1998: 35,560,030, 1996: 35,559,030) Ordinary shares in issue at the year-end. The diluted Net Asset Value per Ordinary share is calculated on the additional number of Ordinary shares Warrantholders would have received on exercise compared with the number of Ordinary shares the proceeds would have purchased at the fair value of the shares, at the year-end. Accordingly, the diluted Net Asset Value per Ordinary share is calculated based on 30,722,186 Ordinary shares (1998: 36,343,226). 1998 figures have been restated. For the year ended 31 December 1996 the fully diluted Net Asset Value per Ordinary share has been calculated on 42,608,796 Ordinary shares in issue allowing for the exercise of the Warrants to subscribe for Ordinary shares.

20. Cash Flow from Revenue Activities

	1999 £'000	1998 £'000	1996 £'000
Net revenue before taxation	807	1,208	868
Stock dividends	(2)	—	—
Interest payable	593	871	9
Tax deducted at source from investment income	(287)	(584)	(276)
Increase in accrued income	(14)	(132)	(27)
Decrease in prepayments	1	2	—
Increase in accrued expenses	15	1	9
	1,113	1,366	583

Notes to the Accounts continued.

21. Analysis of Changes in Net Debt

This analysis represents the reconciliation of net cash flow to the movement in net debt in accordance with Financial Reporting Standard No.1 (revised) relating to Cash Flow Statements.

	At 30 June 1999	Cash flow	At 1 July 1998	Cash flow	As at 1 January 1997	Cash flow	As at 1 January 1996
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash at bank	1,653	1,502	151	(3,362)	3,513	3,513	—
Bank overdraft	—	—	—	—	—	70	(70)
Bank loan falling due after more than one year	(7,000)	—	(7,000)	—	(7,000)	—	(7,000)
	<u>(5,347)</u>	<u>1,502</u>	<u>(6,849)</u>	<u>(3,362)</u>	<u>3,387</u>	<u>3,583</u>	<u>(7,070)</u>

22. Derivatives and other Financial Instruments

In accordance with the Company's investment objective, the Company invests in equity shares, or securities convertible into equity shares, of UK companies. The main risks arising from the Company's pursuit of its investment objective are market price risk, credit risk and liquidity risk.

Market price risk is the possibility of financial loss to the Company arising from fluctuations in the value of its investments as a result of changes in market prices. Given the Company's objective to broadly match the performance of its benchmark index through an indexed approach, the significance of market price risk is viewed as relatively less important compared to the risk of a significant divergence between the performance of the Company and its benchmark. The Directors meet regularly with the Manager to monitor this risk element using measures such as tracking error, sector and style biases within the Company's portfolio. During the year ended 30 June 1999, the Company did not use derivative instruments to hedge its portfolio against market price risk given the Company's objective to broadly match its benchmark, the benchmark being subject to market price risk.

Credit risk is the exposure to loss from failure of a counter-party to deliver securities or cash for purchases and sales. The Company manages risk by using brokers from a database of approved brokers, who have undergone rigorous due diligence tests by the Managers' Risk Management Team.

Liquidity risk is the possibility of failure of the Company to realise assets to meet its financial liabilities. Some liquidity risk is inherent in a portfolio of smaller companies. This is minimised through a policy of investing only in listed companies and through holding a relatively large number of diverse stocks.

As disclosed in Note 14 the Company is indebted by way of two fixed loans amounting to £7,000,000. At 30 June 1999, the weighted average interest rate was 8.24% and the weighted average period for which the rate was fixed was 2.5 years. Under the terms of the loan agreement immediate repayment of the loan may be demanded should the value of the Company's Net Assets fall below £30,000,000. At 30 June 1999, the fair value of the loan was £7,319,000 based on the face value of the loans of £7,000,000 and an early repayment penalty of £319,000.

The carrying value of the Company's assets and liabilities at 30 June 1999 was the fair value, except for the loans for which the fair value is given above.

Short term debtors and creditors are not included in the above disclosures.

PART III

FINANCIAL INFORMATION ON THEMIS FLEDGLING

Nature of the financial information

Set out in sections A to D (inclusive) of this Part III below is financial information relating to Themis Fledgling extracted without material adjustment from the audited statutory accounts of Themis Fledgling for the three financial periods to 31 March 1999. Part E sets out financial information extracted without material adjustment from the unaudited interim results of Themis Fledgling for the six months ended 30 September 1999 which were published on 21 October 1999. The financial information contained in this Part III does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. Audited statutory accounts for the years to which the financial information relates have been delivered to the Registrar of Companies. Ernst & Young, Registered Auditors, have reported under section 235 of the Companies Act 1985 on the accounts for each of the years concerned.

A Statement of total return for the year ended 31 March

	Note	Revenue 1999 £'000	Capital 1999 £'000	Total 1999 £'000	Revenue 1998 £'000	Capital 1998 £'000	Total 1998 £'000	Revenue 1997 £'000	Capital 1997 £'000	Total 1997 £'000
(Losses)/gains on investment	15	—	(7,094)	(7,094)	—	4,019	4,019	—	3,738	3,738
Income	2	2,394	—	2,394	2,287	—	2,287	1,705	—	1,705
Management fees (excl. VAT)	3	(645)	—	(645)	(662)	—	(662)	(525)	—	(525)
Other expenses	3	(204)	—	(204)	(197)	—	(197)	(137)	—	(137)
Net return before tax		1,545	(7,094)	(5,549)	1,428	4,019	5,447	1,043	3,738	4,781
Tax on ordinary activities	5	(411)	—	(411)	(285)	—	(285)	(209)	—	(209)
Return on ordinary activities after tax		1,134	(7,094)	(5,960)	1,143	4,019	5,162	834	3,738	4,572
Dividends in respect of equity shares		(1,131)	—	(1,131)	(1,056)	—	(1,056)	(804)	—	(804)
Transfer to/(from) reserves	14	3	(7,094)	(7,091)	87	4,019	4,106	30	3,738	3,768
Return per Ordinary Share	6	2.26p	(14.11p)	(11.85p)	2.27p	8.00p	10.27p	2.07p	9.26p	11.33p

All revenue and capital items derive from continuing operations.

The Notes on pages 22 to 26 form part of this financial information.

B Balance Sheet

		At 31 March		
	Note	1999 £'000	1998 £'000	1997 £'000
Fixed Assets				
Investments	7	55,765	62,995	59,258
Current Assets				
Debtors and prepayments	8	962	1,047	875
Short term deposits and bank balances		1,063	701	578
		2,025	1,748	1,453
Creditors: Amounts falling due within one year	9	(1,121)	(983)	(1,057)
Net Current Assets		904	765	396
Total net assets		56,669	63,760	59,654
Capital and Reserves				
Called up Share Capital	11	12,568	12,568	12,568
Share Premium	12	40,299	40,299	40,299
Capital Reserve	13	3,642	10,736	6,717
Revenue Reserve	14	160	157	70
Total equity funds attributable to ordinary shareholders		56,669	63,760	59,654
Net Asset Value per Ordinary Share	10	112.73p	126.84p	118.67p

C Cash Flow Statement

		For the year ended 31 March		
	Note	1999 £'000	1998 £'000	1997 £'000
Net cash inflow from operating activities	16	1,093	778	727
Taxation		(274)	(83)	(53)
Capital expenditure				
Payments to acquire fixed asset investments		(29,984)	(10,865)	(37,144)
Receipts on disposal of fixed asset investments		30,035	11,032	13,987
		51	167	(23,157)
Financing				
Equity dividends paid		(1,056)	(905)	(627)
Issue of 'C' shares		—	—	23,509
Increase in cash	17	362	123	399

The Notes on pages 22 to 26 form part of this financial information.

D Notes to the Financial Statements

1. Accounting Policies

Basis of accounting

The Financial Statements are prepared under the historical cost convention as modified by the revaluation of fixed asset investments and in accordance with applicable accounting standards and the Statement of Recommended Practice "Financial Statements of Investment Trust Companies".

Revenue

The revenue account includes income and expenditure of a revenue nature. Profits and losses of a capital nature are dealt with in non-distributable capital reserves as required by the Articles of Association and the Companies Act 1985.

Dividend and other investment income is included in revenue on the date the underlying investment is marked ex-dividend. Interest receivable on deposits is dealt with on an accruals basis.

Management Fees

The investment management fee is wholly charged to revenue.

Investments

Investments, where there is a market maker, are valued at closing mid market price; otherwise they are valued at latest trading prices. The difference between cost and valuation at the balance sheet date is included as unrealised appreciation/(depreciation) in the capital reserve.

Taxation

The charge for taxation is based on the revenue for the year. Taxation deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise.

2. Analysis of Gross Revenue

	1999 £'000	1998 £'000	1997 £'000
Dividends on UK equity investments	2,228	2,202	1,640
Interest on bank deposits	117	34	63
Stock lending fees	49	51	2
	<u>2,394</u>	<u>2,287</u>	<u>1,705</u>

3. Administration Expenses

	1999 £'000	1998 £'000	1997 £'000
Management fees	645	662	525
VAT on management fees	113	116	92
Auditors' remuneration: audit fee	10	8	8
non-audit work	2	3	2
Directors' emoluments	17	10	10
Other administrative expenses	62	60	25
	<u>849</u>	<u>859</u>	<u>662</u>

4. Directors' Emoluments

Directors' emoluments of £16,889 (1998: £10,000, 1997: £10,000) relate entirely to fees.

None of the Directors has a contract of service with the Company nor has there been any contract or arrangement between the Company and any Director at any time.

Notes to the Financial Statements continued

5. Taxation

	1999 £'000	1998 £'000	1997 £'000
Taxation on franked investment income	411	440	328
Taxation credit for unrelieved management expenses	—	(155)	(119)
	<u>411</u>	<u>285</u>	<u>209</u>

Dividends payable by the Company carry a tax credit at the lower rate of income tax ruling at the time of payment. Due to a change in tax law, no tax relief is available for management expenses incurred during the year to 31 March 1999.

6. Return per Ordinary Share

Revenue Return per Ordinary Share has been calculated on the basis of 50,270,400 Ordinary Shares in issue throughout the year (1998: 50,270,400, 1997: 40,385,109), and net revenue attributable to these shares of £1,133,943 (1998: £1,142,845, 1997: £834,573).

Capital Return per Ordinary Share has been calculated on the basis of 50,270,400 Ordinary Shares in issue throughout the year (1998: 50,270,400, 1997: 40,385,109) and net capital losses for the year of £7,094,154 (gains of 1998: £4,019,446, 1997: £3,738,278).

7. Investments

	1999 £'000	1998 £'000	1997 £'000
Movement of investments held as fixed assets:			
Cost of investments at 1 April	61,214	59,054	32,490
Additions at cost	30,043	10,765	37,558
Disposals at cost	(27,182)	(8,605)	(10,994)
Cost of investments at 31 March	<u>64,075</u>	<u>61,214</u>	<u>59,054</u>
Unrealised (depreciation)/appreciation at 31 March	(8,310)	1,781	204
Valuation of investments at 31 March	<u>55,765</u>	<u>62,995</u>	<u>59,258</u>

Stock lending details:

	1999 £'000	1998 £'000	1997 £'000
Aggregate value of securities on loan at the year-end	3,945	2,633	164
Maximum aggregate value of securities on loan during the year	5,290	4,765	534
Fee income from stock lending during the year	49	51	2

8. Debtors & Prepayments

	1999 £'000	1998 £'000	1997 £'000
Dividends receivable	336	291	206
Taxation recoverable	53	327	255
Trades awaiting settlement	573	429	414
	<u>962</u>	<u>1,047</u>	<u>875</u>

Notes to the Financial Statements continued

9. Creditors: amounts falling due within one year

	1999 £'000	1998 £'000	1997 £'000
Dividends payable on Ordinary Shares	628	553	402
Trades awaiting settlement	396	337	437
Management fees	63	70	197
Other creditors	34	23	21
	<u>1,121</u>	<u>983</u>	<u>1,057</u>

10. Net asset value per ordinary share

The net asset value per Ordinary Share has been calculated on 50,270,400 Ordinary Shares in issue, representing the number of Ordinary Shares in issue at 31 March 1999, 1998 and 1997, and net assets attributable to Ordinary Shareholders of £56,669,561, 1998: £63,760,855, 1997: £59,654,000.

