



BARONSMEAD VCT PLC 3504214

Key features

These key features are derived from, and should be read in conjunction with, the full text of this document.

A NEW VENTURE CAPITAL TRUST

Baronsmead VCT 2 is being launched against a background of continued good investment opportunities and macroeconomic conditions which, in the Manager's view, are favourable for UK unquoted companies. The Company's objective is to achieve long-term capital growth and to pay attractive dividends through investment primarily in a diverse portfolio of established and profitable unquoted UK companies, including those traded on AiM.

A BALANCED PORTFOLIO

The Manager will aim to achieve a spread of approximately thirty investments, including a balance of unquoted investments and the more liquid stocks traded on AiM. This strategy is designed to ensure that VCT status is maintained when it comes to selling investments and to allow for a progressive realisation and distribution pattern. The Manager believes that Ivory & Sime Baronsmead's combination of experience in choosing unquoted and AiM stocks offers the best prospect of superior total returns.

EXPERIENCED VENTURE CAPITALISTS

The Directors have appointed Baronsmead Fund Management 2 Limited as the investment manager of the Company's unquoted portfolio. The Manager is a subsidiary of Ivory & Sime Baronsmead plc and will be staffed by it. Ivory & Sime Baronsmead plc heads the venture capital arm of Friends Ivory & Sime. In the seven years ended 31st January 1998, Ivory &

Sime Baronsmead invested over £73 million on behalf of its clients in 91 companies which the Manager believes would have qualified as VCT investments, making it one of the most prolific investors in this sector. Baronsmead VCT plc was sixth out of nineteen VCTs in terms of total return as at 31st January 1998 (source: Extel and Datastream).

TAX ADVANTAGES ON SUBSCRIPTION

Substantial tax reliefs are available to private investors, including income tax relief on subscription of up to 20 per cent. and up to 40 per cent. capital gains tax deferral by reinvesting taxable capital gains. In addition, gains from the disposal of Shares are exempt from capital gains tax and dividends are paid tax-free to individual investors, entitling them to payment of the tax credit in respect of dividends paid before 6th April 1999.

THE OFFERS

The Company proposes to raise up to £25 million, at 100p per Share, by means of two separate offers for subscription. Investors can apply to have Shares allotted in the current or the next tax year. An Application Form is attached and must be completed and returned by 3 p.m. on 2nd April 1998.

Your attention is drawn to the risk factors set out in Part II.

Contents

	Page No.
Part I Baronsmead VCT 2 plc	3
Reasons for launch	3
Objective	3
Experienced venture capitalists	3-4
Investment policy	5-6
Dividend policy	6-7
Duration	7
Issue and repurchase of Shares	7
Tax advantages on subscription	7-8
Inland Revenue approval	9
The Directors	9
Investment management arrangements	10
Initial and running costs	11
The Offers	11-12
Availability of the prospectus	12
Part II Risk factors	13
Part III Venture capital trusts	14-18
Part IV General information	19-30
Part V Definitions	31-32
Part VI Terms and conditions of application	33-34
Application Form	
Directors, Manager and Advisers	
Expected timetable	
	1997/98 Offer 1998/99 Offer
<i>Latest time for receipt of Application Forms</i>	<i>3p.m. on 2nd April 1998 3p.m. on 2nd April 1998</i>
<i>Shares admitted to listing and dealings commence</i>	<i>3rd April 1998 7th April 1998</i>
Offer statistics	
Offer price per Ordinary Share	100p
Estimated maximum net proceeds of the Offers	£23.75 million
Minimum application per investor per Offer	£3,000
Financial calendar	
Year end	31st March
Annual report posted	June
Final dividend	July
Announcement and posting of interim results	November
Interim dividend	December

Part I: Baronsmead VCT 2 plc ✓

REASONS FOR LAUNCH

Baronsmead VCT 2 is being launched against a background of continuing good investment opportunities and, in the Manager's view, favourable macroeconomic conditions for UK unquoted companies.

OBJECTIVE

Baronsmead VCT 2 offers a tax-efficient means for individuals to take advantage of investment in unquoted companies in the UK. The Company's objective is to achieve long-term capital growth and to pay attractive dividends through investment primarily in a diverse portfolio of established and profitable unquoted UK companies, including those traded on AiM.

EXPERIENCED VENTURE CAPITALISTS

Unquoted portfolio - Ivory & Sime Baronsmead

The Directors have appointed Baronsmead Fund Management 2 Limited as the investment manager of the Company's unquoted portfolio. The Manager is a subsidiary of Ivory & Sime Baronsmead plc and will be staffed by it. Ivory & Sime Baronsmead plc heads the venture capital arm of Friends Ivory & Sime.

As at 31st January 1998, Ivory & Sime Baronsmead managed or advised approximately £46 million of venture capital funds, including Baronsmead VCT plc with total assets of approximately £21 million. The Ivory & Sime Baronsmead fund managers work closely with the team at Friends Ivory & Sime who manage The AiM Trust plc which had total assets of £47million as at 31st January 1998 and is dedicated to investment in

the AiM market. As a result, Ivory & Sime Baronsmead has the opportunity to participate in issues of new shares on AiM, some of which would qualify for VCT purposes and meet the Company's investment criteria.

In the seven years ended 31st January 1998, Ivory & Sime Baronsmead plc invested over £73 million on behalf of its clients in 91 companies which the Manager believes would have satisfied the necessary tests to be VCT Qualifying Companies and make it one of the most prolific investors in this sector. Calculated in accordance with standard industry guidelines, the total compound annual return on these investments over this period was 20 per cent. (source: Ivory & Sime Baronsmead plc - see paragraph 11(g) in Part IV for further information).

Ivory & Sime Baronsmead continues to experience an active flow of good investment proposals, including those which would allow for co-investment with other funds. Opportunities to co-invest allow a VCT to undertake a wider range of transactions and invest in larger companies.

Performance of Baronsmead VCT plc

The past performance of Baronsmead VCT plc is not necessarily a guide to the future performance of the Company.

The track record of Ivory & Sime Baronsmead can be illustrated by the portfolio of investments within Baronsmead VCT plc, which has a similar investment policy to the Company, and the performance of that fund to date. Baronsmead VCT plc's net asset value total return, with gross dividends re-invested, has been over 19 per cent. in the period since launch on 13th November 1995 to 31st January 1998.

By the end of January 1998, Baronsmead VCT plc had made 24 equity investments totalling £9.5 million. This represents 63 per cent. of the 70 per cent. qualifying target necessary for full approval as a VCT which must be met by 31st August 1999. Of the 21 currently profitable companies, the average reported pre-tax profit was £1 million on an average turnover of £11.7 million. One of the AiM investments, Screen plc, has announced current trading losses and full provision has been made against a further two investments. A number of the unquoted investments have been made alongside independent institutions which do not offer to their shareholders the same tax incentives as a VCT thus illustrating that strict commercial criteria were adopted in selecting these investments.

Fourteen investments have been made on AiM. These have performed well with all but two trading above their respective issued prices as at 31st January 1998. The aggregate value of the AiM investments at that date had increased by 49 per cent. over cost.

The experience with Baronsmead VCT plc in its first two years has demonstrated the potential for companies to progress from one market to another. One investee company, Market Link Publishing Limited, has floated on AiM and two AiM investee companies, Cirqual plc and Whittard of Chelsea, have obtained a full listing on the London Stock Exchange.

As at 31st January 1998, the net asset value per share of Baronsmead VCT plc had increased from 95p at launch to 104p. This includes a number of unquoted investments which had been held for less than 12 months and were valued at cost, in accordance with BVCA guidelines. Baronsmead VCT plc was ranked sixth out of the 19 VCTs in existence as at 31st

January 1998, based on the published total return per share (source: Extel and Datastream – estimated daily net asset values based on most recently available published information).

The investment policy of Baronsmead VCT 2 plc will be similar to Baronsmead VCT plc in seeking to pay attractive dividends. In respect of its first two accounting periods to 31st August 1997, Baronsmead VCT plc has paid cumulative gross dividends totalling 6.95p per share (source: Ivory & Sime Baronsmead plc).

Fund manager

Ivory & Sime Baronsmead's investment team comprises nine executives, with the four directors averaging eleven years each in the venture capital industry. David Thorp, director of the Manager and managing director of Ivory & Sime Baronsmead plc, will act as lead fund manager. Mr Thorp was a director of 3i plc between 1985 and 1991 and Chairman of Unipalm Group plc between 1992 and 1995. Mr Thorp is a member of the Council of the British Venture Capital Association and Chairman of the BVCA Emerging Growth Companies Committee. Mr Thorp is also a director of Baronsmead VCT plc. Mr and Mrs David Thorp are proposing to invest £30,000 in aggregate in the Offers.

INVESTMENT POLICY

General

Baronsmead VCT 2 will seek to achieve its investment objective by investing in a diverse portfolio of established and profitable unquoted UK companies, including companies traded on AiM, and in fixed interest securities. The portfolio developed may include companies which are seeking to raise expansion capital, or are the subject of a management buy-out or buy-in. Investment will also be made in companies raising new share capital on AiM.

Building a balanced portfolio

Prior to investment in unquoted UK companies, funds will be invested in fixed interest securities to be managed by Cazenove Fund Management Limited. These investments will be sold, as and when required, to provide the necessary funds for investment in unquoted UK companies.

The Manager will aim to build a diversified portfolio of approximately thirty investments, including a balance of unquoted investments and those traded on AiM. This strategy is designed to ensure that VCT status is maintained when it comes to selling investments and to allow for a progressive realisation and distribution pattern. The Manager believes that Ivory & Sime Baronsmead's combination of experience in choosing unquoted and AiM stocks offers the best prospect of superior total returns.

The Manager believes that AiM stocks play an important part in managing a VCT portfolio as they tend to be more liquid than securities not traded on a public market and can be realised for distribution purposes.

It is the intention that the portfolio of Baronsmead VCT 2 will be split approximately as follows:

- 80 per cent. in established and profitable unquoted UK companies (including those traded on AiM); and
- 20 per cent. in fixed interest securities.

The Manager will target companies which have annual pre-tax profits of approximately £500,000, and turnover in the region of £5 million or more. Investments are expected to range in size from approximately £250,000 to £1,000,000 assuming the Offers are fully subscribed. An initial investment may be increased in subsequent years by follow-on investments. The size of investments in AiM companies is likely to be smaller.

Key investment criteria

The Manager will look for the following attributes when considering a potential unquoted investment:

- a strong management team;
- clear growth opportunities; and
- products or services able to sustain competitive advantage.

The Manager will take into account the future prospects of realisation of an investment, either by way of an AiM or full flotation, or a trade sale. At the time of each new unquoted (non-AiM) investment, an understanding will be reached with the investee company's management on the expected realisation of that investment, including timing and valuation.

Developing and realising investments

The Manager will aim to play an active role in enhancing the full potential of each investee company. It will seek to add value to the investee companies in a number of ways, including strategic and financial planning, helping with the development of the management team, advising on acquisitions and mergers, and helping to prepare the company for an AiM or full flotation, or a trade sale.

Generally, for unquoted (non-AiM) companies, the Manager will require an investee company to have at least one non-executive director and, in most cases, an independent non-executive Chairman. In addition, the Manager will usually arrange investments on terms such that its consent is required prior to key matters occurring, such as changes to the nature of an investee company's business, changes in directors' remuneration and material acquisitions or disposals by the investee company.

Investment allocation

Members of the Baronsmead Group act, and will continue to act, as investment managers and/or investment advisers to various other clients. Investment opportunities may be suitable both for the Company and for some or all of such other clients, including Baronsmead VCT plc. In such cases, the Manager will abide by guidelines agreed with the Company which are designed to ensure that investment opportunities are apportioned fairly and equitably among the Company and other clients of the Baronsmead Group. Allocations of unquoted investment opportunities will generally be made pro rata to the agreed single investment limit for each client, subject to the availability of funds to make the investment and other portfolio considerations such as sector exposure.

Co-investment between the Company and other funds managed by the Baronsmead Group will be made in accordance with guidelines approved by the Board and the Company will, unless otherwise agreed with the Board, invest in an agreed and consistent proportion on the same terms and in the same securities as the funds with which it co-invests. Further, in the event of a conflict of interest on the part of the Baronsmead Group in connection with a proposed investment by the Company (including where an investment is proposed for the first time in an investee company in which another client of the Baronsmead Group has an interest) such investment will require the approval of the Board. These allocation rules are provided for in the management agreement detailed in paragraph 9(b) of Part IV.

Fixed interest portfolio - Cazenove

Prior to investment in unquoted UK companies, the proceeds of the Offers will be invested in a portfolio of fixed interest securities, including cash deposits, managed by Cazenove.