11. Called-up share capital

Authorised:

At 31 March 1997, 1998 and 1999

90,000,000	Ordinary Shares of 25p each	£22,500,000
1	Redeemable Preference Share of 1p	£0.01

Issued, called up and fully paid

At 31 March 1997, 1998 and 1999

50,270,400	Ordinary Shares of 25p each	£12,567,600
1	Redeemable Preference Share of 1p	£0.01

The preference share currently held by Hoare Govett Limited carries a fixed dividend of 1p per annum and carries no voting rights. This share will be redeemed at par during the current year.

12. Share premium

	1999 £'000	1998 £'000	1997 £'000
Balance as at 31 March	<u>40,299</u>	<u>40,299</u>	<u>40,299</u>

13. Capital reserve

	Realised appreciation £'000	Unrealised appreciation/ (depreciation) £'000	Total £'000
Balance at 1 April 1996	3,129	(150)	2,979
Profit on sale of investments	3,384	—	3,384
Increase in unrealised depreciation	—	354	354
Balance at 1 April 1997	6,513	204	6,717
Profit on sale of investments	2,442	—	2,442
Increase in unrealised depreciation	—	1,577	1,577
Balance at 1 April 1998	8,955	1,781	10,736
Profit on sale of investments	2,997	—	2,997
Increase in unrealised depreciation	—	(10,091)	(10,091)
At 31 March 1999	<u>11,952</u>	<u>(8,310)</u>	<u>3,642</u>

Notes to the Financial Statements continued

14. Revenue Reserve

	1999 £'000	1998 £'000	1997 £'000
Balance at 1 April	157	70	40
Retained revenue for year	3	87	30
At 31 March	160	157	70

15. Reconciliation of Movements in Shareholders' Funds

	1999 £'000	1998 £'000	1997 £'000
Return attributable to Ordinary Shareholders	1,134	1,143	834
Dividends	(1,131)	(1,056)	(804)
	3	87	30
Recognised (losses)/gains on investment portfolio	(7,094)	4,019	3,738
	(7,091)	4,106	3,768
Opening shareholders' funds	63,760	59,654	32,377
Financing during the year	—	—	23,509
Closing shareholders' funds	56,669	63,760	59,654

16. Reconciliation of Revenue before Taxation to Net Cash Inflow from Operating Activities

	1999 £'000	1998 £'000	1997 £'000
Revenue before taxation	1,545	1,428	1,043
Increase in debtors	(45)	(85)	(81)
Increase/(decrease) in creditors	4	(125)	93
Tax on investment income withheld at source	(411)	(440)	(328)
Net cash inflow from operating activities	1,093	778	727

The net cash inflow from operating activities calculation has been changed to a cash basis. Consequently, tax on investment income withheld at source has been included in this calculation, while the taxation figure on the face of the cashflow statement reflects actual cash inflows. Prior year figures have been changed to reflect this.

17. Reconciliation of Net Cashflow to Movement in Net Funds and Analysis of changes in Net Funds

	1999 £'000	1998 £'000	1997 £'000
Cash at bank and net funds at 1 April	701	578	179
Increase in cash in year	362	123	399
Cash at bank and net funds at 31 March	1,063	701	578

18. Contingent Liabilities

At 31 March 1999 there were no contingent liabilities (1998: £Nil, 1997: £Nil).

Notes to the Financial Statements continued

19. Financial Instruments

The Company's financial instruments comprise securities, cash balances and debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement and debtors for accrued income. The Company does not use derivatives.

In order that the Company may broadly match its performance against changes in the capital value of the FTSE Fledgling Index (excluding Investment Trusts) and the gross dividend yield of that Index, an objective of the investment managers is that the fund is fully invested at all times.

Associated Risks

The Company does not use any debt financing and is therefore not exposed to any liquidity or interest rate risks in this respect. All assets and liabilities are denominated in Sterling. There is no currency exposure.

The principal risks faced by the Company as a result of its financial instruments are:

(i) Liquidity Risk

Limited liquidity in small company securities may limit the ability of the Investment Manager to buy and sell desired securities on the Company's behalf. The FTSE Fledgling Index is produced by FTSE International Limited and its constituents are subject to a liquidity screen.

(ii) Market Price Risk

The Company's investment portfolio is exposed to market price fluctuations. Further information on the investment portfolio is set out in the Directors report and the portfolio analysis.

(iii) Counterparty Risk

The Company lends out stock via a stock lending programme administered by the custodian, Lloyds TSB Bank plc. There is a risk of default by counterparties to which the stock is lent. The Company manages this risk by requiring full collateral for all lending.

(iv) Settlement Risk

Trades are settled on a delivery versus payment basis. This minimises the risk of financial loss should a counterparty default. All securities and cash are held in segregated accounts by the Custodian.

Fair Value of Financial Instruments

The balance sheet and its associated notes show the fair value of all the Company's financial instruments at the year end.

Investments

Investments are valued at their quoted middle market share price where listed and at latest trading price where not.

Cash at bank and in hand, debtors and creditors

The carrying value approximates to fair value because of the short term maturity of the instruments.

20. Related Parties

Peter Meinertzhagen, who resigned as Chairman on 3 July 1998, was also Chairman of ABN AMRO Equities Holdings (UK) Limited. This was the parent company of Broadgate Investment Management Limited who were the investment managers for the period up to 3 July 1998.

The remuneration of Broadgate was on the same basis as that now received by Themis Investment Management.

From time to time the Manager purchased and sold investments through the ABN AMRO Group. Commissions paid on these transactions were not material to the Company.

E Unaudited interim results for six months ended 30 September 1999

Chairman's Statement

The Board of Themis FTSE Fledgling Index Trust PLC (the "Company") presents its interim results for the six months to 30 September 1999.

In line with the generally good performance of the small company sector during the period under review, the capital net asset value per share increased from 112.4 pence on 1 April 1999 to 135.8 pence on 30 September 1999, an increase of 20.8 per cent. This compares with a rise of 21.3 per cent. in the FTSE Fledgling Index (excluding investment trusts) on a capital gains basis, for the same period.

The Board has declared an interim dividend of 1.0 pence (net) per share on the ordinary 25p shares of the Company (1998 ~ 1.0 pence net) which is payable on 3 December 1999 to those shareholders who are registered at the close of business on 5 November 1999.

Year 2000

Many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption.

The Manager has instigated a programme to establish the precise scope of the risks posed to Themis FTSE Fledgling Index Trust by the consequence of the Year 2000 date change and to address those risks. *The Manager's strategy is to ensure that its computer systems achieve Year 2000 conformity and to require its suppliers, the Custodian and other suppliers to the Trust to ensure that their computer systems achieve the same or any equivalent standard.* The Manager is not aware of any costs associated with implementing Year 2000 Compliance which will be incurred directly by the Trust.

Share Buy-Backs

Changes to UK tax legislation from 6 April 1999 have allowed investment trust companies to buy in their own shares for cancellation without incurring any Advance Corporation Tax liability. Alterations to the Companies Act 1985, effective from 8 November 1999, will allow investment trust companies to use realised capital profits for this purpose. Accordingly, it is the intention of the Board to propose the necessary resolutions at the next Annual General Meeting to seek shareholders' authority to buy back shares in the Company. Meanwhile, the Board will continue to monitor the effect of share buy-backs as they are implemented.

P. F. Dicks
Chairman

10 Park Place
London SW1A 1LP
21 October 1999

Statement of Total Return

	Notes	Revenue 6 months to 30 September 1999 £	Capital 6 months to 30 September 1999 £	Total 6 months to 30 September 1999 £	Revenue 6 months to 30 September 1998 £	Capital 6 months to 30 September 1998 £	Total 6 months to 30 September 1998 £	Audited Total 12 months to 31 March 1999 £
Investment income		1,138,892	11,775,236	12,914,128	1,335,121	(13,098,156)	(11,763,035)	(4,865,785)
Interest receivable		30,342	—	30,342	32,778	—	32,778	116,565
Stock lending income		27,520	—	27,520	25,672	—	25,672	48,685
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
		1,196,754	11,775,236	12,971,990	1,393,571	(13,098,156)	(11,704,585)	(4,700,536)
Management fees		(362,820)	—	(362,820)	(349,714)	—	(349,714)	(645,295)
Other administrative expenses		(103,898)	—	(103,898)	(89,053)	—	(89,053)	(203,586)
Net return before price costs and taxation		730,036	11,775,236	12,505,272	954,804	(13,098,156)	(12,143,352)	(5,549,146)
Tax on ordinary activities	(1)	(113,890)	—	(113,890)	(266,880)	—	(266,880)	(410,790)
Return on ordinary activities after tax for the financial period		616,146	11,775,236	12,391,382	687,924	(13,098,156)	(12,410,232)	(5,960,206)
Dividends on equity shares	(2)	(502,704)	—	(502,704)	(502,704)	—	(502,704)	(1,131,084)
Transfer to/(from) reserves		113,442	11,775,236	11,888,678	185,220	(13,098,156)	(12,912,936)	(7,091,290)
Revenue Return per Ordinary Share		1.23p	23.42p	24.65p	1.37p	(26.06p)	(24.69p)	(11.85p)

Balance Sheet

	Unaudited At at 30 September 1999 £	Unaudited As at 30 September 1998 £	Audited As at 31 March 1999 £
Fixed Assets			
Investments	67,419,728	48,638,651	55,764,483
Current Assets			
Debtors and prepayments	1,095,995	487,094	962,505
Short term deposits and bank balances	1,048,527	2,298,566	1,063,674
	<u>2,144,522</u>	<u>2,785,660</u>	<u>2,026,179</u>
Creditors: Amounts falling due within one year	<u>(1,006,011)</u>	<u>(576,391)</u>	<u>(1,121,101)</u>
Net Current Assets	<u>1,138,511</u>	<u>2,209,269</u>	<u>905,078</u>
Total Assets			
Less Current Liabilities	<u>68,558,239</u>	<u>50,847,920</u>	<u>56,669,561</u>
Capital and Reserves			
Called up Share Capital	12,567,600	12,567,600	12,567,600
Share Premium	40,299,118	40,299,118	40,299,118
Capital Reserve	15,417,475	(2,361,763)	3,642,239
Revenue Reserve	274,046	342,965	160,604
Total Equity Shareholders' Funds	<u>68,558,239</u>	<u>50,847,920</u>	<u>56,669,561</u>
Net Asset Value per Ordinary Share	<u>136.38p</u>	<u>101.15p</u>	<u>112.73p</u>
Share Price Middle Market Quotation	<u>112.50p</u>	<u>75.50p</u>	<u>83.75p</u>

Notes to the accounts

- (1) The charge for taxation is calculated by applying the Directors' best estimate of the annual tax rate to the revenue for the period. Taxation deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise.
- (2) The Board has declared the payment on 3 December 1999 of an interim dividend of 1.0 pence (net) to ordinary shareholders (1998 – 1.0 pence) on the register at the close of business on 5 November 1999.
- (3) Copies of the interim report will be sent to shareholders and will also be available from the Company's registered office at 10 Park Place, London SW1A 1LP in early November.
- (4) The figures for the year ended 31 March 1999 are abridged from the published accounts which received an unqualified auditor's report and have been filed with the Registrar of Companies. The interim results have been prepared on the basis of the accounting policies set out in the Company's statutory financial statements for the year ended 31 March 1999.
- (5) The accounts are not the Company's statutory financial statements for the purposes of section 240 of the Company Act 1985.