DIVIDEND POLICY

It will be the Company's objective to pay attractive dividends. If current market conditions prevail and assuming the Offers are fully subscribed, it is expected that the gross yield in the Company's first accounting period ending 31st March 1999 will be not less than 4 per cent. (3.2 per cent. net) of the issue price on an annualised basis (having regard to the fact that, as a result of recent changes having effect from 6th April 1999, tax credits will not be recoverable in respect of the final dividend). This yield forecast is not a profit forecast.

The Company has elected to adopt the status of an investment company under the Companies Act 1985, in order to enhance its ability to pay dividends. While it is an investment company, the Company will not be able to distribute profits made on the sale of investments. However, the Directors will be able to change this status at any time if and when sufficient profits of this kind are realised for distribution as dividend.

Generally, a VCT must distribute by way of dividend such amount as ensures that it retains not more than 15 per cent. of its income from shares and securities. It is expected that an interim dividend will be paid to Shareholders in December and that the final dividend will be paid in July. The first dividend is expected to be an interim dividend paid in December 1998. Shareholders who wish to have dividends paid directly into a bank account, rather than by cheque to their registered address, will need to complete a mandate form for this purpose. Mandates will be obtainable from the Company's registrar.

DURATION

VCTs are long term investments, with the full benefit of their tax reliefs being available to private investors only where they hold their investments for five years. The initial duration of the Company has accordingly been set at seven years. The Articles of Association of the Company contain provisions requiring the Directors to put a proposal for the continuation of the Company, in its then form, to Shareholders at the Company's annual general meeting in 2005 and thereafter at five-year intervals. The Board may seek Shareholder approval for the postponement of the continuation vote by one year at successive annual general meetings. This would allow further investments to be made by existing Shareholders

and, with Shareholder approval, by others, over an extended period while preserving the prospect of full VCT tax reliefs.

The Ordinary Shares will be listed on the London Stock Exchange and may be sold at any time. Private investors should, however, note that they will lose income tax relief, in whole or in part, if the Shares have been held for less than five years.

ISSUE AND REPURCHASE OF SHARES

The Directors have authority, until the conclusion of the next annual general meeting of the Company, to issue Ordinary Shares for cash without pre-emption rights applying (by way of an offer to existing Shareholders or otherwise) up to a maximum of 9.99 per cent. of the Company's issued share capital following the Offers. The Company also has authority to make purchases of up to 5 per cent. of its issued share capital following the Offers. The price paid for Ordinary Shares will not be more than 5 per cent. above the average of the market values of the Shares for the five business days before the Shares are purchased. This power will be exercised only if, in the opinion of the Directors, a repurchase would be in the best interest of Shareholders as a whole. Any Shares purchased would be cancelled.

TAX ADVANTAGES ON SUBSCRIPTION

VCTs provide a tax-efficient investment vehicle with substantial income tax and capital gains tax advantages for individuals aged 18 or over.

Individuals aged 18 or over who subscribe for shares in a VCT will be entitled to the following benefits:

- income tax relief, in the year of subscription, of up to 20 per cent. of the amount subscribed, provided that the shares are held for at least five years; and
- up to 40 per cent. capital gains tax deferral by reinvesting taxable capital gains arising from the disposal of any asset during the period beginning 12 months before, and ending 12 months after, subscription.

These benefits are available on aggregate investments in VCTs of up to £100,000 in any tax year.

Where both of these benefits are available, a private investor will be able to obtain total initial tax relief of

up to 60 per cent. of the amount of his or her investment, as shown in the table below.

In addition, private investors and individuals aged 18 or over who acquire shares in a VCT whether by subscription or otherwise will be entitled to the following benefits:

- dividends which will be exempt from income tax;
- in relation to dividends paid by the VCT on or before 5th April 1999, payment to individuals of the tax credit attached to the dividends (in relation to dividends paid after 5th April 1999, no tax credit will be paid to individuals); and
- any profits on the disposal of the shares will be exempt from capital gains tax.

Effect of initial tax reliefs	No VCT tax relief	20% income tax relief	20% income tax relief and capital gains tax deferral
Initial investment	£100,000	£100,000	£100,000
20% income tax relief		(£20,000)	(£20,000)
Capital gains tax deferral*			(£40,000)
Effective cost of the investment	£100,000	£80,000	£40,000

* Subject to available tax reliefs, deferred capital gains tax becomes payable at the rate of capital gains tax applicable to the investor when his or her investment in the VCT is realised.

INLAND REVENUE APPROVAL

The Directors intend to manage the Company's affairs in order that it complies with the legislation applicable to VCTs. In this regard, the Company has retained BDO Stoy Hayward to advise on VCT status. The Inland Revenue has indicated to the Company that provisional approval, effective from the Admission of Shares issued under the 1997/98 Offer (which is expected to occur on 3rd April 1998), will be granted. Full approval will be obtained only if 70 per cent. of the Company's investments are represented by VCT qualifying holdings by not later than 31st March 2001 and the Company has complied with certain other requirements relating to VCT status. Approval may be lost if the Company fails to satisfy those requirements within prescribed time limits or if the Company subsequently ceases to comply with those requirements.

THE DIRECTORS

The Directors have overall responsibility for the Company's affairs. Meetings of the Board will be attended by representatives of the Manager and BDO Stoy Hayward (as adviser on VCT status). The Directors, all of whom are non-executive, are as follows:

Clive Parritt, aged 54, (*Chairman*) is Chairman of Baker Tilly, Chartered Accountants, having been its national managing partner for 10 years until June 1996. He is a member of the Council of the Institute of Chartered Accountants in England and Wales. Mr Parritt was Chairman of Baronsmead Investment Trust plc until its recent acquisition by 3i plc, and is a director of Herald Investment Trust plc.

Godfrey Jillings, aged 57, is Deputy Chairman of DBS Management plc and a director of Baronsmead VCT plc. He was Chief Executive of FIMBRA between December 1990 and September 1994 and a Deputy Chief Executive of the Personal Investment Authority between December 1993 and September 1994. Previously Mr Jillings held a number of senior executive appointments in National Westminster Bank plc.

Gillian Nott, aged 52, is Chief Executive of ProShare (UK) Limited, a not-for-profit organisation which promotes individual share ownership. She is also a non-executive director of two unquoted companies and a director of Baronsmead VCT plc. Previously she worked for 12 years with the BP Group where she managed their venture capital portfolio, becoming a director of BP VenCap Limited.

Nicholas Timpson, aged 57, was the founder, Chairman and Managing Director of Furnitureland Holdings plc. He is Chairman of the Country Buildings Protection Trust Limited and a director of Southern Electric plc. Before founding Furnitureland Holdings plc in 1973, he worked as a management consultant for McKinsey & Co.

The Directors of the Company propose to invest a total of £240,000 in the Company. Each of the Directors is independent of Friends Ivory & Sime and of the Manager.

INVESTMENT MANAGEMENT ARRANGEMENTS

Unquoted portfolio

The management agreement between the Company and the Manager is for an initial fixed term expiring on the third anniversary of Admission and may be terminated by either party on 12 months' notice expiring after that date. The Manager will receive a fee of 2 per cent. per annum of the net assets of the Company (plus any applicable VAT). In addition, the Manager will receive an annual administration fee of between £30,000 and £55,000 (plus any applicable VAT) depending on the level of subscription and subject to annual review. Further details of the agreement with the Manager are set out in paragraph 9(b) of Part IV below.

Performance incentive

It is VCT industry practice to reward the performance of the investment manager. Accordingly, the Manager may also become entitled to receive a performance fee from the Company calculated by reference to cash distributions made to Shareholders. No performance fee will be paid until after the end of the fifth accounting period of the Company and until cumulative cash distributions to Shareholders exceed a return equivalent to simple interest on the initial subscription price of £1 at a rate of 7.2 per cent. per annum, calculated up to the last day of the relevant accounting period. A performance fee will be paid for the fifth and each subsequent accounting period of 20 per cent. of the amount by which cumulative distributions exceed this hurdle rate.

The value of distributions will be calculated by reference to the net amount of the distribution

(disregarding any associated tax credit). The 7.2 per cent. hurdle rate is equivalent to an 8 per cent. hurdle rate if current tax credits were included. Distributions include distributions of income and capital profits, the return of assets in a liquidation and the purchase of Shares by the Company.

The performance fee is payable within 10 days of the approval by the Board of the audited accounts for the relevant accounting period. If the management agreement with the Company is terminated by the Company on less than 12 months' notice, unless the Company is entitled to do so, for instance, as a result of a material breach of the agreement by the Manager, the Manager will be entitled to receive a final performance fee from the Company of 20 per cent. of the amount by which the net asset value of the Company plus all distributions made by the Company exceeds the amount subscribed for Shares plus simple interest at 7.2 per cent. per annum.

Fixed interest portfolio

The agreement between the Company and Cazenove for the management of the Company's fixed interest portfolio is terminable on one month's notice by the Company or Cazenove and provides for a fee to Cazenove of 0.1 per cent. per annum of the amount invested in fixed interest securities subject to a minimum of £10,000 per annum (plus any applicable VAT). Further details of the agreement with Cazenove are set out in paragraph 9(e) of Part IV of this document.

INITIAL AND RUNNING COSTS

The expenses of the Offers (including irrecoverable VAT and sales commission of 3 per cent.) payable by the Company will be capped at 5 per cent. of the gross proceeds.

Annual running costs, being the Directors' fees, professional fees and the other costs incurred by the Company in the ordinary course of its business (excluding any performance fee payable to the Manager), will be capped at 3.5 per cent. of the Company's net assets, any excess being met by the Manager by way of refund of its management fee. If the Offers are fully subscribed, the annual running costs of the Company for the first financial period are expected to be approximately 3.0 per cent. of the Company's net assets.

Expenses will be charged through the revenue account except where incurred in connection with the maintenance or enhancement of the value of the Company's assets. Taking into account the expected long-term returns in the form of income and capital gains in accordance with standard VCT practice, management fees and any performance fees will be allocated 25 per cent. to revenue and 75 per cent. to capital.

THE OFFERS

It is proposed to raise up to £25 million (before expenses) by means of two separate offers for subscription. The 25 million Ordinary Shares, nominal value 10p each, are being offered at 100p per Share, payable in full on application. The Offers are not underwritten. The maximum net proceeds of the Offers

are estimated to be £23.75 million. Such net proceeds will be invested in accordance with the investment policy set out above. The Offers are sponsored by Neill Clerk Capital, which is regulated by The Securities and Futures Authority Limited and is a sponsor registered with the London Stock Exchange.

Applications will be accepted in the order in which they are received (provided cheques are not post-dated), subject always to the Directors' discretion.

The minimum application level under each of the Offers is for 3,000 Shares (or £3,000). Applications for more than 3,000 Shares under either Offer must be made in multiples of 1,000 Shares (or £1,000). The maximum aggregate subscription to this and any other VCT in any tax year, which will be eligible for the full tax reliefs, is £100,000. Investors wishing to invest in both the current tax year and the 1998/99 tax year may therefore invest up to £200,000, by applying under both Offers. A husband and wife may obtain tax relief in respect of up to £400,000 in total under the Offers.

The 1997/98 Offer and the 1998/99 Offer will close at 3.00 p.m. on 2nd April 1998 (or on any earlier date on which they are fully subscribed) save that the Directors reserve the right to extend the closing date of the 1998/99 Offer until no later than 29th May 1998. The Directors reserve the right to allot and arrange for the listing of Ordinary Shares applied for under the 1997/98 Offer before 3rd April 1998.

Share certificates will be posted (at the applicant's risk) to successful applicants within seven days of dealings having commenced and in the interim the Company's registrars will certify transfers against the

register. Ordinary Shares will be capable of being transferred by means of the CREST system. Successful applicants who wish to trade in Shares in uncertificated form, and who have access to a CREST account, may arrange with the Company's registrars, Northern Registrars Limited, to convert their holdings following issue into dematerialised form.

Following the despatch of Share certificates, investors will be asked to complete, and return to the Company, an enduring declaration. In the absence of an enduring declaration, dividends will not be exempt from income tax. Investors will be required to provide certain information when completing the enduring declaration, including his or her date of birth and National Insurance number (if he or she has one), and the amount over £100,000 (if any) which the investor has invested in VCTs during the tax year in which the Shares are issued to him or her.

Authorised financial intermediaries, and if applicable Neill Clerk Capital, who stamp the Application Form will be paid 3 per cent. commission on application monies accepted under the Offers.

Application has been made to the London Stock Exchange for the Ordinary Shares to be issued pursuant to the Offers to be admitted to the Official List. The Ordinary Shares will be in registered form and will be transferable.

Shares will not be allotted under the Offers unless valid applications have been received in respect of a minimum of two million Shares and Shares will not be allotted under the 1997/98 Offer unless valid applications have been received in respect of an

aggregate minimum of 2 million Shares under both Offers by the close of the 1997/98 Offer.

Further details of the terms and conditions of the Offers are set out in Part VI.

AVAILABILITY OF THE PROSPECTUS

Copies of this document are available for collection from the Company Announcements Office, London Stock Exchange, Stock Exchange Tower, Bartholomew Lane, London EC2 for two business days following 3rd March 1998 and, until the date on which the 1998/99 Offer closes, from the Company and from:

Neill Clerk Capital Limited
No. 1 Portland Place
London W1N 3AA

Neill Clerk Capital Limited
6 Park Circus Place
Glasgow G3 6AN

Ivory & Sime Baronsmead plc
Princes Court
7 Princes Street
London EC2R 8AQ

Friends Ivory & Sime plc
One Charlotte Square
Edinburgh EH2 4DZ

Henry Cooke, Lumsden plc
One King Street
Manchester M2 6AW

Dated 2 March 1998. 

Part II: Risk factors

The Directors draw the attention of potential investors to the following risk factors which may affect the Company's performance and/or the availability of tax reliefs:

- Investment in the Company should be regarded as long-term in nature and is not suitable for all individuals. Potential investors, if they are in any doubt, should consult their professional advisers.
- Investment in unquoted and AiM-listed companies, by its nature, involves a higher degree of risk than investment in a quoted portfolio. Unquoted and AiM investments may be more difficult to realise.
- The past performance of Ivory & Sime Baronsmead and Baronsmead VCT plc is not necessarily a guide to the future performance of the Company. There can be no guarantee that the Company's objectives will be achieved.
- The market price of the Ordinary Shares may not fully reflect their underlying net asset value. The value of an investment in the Company, and the income derived from it, may go down as well as up and an investor may not get back the amount invested.
- Although the Ordinary Shares will be listed on the London Stock Exchange it is possible that there may not be a liquid market in the Shares and Shareholders may have difficulty in selling Shares.
- Any realised losses on a disposal of Shares will not be allowable losses, for the purposes of capital gains tax, and will therefore not be capable of set off against any capital gains.
- The Company's ability to obtain maximum value from its investments (for example, through a sale or takeover) may be restricted because of the requirement to satisfy certain conditions necessary for it to maintain its VCT status (such as the condition that not less than 70 per cent., by value, of its investments must be in Qualifying Holdings).
- There can be no guarantee that the Company will maintain VCT status. If the Company fails to attain full approval as a VCT, or ceases to retain approval as a VCT before Qualifying Subscribers have held their Shares for five years, the 20 per cent. income tax relief obtained will have to be repaid, and any capital gains tax liability, which has been deferred, will become payable. Following a loss of VCT status, Qualifying Subscribers will be taxed on dividends paid by the Company, and, in addition, a liability to capital gains tax may arise on any subsequent disposal of the Shares. The Company will also lose its exemption from corporation tax on capital gains, and may be required to repay to the Inland Revenue any tax credits previously paid to it by the Inland Revenue on behalf of Qualifying Subscribers and Qualifying Purchasers. Further information concerning the loss of VCT status is set out in Section B of Part III.
- The information in this document is based on existing legislation, including taxation legislation. The tax reliefs described are those currently available. Existing levels and bases of, and reliefs from, taxation may change and the value of tax reliefs depends on the personal circumstances of Shareholders who should consult their tax advisers.
- The result of the review which the Government announced in July 1997 it would be carrying out in relation to VCTs has not been released. While the reasons given for the review would not appear to affect the intended operation of the Company, there can be no guarantee that this will be the case.

Part III: Venture capital trusts

The Company has to satisfy a number of tests in order to qualify as a VCT and, therefore, to obtain the tax benefits available to VCTs and their individual shareholders. A summary of those tests is set out in Section A of this Part III. A summary of the tax benefits available to VCTs and their individual shareholders, and the consequences of losing VCT status, is set out in Section B of this Part III. A summary of the proposed changes to the taxation treatment of dividends, and the impact which these changes will have on VCTs and their individual shareholders, is set out in Section C of this Part III.

SECTION A : VCT STATUS

Qualifying as a VCT

In order to qualify as a VCT, a company must satisfy the following tests in each accounting period:

- (a) it must be approved as a VCT by the Inland Revenue;
- (b) it must not be a close company;
- (c) throughout that period, each class of its ordinary share capital must be quoted on the London Stock Exchange;
- (d) it must derive its income in that period wholly or mainly from shares or securities;
- (e) it must have at least 70 per cent. by value of its investments throughout that period in shares or securities (which must not be redeemable within 5 years of issue) comprised in Qualifying Holdings, of which 30 per cent. by value must be ordinary shares which carry no preferential rights;
- (f) it must have not more than 15 per cent. by value of its investments throughout that period in a single company or group (other than a VCT, or other similar company); and
- (g) it must generally not retain more than 15 per cent. of the income which it derives from shares and securities in that period.

In order, however to facilitate the launch of VCTs, there is a relaxation of some of these tests during the company's first three accounting periods (see below under the heading, "Approval as a VCT").

Qualifying Holdings

In order for an investment to qualify as an investment in a Qualifying Holding, not more than £1 million (in a period, which varies in length depending on when the investment is made, of between 6 and 12 months) may be invested in shares or securities issued by a company to, and at all times since issue held by, the VCT. The limit is restricted further if the trade, in which the money invested is applied, is carried on through a partnership or joint venture.

The company, in which the VCT makes its investment, must satisfy the following tests:

- (a) it must be unquoted (which will, in the case of a company which was unquoted at the time of the VCT's investment, be deemed to be the case for a further five years after the company ceases to be unquoted). Companies whose shares are traded on AiM are treated as unquoted;
- (b) it must be a Qualifying Company (see below under the heading, "Qualifying Companies and qualifying subsidiaries");
- (c) it must have gross assets of £10 million or less immediately pre-investment, and £11 million or less immediately post-investment (in the case of companies which are members of a group, the test is applied on a group basis);
- (d) it must apply the money invested for the purposes of a qualifying trade (see below under the heading, "Qualifying Companies and qualifying subsidiaries") within certain time periods;
- (e) it must not be able to control any company which is not a qualifying subsidiary; and
- (f) it must not be controlled by another company.

In certain circumstances, a holding can be split into part-Qualifying Holdings and part-non-Qualifying Holdings.

Qualifying Companies and qualifying subsidiaries

A Qualifying Company is a company which:

- (a) carries on, or is preparing to carry on, a qualifying trade; or
- (b) has one or more subsidiaries, all of which are qualifying subsidiaries, where the activities of the company and the subsidiaries (taken together) comprise the carrying of, or the preparation to carry on, a qualifying trade.

A subsidiary will be a qualifying subsidiary if at least 90 per cent. of its issued share capital and its voting power is owned by the Qualifying Company. Certain other tests as to the distribution of the subsidiary's profits and assets on a winding-up must also be satisfied.

A trade will be a qualifying trade, only if it is carried on wholly or mainly in the UK. Certain trades (for example, dealing in land or shares, or providing financial services) are excluded. In the case of a company which is preparing to carry on a qualifying trade, the qualifying trade must begin within two years of the issue to the VCT of the shares or securities, and must continue thereafter.

Approval as a VCT

A VCT must be approved as such at all times by the Inland Revenue. Approval has effect from the time specified in the approval, which cannot be earlier than the time at which the application for approval is made.

A VCT cannot be approved until the relevant tests (see above under the heading, "Qualifying as a VCT") have been satisfied throughout the most recent complete accounting period of the VCT, and the Inland Revenue is satisfied that the tests will be satisfied in relation to the accounting period of the VCT which is current at the time the application is made.

However, in order to facilitate the launch of VCTs, the Inland Revenue may grant provisional approval to a VCT, notwithstanding that not all the relevant tests are satisfied at the time of the application, provided that the Inland Revenue is satisfied that the tests will be satisfied within a certain period. In particular, the Inland Revenue may grant provisional approval if it is satisfied that:

- (a) the relevant tests in (c), (d), (f) and (g) under the heading, "Qualifying as a VCT" above will either be satisfied in the accounting period current when the application for approval is made or the following accounting period;
- (b) the relevant test in (e) under the heading, "Qualifying as a VCT" above, will be satisfied in relation to any accounting period beginning not more than three years after the time when approval is given, or if earlier, when it has effect; and
- (c) the relevant tests in (c), (d), (e), (f), and (g) under the heading, "Qualifying as a VCT" above, will continue to be satisfied in all subsequent accounting periods.

The Inland Revenue has indicated to Baronsmead VCT 2 that provisional approval, effective from Admission of Shares under the 1997/8 Offer (which is expected to be 3rd April 1998), will be granted.

Withdrawal of approval

Approval of a VCT may be withdrawn by the Inland Revenue if the relevant tests (see above under the heading, "Qualifying as a VCT") are not satisfied. Withdrawal of approval generally has effect from the time when notice of withdrawal is given to the VCT but, in relation to capital gains of the VCT only, can be backdated to not earlier than the first day of the accounting period commencing immediately after the last accounting period of the VCT in which all the tests were satisfied.

Where approval is withdrawn because the relevant tests have not been satisfied for at least a complete twelve-month period, approval is deemed to have never been given. The taxation consequences of approval being deemed to have never been given are set out in Section B below under the heading, "Loss of VCT status".

SECTION B: TAXATION CONSIDERATIONS

The following is a summary of the tax benefits available to VCTs and their individual shareholders who are either private investors or market purchasers. It assumes that the VCT is approved as such at all times, and that the VCT has one class of shares only.

Investors, who are in any doubt as to their tax position, are recommended to take professional advice.

VCTS

VCTs are exempt from corporation tax on chargeable gains. Otherwise, they are subject to the usual corporation tax regime. In particular, VCTs will pay advance corporation tax in relation to dividends paid before 6th April 1999.

Individual Shareholders

A number of tax benefits are available to individuals, aged 18 or over, who invest in shares in a VCT. The tax benefits available to those individuals are different, depending on whether the individual subscribes for shares or acquires shares, otherwise than by way of subscription. There is also a limit ("the qualifying limit") on the amount which, in any tax year, an individual may invest in VCTs which will qualify for the tax benefits. The current limit is £100,000. Investments in shares in VCTs in excess of the qualifying limit will not be eligible for any tax benefits.

Set out below is a summary of the tax benefits available to private investors and market purchasers.

(a) Private investors (not market purchasers)

Income tax relief on investment

Relief from income tax at the lower rate (currently to year 5th April 1998, 20 per cent.) will be available on subscriptions for shares in a VCT. The relief, which will be available in the year of subscription, cannot exceed the amount which reduces the private investor's income tax liability in that year to nil. Relief may not be available if there is a loan linked with the investment.

Relief will not be available, or, where given, will be withdrawn, either in whole or in part, where there is any disposal (except on death) of the shares (or, of an interest in them or right over them) before the end of the period of five years beginning with the date on which the shares were issued to the private investor.

To obtain relief, a private investor must subscribe for the shares in his own name, and not through a nominee, although the shares may subsequently be transferred into the name of a nominee. Where a private investor has acquired shares in the same VCT on more than one occasion, he will be treated as disposing of the shares which he acquired on an earlier date, in priority to those which he acquired on a later date. Where he has acquired shares on the same occasion, some of which qualify for relief and some of which do not, he will be treated as disposing of the shares which do not qualify for relief in priority to those which qualify.

Capital gains reinvestment relief

A private investor will, on making a claim, be entitled to defer a liability to capital gains tax on a capital gain arising from the disposal of any chargeable asset within the period beginning twelve months before, and ending twelve months after, the date on which shares in a VCT are issued to him. The amount of the liability which will be deferred, will broadly be equal to capital gains tax on the lower of the amount of the gain, and the amount subscribed.

*The relief will not be available for private investors who are treated as being resident in a country, other than the United Kingdom, by reason of a double tax agreement between the United Kingdom and that country.

The deferred gain will crystallise on the disposal of the shares and the occurrence of certain other events, including the investor becoming non-UK resident, for tax purposes, within five years of his investment, but not death.

(b) Private investors and market purchasers

Exemption from capital gains tax

Any gain or loss accruing to a private investor or a market purchaser on a disposal of shares in a company which was a VCT at the time he acquired the shares, and remained a VCT throughout his period of ownership, will neither be a chargeable gain, nor an allowable loss, for the purposes of capital gains tax.