PART IV

FORMULA FOR CALCULATION OF THE THEMIS FLEDGLING FAV

The Themis Fledgling FAV will be calculated as at the close of business on the Unconditional Date and shall be the amount in pence which is the result of the following fraction, rounded to four decimal places, with 0.00005 pence being rounded upwards:

$$\text{FAV equals } \frac{A - B}{C}$$

where (subject as provided in the Notes hereto):

A is the aggregate of:

- (i) the value of those investments of Themis Fledgling as at the close of business on the Unconditional Date which are listed on the London Stock Exchange and not traded under Stock Exchange Electronic Trading Service ("SETS"), calculated by reference to the middle market quotations of such investments on the Unconditional Date as shown in the Official List provided that if no such price is shown or if Gartmore Fledgling or Themis Fledgling believes that such quotation or price does not represent the fair market value, then the relevant investment shall be deemed to come within paragraph (vi) below and not this paragraph (i);
- (ii) the value of those investments of Themis Fledgling as at the close of business on the Unconditional Date which are listed on the London Stock Exchange and traded under SETS, calculated by reference to the last recorded prices at which such investments have been traded as shown in the Official List save that, where such prices differ materially from the bid and offer prices of the investments quoted on SETS as at close of business on the Unconditional Date, the value of such investments shall be adjusted to reflect their fair realisable value as determined by agreement between Dresdner Kleinwort Benson and Themis Fledgling's financial adviser (or, failing such agreement within 7 days after the Unconditional Date, as determined by an independent expert);
- (iii) the value of those investments of Themis Fledgling which are listed, quoted or dealt in on a recognised stock exchange other than the London Stock Exchange, calculated by reference to the middle market quotations or prices or the last trade prices recorded, as at the close of business on the Unconditional Date, on the principal stock exchange where the relevant investment is listed, quoted or dealt in, as shown by the relevant exchange's recognised method of publication of prices for such investments provided that, if no such price is shown or if Gartmore Fledgling or Themis Fledgling believes that such quotation or price does not represent the fair market value, then the relevant investment shall be deemed to come within paragraph (vi) below and not this paragraph (iii);
- (iv) the value of those investments of Themis Fledgling which are units in open-ended unit trusts or shares in open-ended investment companies, calculated by reference to the lower of the cancellation and the bid price quoted as at the close of business on the Unconditional Date by the manager of the relevant trust or investment company, as the case may be, for holdings of the size held by Themis Fledgling. For the avoidance of doubt, any such investments which are listed, quoted or dealt in on any recognised stock exchange shall be valued under this paragraph (iv) and not under paragraphs (i), (ii) or (iii) above;
- (v) the value of those traded options and futures contracts to which Themis Fledgling is a party as at the close of business on the Unconditional Date which are traded on a stock, commodities, financial futures or other securities exchange, calculated by reference to the official middle market closing prices on the Unconditional Date as shown by the relevant exchange's recognised method of publication of prices for such traded options and futures contracts provided that, if no such price is shown or if Gartmore Fledgling or Themis Fledgling believes that such price does not represent the fair market value, then the relevant investment shall be deemed to come within paragraph (vi) below and not this paragraph (v);
- (vi) the value of all other investments of Themis Fledgling, calculated as being their fair realisable value as at the close of business on the Unconditional Date as determined by agreement between

Dresdner Kleinwort Benson and Themis Fledgling's financial adviser (or, failing such agreement within 7 days after the Unconditional Date, as determined by an independent expert); and

- (vii) the actual amount as at the close of business on the Unconditional Date of any sums due to Themis Fledgling from debtors (including, for this purpose, any dividends or distributions receivable on investments quoted ex-dividend or ex-distribution on the Unconditional Date and any interest accrued on British Government or any other debt securities as at the Unconditional Date, and any recoverable tax credit in relation thereto, but excluding any dividend, distribution or interest not yet received which has been taken into account in the value of any of the investments referred to in paragraphs (i) to (vi) (inclusive) above), cash and deposits with or balances at banks, bills receivable and any money market instruments of Themis Fledgling (together with, in each case, accrued interest at that date less any associated tax accrual) and the fair realisable value of any other tangible or intangible assets not otherwise accounted for in paragraphs (i) to (vi) (inclusive) above, less any provision for diminution of value which may be appropriate in respect of any of the above (including provisions for bad or doubtful debts and any appropriate deduction for advance corporation tax which proves or may prove irrecoverable), each as determined by agreement between Dresdner Kleinwort Benson and Themis Fledgling's financial adviser (or, failing such agreement within 7 days after the Unconditional Date, as determined by an independent expert);

B is the aggregate of:

- (i) the principal amounts as at the close of business on the Unconditional Date of any outstanding borrowings of Themis Fledgling plus accrued interest, commitment fees and other charges up to and including that date and the higher of any premiums or penalties payable on either early or final repayment;
- (ii) the cost of termination of all existing management, secretarial and administrative arrangements in force on the Unconditional Date and all other costs, compensation or other payments made or to be made to the directors or employees of Themis Fledgling which have not been paid by the Unconditional Date, all such costs to include value added tax, where applicable;
- (iii) the costs of any dividend or other distribution of Themis Fledgling declared or announced on or before the Unconditional Date so far as not previously paid;
- (iv) all fees, costs and expenses payable by Themis Fledgling in relation to the Offer, including the amount of any professional, advisory, legal and printing fees or advertising or other expenses incurred (to include all fees and expenses in relation to the determination and verification of the Themis Fledgling FAV including any charges made by any independent expert referred to herein, if appointed), all such costs to include value added tax, where applicable;
- (v) the cost of closing as at the close of business on the Unconditional Date any open foreign exchange or other forward purchase or sale contracts of Themis Fledgling (save to the extent already taken into account in this formula);
- (vi) the cost of terminating as at the close of business on the Unconditional Date any other contracts or arrangements of Themis Fledgling whatsoever; and
- (vii) an amount which fairly reflects all other liabilities and obligations of Themis Fledgling whatsoever including a fair provision for any contingent liabilities (including any additional liabilities to taxation, whether or not deferred, and any liabilities arising on liquidation) or losses (including disputed claims) of Themis Fledgling, as at the close of business on the Unconditional Date as determined by agreement between Dresdner Kleinwort Benson and Themis Fledgling's financial adviser (or, failing such agreement within 7 days after the Unconditional Date, as determined by an independent expert); and

C is the number of Themis Fledgling Shares in issue at the close of business on the Unconditional Date.

Notes

- 1 If in the case of A(i) to (v) (inclusive) above there has been any general suspension of trading on any relevant stock, commodities, financial futures or other securities exchange or market, or if it

was closed for business on the Unconditional Date, the value of the investments, traded options or futures contracts affected shall be taken as at the close of business on the immediately preceding date on which there was trading on such exchange or market, provided that if any such date was 7 days or more before the Unconditional Date then the relevant investment, traded option or futures contract shall be deemed to come within A(vi) above and provided further that if there has been a material adverse change in the financial position of the relevant investment, traded option or futures contract since the Unconditional Date, a fair provision determined by agreement between Dresdner Kleinwort Benson and Themis Fledgling's financial adviser (or, failing such agreement within 7 days after the Unconditional Date, as determined by an independent expert) shall be made to take account of such adverse change in the value of the relevant investment.

- 2 Subject to Note 1 above, in the case of A(i) to (v) (inclusive) above:
 - (i) where no price is quoted in respect of any investment, traded option or futures contract or where dealings in such investment, traded option or futures contract have been suspended on any relevant date, the value shall be determined by agreement between Dresdner Kleinwort Benson and Themis Fledgling's financial adviser (or, failing such agreement within 7 days after the Unconditional Date, as determined by an independent expert); and
 - (ii) where any such investment, traded option or futures contract is, at the close of business on the Unconditional Date, subject to any rights of any person to acquire the same or any obligation on Themis Fledgling to dispose of the same, whether as a result of the Offer being made or becoming or being declared unconditional or otherwise, at a price less than would otherwise be determined in accordance with A(i) to (vi) (inclusive), as the case may be, such investment, traded option or futures contract shall be valued at such lesser price unless such right or obligation is unconditionally and irrevocably waived or lapses prior to the calculation of the Themis Fledgling FAV otherwise being agreed or determined.
- 3 For the purpose of the above calculation, the value of any investments, assets or liabilities denominated in currencies other than sterling shall be converted into sterling at the closing mid-point spot rate of exchange between sterling and such other currencies in London as at the close of business on the Unconditional Date as published in the Financial Times or, failing which, as certified by an independent expert.
- 4 With regard to A(vi) and (vii) above, Dresdner Kleinwort Benson and Themis Fledgling's financial adviser and, if appointed, any independent expert shall have regard, inter alia, to the following when determining the value of any investment or other asset (which shall be calculated on the basis of a notional sale by a willing seller to a willing buyer, without regard to any additional value that might be attributed to the investment or asset by any special category of potential purchaser):
 - (i) the existence or exercise of any pre-emption rights or obligations in respect of such investment or any other restrictions on the transfer or disposal of the same which may exist or which may arise as a consequence of the proposed acquisition by Gartmore Fledgling of Themis Fledgling or of the transfer of such investment to any party or of the winding-up of Themis Fledgling;
 - (ii) the terms and volumes of any recent dealings in, and marketability of, such investment or asset; and
 - (iii) the amount of any bona fide offer to acquire such investment or asset which may be made by any person and brought to the attention of Dresdner Kleinwort Benson and Themis Fledgling's financial adviser or, if appointed, any independent expert.
- 5 In agreeing any fair reasonable value in the case of A(vi) or (vii) above or the amount of any liabilities, obligations or losses in the case of B(vii) above, or in making any determination under Notes 1 or 2(i) above or Note 6, Dresdner Kleinwort Benson and Themis Fledgling's financial adviser shall act as experts and not as arbitrators and any such agreement or determination shall

be final and binding on all persons and none of them shall be under any liability to any person by reason thereof or by anything done or omitted to be done by them for the purposes thereof or in connection therewith.

- 6 If any liability referred to in B above has not been determined by the date on which the calculations and adjustments otherwise necessary to determine the Themis Fledgling FAV have been made, there shall be included in B such amount in respect of such liability as shall be considered to be an appropriate estimate by agreement between Dresdner Kleinwort Benson and Themis Fledgling's financial adviser (or, failing agreement within 7 days after the Unconditional Date, as determined by an independent expert).
- 7 The independent expert referred to in this Appendix shall be a member of the London Investment Banking Association (not connected with any of the parties to this transaction) selected by Dresdner Kleinwort Benson and Themis Fledgling's financial adviser or, in default of such selection within 14 days after the Unconditional Date, by the Chairman for the time being of the London Investment Banking Association on the application of Dresdner Kleinwort Benson and Themis Fledgling's financial adviser. Such member shall act as an expert and not as an arbitrator and his determination shall (subject to any agreement otherwise between Gartmore Fledgling and Themis Fledgling) be final and binding on all persons and such member shall not be under any liability to any person by reason of his appointment or by anything done or omitted to be done by him for the purpose of such appointment or in connection therewith.
- 8 The Themis Fledgling Directors and Themis Fledgling's auditors shall be requested to prepare the calculation of the Themis Fledgling FAV, which will be reported on by Gartmore Fledgling's auditors prior to its submission for approval by Dresdner Kleinwort Benson on behalf of Gartmore Fledgling. In the event of a dispute regarding the calculation of the Themis Fledgling FAV, such dispute will be determined by a chartered accountant selected by agreement between Gartmore Fledgling and Themis Fledgling or, in default of such agreement within 14 days after the Unconditional Date, selected by the President for the time being of the Institute of Chartered Accountants in England and Wales which chartered accountant shall act as an expert and not as an arbitrator and whose determination shall (subject to any agreement otherwise between Gartmore Fledgling and Themis Fledgling) be final and binding on all persons, provided that such chartered accountant shall (subject to any agreement otherwise between Gartmore Fledgling and Themis Fledgling) be bound by any values of investments or assets or quantification of liabilities, obligations or losses agreed between Dresdner Kleinwort Benson and Themis Fledgling's financial adviser or otherwise agreed between Gartmore Fledgling and Themis Fledgling or determined by a decision of the independent expert referred to in this Appendix in respect of any asset or investment or other asset valued by him or any liability, obligation or loss quantified by him. In the absence of any such dispute, such calculation approved by or on behalf of Gartmore Fledgling shall be final and binding on all persons.
- 9 Notwithstanding Note 8 above, if the calculation of the Themis Fledgling FAV has not been so prepared and delivered to Dresdner Kleinwort Benson for its approval by the date 7 days after the Unconditional Date or (whether or not such delivery has been so made), a final determination of the Themis Fledgling FAV has not been made by the date 14 days after the Unconditional Date then, pending such final determination, a provisional calculation of the Themis Fledgling FAV shall be prepared by Gartmore Fledgling and Dresdner Kleinwort Benson on the basis of such information as is available to them (and after making such assumptions as they consider appropriate) and shall be arithmetically checked by Gartmore Fledgling's auditors. In this event, initial consideration, equal to 85 per cent (or such higher percentage as Gartmore Fledgling and Dresdner Kleinwort Benson may agree) of the consideration which would be due were the provisional calculation referred to above correct, rounded down to the nearest whole New Gartmore Fledgling Share, shall be issued to the persons entitled thereto on the prescribed settlement date in respect of the Offer and any balance shall be issued within 7 days after the final determination referred to above has been agreed or determined in accordance with Note 8 and such agreement or determination has been notified to Gartmore Fledgling and Themis Fledgling (but not earlier than the prescribed settlement date).