Exempt dividend income

Dividend income will be exempt from tax. In addition, private investors and market purchasers will be entitled to payment of the tax credit in respect of dividends paid by the VCT before 6th April 1999. The amount of the tax credit is currently equal to one-quarter of the dividend. Tax credits will not be repayable in respect of dividends paid after 5th April 1999 (see below under the heading, "Section C: Proposed Changes to the Tax Treatment of Dividends").

Procedure for obtaining payment of tax credits and other reliefs available to private investors and market purchasers

(a) Payment of tax credits on dividends

VCTs will be responsible for claiming payment of the tax credit from the Inland Revenue on behalf of private investors and market purchasers. In order for claims to be made on their behalf, private investors and market purchasers must complete, and return to the VCT, an enduring declaration in which they declare that they qualify for payment of the tax credit.

Qualifying Subscribers will be sent, with their share certificates, an enduring declaration for completion, and return to the Company.

(b) Income tax relief on investment

VCTs will on request supply private investors with certificates enabling them to claim income tax relief. The certificates will specify details of the shareholder, the date the shares were issued and the amount paid for the shares, and also will certify that the shares have been issued to a private investor, and that certain other conditions are met, to the best of the VCT's knowledge and belief. The relief may not be available unless the private investor holds such a certificate.

Baronsmead VCT 2 will send Qualifying Subscribers certificates, entitling them to claim relief from income tax, with their share certificates.

(c) Capital gains reinvestment relief

Private investors are required to make a claim for the relief. There is no statutory form which requires completion. The Inland Revenue are understood to accept a claim in the private investor's self-assessment tax return for the year in which the relief is claimed.

Loss of VCT status

The following is a summary of the tax consequences for VCTs and their individual shareholders resulting from a loss of VCT status.

(a) VCTs

Exemption from corporation tax on chargeable gains will not be available in relation to any gain realised after VCT status is lost. In certain circumstances, tax credits previously paid to VCTs, on behalf of their individual shareholders, may be recovered by the Inland Revenue from the VCT.

(b) Private investors

(i) Income tax relief on investment

Where VCT approval is treated as never having been given, or where it is withdrawn before the shares have been held for five years, the relief will be withdrawn in full, and the private investor will be assessed to tax in the tax year in which the relief was given on an amount equal to that relief. Interest on overdue tax may apply.

(ii) Capital gains reinvestment relief

Where VCT approval is withdrawn, a private investor will be treated as realising, at the time approval is withdrawn, a chargeable gain equal to the original gain which was deferred. Where VCT approval is treated as never having been given, the original gain will not be deferred and the private investor will be assessed to tax on the gain in the tax year in which it originally arose. Interest on overdue tax may arise.

(c) Private investors and market purchasers

(i) Exempt dividend income

Dividend income will not be exempt from tax if the dividend is paid in respect of profits or gains arising or accruing in any accounting period in which the VCT is not approved as such.

(ii) Exemption from capital gains

Where VCT approval is treated as never having been given, any gains and losses arising on a disposal of shares in the VCT will be taxable and allowable in the ordinary way. Where VCT approval is withdrawn at any time (whether or not the shares have been held for five years), the private investor or the market purchaser will be treated as having disposed of his shares immediately before the VCT ceased to be approved, for an amount equal to their market value at that time, and as having immediately reacquired them at that value. Thus, any capital gain up to that date will be exempt from tax, but any gains arising after that date will be taxable in the ordinary way.

SECTION C: PROPOSED CHANGES TO THE TAXATION TREATMENT OF DIVIDENDS

A number of changes will either take effect, or are expected to have effect, in relation to the taxation treatment of the payment of dividends by companies, including VCTs, after 5th April 1999. Insofar as they affect VCTs and their individual shareholders, the changes can be summarised as follows:

(d) no tax credits in respect of dividends paid by companies, including VCTs, after 5th April 1999 will be paid to shareholders; and

(e) under proposals announced by the Chancellor of the Exchequer on 25th November 1997, companies, including VCTs, will not be required to account for advance corporation tax ("ACT") on dividends paid after 5th April 1999.

Currently, where a dividend is paid by a company, the company is required to account for ACT, at the rate of one-quarter of the dividend paid. Thus, if a dividend of £80 is paid, the company is required to pay ACT of £20 to the Inland Revenue. Where a VCT pays a dividend to a private investor or a market purchaser, the VCT is entitled to obtain payment of the tax credit on the shareholder's behalf. Thus, in the above example, if the company is a VCT, it will obtain payment of a tax credit of £20. Accordingly, the private investor or the market purchaser will receive a total of £100.


In consequence of the changes mentioned above, VCTs will not be entitled to obtain payment of the tax credit of £20, on behalf of private investors and market purchasers, where the dividend is paid after 5th April 1999. However, assuming that the proposals announced by the Chancellor are implemented, the VCT will not have an obligation to account to the Inland Revenue for ACT of £20.

As a result:

- (i) where dividends are payable by VCTs out of distributable profits representing capital gains from a sale of investments, VCTs should be able to distribute its profits without any additional tax being suffered by the VCT, or private investors and market purchasers; and
- (ii) where dividends are payable by VCTs out of distributable profits, representing sources, such as interest, in respect of which the VCT is subject to corporation tax, or dividends from UK companies, the loss of payment of the tax credit will have the effect of reducing the net value of the dividend, in the hands of the private investors and market purchasers, by 20 per cent.

Part IV: General information

1 Listing

- (a) Copies of this document, which comprises a prospectus relating to Baronsmead VCT 2 plc prepared in accordance with the listing rules made under section 142(6) of the Financial Services Act 1986, have been delivered to the Registrar of Companies in England and Wales for registration in accordance with section 149 of that Act.
 - (b) Application has been made to the London Stock Exchange for the Ordinary Shares to be issued under the Offers to be admitted to the Official List of the London Stock Exchange. It is expected that Admission will become effective, and that dealings will commence, on 3rd April 1998 in respect of Ordinary Shares issued under the 1997/98 Offer and on 7th April 1998 in respect of Ordinary Shares issued under the 1998/99 Offer.
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2 Responsibility

The Directors of Baronsmead VCT 2 plc, whose names appear on the inside back cover, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

3 Incorporation and administration

- (a) The Company was incorporated and registered in England and Wales on 29th January 1998 with limited liability as a public limited company under the Act with the name Baronsmead VCT 2 Public Limited Company and with registered number 3504214. The Company operates under the Act and the regulations made under the Act.
- (b) The Directors confirm that, since the incorporation and registration of the Company on 29th January 1998, the Company has neither traded nor prepared any accounts.
- (c) The Company's principal object, as set out in clause 4 of its Memorandum of Association, is to carry on the business of a venture capital trust company.
- (d) The Company was issued with a certificate under section 117 of the Act by the Registrar of Companies on 10th February 1998.
- (e) Pannell Kerr Forster, Chartered Accountants, of New Garden House, Hatton Garden, London EC1N 8AJ have been the only auditors of the Company since its incorporation.
- (f) The Company has given notice to the Registrar of Companies pursuant to section 266 of the Act of its intention to carry on business as an investment company.

- (g) It is intended that the business of the Company be carried on so as to comply with section 842AA ICTA. 26.5(g)
- (h) The Company is the registered holder of one "B" Ordinary Share of £1 of the Manager (the "Manager's Share"), by virtue of which shareholding the Manager is a subsidiary of the Company (as defined in section 736 of the Act) and the Company and the Manager are treated as members of the same group for value added tax purposes.

4 Share Capital

- (a) The Company was incorporated with an authorised share capital of £50,000, divided into 50,000 shares of £1 each, two of which were agreed to be taken by the subscribers to the Memorandum of Association. By an ordinary resolution passed on 9th February 1998 the authorised share capital of the Company was increased by the creation of 50,000 shares of £1 each. On 18th February 1998 the two subscribers' shares were transferred to David Boyack (as nominee for Ivory & Sime Baronsmead plc) and to Ivory & Sime Baronsmead plc respectively.
- (b) By ordinary and special resolutions passed on 9th February 1998:
 - (i) each of the two issued shares and each of the 99,998 unissued shares of £1 each in the Company were subdivided into 10 shares of 10p each and were redesignated as Ordinary Shares;
 - (ii) the authorised share capital of the Company was increased to £5,050,000 by the creation of 49,000,000 Ordinary Shares of 10p each and 500,000 redeemable preference shares of 10p each ("Redeemable Shares");
 - (iii) the Directors were generally and unconditionally authorised in accordance with section 80 of the Act (and in substitution for any existing power) to allot relevant securities up to an aggregate nominal amount of £4,999,998 during the period commencing on 9th February 1998 and expiring on 8th February 2003 (unless previously revoked, varied or extended by the Company in General Meeting);
 - (iv) the Directors were empowered (pursuant to section 95 of the Act) to allot or make offers or agreements to allot equity securities (as defined by section 94 of the Act) pursuant to the authority referred to in paragraph 4(b)(iii) above, as if section 89(1) of the Act did not apply to any such allotment, during the period commencing on the date of the passing of the resolution and ending on the earlier of 15 months from such date and the conclusion of the first annual general meeting of the Company such authority being limited to the allotment of equity securities in connection with:
 - (A) the Offers;
 - (B) an offer of securities by way of rights;
 - (C) the allotment of 500,000 Redeemable Shares to Ivory & Sime Baronsmead plc; and
 - (D) (otherwise than pursuant to sub-paragraphs (A), (B) or (C) above) an offer of equity securities up to an aggregate nominal amount of 10 per cent. of the issued Ordinary Share capital of the Company immediately following the Offers;
 - (v) the Company was generally and unconditionally authorised to make market purchases (within the meaning of section 163 of the Act) of up to 5 per cent. of the issued ordinary share capital of the Company immediately following the Offers at a minimum price of 10p per Share and a maximum price equal to 5 per cent. above the average of the market values of such Shares for the 5 business days immediately preceding the day on which Shares are purchased, such authority to expire at the conclusion of the first annual general meeting of the Company in 1999 or, if earlier, on 8th August 1999, unless such authority is renewed prior to such time;
 - (vi) the Company altered its Memorandum of Association with respect to its objects; and
 - (vii) the Company adopted new Articles of Association.

- (c) To enable the Company to obtain a certificate under section 117 of the Act, on the 9th February 1998, 500,000 Redeemable Shares were allotted to Ivory & Sime Baronsmead plc against its irrevocable undertaking to pay 10p in cash for each such Redeemable Share before the date of Admission (unless Admission does not become effective by 30th April 1998, in which case Ivory & Sime Baronsmead plc undertook to pay up, or procure payment of, one-quarter of the nominal value of all such Redeemable Shares in cash on or before 30th April 1998 and the balance on demand thereafter). Such Redeemable Shares will be paid up in full on Admission and redeemed in full out of the proceeds of the Offers. The unissued share capital created by the redemption of the Redeemable Shares will be redesignated on such redemption as ordinary share capital.
- (d) Pursuant to the authority conferred upon them as described in paragraphs 4(b)(iii) and 4(b)(iv) above, and by a resolution of the Directors passed on 25th February 1998, it was resolved to offer up to 25 million Shares pursuant to the Offers at 100p each.
- (e) Following the Offers, the issued Ordinary Share capital of the Company will be fully paid as to its nominal value. The price at which Shares are offered under the Offers represents a premium of 90p over the nominal value of each Ordinary Share.
- (f) The provisions of section 89(1) of the Act (which, to the extent not disapplied pursuant to section 95 of the Act, confer on Shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) apply to the authorised but unissued share capital of the Company save to the extent disapplied as mentioned in paragraph 4(b)(iv) above.
- (g) Following the Offers and the redemption of the Redeemable Shares referred to above, the Company's authorised share capital will be £5,050,000 divided into 50,500,000 Ordinary Shares and the Company's issued share capital will be £2,500,020 if the Offers are fully subscribed. In terms of the resolution referred to in paragraph 4(b)(iii) above, the Directors are authorised, generally and unconditionally, to allot 49,499,980 Ordinary Shares throughout the period of the authority referred to in such paragraph.
- (h) Save as disclosed in this paragraph 4, since the date of its incorporation, there has been no alteration in the share capital of the Company, no share or loan capital of the Company has been issued or agreed to be issued, or is now proposed to be issued, for cash or any other consideration and no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any such capital and no share or loan capital of the Company is under option or agreed, conditionally or unconditionally, to be put under option.
- (i) Other than pursuant to the Offers or as referred to in paragraph 4(b)(iv) above, no material issue of Shares (other than to Shareholders pro rata to existing holdings) will be made by the Company within one year of the date of Admission without the prior approval of the Company in general meeting.
- (j) Subject to any special rights or restrictions attaching to any class of shares issued by the Company in the future, the holders of the Ordinary Shares are entitled, pari passu amongst themselves, but in proportion to the nominal amount of Ordinary Shares held by them, to share in the whole of the profits of the Company paid out as dividends and in the whole of any surplus in the event of the liquidation of the Company.
- (k) The Ordinary Shares will be in registered form. Temporary documents of title will not be issued.
- (l) All 25 million Shares are being made available to the public pursuant to the Offers.