- 10 Notwithstanding any of the above provisions, in the event that the valuation of any investment or asset of Themis Fledgling in accordance with any of the above provisions, or the amount of any deduction made in accordance with B above, is, in the opinion of Dresdner Kleinwort Benson and Themis Fledgling's financial adviser, incorrect or unfair they may, if they so agree, after consultation with the auditors of Gartmore Fledgling and of Themis Fledgling adopt an alternative method of valuation or deduction, as the case may be.

PART V

ADDITIONAL INFORMATION

1 Incorporation and Registration

- 1.1 The Company was incorporated and registered in England and Wales on 6 October 1994, under the name Bidreal Public Limited Company with registered number 2974633, as a public company with limited liability under the Act. The principal legislation under which the Company operates is the Act and the regulations made under the Act. The Company changed its name on 10 November 1994 to Gartmore Micro Index Trust plc and to Gartmore Fledgling Index Trust plc on 26 March 1997. Gartmore Fledgling's Shares are listed on the London Stock Exchange.
- 1.2 The Company's registered office and principal place of business is Gartmore House, 8 Fenchurch Place, London EC3M 4PH.
- 1.3 The Company is an authorised investment trust company and has been approved as such by the Inland Revenue under Section 842 of the Taxes Act for the accounting period to 30 June 1999. The Company has continued to comply with the requirements of investment trust status since that date and intends to continue to manage its affairs in such manner as to maintain its status and as an approved investment trust in respect of all relevant periods and in such a manner as to ensure that its income will consist wholly or mainly of eligible investment income as defined in Section 842 of the Taxes Act.

2 Market quotations

The following table sets out the closing middle market quotations for a Gartmore Fledgling Share and a Themis Fledgling Share, as derived from the Official List, for (i) the first dealing day in each of the six months prior to the date of this document and (ii) 10 November 1999, being the last dealing day prior to the announcement of the Offer:

Date	Gartmore Fledgling Shares (p)	Themis Fledgling Shares (p)
1 June 1999	98½	95
1 July 1999	108	100
2 August 1999	118	109
1 September 1999	116½	110½
1 October 1999	116½	112½
1 November 1999	122	113¼
10 November 1999	134	122½

3 Share and loan capital

3.1 Share capital

The Company was incorporated with an authorised share capital of £100,000 divided into 100,000 ordinary shares of £1 each of which two ordinary shares of £1 each were issued nil paid to the subscribers to the memorandum of association. As at the date of this document the Company has an authorised share capital of £17,500,000 divided into 70,000,000 ordinary shares of 25p each, of which 30,435,030 Gartmore Fledgling Shares have been issued and are fully paid.

3.2 Warrants

There are 3,876,601 Gartmore Fledgling Warrants outstanding each entitling the holder to subscribe for one Gartmore Fledgling Share at a price of 100p per share on 1 December in each year up to and including 1 December 2001. The Gartmore Fledgling Warrants were all issued on the flotation of the Company in 1994 on the basis of one Gartmore Fledgling Warrant being issued for every five Gartmore Fledgling Shares, each such Gartmore Fledgling Share having a subscription price of 100p.

- 3.3 The alterations in the share capital of Gartmore Fledgling during the three years preceding the date of this document are set out below:

Repurchases of Gartmore Fledgling Shares

Date of Repurchase	Repurchase Price per Gartmore Fledgling Share	Number of Gartmore Fledgling Shares purchased
21/12/98	79.5p	400,000
30/03/99	85.0p	4,500,000
27/05/99	97.5p	75,000
03/06/99	99.0p	75,000
10/06/99	99.0p	75,000
Total		5,125,000

Issues of Gartmore Fledgling Shares

The following Gartmore Fledgling Shares have been issued, at a price of 100p each, pursuant to the exercise of the Gartmore Fledgling Warrants by Gartmore Fledgling Warrantholders:

Date of Issue	Number of Gartmore Fledgling Shares Issued
20/12/96	51,700
10/12/97	1,000

Between 10 June 1999 and 10 November 1999 (the latest practicable date prior to publication of this document), no further Gartmore Fledgling Shares or Gartmore Fledgling Warrants have been issued.

- 3.4 The Extraordinary General Meeting of Gartmore Fledgling has been convened to consider and, if thought fit, pass the following ordinary resolution:

"THAT

- (i) the proposed acquisition by the Company of all or any part of the share capital of Themis FTSE Fledgling Index Trust PLC ("Themis Fledgling"), upon the terms and subject to the conditions of the offer set out in the Offer Document dated 11 November 1999 issued on behalf of the Company and addressed to the Shareholders of Themis Fledgling or on and subject to the terms of any amended, varied, revised, extended, additional or other offer or offers to acquire all or any part of such share capital as may be approved by the Directors of the Company (or any duly constituted committee thereof) (the "Offer"), and the entering into of such agreements or arrangements in connection with the Offer as may be approved as aforesaid, be and is hereby approved and the Directors of the Company (or any duly constituted committee thereof) be and are hereby authorised to waive, amend, vary, revise or extend any of the terms and conditions of any such offer or offers and to do all such things as they may consider necessary in connection with the same;
- (ii) subject to and conditionally upon the Offer (as defined in paragraph (i) above) becoming unconditional in all respects (other than as regards any condition relating to the passing of this Resolution):

- (a) the authorised share capital of the Company be increased from £17,500,000 to £25,000,000 by the creation of an additional 30 million ordinary shares of 25p each in the capital of the Company ("Ordinary Shares");
 - (b) the Directors be and they are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal amount of £17,391,243, in substitution for any other such authority conferred prior to the date hereof which is hereby cancelled, provided that this authority shall (unless previously revoked) expire on 10 November 2004 save that the Company shall be entitled to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry and the Directors shall be entitled to allot relevant securities pursuant to any such offer or agreement as if this authority had not expired; and
 - (iii) the Board be authorised to grant in favour of any liquidator(s) of Themis Fledgling such indemnity in connection with the liquidation of Themis Fledgling as the Board may, in its absolute discretion, consider to be in the interests of the Company."
- 3.5 Save as disclosed above:
- 3.5.1 no share or loan capital of Gartmore Fledgling has within the three years immediately preceding the date of this document been issued or been agreed to be issued fully or partly paid, either for cash or for a consideration other than cash, and no such issue is now proposed; and
 - 3.5.2 no commissions, discounts, brokerages or other special terms have been granted by Gartmore Fledgling within the three years immediately preceding the date of this document in connection with the issue or sale of any share or loan capital of any such company and all such share capital has been issued fully paid.
- 3.6 Save for the Gartmore Fledgling Warrants in issue the Company has not granted any options over its share or loan capital nor has it agreed, conditionally or unconditionally, to grant any such options.
- 3.7 Save for the issue of New Gartmore Fledgling Shares in connection with the Offer and to satisfy the exercise of the Gartmore Fledgling Warrants, the Gartmore Fledgling Directors have no present intention of issuing any further shares in the Company.

4 Summary of the memorandum and articles of association

The memorandum of association of the Company provides that the Company's principal object is to undertake and carry on the business of an investment trust company. The objects of the Company are set out in full in Clause 4 of its memorandum of association which is available for inspection at the addresses specified in paragraph 16 below.

The articles of association of the Company (the "Articles") contain provisions, inter alia, to the following effect:

(a) *Dividends*

The profits of the Company available for distribution and resolved by ordinary resolution to be so distributed shall, subject as provided in paragraph (k) below, be distributed to the members by way of dividend in accordance with their respective rights and priorities.

(b) *Winding-up*

If the Company is wound up the liquidator may, with the sanction of an extraordinary resolution and any other sanction required by the Insolvency Act 1986, divide among the members in specie or kind the whole or any part of the assets of the Company and may for such purpose set such value as he deems fair on any assets and determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with

the like sanction, vest the whole or any part of the assets in trustees upon trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any such shares or other securities on which there is any liability.

(c) *Voting*

Subject to any special rights or restrictions as to voting attached to any shares, on a show of hands every member entitled to vote who (being an individual) is present in person or (being a corporation) is present by representative or proxy, not being himself a member, shall have one vote and on a poll every member present in person (or, being a corporation, by representative) or by proxy shall have one vote in respect of each share held by him. Where any member or any other person appearing to be interested in shares held by such member has been duly served with a notice under Section 212 of the Act and is in default for 28 days after service of the notice (or 14 days where the shares concerned represent at least 0.25 per cent. in nominal value of the issued shares of the relevant class) the Company may for the duration of such default disenfranchise the shares in question.

(d) *Variation of rights and alteration of capital*

(i) The rights for the time being attached to any class of shares in the capital of the Company may be varied or abrogated (whilst the Company is a going concern or during or in contemplation of winding up) 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 the holders of the shares of the class. To every such separate meeting the provisions of the Articles relating to general meetings shall mutatis mutandis apply, except that the necessary quorum shall be two persons holding or representing by proxy at least one-third in nominal value of the issued shares of the class and at an adjourned meeting shall be one person holding shares of the class or his proxy.

(ii) The Company may by ordinary resolution increase its capital by such sum, to be divided into shares of such amounts as the resolution prescribes, consolidate and divide any shares of larger amount than its existing shares, cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and sub-divide any shares into shares of smaller amounts.

(iii) The Company may, subject to all applicable laws, by special resolution reduce its share capital and any capital redemption reserve and any share premium account in any manner.

(e) *Transfer of shares*

Shares may be transferred by instrument of transfer in any usual or common form, or in such other form as the Directors may approve, which shall be signed by or on behalf of the transferor. In the case of partly paid shares the instrument of transfer must also be signed by or on behalf of the transferee. The Articles contain no restrictions on the free transferability of fully paid shares provided that the transfer is in favour of not more than four transferees, is deposited with the Company duly stamped and accompanied by the certificate for the shares to which it relates and is in respect of only one class of share. The Directors may in their absolute discretion and without giving any reason refuse to register a transfer of any shares which is not fully paid up provided that where any such shares are admitted to the Official List, such discretion may not be exercised in such a way as to prevent dealing in the shares of that class from taking place on an open and proper basis.

(f) *Directors*

(i) Unless otherwise determined by ordinary resolution, the number of Directors (other than alternate directors) shall not be less than two nor more than six.

(ii) The Directors shall be entitled to receive fees for their services at such rate as the Directors shall determine provided that the aggregate amount of such fees shall not exceed £50,000 per annum (or such greater sum as the Company in general meeting shall from time to time determine). The Directors shall also be entitled to be paid all expenses

properly incurred by them in attending general meetings or separate meetings of the holders of any class of shares or meetings of the Board or committees of the Board or otherwise in or with a view to the performance of their duties. If by arrangement with the Board any Director shall render or perform any extra or special services or shall travel or reside abroad for any business or purposes of the Company such Director shall be entitled to receive such sum as the Board may think fit for expenses, and also such remuneration as the Board may think fit, either as a fixed sum or as a percentage of profits or otherwise either in addition to or in substitution for any other remuneration he may be entitled to receive.

- (iii) The Directors may appoint one or more of their number to be the holder of any executive office on such terms and for such period as they think fit and may revoke such appointment but so that no service contract or contract for services shall be granted by the Company or any subsidiary to any Director or proposed director otherwise than in accordance with applicable law. The appointment of any Director to such office shall (subject to the provisions of any contract between him and the Company) automatically terminate if he ceases to be a Director, but without prejudice to any claim for breach of any contract of service between the Director and the Company. A Director so appointed shall not, while he continues to hold such office, be subject to retirement by rotation nor shall he be taken into account in determining the rotation of retirement of Directors.
- (iv) A Director shall not be required to vacate his office by reason of his attaining any particular age but in the case of the appointment of a Director who has attained the age of 70 his age shall be stated in the notice convening the general meeting (or in any document accompanying the same) at which he is proposed to be elected or re-elected.
- (v) Subject to applicable law, no Director or proposed Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any other office or place of profit under the Company (other than the office of Auditor) or as vendor, purchaser or otherwise, nor shall any such contract, or any contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established, but the nature of his interest must be declared by him to the Board.
- (vi) Save as otherwise provided in the Articles, a Director shall not as a Director vote in respect of any transaction in which he has a material interest (otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise through the Company) and if he shall do so his vote shall not be counted, nor shall he be counted in the quorum present at a meeting in relation to any resolution on which he is not entitled to vote. A Director shall be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:
 - (i) the giving to any Director of any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company or any of its subsidiaries;
 - (ii) the giving by the Company or any of its subsidiaries of any security to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director himself has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
 - (iii) any contract by a Director to underwrite shares or debentures or other obligations of the Company or any other company which the Company may promote or be interested in;
 - (iv) any transaction affecting any other corporation in which he is interested, directly or indirectly and whether as an officer or shareholder or otherwise howsoever,

provided that he (together with any person connected with him within the meaning of Section 346 of the Act) is not beneficially interested in 1 per cent. or more of the issued shares of any class of such corporation (or of any third corporation through which his interest is derived) or of the voting rights available to members of the relevant corporation (any such interest being deemed for this purpose to be a material interest in all circumstances);

- (v) any act or thing done in respect of any scheme or arrangement to provide retirement or death benefits which has been approved by or is subject to and conditional on approval by the Board of Inland Revenue for taxation purposes;
- (vi) any matter concerned with any scheme or arrangement for the benefit of employees under which he benefits or may benefit in a similar manner to the employees and is not accorded as a Director any privilege or advantage not generally accorded to the employees to which such scheme or arrangement relates; and
- (vii) any matter connected with the purchase or maintenance for any Director of insurance against any liability.

Subject to the Act, the Company may by ordinary resolution suspend or relax the foregoing provisions to any extent or ratify anything not duly authorised by reason of a contravention of such provisions.

(g) *Borrowing powers*

The Board on behalf of the Company may exercise all the powers of the Company to borrow money or to guarantee and to mortgage or charge its undertaking, property and uncalled capital and (subject to applicable law) to create and issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The Board shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries (if any) so as to secure (but as regards subsidiaries only in so far as by the exercise of such rights or powers of control the Board can secure) that the aggregate amount for the time being remaining undischarged of all monies borrowed by the Company and its subsidiaries (exclusive of monies owing by one member of the group or another) shall not at any time, without the previous sanction of an ordinary resolution of the Company, exceed the higher of (i) 25 per cent. of the "Capital and Reserves", which expression means the aggregate of the amount paid up on the issued share capital for the time being of the Company and the amounts standing to the credit of the reserves of the Company and its subsidiaries (including any share premium account, capital redemption reserve, capital reserve and the amount standing to the credit of the profit and loss account after deducting any deficit on the profit and loss account) all as shown by the latest audited balance sheet of the Company and its subsidiaries but adjusted as may be necessary in respect of any variation in the paid up share capital of the Company and the reserves of the Company and its subsidiaries (including any share premium account, capital redemption reserve, capital reserve and profit and loss account) since the date of such balance sheet and further adjusted as the auditors of the Company shall consider appropriate, and (ii) a sum equivalent to (a) the total amount of monies which would be received by the Company if the subscription rights attached to all the warrants to subscribe for any shares in the Company from time to time issued by the Company had been duly exercised (and ignoring any adjustment that may be made to such subscription rights in accordance with their terms), and (b) 10 per cent. of the Capital and Reserves (as may be adjusted as provided above)

Provided that:

- (i) no such sanction shall be required for the borrowing of any sum of money applied or intended to be applied within six months of the date of borrowing in the repayment (with or without premium) of any monies then already borrowed and remaining undischarged notwithstanding that the same result in the said limit being exceeded;

- (ii) for the purposes of the said limit the issue of debentures or unsecured loan stock or loan capital shall be deemed to constitute borrowing notwithstanding that the same may be issued in whole or in part for a consideration other than cash; and
 - (iii) prior to the presentation of an audited consolidated balance sheet of the Company and its subsidiaries to the first annual general meeting of the Company such borrowing shall be limited to £5,000,000.
- (h) *Unclaimed dividends*
- If any dividends have remained unclaimed for a period of at least 12 years after having been declared or become payable, the Directors may cause the same to be forfeited in favour of the Company and after such forfeiture no member or other person shall have any right to or claim in respect of such dividend.
- (i) *Reserves*
- The Directors may, before recommending any dividend (whether preferential or otherwise), carry to reserve out of the profits of the Company (including any premiums received upon the issue of debentures or other securities of the Company) such sums as they think proper as a reserve or reserves which shall, at the discretion of the Board, be applied for any purpose to which the profits of the Company may be properly applied, and pending such application, may at the like discretion, either be employed in the business of the Company or be invested in such investments as the Directors may from time to time think fit. The Directors may also without placing the same to reserve carry forward any profits which they may think prudent not to distribute.
- (j) *Capitalisation of reserves*
- The Directors may with the authority of an ordinary resolution of the Company:
- (i) subject as hereinafter provided, resolve to capitalise any part of the undivided profits of the Company (whether or not they are available for distribution) or any part of any sum for the time being standing to the credit of any of the Company's reserve accounts (including share premium account or capital redemption reserve); and
 - (ii) appropriate the profits or sum so resolved to be capitalised as capital to the members who would have been entitled to it if it were distributed by way of dividend and in the same proportions and apply such sum on their behalf either in or towards paying up the amounts, if any, for the time being unpaid on any shares held by them respectively, or in paying up in full unissued shares or debentures of the Company of a nominal amount equal to such profits or sum, and allot the shares or debentures credited as fully paid to those members, or as they may direct, in those proportions, or partly in one way and partly in the other, provided that the share premium account, the capital redemption reserve and any profits which are not available for distribution may, for the purposes of this Article, only be applied in paying up unissued shares to be allotted to members credited as fully paid.
- (k) *Distribution of realised capital profits*
- The Directors shall establish a reserve to be called the Capital Reserve and shall either carry to the credit of such reserve from time to time all capital appreciations arising on the sale, transposition, payment off or revaluation of any investments or other capital assets of the Company in excess of the book value of the same or apply the same in providing for depreciation or contingencies. Any losses realised on the sale, transposition, revaluation or payment off of any investments or other capital assets may be debited to the Capital Reserve, except in so far as the Board may in its discretion decide to make good the same out of other funds of the Company.
- All sums carried and standing to the Capital Reserve may be applied for any purposes to which sums standing to any reserve under the provisions referred to in paragraph (i) above are applicable except that no part of the Capital Reserve or any other monies in the nature of accretion to capital shall in any event be transferred to revenue account or be regarded or treated

as profits of the Company available for distribution (as defined in Section 263(2) of the Act) or be applied in paying dividends on any shares in the Company's capital and provided that nothing shall restrict or prevent the Capital Reserve being debited with the payment of any fee (together with any value added tax "payable thereon") payable to the duly appointed manager of the Company pursuant to the terms of the applicable management agreement."

Notwithstanding the above or any anything in Article 129, and subject to the Act, the Company may make a distribution (as defined in Section 263(2) of the Act) of (i) the capital profits arising on any reduction or cancellation of share premium account and/or (ii) all sums carried and standing to the credit of the Capital Reserve or any other moneys in the nature of accretion to capital, in each case, if and for so long as the Board have resolved to, and do, revoke the notice given to the Registrar of Companies pursuant to Section 266(1) of the Act and have not given a fresh notice thereunder except and provided that no part of the profits or sums or moneys referred to in (i) and (ii) of this Article representing surpluses arising from the sale or realisation of any of the Company's investments shall in any event be regarded or treated as profits of the Company available for dividend or be applied in paying dividends on any shares in the Company's capital.

(1) *Duration of the Company*

The Directors shall propose an ordinary resolution at the Annual General Meeting of the Company falling in 2005 (and in every fifth year thereafter) proposing that the Company will continue to operate as an investment trust company. If such resolution is defeated the Directors shall draw up proposals for the voluntary liquidation, unitisation or other reorganisation of the Company for submission to the members of the Company by no later than the date of the Annual General Meeting of the Company falling in 2006 (or in the year next following the year in which the aforesaid resolution was proposed and defeated). Implementation of the proposals shall require the approval of members by special resolution. If such resolution is not passed, the Directors will convene a further general meeting at which an ordinary resolution to wind up the Company shall be put to Shareholders. At such further general meeting those holders of Ordinary shares who (being individuals) are present in person or by proxy or (being corporations) are present by proxy or by a duly authorised representative and entitled to vote and who vote on the poll in favour of the resolution proposed to wind up the Company voluntarily shall collectively have such total number of votes as is one more than the number of votes which are required to be cast on such poll for the said resolution to be carried, and upon such resolution being passed, the Company shall be wound up accordingly.

5 **Directors' and other interests**

- 5.1 The names of the Gartmore Fledgling Directors are set out on page 3 of this document. The details of the Gartmore Fledgling Directors are as follows:

Jimmy West – Chairman

Aged 52, is Chairman of Principal Healthcare Finance Limited and Intrinsic Value PLC. He is also a Director of a number of public and private companies, including British Assets Trust PLC, Candover Investments plc, Aberdeen New Dawn PLC, and Bensons Crisps plc. He was formerly Managing Director of Globe Investment Trust plc, prior to being Chief Executive of Lazard Asset Management Limited and a Managing Director of Lazard Brothers & Co. Limited.

John Hancox

Aged 58, is non-executive Chairman of Johnson Service Group plc. He is also a non-executive Director of InterX plc, Martin Currie Enhanced Income Trust plc and a number of unlisted companies.

James Kerr-Muir

Aged 58, is Chairman of Freeport Leisure Plc and The Outdoor Group Limited and non-executive Director of a number of other companies including Senior plc. He was Group Finance Director of Kingfisher plc from 1992 to 1995. Previously he was with Tate & Lyle PLC where he held the position of Managing Director UK Division from 1987 to 1991.

Christopher Poll

Aged 52, was Chairman of Micropal Limited which he founded and financed in the mid-1980s. He entered the City in 1969 from university and became an investment analyst, manager and stockbroker, developing sophisticated dividend forecasting systems to aid investment managers.