5 Directors' and other interests in the Company

- (a) The Directors named below will be applying in the Offers for the following number of Shares and such applications will be met in full.

	Number of Shares
Clive Parritt	10,000
Godfrey Jillings	20,000
Gillian Nott	10,000
Nicholas Timpson	200,000

Save as disclosed in this paragraph 5(a), none of the Directors nor any member of their respective immediate families has any interest in the share or loan capital of the Company which is or would immediately following the Offers be required to be notified pursuant to sections 324 or 328 of the Act or which is or would be required to be entered in the register maintained by the Company under section 325 of the Act and (so far as is known to the Directors, having made reasonably diligent enquiries) no person connected with them (which expression shall be construed in accordance with section 346 of the Act) has any such interest.

- (b) Save as set out in paragraph 5(a) no Ordinary Shares are being reserved for allocation to existing shareholders, Directors or employees of the Company.
- (c) None of the Directors has a service contract with the Company, and no such contract is proposed.
- (d) No loan or guarantee has been granted or provided by the Company to or for the benefit of any Director.
- (e) Save as disclosed in this paragraph 5, none of the Directors or any member of their respective immediate families has or has had an interest in any transaction or transactions which are or were unusual in their nature or conditions or significant to the business of the Company and which were effected by the Company since its incorporation.
- (f) It is estimated that the aggregate amount payable to the Directors by the Company for the financial period ending on 31st March 1999 under the arrangements in force at the date of this document will not exceed £40,000 (plus out of pocket expenses).
- (g) The Company is not aware of any person who, immediately following the Offers, will, directly or indirectly, be interested (within the meaning of Part VI of the Act as in force at the date of this document) in 3 per cent. or more of the capital of the Company, or who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.
- (h) The Company has taken out Directors' and Officers' liability insurance for the benefit of the Directors.

6 Memorandum and Articles of Association

Clause 4 of the Memorandum of Association of the Company provides that the Company's objects include that of carrying on the business of a venture capital trust company. The following is a summary of certain provisions of the Articles of Association of the Company (the "Articles"), a copy of which is available for inspection as stated in paragraph 12 below.

(a) Voting rights

- (i) Subject to the provisions, to the Act or any special terms as to voting on which any Shares may be issued, or may for the time being be held, and to any suspension or abrogation of voting rights pursuant to the Articles, on a show of hands every member who is present in person at any general meeting of the Company shall have one vote and on a poll every member who is present in person or who (being a corporation) is present by a representative or by proxy shall have one vote for every Share of which he is the holder. A proxy need not be a member of the Company. The instrument appointing a proxy shall be in writing in any common form or in such other form as the Board may approve and shall be delivered to the registered office of the Company or at such other specified place in the UK not less than 48 hours before the time appointed for holding the meeting.
- (ii) No member shall, unless the Board otherwise determines, be entitled to be present or to vote, either personally or by proxy or to be reckoned in a quorum at any general meeting unless all calls or other sums payable by him in respect of Shares have been paid or if he has been served with a disenfranchisement notice after failure to provide the Company with information concerning interests in those Shares required to be provided under the Articles or the Act.

(b) Variation of rights and alteration of capital

- (i) Rights attached to any share or class of shares may be varied or abrogated with the written consent of the holders of not less than three-quarters in nominal value of the issued shares of that class, or the sanction of any extraordinary resolution passed at a separate general meeting of the holders of the shares of the class.

- (ii) The Company may from time to time in general meeting, by ordinary resolution, increase, consolidate or sub-divide its share capital.
 - (iii) The Company may, subject to the provisions of the Act and to any rights attached to any shares at the time, by special resolution reduce its share capital or any capital redemption reserve, or any share premium account.
 - (iv) Subject to the provisions of the Act and the Articles and the rights of the holders of any class of shares, the Company may from time to time purchase its own shares.
- (c) Transfer of shares
- (i) Subject to the provisions of the Act and the Articles, the unissued shares of the Company shall be at the disposal of the Board.
 - (ii) Subject to such of the restrictions of the Articles and the Act as may be applicable, any member may transfer all or any of his shares by an instrument of transfer in the usual form or in any other form that the Board may approve. Such instruments shall be signed by or on behalf of the transferor and (in the case of a partly paid share) the transferee.
 - (iii) The Board may, in its absolute discretion and without assigning any reason therefor, decline to register any transfer of any share which is not a fully paid up share or on which the Company has a lien provided that, in the case of partly paid shares which are not listed, such discretion is not exercised in such a way as to prevent dealings in shares from taking place on an open and proper basis. The Board may also decline to register any transfer unless the instrument of transfer, duly stamped, is lodged with the Company accompanied by the certificate for the shares to which it relates together with such other evidence as the Board may reasonably require, and the transfer is in respect of only one class of share and, in the case of a transfer to joint holders, the number of joint holders does not exceed four. The Board may also decline to register a transfer of shares (except for certain types of transfer) after there has been a failure to provide the Company with information concerning interests in those shares required to be provided under the Articles or the Act, until such failure has been remedied.
- (d) Directors
- (i) Unless and until otherwise determined by ordinary resolution of the Company, the Directors (disregarding alternate Directors) shall be not less than two and not more than ten in number.
 - (ii) The business and affairs of the Company shall be managed by the Board, which may exercise all such powers of the Company subject nevertheless to the provisions of the Act, the Memorandum of Association of the Company and the Articles and to any directions given by the Company in general meeting by special resolution.
 - (iii) Subject to the provisions of the Act and to compliance with the disclosure requirements under the Articles, no Director shall be disqualified by his office from:
 - (A) contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or otherwise;
 - (B) holding any other office or place of profit under the Company (except that of auditor);
 - (C) acting by himself or through his firm in a professional capacity for the Company; or
 - (D) being an officer of or employed by any company in which the Company is interested,
 nor shall any such contract or any other contract or arrangement 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 remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office.

- (iv) Save as otherwise provided in the Articles, a Director shall not vote (nor be counted in the quorum) on any resolution of the Board (or any committee of the Board) in respect of any transaction in which he is to his knowledge materially interested. Subject to the provisions of the Act, and in the absence of some other material interest this prohibition shall not apply to any of the following matters, namely:
 - (A) any transaction for giving to such Director any guarantee, security or indemnity in respect of money lent by him or obligation undertaken by him at the request of and for the benefit of the Company or any of its subsidiary undertakings;
 - (B) any transaction for the giving by the Company or any of its subsidiary undertakings of any guarantee, security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiary undertakings in respect of which such Director has himself given an indemnity or has guaranteed or secured or assumed responsibility for in whole or in part;
 - (C) any transaction by such Director to subscribe for shares, debentures or other securities of the Company or any of its subsidiary undertakings issued or to be issued pursuant to any offer or invitation, or to underwrite or sub-underwrite any such shares, debentures or other securities by virtue of his interest in such securities;
 - (D) any transaction concerning any other body corporate in which he (together with persons connected with him) is interested directly or indirectly unless he is interested in 1 per cent. or more of the equity share capital or voting rights of such other company;
 - (E) any proposal relating to a pension, superannuation or similar scheme or retirement, death or disability benefits scheme or employees' share scheme and which either (i) has been approved, or is conditional upon approval, by the Board of Inland Revenue for taxation or (ii) does not award him any privilege or benefit not awarded to the employees to whom such scheme relates; or
 - (F) any proposal for the purchase and/or maintenance of insurance for the benefit of any Directors.
- (v) The remuneration of the Directors for their services as such (excluding amounts payable under other provisions of the Articles) shall be determined by the Board but shall not exceed in aggregate the sum of £50,000 per annum to be increased annually in line with the UK retail prices index or such greater sum as the Company may from time to time determine by ordinary resolution. Each Director may also be paid his reasonable travelling, hotel and other incidental expenses properly and reasonably incurred by him in the conduct of the Company's business or in the discharge of his duties as a Director.
- (vi) Section 293 of the Act (which regulates the appointment and continuation in office of Directors who have attained the age of 70) will not apply to the Company.
- (vii) Subject to the provisions of the Act and the Articles:
 - (A) the Board shall have the power to purchase and maintain insurance at the expense of the Company for, or for the benefit of, any persons who are or were at any time Directors, officers, employees or auditors of the Company, including insurance against any liability incurred by such persons in relation to or in connection with their duties, powers or offices in relation to the Company.
 - (B) every Director, alternate Director, secretary and other officer of the Company and, if the Board so determines, auditor, shall be entitled to be indemnified by the Company against all costs, charges, losses, damages and liabilities incurred by him in connection with his duties, powers or office.
- (viii) Subject to the provisions of the Articles, at every annual general meeting one third of the Directors who are subject to retirement by rotation or, if their number is not a multiple of three, then the number nearest to but not exceeding one third, shall retire from office. If there are fewer than three Directors who are subject to retirement by rotation, one Director will retire. Any Director so retiring shall be eligible for re-appointment.

(e) Borrowing powers

The Board may exercise all powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property and assets (present and future) and uncalled capital and, subject to the provisions of the Act, to create and issue debenture and other loan stock and debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party so as to procure that the aggregate principal amount outstanding in respect of moneys borrowed by the Company does not at any time, without the previous sanction of an ordinary resolution of the Company, exceed a sum equal to 25 per cent. of the value of the gross assets of the Company.

(f) Dividends and distribution

The Company may, subject to the provisions of the Act and the Articles, by ordinary resolution from time to time declare dividends to be paid to members not exceeding the amount recommended by the Board. Subject to the provisions of the Act in so far as, in the Board's opinion, the Company's profits justify such payments, the Board may pay interim dividends on any class of shares including those carrying a fixed dividend. The Board may, if authorised by an ordinary resolution of the Company, offer Shareholders in respect of any dividend the right to receive shares by way of scrip dividend instead of cash. The Board may withhold dividends payable (with no obligation to pay interest thereon) on shares after there has been a failure to provide the Company with information concerning interests in those shares required to be provided under the Articles or the Act until such failure has been remedied. Any dividend unclaimed after a period of 12 years from the date such dividend is payable shall, if the Board resolves, be forfeited and shall cease to remain owing by the Company.

(g) Distribution of realised capital profits

At any time when the Company has given notice in the prescribed form (which has not been revoked) to the Registrar of Companies of its intention to carry on business as an investment company (a "Relevant Period"), distribution of the Company's capital profits (within the meaning of section 266(2)(c) of the Act) shall be prohibited. The Board shall establish a reserve to be called the capital reserve. During a Relevant Period, all surpluses arising from the realisation or revaluation of investments and all other monies realised on or derived from the realisation, repayment of or other dealing with any capital asset in excess of the book value thereof and all other monies which are considered by the Board to be in the nature of accretion to capital shall be credited to the capital reserve. Subject to the Act, the Board may determine whether any amount received by the Company is to be dealt with as income or capital or partly one way and partly the other. During a Relevant Period, any loss realised on the realisation or repayment of or other dealing with any investments or other capital assets and, subject to the Act, any expenses, loss or liability (or provision thereof) which the Board considers to relate to a capital item or which the Board otherwise considers appropriate to be debited to the capital reserve shall be carried to the debit of the capital reserve. During a Relevant Period, all sums carried and standing to the credit of the capital reserve may be applied for any of the purposes to which sums standing to any revenue reserve are applicable except and provided that notwithstanding any other provision of the Articles no part of the capital reserve or any other money in the nature of accretion to capital shall be transferred to the revenue reserves of the Company or be regarded or treated as profits of the Company available for distribution (as defined by section 263(2) of the Act) or be applied in paying dividends on any shares in the Company. In periods other than a Relevant Period, any amount standing to the credit of the capital reserve may be transferred to the revenue reserves of the Company or be regarded or treated as profits of the Company available for distribution (as defined by section 263(2) of the Act) or applied in paying dividends on any shares in the Company.