Nigel Whittaker

Aged 51, is Chairman of Card Clear plc, City Gourmets Holdings plc and MTI Partners Limited and a non-executive Director of Wickes plc. He was an executive Director of Kingfisher Plc from 1983 to 1995.

- 5.2 The Gartmore Fledgling Directors hold or have held the following directorships and are or were members of the following partnerships, over or within the past five years:

Director	Current	Past
Jimmy West	3i UK Select Trust Ltd Aberdeen Convertible Income Trust plc Aberdeen New Dawn Investment Trust plc Associated British Foods Pension Trustee Ltd Bensons Crisps plc British Assets Trust plc Candover Investments plc Catalyst Fund Management & Research Ltd European Financial Services Venture Fund (General Partner) Ltd Gartmore Fledgling Index Trust plc Intrinsic Value PLC Jimmy West Associates Limited Latchly Management Ltd LEPCO plc Middlesex Holdings plc Principal Healthcare Finance Ltd	Candover Partners Limited (20 June 1997) First Equity Holdings Ltd (30 April 1998) First Equity Ltd (30 April 1998) First Equity Services Ltd (30 April 1998) Friends Provident Venture Capital Trust Ltd (22 January 1996) PH Homes Ltd (24 February 1998) Principal Healthcare Finance (UK) No.1 Ltd (29 January 1998) Principal Healthcare Finance (UK) No. 2 Ltd (29 January 1998) Principal Healthcare plc (8 February 1999) Tamaris (QCH) Ltd (27 February 1998)
John Hancox	Alder Asset Management Ltd Alder Investment Management Ltd. Gartmore Fledgling Index Trust plc InterX plc Johnson Service Group plc Martin Currie Enhanced Income Trust plc Martin Currie Limited Martin Currie Smaller Companies Investment Trust Plc Martin Currie Trustees Ltd. Miles Macadam Products plc PricePoint Ltd Richard Burbidge Ltd	Andrew Industries Ltd (31 March 1996) Hardicrete Surfacing Ltd (1 July 1999) H. Burbidge & Son Ltd (31 December 1996) Mid Kent Healthcare NHS Trust (31 October 1999) Miles Macadam Surfacing Ltd (1 July 1999) Miles Macadam Surfacing Systems Ltd (1 July 1999)
James Kerr-Muir	Birmingham Midshires Freeport Leisure Plc Gartmore Fledgling Index Trust plc Global Video plc Senior Plc The Outdoor Group Ltd Yates Brothers Wine Lodges Plc	B&Q (Guernsey) Limited (30 April 1995) Boddington Group Plc (10 November 1995) Etablissements Darty Et Fils SA (30 April 1995) Electric Finance Limited (30 April 1995) Financiere Darty SA (30 April 1995) Financiere Kingfisher SA (30 April 1995) Florence Clothiers (Scotland) Ltd (2 November 1998) Graseby Plc (2 October 1997) Halcyon Electrics Limited (30 April 1995) Halcyon Finance Ltd (30 April 1995) Halcyon Retail Services Limited (30 April 1995) Hera Finance Limited (30 April 1995) Kidstore Limited (30 April 1995) Kingfisher Business Supplies Limited (30 April 1995) Kingfisher Electrical Retailing Limited (30 April 1995) Kingfisher Finance Ireland (30 April 1995) Kingfisher Gift Vouchers Ltd (30 April 1995) Kingfisher Group Limited (30 April 1995) Kingfisher International Holdings Limited (30 April 1995) Kingfisher Investments Ireland (30 April 1995) Kingfisher Nominees Limited (30 April 1995) Kingfisher plc (30 April 1995) Marchpole Holdings Plc (3 August 1999) Millets Limited (30 April 1995) Sandelcroft Ltd (30 April 1995) Staples (Europe) Ltd (30 April 1995) Staples (UK) Limited (30 April 1995) Woolco Limited (30 April 1995) Woolworth Holdings Limited (30 April 1995) Woolworth Services Limited (30 April 1995) Zeus Land Investments Limited (30 April 1995)

Director	Current	Past
Christopher Poll	Gartmore Fledgling Index Trust plc Greater China Consultancy Limited	Dividend Analysis Limited (12 November 1997) ISDS Limited (12 November 1997) Micropal Limited (12 November 1997) Micropal Group Limited (12 November 1997)
Nigel Whittaker	Card Clear Plc City Gourmets Holdings Plc Edelman Public Relations Worldwide European Smaller Companies plc Gartmore Fledgling Index Trust plc London First MTI Partners Ltd Rimspace Ltd Wickes Plc	B&Q (Guernsey) Limited (13 February 1995) Books Etc Limited (22 October 1997) Cardcast Information Services Ltd (3 September 1999) Cardcast plc (16 December 1996) Card Clear (UK) Ltd (3 September 1999) Cardinal Data Ltd (6 October 1998) Electric Finance Limited (13 February 1995) Entertainment Distributors Limited (13 February 1995) Entertainment Europe Limited (13 February 1995) Entertainment Plus Limited (13 February 1995) Entertainment USA Limited (13 February 1995) F.W. Woolworth and Co (Jamaica) Limited (13 February 1995) Halcyon Electrics Limited (13 February 1995) Halcyon Finance Limited (13 February 1995) Halcyon Retail Services Limited (13 February 1995) Hera Finance Limited (13 February 1995) HTEC Group Ltd (8 December 1998) HTEC Ltd (8 December 1998) Inter Clear Service Ltd (29 July 1999) Kidstore Limited (13 February 1995) Kingfisher Business Supplies Limited (13 February 1995) Kingfisher Finance Ireland (13 February 1995) Kingfisher Group Limited (13 February 1995) Kingfisher Insurance Limited (28 February 1995) Kingfisher International Holding Limited (13 February 1995) Kingfisher Investments Ireland (13 February 1995) Kingfisher Limited (13 February 1995) Kingfisher Nominees Limited (13 February 1995) Kingfisher Pension Trustee Limited (15 February 1995) Kingfisher plc (13 February 1995) Kingfisher Retirement Trust Limited (15 February 1995) Master Change Ltd (8 December 1998) Momentum Investment Trust plc (5 February 1997) Record Merchandisers Limited (13 February 1995) Retail Markets (Europe) Ltd (8 December 1998) Thornton Asian Emerging Markets Investment Trust plc (20 March 1995) Towercatch Limited (13 February 1995) Triptych Insurance N.V. (24 March 1995) Wessex Pension Trustee Limited (15 February 1995) Woolco Limited (13 February 1995) Woolworth Holdings Limited (13 February 1995) Woolworth Services Limited (13 February 1995) Zeus Land Investments Limited (13 February 1995)

5.3 At the date of this document none of the Directors:

- (i) has any unspent convictions in relation to indictable offences;
- (ii) has been bankrupt or entered into an individual voluntary arrangement;
- (iii) was a director with an executive function of any company at the time of or within 12 months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors;
- (iv) has been a partner in a partnership at the time of or within 12 months preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership;
- (v) has had his assets the subject of any receivership or has been a partner of a partnership at the time of or within 12 months preceding any assets thereof being the subject of a receivership; or
- (vi) has been subject to any public criticism by any statutory or regulatory authority (including any recognised professional body) nor has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

- 5.4 All of the directors are non-executive and their business address is Gartmore House, 8 Fenchurch Place, London EC3M 4PH.
- 5.5 As at 10 November 1999 (the latest practicable date prior to posting of this document) the interests of the Gartmore Fledgling Directors and their immediate families (including persons connected with them within the meaning of section 346 of the Act), all of which, unless stated otherwise, are beneficial, in Gartmore Fledgling Shares or Gartmore Fledgling Warrants and which:
- 5.5.1 have been notified by each Gartmore Fledgling Director pursuant to Sections 324 or 328 of the Act; or
 - 5.5.2 which are required to be entered into the register maintained under the provisions of Section 325 of the Act; or
 - 5.5.3 are interests of a connected person (as defined in Section 346 of the Act) of a Gartmore Fledgling Director which would, if the connected person were a Gartmore Fledgling Director, be required to be disclosed under 5.5.1 or 5.5.2 above, and the existence of which is known to or could be with reasonable diligence ascertained by the Gartmore Fledgling Director

were as follows:

Director	Number of Gartmore Fledgling Shares	Percentage of issued share capital	*Percentage of the enlarged issued share capital	Number of Gartmore Fledgling Warrants	Percentage of outstanding Gartmore Fledgling Warrants
JG West	15,000	0.05	0.02	3,000	0.08
JPD Hancox	20,000	0.07	0.03	—	—
JR Kerr-Muir	15,000	0.05	0.02	1,000	0.03
CG Poll	15,000	0.05	0.02	3,000	0.08
N Whittaker	—	—	—	—	—

*Assuming an issue of approximately 44.4 million New Gartmore Fledgling Shares, as set out on page 6 of this document, and full acceptance of the Offer.

- 5.6 None of the Gartmore Fledgling Directors has any interest, direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company and which was effected by the Company during the current or any earlier financial year and which remains in any respect outstanding or unperformed.
- 5.7 No loan has been granted to nor has any guarantee been provided for the benefit of any of the Gartmore Fledgling Directors by the Company.
- 5.8 Set out below are the interests (within the meaning of Part VI of the Act) as at 10 November 1999 (being the latest practicable date prior to the publication of this document), as far as the Company is aware, in Gartmore Fledgling Shares which amount to 3 per cent. or more of the Company's issued ordinary share capital together with, on the Bases and Assumptions, the interests which such persons would have in the Company's issued ordinary share capital assuming full acceptance of the Offer.

	Number of Gartmore Fledgling Shares	Percentage of issued share capital	*Percentage of the enlarged issued share capital
Shareholder			
Philips & Drew Limited	5,256,700	17.3	7.0
NatWest Group	4,759,476	15.6	6.4
United Assurance Group	3,399,500	11.2	8.1
Royal London Mutual Insurance Society	2,000,000	6.6	2.7
Britannia Life Assurance	1,975,000	6.5	2.6
British Aerospace Pension Fund	1,500,000	4.9	2.0
Merchant Investors Assurance	1,500,000	4.9	2.0
Scottish Mutual Assurance	1,500,000	4.9	1.9
Phillip J Hilton (on behalf of clients)	1,229,644	4.0	1.6

Note:

These figures do not take account of any interests which have not been disclosed in accordance with Part VI of the Act.

- 5.9 Set out below are the interests of Gartmore Fledgling Shareholders and Themis Fledgling Shareholders (as derived from public sources) in 3 per cent. or more of Gartmore Fledgling's share capital, assuming an issue of approximately 44.4 million New Gartmore Fledgling Shares (as set out on page 6 of this document) and full acceptance of the Offer:

Shareholder	Percentage of enlarged issued share capital
Friends Ivory & Sime Group	16.7
Prudential Corporation	9.7
United Assurance Group	8.1
Philips & Drew Limited	7.0
NatWest Group	6.4
AXA - UAP S.A. Group	5.9
Clients of Edinburgh Fund Managers	5.5

- 5.10 As at 10 November 1999 (the latest practicable date prior to publication of this document) the Company is not aware of any person who could, directly or indirectly, jointly or severally, exercise control over the Company.

6 Directors' emoluments

- 6.1 There are no existing or proposed service agreements between any of the Gartmore Fledgling Directors and the Company.
- 6.2 The aggregate remuneration (including benefits in kind) of the Gartmore Fledgling Directors for the year ended 30 June 1999 amounted to £41,000. It is estimated that the aggregate remuneration (including benefits in kind) of the Gartmore Fledgling Directors for the year ending 30 June 2000 will be approximately £48,500.
- 6.3 The total emoluments receivable by the Gartmore Fledgling Directors will not be varied as a consequence of the Offer.

7 Substantial Investments

The ten largest investments of Gartmore Fledgling by value as at 9 November 1999 (being the latest practicable date prior to the publication of this document), representing in aggregate 10.6 per cent of the Company's portfolio, were:

Company	Business Activity	Holding (shares)	Purchase cost (£'000)	Market value (£'000)	Percentage of investee owned (%)
Baltimore Technology	Software & Computer Services	124,589	953	2,707	0.33
Incepta	Media & Photography	1,125,680	251	732	0.34
French Connection	General Retailers	66,000	200	518	0.36
Autologic Holdings	Transport	90,000	201	452	0.34
Torex	Software & Computer Services	125,333	114	407	0.36
Charles Stanley	Speciality & Other Finance	39,560	65	381	0.39
Arena Leisure	Leisure, Entertainment & Hotels	891,250	221	499	0.35
Ted Baker	General Retailers	155,000	228	414	0.38
Ockham Holdings	Insurance	420,920	277	366	0.33
VEGA	Software & Computer Services	61,000	203	410	0.34
Company	Percentage of Portfolio	e.p.s. (pence)*	Dividend per share (pence)**	Dividend cover (times)*	Net assets attributable to investments £'000*
Baltimore Technology	4.2	-41.7	0	—	492
Incepta	1.1	1.7	0.8	2.4	287
French Connection	0.8	34.0	4.8	7.2	79
Autologic Holdings	0.7	26.0	8.7	3.0	77
Torex	0.6	6.7	2.7	2.5	48
Charles Stanley	0.6	52.6	7.5	7.0	67
Arena Leisure	0.8	0.4	0	—	61
Ted Baker	0.6	12.8	5.7	2.2	37
Ockham Holdings	0.6	5.6	4.8	1.2	251
VEGA	0.6	17.7	6.4	2.8	23

Notes:

* Information extracted from the most recent audited accounts for the investee companies.

** Includes any abnormal dividends or other payments

8 Material Contracts

- 8.1 By a letter agreement dated 11 November 1999 between GIL and Gartmore Fledgling, it has been agreed that the management fee payable to GIL will, following the appointment of GIL as manager of Themis Fledgling, be changed so that it receives fees from Gartmore Fledgling and Themis Fledgling at an aggregate rate equivalent to 0.8 per cent. per annum on gross assets up to £75 million and 0.5 per cent. per annum on gross assets in respect of the excess above £75 million. In addition, it was agreed that the notice period under GIL's management agreement with Gartmore Fledgling would, upon the Offer becoming wholly unconditional, be changed so as to be terminable by either party on six months' notice on or after 1 July 2001. GIL also agreed to contribute towards the costs of the Offer as set out on page 5 of this document.
- 8.2 Save as described in paragraph 8.1 above, no contracts (other than contracts entered into in the ordinary course of business and which or may be material) have been entered into by Gartmore Fledgling within the two years immediately preceding the date of this document which are or may be material;
- 8.3 Gartmore Fledgling is not aware of any contracts entered into during the two years immediately preceding the date of this document by Themis Fledgling other than in the ordinary course of business which are or may be material.

9 Indebtedness

Save as disclosed below, as at 29 October 1999, the Company had no outstanding loan capital or loan capital created but unissued, or any term loans or any mortgages, charges, borrowings or indebtedness in the nature of borrowings, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or obligations under any acceptance credits, hire purchase commitments, finance leases, contingent liabilities or guarantees.

As at 29 October 1999 Gartmore Fledgling had the following borrowings:

Two fixed loans of £3,600,000 and £3,400,000 repayable on 24 December 2001 and 31 December 2001 respectively with interest fixed at 8.27 per cent. and 8.22 per cent. respectively for the entire term of the loan. Under the terms of the loan agreement immediate repayment of the loan may be demanded if the Company's net assets fall below £30,000,000. Neither loan is secured or guaranteed.

A statement of the indebtedness of the enlarged Gartmore Fledgling will be published, in the absence of exceptional circumstances, or unless otherwise permitted by the London Stock Exchange, in a circular or supplementary listing particulars as soon as possible after the Wholly Unconditional Date.

10 Taxation

The following paragraphs are intended as a general guide only and are based on current legislation and Inland Revenue practice. They summarise advice received by the Gartmore Fledgling Directors as to the position of:

- 10.1 Gartmore Fledgling;
- 10.2 Gartmore Fledgling Shareholders and Gartmore Fledgling Warrantholders who (unless the position of non UK resident Gartmore Fledgling Shareholders or, as the case may be, Gartmore Fledgling Warrantholders is expressly referred to) are resident or ordinarily resident in the UK for tax purposes and who hold Gartmore Fledgling Shares and/or Gartmore Fledgling Warrants as an investment; and
- 10.3 Themis Fledgling Shareholders who (unless the position of non UK resident Themis Fledgling Shareholders is expressly referred to) are resident or ordinarily resident in the UK for tax purposes and who hold their Themis Fledgling Shares as an investment.

Taxation of Gartmore Fledgling

Gartmore Fledgling has received confirmation from the Inland Revenue of its status as an approved investment trust under section 842 of the Taxes Act for the year ended 30 June 1999. Gartmore Fledgling has subsequently conducted its affairs in such a way as to enable it to continue to obtain such approval (which is granted retrospectively). For each accounting period for which approval is granted,

Gartmore Fledgling's capital gains, as computed for tax purposes, will be exempt from UK taxation. Gartmore Fledgling's income will be subject to UK corporation tax in the normal way to the extent it does not consist of dividends received from UK companies which are not taxable in its hands. Income arising from overseas investments may, in addition, be subject to foreign withholding taxes at varying rates, although Gartmore Fledgling may be able to claim double taxation relief in respect of certain of such taxes.

Taxation of Themis Fledgling Shareholders receiving New Gartmore Fledgling Shares under the Offer

To the extent that Themis Fledgling Shareholders receive New Gartmore Fledgling Shares in accordance with the terms of the Offer, such holders should not be treated as having made a disposal of their Themis Fledgling Shares. Instead any gain or loss which would otherwise have arisen on a disposal of the Themis Fledgling Shares should be "rolled over" into the New Gartmore Fledgling Shares so that the New Gartmore Fledgling Shares will be treated as the same asset as the Themis Fledgling Shares, acquired at the same time as the Themis Fledgling Shares and for the same acquisition cost. A subsequent disposal of New Gartmore Fledgling Shares may give rise to a liability to UK taxation of chargeable gains.

For corporate Themis Fledgling Shareholders indexation allowance will continue to be available in respect of the acquisition cost in the Themis Fledgling Shares until the New Gartmore Fledgling Shares are disposed of.

For individual Themis Fledgling Shareholders who acquired their Themis Fledgling Shares prior to 1 April 1998 indexation allowance will be available in respect of the acquisition cost in the Themis Fledgling Shares until April 1998. Indexation allowance cannot be used to create or increase a loss for tax purposes. No indexation allowance will be available where an individual Themis Fledgling Shareholder acquired his Themis Fledgling Shares after 31 March 1998. For all individual Themis Fledgling Shareholders taper relief will apply in relation to periods after 5 April 1998 so that the effective rate of capital gains tax on any gain on a disposal by an individual Themis Fledgling Shareholder of the New Gartmore Fledgling Shares will be reduced the longer the Themis Fledgling Shares and then the New Gartmore Fledgling Shares are held after 5 April 1998, up to a maximum of 10 years. Where an individual Themis Fledgling Shareholder held his Themis Fledgling Shares at 17 March 1998 he will be treated as having held the New Gartmore Fledgling Shares for one extra year for the purposes of taper relief.

In certain circumstances the above rules regarding the "roll over" of any gain or loss will not apply to a Themis Fledgling Shareholder who, together with persons connected with him, holds more than 5 per cent. of any class of shares of Themis Fledgling. Such persons are advised that advance clearance has been obtained from the Inland Revenue under section 138 of the Taxation of Chargeable Gains Act 1992 in respect of the exchange of Themis Fledgling Shares for New Gartmore Fledgling Shares.

Dividends payable in respect of the New Gartmore Fledgling Shares

No tax will be withheld by Gartmore Fledgling when it pays a dividend and the Company no longer has to account to the Inland Revenue for advance corporation tax ("ACT").

A UK resident Gartmore Fledgling Shareholder who receives a dividend will be entitled to a tax credit, currently at the rate of 1/9th of the cash dividend paid (or 10 per cent. of the aggregate of the net dividend and related tax credit). The net cash dividend received by an individual, together with the tax credit, are included in arriving at the individual's total income for UK tax purposes. The tax credit is then set against the individual's overall tax liability. The lower rate of income tax on dividend income is currently 10 per cent. This means that the tax credit will discharge the income tax liability of an individual Gartmore Fledgling Shareholder who is not liable to income tax at a rate greater than the basic rate. The higher rate of income tax on dividends is currently 32.5 per cent. so that a Gartmore Fledgling Shareholder who is a higher rate taxpayer will have further income tax to pay at a rate of 22.5 per cent. of the dividend and related tax credit.

Tax credits are not generally recoverable by shareholders, subject to tapering relief for charities. However, individual Gartmore Fledgling Shareholders who hold their Gartmore Fledgling Shares in an Individual Savings Account ("ISA") or a Personal Equity Plan ("PEP") will be entitled to recover the tax credit on dividend income paid by the Company until April 2004.

A UK resident corporate shareholder will not generally be liable to corporation tax on any dividend received from Gartmore Fledgling and the dividend received and related tax credit will constitute franked investment income.

Non-residents

The tax treatment of non-UK resident Themis Fledgling Shareholders and Gartmore Fledgling Shareholders may differ from that described in the preceding paragraphs. In particular:

- (i) non-UK resident Themis Fledgling Shareholders will generally not be subject to tax in the UK in respect of any gain accruing to them as a result of accepting the Offer; and
- (ii) non-UK resident Gartmore Fledgling Shareholders are generally not able to claim any part of the tax credit on dividends paid by Gartmore Fledgling.

Persons who are not resident in the UK should consult their own tax advisers concerning their tax liabilities (in the UK and any other country) on dividends received, whether they are entitled to claim any part of the tax credit and, if so, the procedure for doing so, and whether any double taxation relief is due in any country in which they are subject to tax.

Stamp duty and stamp duty reserve tax ("SDRT")

No stamp duty or SDRT will be payable by Themis Fledgling Shareholders who accept the Offer on the issue or registration of New Gartmore Fledgling Shares. Stamp duty or SDRT at the rate of 0.5 per cent. will generally be payable on the actual consideration paid on any subsequent transfer of New Gartmore Fledgling Shares.

Liability to pay stamp duty or SDRT is generally that of the transferee or purchaser.

11 Risk Factors

- 11.1 Investors in Gartmore Fledgling Shares should recognise that their market price and any income derived from them can fluctuate. Their market price may not reflect their underlying value and investors may not get back the full amount initially invested.
- 11.2 The maintenance of dividend levels will depend on the receipt by Gartmore Fledgling of revenue from the securities in which it invests. The level of dividends payable is also dependent on Gartmore Fledgling's borrowings.

12 Litigation

- 12.1 The Company is not and has not been engaged in any litigation or arbitration proceedings which may have or have had, at any time during the period of twelve months preceding the date of this document, a significant effect on the Company's financial position. So far as the Gartmore Fledgling Directors are aware, no such legal or arbitration proceedings are pending or threatened by or against the Company.
- 12.2 Gartmore Fledgling is not aware of any legal or arbitration proceedings (including any such proceedings which are pending or threatened) involving Themis Fledgling or any of its subsidiaries which may have or have had, at any time during the period of twelve months preceding the date of this document, a significant effect on Themis Fledgling's financial position.