(h) Duration and winding-up

The Board shall procure that at the Company's annual general meeting in 2005 and at every fifth annual general meeting thereafter, an ordinary resolution will be proposed to the effect that the Company shall continue in being as a VCT. If, at any such meeting, such resolution is not passed the Board shall, within nine months of such meeting, convene an extraordinary general meeting to propose a special resolution for the reorganisation or reconstruction of the Company or if that resolution is not passed a special resolution to wind-up the Company voluntarily. In the case of the special resolution relating to voluntary winding up only, any member may demand a poll and each holder of shares present in person or by proxy and who votes in favour of the special resolution shall have such number of votes in respect of each share held by him (including fractions

of a vote) that the aggregate number of votes cast in favour of the resolution is four times the aggregate number of shares in respect of which votes are cast against the resolution and each holder of shares who votes against the resolution shall have one vote for each share held by him.

If the Company shall be wound up, the liquidator may, with the authority of an extraordinary resolution and subject to any provision sanctioned in accordance with the Act, divide among the members in specie or in kind the whole or any part of the assets of the Company and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest the whole or any part of the assets in trustees upon such trusts for the benefit of members as the liquidator with the like authority shall think fit and the liquidation of the Company may be closed and the Company dissolved, but no member shall be compelled to accept any assets in respect of which there is a liability.

7 UK taxation

The following summary, which is of a general nature only, relates to the UK taxation position of individual Shareholders who are resident in the UK for taxation purposes and who are the absolute beneficial owners of Shares. It may not apply to certain classes of persons (such as dealers in securities). Individual Shareholders who are not resident in the UK for tax purposes, Shareholders who are not individuals and any other Shareholders who are in any doubt as to their taxation position should consult their professional advisers.

The summary is based on the law in force in the UK at the date of this document, and assumes that approval of the Company as a VCT is given.

(a) Dividends

Under current law, no tax will be withheld by the Company when it pays a dividend. However, when paying a dividend, the Company has to account to the Inland Revenue for advance corporation tax, currently at the rate of one-quarter of the amount of the dividend. However, as a result of changes announced by the Chancellor of the Exchequer on 25th November 1997, the Company will not, if those changes are enacted, have to account for advance corporation tax on any dividends paid after 5th April 1999.

Therefore, the treatment, for the purposes of UK taxation, of a dividend paid to Shareholders by the Company will differ, if those changes are enacted, depending on whether the dividend is paid on or before 5th April 1999, or after that date. The position is as follows:

Current position

A Shareholder will generally be entitled to a tax credit equal to 25 per cent. of the dividend.

If the Company qualifies as a VCT, and the Shareholder is a Qualifying Subscriber or Qualifying Purchaser, then, to the extent that the Shares fall within the qualifying limit of the Shareholder, he will be entitled to payment of the tax credit.

Where the Company does not qualify as a VCT or, if it qualifies but the Shares in respect of which the dividend is paid fall outside the qualifying limit of the Shareholder, the Shareholder will generally be liable to income tax on the aggregate amount of the dividend and the tax credit. The tax credit satisfies in full the income tax liability in respect of the dividend for a Shareholder who is liable to income tax at the basic rate (currently, 23 per cent.), or the lower rate (currently, 20 per cent.). A Shareholder whose income tax liability is less than the aggregate of the amount of the income tax deducted from other income paid to him, and the tax credits in respect of dividends, will be entitled to an appropriate repayment of tax. A Shareholder who is subject to tax at the higher rate (currently, 40 per cent.) will have to account for additional tax to the extent that tax at such rate, on the aggregate amount of the dividend and the tax credit, exceeds the tax credit. Currently, such Shareholders would have an additional tax liability equal to 20 per cent. of the aggregate amount of the dividend and the tax credit.

Position after 5th April 1999

The above treatment will change in relation to dividends paid by the Company after 5th April 1999. Although the change will not result in an increased tax liability for Shareholders, if the Company qualifies as a VCT, and the Shareholder is a Qualifying Subscriber or Qualifying Purchaser then, to the extent that the Shares fall within the qualifying limit of the Shareholder, he will no longer be able to obtain payment of the tax credit.

Where the Company does not qualify as a VCT or, if it qualifies but the Shares fall outside the qualifying limit of the Shareholder, the Shareholder will generally be liable to income tax on the aggregate amount of the dividend and a tax credit equal to 1/9th of the dividend. As under the present regime, the tax credit will discharge the income tax liability of a Shareholder who is not liable to income tax at a rate greater than the basic rate. The higher rate of income tax on dividends will be reduced to 32.5 per cent. from 6th April 1999, so that a Shareholder who is a higher rate taxpayer will have further income tax to pay at a rate of 22.5 per cent. of the aggregate amount of the dividend and the tax credit. Tax credits will no longer be repayable to individuals.

(b) Stamp duty and stamp duty reserve tax

The Company has been advised that no stamp duty or stamp duty reserve tax will be payable on the issue of Ordinary Shares pursuant to the Offers. The Company has been advised that a transfer on sale of Ordinary Shares will be liable to ad valorem stamp duty, normally at the rate of 50p for every £100 or part thereof of the actual consideration (or, if an unconditional agreement to transfer Ordinary Shares is not completed by a duly stamped transfer) stamp duty reserve tax will be payable at the rate of 0.5 per cent. of the consideration will be payable.

8 Overseas persons

No person receiving a copy of this document or a mini-prospectus or an Application Form in any territory other than the UK may treat the same as constituting an invitation or offer to him nor should he in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such Application Form could lawfully be used without contravention of any registration or other legal requirements. It is the responsibility of any person outside the UK wishing to make an application to satisfy himself as to the full observance of the laws of the relevant territory in connection therewith including obtaining any requisite governmental or other consents, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.

No action has been taken to permit the distribution of this document in any jurisdiction outside the UK where such action is required to be taken. All applicants under the Offers will be required to warrant that they are not a US person as defined in paragraph (c) of Part VI of this document.

9 Material contracts

The following contracts have been entered into since the Company was incorporated, not being contracts entered into in the ordinary course of its business, and are or may be material:

- (a) An offer agreement dated 2 March 1998 (the "Offer Agreement") between the Company, the Directors, the Manager, Ivory & Sime Baronsmead plc and Neill Clerk Capital under which Neill Clerk Capital has agreed to act as sponsor to the Offers and has undertaken to use reasonable endeavours to procure applications under the Offers for up to 25 million Ordinary Shares subject (inter alia) to the approval by the London Stock Exchange of this document for the purposes of the Listing Rules published by the London Stock Exchange.

Under the Offer Agreement, Neill Clerk Capital is entitled to a fee of £30,000 and to receive a commission on monies raised by them equal to 0.7 per cent. on sums up to and including £2,000,000, 0.9 per cent. of sums between £2,000,000 and £5,000,000 and 1 per cent. of monies raised by them thereafter, subject to the gross proceeds being at least £2 million and save that if Neill Clerk Capital raise in excess of £10 million for the Offers they will receive a commission equal to 1 per cent. of all monies raised by them in substitution for the commissions referred to above. The payment of fees and commission to Neill Clerk Capital is subject, inter alia, to Admission by 5th April 1998. Value added tax (if applicable) will also be paid by the Company on fees and commissions payable to Neill Clerk Capital. The Company will also pay the reasonable out-of-pocket expenses of Neill Clerk Capital (together with any applicable value added tax).

Under the Offer Agreement, the Company, Ivory & Sime Baronsmead plc and the Directors have given certain warranties and an indemnity to Neill Clerk Capital. Neill Clerk Capital may terminate the Offer Agreement in the event of a material breach of warranty prior to Admission. If the Offers do not become unconditional or are terminated in accordance with their terms, Ivory & Sime Baronsmead plc has agreed to pay Neill Clerk Capital its out-of-pocket expenses and a fee (together with any applicable value added tax). Ivory & Sime Baronsmead

plc has agreed to indemnify the Company if and to the extent that the expenses of the Offers including any irrecoverable value added tax exceed 5 per cent. of the gross proceeds of the Offers.

- (b) A management agreement (the "Management Agreement") dated 2 March 1998 between the Company, the Manager and Ivory & Sime Baronsmead plc whereby the Manager has agreed subject to the overall policy and supervision of the Directors and such directions as the Directors may give from time to time to manage or procure the management of the Company's investments in unquoted UK companies in return for a management fee of 0.5 per cent. per quarter (plus VAT, if any, at the applicable rate) of the net assets of the Company as at the close of business on the last day of the relevant quarter. The Manager will also provide secretarial and other services under the Management Agreement for an annual fee of between £30,000 and £55,000 plus VAT, if any, at the applicable rate, depending on the level of subscription and subject to annual review. The Manager may also receive a performance fee from the Company based on the level of distributions made to Shareholders as described in Part I under "Investment Management Arrangements". The Manager is also entitled to the reimbursement of expenses incurred on behalf of the Company. However, if and to the extent that the annual running costs exceed 3.5 per cent. of the Company's net assets, the Company shall be entitled to a rebate on the fees paid to the Manager to the extent of the excess. Ivory & Sime Baronsmead plc has guaranteed the performance of the Manager's obligations under the Management Agreement and under a separate services agreement with the Manager, has agreed to provide the necessary personnel and resources to enable the Manager to carry out its obligations under the Management Agreement.

The Management Agreement is for a fixed term expiring on the third anniversary of Admission and is terminable on 12 months' notice to expire at the end of a calendar month on or following the third anniversary of the date of Admission. The Management Agreement may be terminated by the Manager or the Company forthwith if:

- (i) the other party commits a material breach;
- (ii) the other party shall suffer an insolvency event (as specified in the Management Agreement);

and may be terminated by either the Company or the Manager on three months' notice to the other if there is a change in control of the Company or the Manager.

The Manager may become entitled to receive a performance fee from the Company under the Management Agreement. Under the Management Agreement, the Company shall pay to the Manager a fee in respect of the Company's accounting period starting on or after 1st April 2002 of 20 per cent. of the amount by which the aggregate of the distributions made by the Company during, or in respect of profits of, that accounting period and all previous accounting periods exceeds a hurdle amount equal to simple interest at a rate of 7.2 per cent. per annum on the aggregate amount paid to the Company by way of subscription for shares in the Company (nominal and premium) (the "Hurdle Amount"), calculated (from day to day on the basis of a 365 day year) from the date of payment up to and including the end of that accounting period. Thereafter, the Company shall pay to the Manager a fee in respect of each subsequent accounting period (including the accounting period commencing on the Company entering into the process of winding up) of 20 per cent. of the amount by which the aggregate of the distributions made during, or in respect of profits of, that accounting period and all previous accounting periods exceeds the Hurdle Amount (calculated as at the last day of that accounting period) less an amount equal to the aggregate of any fees (excluding amounts in respect of VAT) previously paid by way of performance fee. Such fees shall be paid within 10 days of the date on which the audited accounts of the Company for the relevant accounting period are approved by the Board. For these purposes, distributions means any distribution of the Company's income or capital profits to its shareholders, whether in cash or otherwise and whether by way of dividend, purchase of its shares, an issue of fully or partly paid bonus shares and a distribution on winding-up. If the Management Agreement is terminated (i) by the Company on notice of less than 12 months otherwise than in circumstances where the Company is entitled to do so at law or, inter alia, as a result of a breach by the Manager, (ii) by the Company as a result of a change of control of the Manager or (iii) by the Manager as a result of a breach by the Company or a change of control of the Company then the Company shall pay to the Manager a fee of 20 per cent. of the amount by which the net asset value of the Company plus all distributions made by the Company exceeds the amount subscribed for shares in the Company (nominal and premium) plus simple interest at 7.2 per cent. per annum (calculated as aforesaid).

- (c) A call option dated 2 March 1998 (the “Call Option”) in favour of Ivory & Sime Baronsmead plc in respect of the Company’s one “B” ordinary share of £1 of the Manager. The Call Option is exercisable by Ivory & Sime Baronsmead plc at any time by written notice and payment of £1.
- (d) A letter of engagement dated 2 March 1998 (the “Advisory Agreement”) between the Company and BDO Stoy Hayward (“BDO”) whereby BDO have agreed to act as advisers to the Company in relation to maintaining the VCT tax status of the Company. Under the Advisory Agreement, BDO will be entitled to a quarterly fee of the greater of between £3,250 and £5,000 (depending on the amount raised) and the sum of 0.075 per cent. of the net amount that has been invested by the Company in UK unquoted companies, where the Company did not invest alongside Baronsmead VCT plc, and 0.75 x 0.075 per cent. of the net amount invested by the Company in such companies where the Company co-invested with Baronsmead VCT plc (plus VAT and disbursements) due to the fact that BDO also act as advisers to Baronsmead VCT plc. The Advisory Agreement is subject to termination on three months’ notice by BDO or the Company and may be terminated by either BDO or the Company forthwith if:
 - (i) the other party commits a material breach;
 - (ii) the other party shall suffer an insolvency event.
- (e) A discretionary client agreement (the “Cazenove Agreement”) dated 2 March 1998 between the Company, Cazenove & Co., and Cazenove Fund Management Limited whereby Cazenove Fund Management Limited has agreed to manage on a discretionary basis fixed interest securities on behalf of the Company in return for a fee to be charged quarterly at the rate of the greater of 0.025 per cent. of the value of the Company’s portfolio of fixed interest securities at the end of each quarter and £2,500 (plus VAT in either case). The Cazenove Agreement may be terminated by either the Company or by Cazenove on two months’ written notice.
- (f) A custody agreement dated 2 March 1998 (the “Custodian Agreement”) between the Company and RBS Trust Bank Ltd. whereby RBS Trust Bank Ltd. has agreed to act as custodian of the cash and securities deposited with it by the Company in return for fees agreed in writing between the parties from time to time. The Custodian Agreement may be terminated by either party on 60, days notice in writing or by immediate notice if:
 - (i) required to do so by any competent legal, governmental, supervisory or regulatory authority or body;
 - (ii) the other party is in material breach of its obligations;
 - (iii) the other party is RBS Trust Bank Ltd. and is guilty of negligence, wilful default or fraud or it ceases to be an Eligible Custodian and Approved Bank as defined in the rules of the Investment Management Regulatory Organisation;
 - (iv) the other party shall suffer an insolvency event.

10 Investment policy and listing requirements

- (a) The Company intends that its income will be derived wholly or mainly from shares or other securities. The Company intends to manage its affairs in respect of each accounting period so as to obtain, and thereafter maintain, approval as a venture capital trust under the provisions of section 842AA ICTA. Accordingly, not more than 15 per cent. of the Company’s investments will be invested in the securities of any particular company (or any company in the same group as such company) at the time such investment is made (aggregating, for this purpose, any existing holding in the company concerned).
- (b) Not more than 20 per cent. of the Company’s investments will be in the securities of property companies, that is to say, any companies primarily engaged in property activities which include:
 - (i) the holding of properties and the development of properties for letting and retention as investments; or
 - (ii) the purchase or development of properties for subsequent sale.
- (c) It is intended that the following conditions will continue to be met:
 - (i) that the Directors, and any investment manager of the Company, will have sufficient and satisfactory experience in the management of investments of the type in which the Company intends to invest;
 - (ii) that the Directors of the Company will act independently of the investment manager of the Company’s investments, and, in particular, a majority of the Board will not be directors or employees of, or former

directors or employees of, or professional advisers to, the Manager or any other company in the same group as the Manager;

(iii) that the Company will not have control of the companies in which it invests such that they are subsidiary undertakings; and

(iv) adherence to the restrictions on investments set out in paragraphs 10(a) and 10(b) above.

11 Miscellaneous

- (a) The total expenses payable by the Company in connection with the Offers (including amounts paid by way of commissions, fees and irrecoverable VAT where applicable) are capped at 5 per cent. of the proceeds of the Offers. If the maximum of £25 million is raised under the Offers, the net proceeds will amount to £23.75 million. If the minimum of £2 million is raised, the net proceeds will be £1.9 million. The proceeds will be applied in accordance with the Company's investment policy and to redeem the Redeemable Shares.
- (b) The principal place of business and registered office of the Company are at Princes Court, 7 Princes Street, London EC2R 8AQ. Save as disclosed in this document, the Company does not have nor has it had since its incorporation any subsidiaries, subsidiary undertakings, employees and it neither owns nor occupies any premises.
- (c) Save as disclosed in this document, there has been no significant change in the financial or trading position of the Company since its incorporation.
- (d) The Company has not, since incorporation, been engaged in any legal or arbitration proceedings which may have or have had a significant effect on the Company's financial position and no legal or arbitration proceedings are pending or threatened against the Company.
- (e) Ivory & Sime Baronsmead plc and Neill Clerk Capital are or may be promoters of the Company. Save as disclosed in paragraphs 9(a)-(c) of this Part IV and under "The Offers" in Part I, no amount of cash, securities or benefits has been paid, issued or given to the promoters and none is intended to be paid, issued or given.
- (f) The Offers are sponsored by Neill Clerk Capital which is regulated by The Securities and Futures Authority Limited and the London Stock Exchange.
- (g) The 20 per cent. compound annual return on investments referred to in Part I under the heading "Unquoted portfolio - Ivory & Sime Baronsmead" has been calculated on the basis of quarterly cash flows together with the valuation of investments and accrued investment income as at 31st January 1998. Unquoted investments have been valued in accordance with British Venture Capital Association guidelines and AiM and quoted investments have been valued at mid-market value.
- (h) Neill Clerk Capital is acting exclusively for the Company in relation to the Offers and is not advising any other person or treating any other person as its customer in relation to the Offers and accordingly will not be responsible to anyone other than the Company for providing the protections afforded to its customers.
- (i) The Directors, Manager and advisers as set out on the inside back cover and any of their directors, partners or employees may (subject to their own internal rules, if applicable) invest in the Company.

12 Documents available for inspection

Copies of the following documents will be available for inspection at the registered office of the Company and at the offices of Norton Rose, Kempson House, Camomile Street, London EC3A 7AN during business hours on any weekday from the date of this document (Saturdays and public holidays excepted) until the closing date of the 1998/99 Offer:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the source material referred to in Part 1 of this document;
- (c) the material contracts referred to in paragraph 9 above being the Offer Agreement, Management Agreement, Call Option, Advisory Agreement, Cazenove Agreement and the Custodian Agreement; and
- (d) the mini-prospectus of the Company dated the date of this document.

Part V: Definitions

In this document the following words and expressions have the following meanings:

"1997/98 Offer"	the offer for subscription of Ordinary Shares closing on 2nd April 1998
"1998/99 Offer"	the offer for subscription of Ordinary Shares closing not later than 29th May 1998
"Act"	the Companies Act 1985
"Admission"	admission of the Shares allotted under either Offer to the Official List of the London Stock Exchange
"AiM"	the Alternative Investment Market of the London Stock Exchange
"annual running costs"	the annual costs incurred by Baronsmead VCT 2 in the ordinary course of its business (including irrecoverable VAT), excluding any performance fees payable to the Manager
"Application Form"	the application form in respect of the Offers set out at the end of this document
"Baronsmead Group"	Ivory & Sime Baronsmead Holdings Limited and its subsidiaries
"Board" or "Directors"	the directors of the Company whose names appear under "Directors, Manager and advisers"
"BVCA"	British Venture Capital Association
"Cazenove"	Cazenove Fund Management Limited, a firm regulated by The Securities and Futures Authority Limited
"Company" or "Baronsmead VCT 2"	Baronsmead VCT 2 plc
"fixed interest securities"	principally fixed interest Government stocks and other fixed interest stocks or cash deposits
"Friends Ivory & Sime"	together, Friends Ivory & Sime plc and each of its subsidiaries
"ICTA"	Income and Corporation Taxes Act 1988
"Ivory & Sime Baronsmead"	the team at Friends Ivory & Sime which manages or gives advice in relation to unquoted investments

“London Stock Exchange”	London Stock Exchange Limited
“Manager”	Baronsmead Fund Management 2 Limited, the investment manager of the Company
“market purchaser”	an individual, aged 18 or over, who purchases shares in a VCT, otherwise than by way of subscription, within the qualifying limit
“Neill Clerk Capital”	Neill Clerk Capital Ltd
“Offers”	together, the 1997/98 Offer and the 1998/99 Offer
“Ordinary Shares” or “Shares”	ordinary shares of 10p each in the capital of the Company
“private investor”	an individual aged 18 or over, who subscribes for shares in a VCT within the qualifying limit
“Qualifying Company”	an unquoted company carrying on a qualifying trade wholly or mainly in the UK satisfying the conditions in Schedule 28B ICTA
“Qualifying Holding”	shares in, or securities of, a Qualifying Company held by a VCT which meet the requirements of Schedule 28B ICTA
“qualifying limit”	has the meaning given to it in Section B of Part III under the heading, “Individual shareholders”
“Qualifying Purchaser”	an individual, aged 18 or over, who purchases Ordinary Shares, otherwise than by way of subscription, within the qualifying limit
“Qualifying Subscriber”	an individual, aged 18 or over, who subscribes for Ordinary Shares within the qualifying limit
“Shareholders”	holders of Shares
“UK”	United Kingdom
“unquoted”	in relation to a security or share, means it is not quoted on any recognised stock exchange but it may be traded on AiM
“venture capital trust” or “VCT”	a venture capital trust as defined in section 842AA ICTA.

Part VI: Terms and conditions of application

In these terms and conditions, which apply to the Offers:

"Applicant" means a person whose name appears as such in an Application Form;

"Application" means the offer made to an Applicant by completing an Application Form and posting (or delivering) it to Northern Registrars Limited (the "Receiving Agent") or as otherwise indicated in the Prospectus;

"Mini-Prospectus" means the document dated 2 March 1998 issued by the Company in connection with the Offers; and

"Prospectus" means the prospectus dated 2 March 1998 published by the Company.

Save where the context otherwise requires, words and expressions defined in the Prospectus have the same meanings when used in the Application Form and explanatory notes in relation thereto.

The section headed "Notes on how to complete the Application Form" as set out below forms part of these terms and conditions of Application.

- (a) The contract created by the acceptance of an Application will be conditional on:
- (i) Admission becoming effective; and
 - (ii) the Offer Agreement referred to in paragraph 9(a) of Part IV of the Prospectus becoming unconditional in all respects, and not being terminated in accordance with its terms before Admission becomes effective.
- (b) (i) The right is reserved by the Company to present all cheques and banker's drafts for payment on receipt and to retain share certificates and application monies, pending clearance of successful Applicants' cheques and banker's drafts. The Company may treat Applications as valid and binding even if not made in all respects in accordance with the prescribed instructions and the Company may, at its discretion, accept an Application in respect of which payment is not received by the Company prior to the closing of the Offers. If any Application is not accepted in full or if any contract created by acceptance does not become unconditional, the application monies or, as the case may be, the balance thereof will be returned (without interest) by returning each relevant Applicant's cheque or banker's draft or by crossed cheque in favour of the Applicant, through the post at the risk of the person(s) entitled thereto. In the meantime, application monies will be retained by the Receiving Agent in a separate account.
- (ii) The right is reserved to change the basis of allocation under the Offers at the discretion of the Directors after consultation with Neill Clerk, and to reject in whole or in part and scale down and/or ballot any Application or any part thereof. Applications which are not accompanied by cheques available for immediate presentation or by other valid payment means will be dealt with at the Directors' discretion. If any dispute arises as to the date or time at or on which an Application is received, the Directors' determination shall be final and binding.
- (iii) The right is reserved for the Company to scale down the number of Shares available for subscription under either or both of the Offers at any time prior to the closing of the relevant Offer.
- (iv) The Company reserves the right to allot and arrange for the listing of Shares under the Offers prior to the stated closing dates provided that Shares will not be allotted under the 1997/98 Offer after 5th April 1998 or under the 1998/99 Offer before 6th April 1998.
- (c) By completing and delivering an Application Form, you:
- (i) offer to subscribe for the number of Shares specified in your Application Form (or such lesser number for which your Application is accepted) at 100p per Share on the terms of and subject to the Prospectus, including these terms and conditions, and subject to the Memorandum and Articles of Association of the Company;
 - (ii) agree that, in consideration of the Company agreeing to process your Application, your Application will not be revoked until after the closing date of the 1998/99 Offer and that this paragraph shall constitute a collateral contract between you and the Company which will become binding upon despatch by post to, or (in the case of delivery by hand) on receipt by, the Receiving Agent of your Application Form;
 - (iii) agree and warrant that your cheque or banker's draft may be presented for payment on receipt and will be honoured on first presentation and agree that if it is not so honoured you will not be entitled to receive a certificate in respect of the Shares until you make payment in cleared funds for such Shares and such payment is accepted by the Company in its absolute discretion (which acceptance shall be on the basis that you indemnify it, Neill Clerk Capital, and the Receiving Agent against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be

honoured on first presentation) and you agree that, at any time prior to the unconditional acceptance by the Company of such late payment, the Company may (without prejudice to its other rights) avoid the agreement to subscribe such Shares and may issue or allot such Shares to some other person, in which case you will not be entitled to any payment in respect of such Shares, other than the refund to you, at your risk, of the proceeds (if any) of the cheque or banker's draft accompanying your Application without interest;