13 Principal Bases and Assumptions

The statistics contained in this document relating to the Gartmore Fledgling Shares and Themis Fledgling Shares have been calculated on the following principal bases and assumptions, each as at 9 November 1999 (being the latest practicable day prior to the announcement of the Offer and the posting of this document):

- (i) the NAV of a Gartmore Fledgling Share was 165.25p (as calculated by the Manager) and the closing middle market price of a Gartmore Fledgling Share was 133p;
- (ii) the NAV of a Themis Fledgling Share was 148.34p (as published by Datastream) and the closing middle market price of a Themis Fledgling Share was 118.75p;

- (iii) the Gartmore Fledgling Directors' estimate of the Themis Fledgling FAV based on the NAV of Themis Fledgling (as published by Datastream) was 145.93p; and
- (iv) the Offer is accepted in full by all Themis Fledgling Shareholders.

14 Year 2000 compliance

- 14.1 The Gartmore Fledgling Directors are aware that many computer and digital storage systems express dates using only the last two digits of the year and will require (to the extent not already so modified or replaced) modification or replacement to accommodate the year 2000 ("Year 2000") and beyond in order to avoid malfunctions and resulting disruption (the "Year 2000 Issue").
- 14.2 The operations of Gartmore Fledgling will depend on the computer systems of the Manager, the Company's registrars, custodians, sub-custodians and bankers as well as other suppliers such as providers of security pricing information. This exposes Gartmore Fledgling to risk in the event of failure by these other parties to remedy their own Year 2000 issues but the Company's major suppliers of services, including the Manager, have given confirmations in this regard which the Directors consider to be satisfactory.
- 14.3 In addition, Gartmore Fledgling may be affected, indirectly, by any Year 2000 problems encountered by companies in which it invests.
- 14.4 Gartmore Fledgling has no computer systems of its own and the Gartmore Fledgling Directors are not aware of any costs to be borne by Gartmore Fledgling in remedying any Year 2000 Issues.
- 14.5 The Directors' Report in the audited accounts of Themis Fledgling for the year ended 31 March 1999 indicates that TIML had instigated a programme designed to assess and address the risks posed to Themis Fledgling by the Year 2000 Issue. According to that Directors' Report, TIML's strategy was to ensure that its computer systems were Year 2000 compliant and to require that its suppliers, Themis Fledgling's custodian and its other suppliers would achieve the same or an equivalent standard. The Directors' Report also indicated that TIML was not aware of any costs associated with implementing Year 2000 compliance which would be incurred directly by Themis Fledgling.
- 14.6 Notwithstanding the above, there can be no assurance that Gartmore Fledgling and Themis Fledgling have taken or will be able to take all the necessary steps to ensure Year 2000 compliance or that, if problems do occur, costs will not exceed those estimated or that they will not have a material adverse effect on Gartmore Fledgling or Themis Fledgling's operations, financial position or prospects.

15 Miscellaneous

- 15.1 There has been no significant change in the financial or trading position of Gartmore Fledgling since 30 June 1999, the date to which the latest audited accounts were made up.
- 15.2 Gartmore Fledgling is not aware of any significant change in the financial or trading position of Themis Fledgling since 31 March 1999, the date to which the latest audited accounts of Themis Fledgling were prepared.
- 15.3 As at 9 November 1999, Gartmore Fledgling had net assets of £52.8 million and Themis Fledgling was estimated to have had net assets of £74.6 million. Allowing for the estimated costs of Themis Fledgling (including termination costs of its management agreement) and Gartmore Fledgling's costs of the Offer (net of GIL's contribution), the combined net assets of the enlarged Gartmore Fledgling would have been £125.5 million as at that date.
- 15.4 The annual accounts for the Company in respect of the financial year ended 30 June 1999, the 18 month period ended 30 June 1998 and the year ended 31 December 1996 have been audited and have received an unqualified audit opinion. PricewaterhouseCoopers (or a predecessor firm), Chartered Accountants and Registered Auditors of Southwark Towers, 32 London Bridge Street, London SE1 9SY, were auditors of the Company for the eighteen months ended 30 June 1998 and the year ended 30 June 1999 and are currently the auditors of the Company. Price Waterhouse, Registered Auditors, were auditors of the Company for the year ended 31 December 1996.

15.5 The New Gartmore Fledgling Shares will be in registered form. The Company will apply to CRESTCo Limited for the New Gartmore Fledgling Shares to be admitted to CREST as a participating security. It is expected that the admission of the New Gartmore Fledgling Shares to CREST as a participating security will be effective from their admission to the Official List of the London Stock Exchange. Shareholders who are direct or sponsored members of CREST will then be able to dematerialise their New Gartmore Fledgling Shares in accordance with the rules and practice instituted by CRESTCo.

15.6 The registrar of the Company is Lloyds TSB Registrars Scotland, 117 Dundas Street, Edinburgh EH3 5ED and the receiving agent for the Offer is Lloyds TSB Registrars, The Causeway, Worthing, West Sussex, BN99 6DA.

16 Documents available for inspection

Copies of the following documents will be available for inspection at the registered office of Gartmore Fledgling and at the offices of Stephenson Harwood, One, St. Paul's Churchyard, London EC4M 8SH during normal business hours on any weekday (public holidays excepted) for the period of 14 days from the date of this document or while the Offer remains open whichever is the longer:

- (a) the Memorandum and Articles of Association of Gartmore Fledgling;
- (b) the audited accounts of Gartmore Fledgling for the financial year ended 30 June 1999, the 18 month period ended 30 June 1998 and the year ended 31 December 1996;
- (c) the Offer Document and Form of Acceptance;
- (d) these Listing Particulars;
- (e) the Circular;
- (f) the material contract referred to in paragraph 8.1 above; and
- (g) the irrevocable undertaking and letters of intent referred to in the Offer Document.

11 November 1999

DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

"Act"	the Companies Act 1985 (as amended by the Companies Act 1989)
"Admission"	admission of the New Gartmore Fledgling Shares to the Official List becoming effective
"AIRC"	Association of Investment Trust Companies
"Bases and Assumptions"	the principal bases and assumptions set out in paragraph 13 of Part V of this document
"Circular"	the Circular to Gartmore Fledgling Shareholders and Gartmore Fledgling Warrantholders dated 11 November 1999, containing information relating to the Offer
"Code"	the City Code on Takeovers and Mergers
"CREST"	the relevant system (as defined in the Regulations) for the purposes of paperless settlement in respect of which CRESTCo is the Operator (as defined in the Regulations)
"CRESTCo"	CRESTCo Limited
"Dresdner Kleinwort Benson"	Kleinwort Benson Securities Limited
"EGM" or "Extraordinary General Meeting"	the extraordinary general meeting of Gartmore Fledgling convened for 29 November 1999 (or any adjournment thereof) at which the Resolution will be proposed
"Enlarged Group"	Gartmore Fledgling as enlarged by the acquisition of Themis Fledgling
"Fledgling Index"	the FTSE Fledgling Index (ex-Investment Companies)
"Form of Acceptance"	the form of acceptance for use in connection with the Offer
"Form of Proxy"	the form of proxy for use in connection with the Extraordinary General Meeting
"GIL" or "Manager"	Gartmore Investment Limited, a wholly owned subsidiary of Gartmore Investment Management plc and the investment manager of Gartmore Fledgling
"Gartmore Fledgling" or "Company"	Gartmore Fledgling Index Trust plc
"Gartmore Fledgling Directors" or "the Board"	the board of directors of Gartmore Fledgling
"Gartmore Fledgling NAV"	the value (in pence per share) of the net assets of Gartmore Fledgling, calculated in accordance with Gartmore Fledgling's normal accounting policies but adjusted to: <ul style="list-style-type: none"> (i) include revenue items for the current financial year; (ii) include the subscription proceeds receivable by Gartmore Fledgling on the assumption that all the outstanding Gartmore Fledgling Warrants had been exercised; (iii) exclude the aggregate amount of the interim dividend of 0.45p per Gartmore Fledgling Share proposed to be paid on 13 December 1999 and divided by the aggregate number of Gartmore Fledgling Shares and Gartmore Fledgling Warrants in issue
"Gartmore Fledgling Shareholders"	holders of Gartmore Fledgling Shares
"Gartmore Fledgling Shares"	ordinary shares of 25p each in the capital of Gartmore Fledgling
"Gartmore Fledgling Warrantholders"	holders of Gartmore Fledgling Warrants

"Gartmore Fledgling Warrants"	warrants in Gartmore Fledgling as described in paragraph 3.2 of Part V of this document
"Hoare Govett 1000 Index"	the Hoare Govett 1000 Index which comprised the 1,000 smallest quoted UK companies (including investment trusts) as at 1 January for each of the relevant years
"Listing Particulars"	this document comprising listing particulars dated 11 November 1999 relating to the issue of New Gartmore Fledgling Shares pursuant to the Offer
"London Stock Exchange"	London Stock Exchange Limited
"MicroCap Index"	the original benchmark index for Gartmore Fledgling. The index was established by Professors Elroy Dimson and Paul Marsh of the London Business School to track the performance of the ordinary shares of the smallest one per cent. of quoted companies (being companies other than investment trusts listed on the London Stock Exchange or traded on the Unlisted Securities Market)
"NAV" or "net asset value"	the net asset value of a Themis Fledgling Share or a Gartmore Fledgling Share, as the case may be
"New Gartmore Fledgling Shares"	the new Gartmore Fledgling shares to be issued, credited as fully paid, by Gartmore Fledgling pursuant to the Offer
"Offer"	the offer for all the Themis Fledgling Shares made by Dresdner Kleinwort Benson on behalf of Gartmore Fledgling and contained in the Offer Document and, where the context so requires, any subsequent revision, variation, extension or renewal thereof
"Offer Document"	the document dated 11 November 1999 being sent to Themis Fledgling Shareholders and containing the Offer
"Official List"	the Official List of the London Stock Exchange
"Panel"	the Panel on Takeovers and Mergers
"Regulations"	the Uncertificated Securities Regulations 1995 (SI 1995 No. 95/3272)
"Resolution"	the ordinary resolution to be put to the Gartmore Fledgling Shareholders at the Extraordinary General Meeting
"Themis Fledgling"	Themis FTSE Fledgling Index Trust PLC
"Themis Fledgling Directors"	the board of directors of Themis Fledgling
"Themis Fledgling FAV" or "formula asset value"	the formula asset value of a Themis Fledgling Share, calculated as at the close of business on the Unconditional Date in accordance with the formula set out in Part IV of this document
"Themis Fledgling NAV"	the NAV of a Themis Fledgling Share
"Themis Fledgling Shareholders"	holders of Themis Fledgling Shares

"Themis Fledgling Shares"	the existing issued and fully paid ordinary shares of 25p each in Themis Fledgling and any further such shares which are unconditionally allotted or issued on or before the date on which the Offer closes (or such earlier date, not being earlier than the Unconditional Date or, if later, the first closing date of the Offer, as Gartmore Fledgling may, subject to the Code, determine)
"Unconditional Date"	the date on which the Offer becomes or is declared unconditional as to acceptances
"United States", "USA" or "US"	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
"Wholly Unconditional Date"	the date on which the Offer becomes or is declared unconditional in all respects

Unless otherwise stated, all financial information in this document has been based on the relevant figures, sourced from Datastream, as at the close of business on 9 November 1999 (the latest practicable date prior to the announcement of the Offer and the latest practicable date prior to the posting of this document). All quotations for Themis Fledgling Shares and Gartmore Fledgling Shares stated in this document are taken as at the close of business on the relevant date.

"FTSE" is a trademark of the London Stock Exchange Limited and the Financial Times Limited and "Fledgling" is a trademark of the London Stock Exchange Limited. Such marks are used by FTSE International Limited under licence.

The FTSE Fledgling Index is calculated by FTSE International Limited in conjunction with the Institute and Faculty of Actuaries. FTSE International Limited does not sponsor, endorse or promote this product.

LISTING PARTICULARS

COMPANY NAME: LUNAR PLC PLC

COMPANY NUMBER: 31701142

DATE OF DOCUMENT: 05.11.99

DATE OF RECEIPT: 05.11.99