- (iv) agree that in respect of those Shares for which your Application has been received and is not rejected, your Application may be accepted at the election of the Company either by notification to the London Stock Exchange of the basis of allocation or by notification of acceptance thereof to the Receiving Agent;
 - (v) agree that any monies refundable to you may be retained by the Receiving Agent pending clearance of your remittance and any verification of identity which is, or which the Company or the Receiving Agent may consider to be, required for the purposes of the Money Laundering Regulations 1993 and that such monies will not bear interest;
 - (vi) authorise the Receiving Agent to send share certificate(s) in respect of the Shares for which your Application is accepted and/or a crossed cheque for any monies returnable by post without interest to your address set out in the Application Form and to procure that your name is placed on the register of members of the Company in respect of such Shares;
 - (vii) agree that all Applications, acceptances of Applications and contracts resulting therefrom shall be governed by English law, and that you submit to the jurisdiction of the English Courts and agree that nothing shall limit the right of the Company or Neill Clerk Capital to bring any action, suit or proceeding arising out of or in connection with any such Applications, acceptances of Applications and contracts in any other manner permitted by law or any court of competent jurisdiction;
 - (viii) confirm that, in making such Application, you are not relying on any information or representation in relation to the Company other than the information contained in the Prospectus or the Mini Prospectus and accordingly you agree that no person responsible solely or jointly for the Prospectus, Mini Prospectus or any part thereof or involved in the preparation thereof shall have any liability for any such information or representation;
 - (ix) irrevocably authorise the Receiving Agent and/or Neill Clerk Capital or any person authorised by any of them, as your agent, to do all things necessary to effect registration of any Shares subscribed by or issued to you into your name and authorise any representative of the Receiving Agent or of Neill Clerk Capital to execute any document required therefor;
 - (x) agree that, having had the opportunity to read the Prospectus, you shall be deemed to have had notice of all information and statements concerning the Company and the Shares contained therein;
 - (xi) confirm that you have reviewed the restrictions contained in paragraphs (e) and (f) below and warrant that you are not a "US Person" as defined in the Securities Act of 1933, as amended, nor a resident of Canada and that you are not applying for any Shares with a view to their offer, sale or delivery to or for the benefit of any US Person or a resident of Canada;
 - (xii) agree that all documents and cheques sent by post to, by or on behalf of the Company or the Receiving Agent will be sent at the risk of the person entitled thereto;
 - (xiii) agree on request by the Company, or Neill Clerk Capital on behalf of the Company, to disclose promptly in writing to the Company any information which the Company or Neill Clerk Capital may reasonably request in connection with your Application including, without limitation, satisfactory evidence of identity to ensure compliance with the Money Laundering Regulations 1993 and authorise the Company and Neill Clerk Capital to disclose any information relating to your Application as it considers appropriate;
 - (xiv) agree that Neill Clerk Capital will neither treat you as its customer by virtue of your Application being accepted nor owe you any duties or responsibilities concerning the price of the Shares or the suitability for you of Shares or be responsible to you for providing the protections afforded to its customers;
 - (xv) where applicable, authorise the Company and/or the Manager to make on your behalf any claim to obtain payment of the tax credit in respect of any dividends paid by the Company;
 - (xvi) declare that the Application Form has been completed to the best of your knowledge;
 - (xvii) undertake that you will notify the Company if you are not, or cease to be, either a Qualifying Subscriber or beneficially entitled to the Shares;
 - (xviii) declare that a loan has not been made to you or any associate, which would not have been made, or would not have been made on the same terms, but for you offering to subscribe for, or acquiring, Shares and that the Shares are being acquired for bona fide commercial purposes and not as part of a scheme or arrangement the main purpose of which, or one of the main purposes of which, is the avoidance of tax; and
 - (xix) declare that you are aged 18 or over.
- (d) In order for the Company to obtain payment on your behalf of the tax credit in respect of any dividends paid by the Company, you will be required to complete an enduring declaration sent to you by the Company following allotment of the new Shares. It is important that this is completed fully and accurately. The Inland Revenue may reclaim payment of the tax credit from the Company if it is not so completed and in these circumstances the Company reserves the right to claim compensation from you.
- (e) No person receiving a copy of the Prospectus or an Application Form in any territory other than the UK may treat the same as constituting an invitation or offer to him, nor should he in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such Application Form could lawfully be used without contravention of any regulation or other legal requirements. It is the responsibility of any person outside the UK wishing to make an Application to satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
- (f) The Shares have not been and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States of America, its territories or possessions or other areas subject to its jurisdiction (the "USA"). In addition, the Company has not been and will not be registered under the United States Investment Company Act of 1940, as amended. The Manager is not and will not be registered under the United States Investment Advisers Act of 1940, as amended. No application will be accepted if it bears an address in the USA.
- (g) Dealings prior to the issue of certificates for Shares will be at the risk of Applicants. A person so dealing must recognise the risk that an Application may not have been accepted to the extent anticipated or at all.
- (h) Authorised financial intermediaries who, acting on behalf of their clients, return valid Application Forms bearing their stamp and SIB, SRO or RPB number will be paid 3 per cent. commission on the amount payable in respect of the Ordinary Shares allocated for each such Application Form. Financial intermediaries should keep a record of Application Forms submitted bearing their stamp to substantiate any claim for selling commission. Claims for commission must be made and substantiated within 3 months of the closing of the 1998/99 Offer.

Notes on how to complete the Application Form

It is essential that you complete all parts of the Application Form in accordance with the instructions in these notes.

- 1** Insert (in figures) in Box 1 the number of Shares for which you wish to apply. Each Share costs £1.00.

Your Application for each Offer must be for a minimum of 3,000 Shares (or £3,000) and above that minimum in multiples of 1,000 Shares (or £1,000) i.e:

No. of Shares	3,000	4,000	5,000	10,000	100,000
Cost	£3,000	£4,000	£5,000	£10,000	£100,000

- 2** Insert (in figures) in Box 2 the amount you are paying. This is the amount of Shares shown in Box 2 multiplied by £1.00.

Pin a cheque or banker's draft to the Application Form for the exact amount shown in Box 2. Your cheque or banker's draft must be made payable to "Northern Registrars Limited A/C Baronsmead VCT 2 plc" and crossed "A/C Payee only". Your payment must relate solely to this Application. No receipt will be issued. Cheques may be presented for payment on receipt. You may, if you wish, provide separate cheques for the amounts due in respect of the 1997/98 Offer and the 1998/99 Offer.

Your cheque or banker's draft must be drawn in sterling on an account at a branch (which must be in the United Kingdom, the Channel Islands or the Isle of Man) of a bank which is either a member of the Cheque & Credit Clearing Company Limited or the CHAPS Clearing Company Limited or is a member of the Scottish Clearing Banks Committee or the Belfast Bankers Clearing Committee or which has arranged for its cheques or banker's drafts to be cleared through facilities provided for members of any of those companies or associations and must bear the appropriate sort code in the top right-hand corner.

The right is reserved to reject any Application in respect of which the Applicant's cheque or banker's draft has not been cleared on first presentation. Any monies returned will be sent by cheque crossed "A/C Payee only" in favour of the Applicant without interest.

Money Laundering Regulations 1993. If Applications for £10,000 or more by an individual are accompanied by a cheque or banker's draft drawn by someone other than the Applicant named in Box 1 (for example, a building society cheque), one of the following additional documents must be enclosed with the Application Form: a copy of the Applicant's passport or driving licence or a recent original bank or building society statement or utility bill in the Applicant's name. A copy passport or driving licence should be certified by a solicitor or a bank. Original documents will be returned by post at the Applicant's own risk. Please note that if the above requirements are not fulfilled and suitable evidence of identity cannot be obtained, your Application may not be accepted.

- 3** Complete the relevant box or boxes showing how you wish to divide your investment between the 1997/98 Offer and the 1998/99 Offer to enable your investment to be made in either the 1997/98 tax year and/or the 1998/99 tax year. The maximum investment on which tax reliefs are available is £100,000 in any tax year. Following despatch of share certificates, investors will be asked to complete an enduring declaration. In the absence of an enduring declaration, dividends will not be exempt from tax.

- 4** Insert in Box 4 your full name, full address and daytime telephone number.

- 5** Sign and date Box 5.



Application Form

IMPORTANT: before completing this form please read the accompanying notes. PLEASE USE BLOCK CAPITALS.

Make your cheque or banker's draft out to "Northern Registrars Limited A/C Baronsmead VCT 2 plc" and cross it with the words "A/C Payee only". Return this form to Northern Registrars Limited, Northern House, Penistone Road, Fenay Bridge, Huddersfield HD8 0LA or deliver it, by hand only, to Neill Clerk Capital Ltd, No. 1 Portland Place, London W1N 3AA to arrive by 3 p.m. on 2nd April 1998 for Applications under the 1997/98 Offer or by 3 p.m. on 2nd April 1998 for Applications under the 1998/99 Offer or such later date not being after 29th May 1998 as the Directors may specify. If you post your Application Form you are recommended to use first class post and to allow four days for delivery.

1 I wish to subscribe for Shares at £1.00 each, or such lesser number of Shares for which this Application may be accepted, on the terms and conditions set out in the Prospectus.

2 The amount I am paying for the Shares is £
(This should be the number of Shares for which you are applying multiplied by £1.00)

3 Of those Shares applied for in Box 1, I am making my Application under the following Offer(s)

The 1997/98 Offer (Income tax year 1997/98)	minimum 3,000	<input type="text"/> Shares
The 1998/99 Offer (Income tax year 1998/99)	minimum 3,000	<input type="text"/> Shares
TOTAL (this should be the same figure as Box 1)		<input type="text"/> Shares

4 Title and name in full
Permanent address in full
Postcode Daytime Tel:

5 By signing this form I HEREBY DECLARE THAT:

- (i) I have read the terms and conditions of application contained in the Prospectus and agree to be bound by them.
- (ii) I will be the beneficial owner of the Shares in Baronsmead VCT 2 plc to be issued to me pursuant to the Offers.

Signature Date

Office use only		
Offer	1997/98	1998/99
Number of Shares issued		
Date issued		
Amount paid		

<p>Intermediaries to stamp and complete</p> <p>Firm name</p> <p>Contact</p> <p>Contact</p> <p>SRO/RPB No</p> <p>Address</p> <p>.....</p> <p>Tel:</p> <p>Fax:</p>



Application Form

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Make your cheque or banker's draft out to "Northern Registrars Limited A/C Baronsmead VCT 2 plc" and cross it with the words "A/C Payee only". Return this form to Northern Registrars Limited, Northern House, Penistone Road, Fenay Bridge, Huddersfield HD8 0LA or deliver it, by hand only, to Neill Clerk Capital Ltd, No. 1 Portland Place, London W1N 3AA to arrive by 3 p.m. on 2nd April 1998 for Applications under the 1997/98 Offer or by 3 p.m. on 2nd April 1998 for Applications under the 1998/99 Offer or such later date not being after 29th May 1998 as the Directors may specify. If you post your Application Form you are recommended to use first class post and to allow four days for delivery.

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Offer	1997/98	1998/99
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Amount paid		

<p>Intermediaries to stamp and complete</p> <p>Firm name</p> <p>Contact</p> <p>Contact</p> <p>SRO/RPB No</p> <p>Address</p> <p>.....</p> <p>Tel:</p> <p>Fax:</p>

Directors, Manager and Advisers

Directors

Clive Anthony Parritt (Chairman)
Godfrey Frank Jillings
Gillian Nott
Nicholas George Lawrence Timpson
all of:

Princes Court
7 Princes Street
London EC2R 8AQ
(which is the registered office of the Company)

Secretary

Friends Ivory & Sime plc
One Charlotte Square
Edinburgh EH2 4DZ

Sponsor

Neill Clerk Capital Ltd
No. 1 Portland Place
London W1N 3AA

VCT status adviser

BDO Stoy Hayward
Chartered Accountants
8 Baker Street
London W1M 1DA

Bankers

RBS Trust Bank Ltd.
Drummond House
1 Redheughs Avenue
Edinburgh EH12 9JN

Broker

Henry Cooke, Lumsden plc
One King Street
Manchester M2 6AW

Manager

Baronsmead Fund Management 2 Limited
Princes Court
7 Princes Street
London EC2R 8AQ

Fixed rate securities manager

Cazenove Fund Management Limited
3 Copthall Avenue
London EC2R 7BH

Solicitors to the Company and to the Offers

Norton Rose
Kempson House
Camomile Street
London EC3A 7AN

Auditors

Pannell Kerr Forster
Chartered Accountants
New Garden House
Hatton Garden
London EC1N 8AJ

Registrars and receiving agents

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

LISTING PARTICULARS

COMPANY NAME: INVESCO GEARED PLC
OPPORTUNITIES TRUST

COMPANY NUMBER: 3465092

DATE OF DOCUMENT: 09mar98

DATE OF RECEIPT: 09mar98