



## Baronsmead VCT 4 plc

Offers for Subscription for Ordinary Shares  
for tax years 2001/2002 and 2002/2003

A Venture Capital Trust



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### **Tax advantages for Private Investors**

VCTs provide a tax-efficient investment vehicle with substantial income tax and capital gains tax advantages.

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

- provided that the shares are held for at least three years, income tax relief, in the tax year in which the subscription is made, of up to 20 per cent of the amount subscribed;
- if income tax relief is obtained and the individual is UK resident, deferral of up to 40 per cent capital gains tax (based on liability at the higher rate) by reinvesting taxable capital gains arising during the period beginning 12 months before, and ending 12 months after, the VCT shares are issued;
- tax free dividends; and
- capital gains tax exemption on disposal of shares.

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

# **Baronsmead VCT 4 plc**

*(Incorporated in England and Wales under the Companies Act 1985 with registered number 4313537)*

### **Offers for Subscription**

of up to 30,000,000 Ordinary Shares of 10 pence each  
at 100 pence per share payable in full on application

Sponsored by  
Noble & Company Limited.

# Key Features

The following information is extracted from, and should be read in conjunction with, the full text of this document. Your attention is also drawn to the risk factors contained in Part IV of this document.

## The Opportunity

The UK venture capital market can provide investors with superior returns compared to UK quoted markets. In the ten years to 31 December 2000, the annual net investment return for member companies of the BVCA averaged 20.4 per cent. This compares to the FTSE All-Share Index annual returns of 15.4 per cent over the same period (*source: The WM Company*).

Recently, the economic environment has become more uncertain with lower valuations and reduced investor competition and the Manager believes this presents an opportunity to invest in qualifying investments on more attractive terms ahead of the next recovery cycle. VCTs offer private investors the opportunity to invest in a selected portfolio of unquoted and AiM-traded companies. VCTs also provide their qualifying shareholders with multiple tax reliefs that enhance the potential return and can limit the potential downside risk.

## The Objectives of Baronsmead VCT 4

The objectives of Baronsmead VCT 4 are to achieve long-term capital growth and to generate tax-free dividends for private investors. Baronsmead VCT 4 will seek to establish a diversified portfolio of approximately 30 companies so as to maximise the growth in net asset value from which dividends and realised capital gains can be generated for payment to Shareholders.

It is intended to increase the financial planning opportunities for Shareholders by offering them the ability to top up their investments, to reinvest dividends or to sell their shares through the operation of a share buy-back policy.

## Investment Policy and Strategy

Prior to investment in Qualifying Companies the Company's funds will be invested in fixed interest securities, which are to be managed by Cazenove Fund Management.

Once re-invested the Manager intends to establish a diversified portfolio. This will be split as follows:

- 80 per cent in VCT Qualifying Companies in sectors which the Manager perceives as having good growth prospects including established and profitable companies and technology-enabled companies; and
- 20 per cent in fixed interest securities.

Baronsmead VCT 4 will typically co-invest with the Existing Baronsmead VCTs and other VCT and

non-VCT clients of Friends Ivory & Sime, thereby being able to invest in larger transactions than many other VCTs.

The Manager has selected a number of sectors and niches that it believes will offer attractive growth prospects and investment opportunities and can exhibit resilience during an economic downturn.

## The Existing Baronsmead VCTs

The track record of the Manager can be illustrated by the portfolio of investments within the Existing Baronsmead VCTs. The ten largest qualifying investments of the Existing Baronsmead VCTs are shown in Part II of this document and are representative of the type and size of investments made by the Existing Baronsmead VCTs.

The table below shows the amount raised and investment performance (before tax reliefs) from inception to 30 September 2001 of the Existing Baronsmead VCTs relative to the FTSE All-Share Index:

	Baronsmead VCT (Since Nov. '95) (\$ million)	Baronsmead VCT 2 (Since April '98) (\$ million)	Baronsmead VCT 3 (Since Jan. '01) (\$ million)
Net Proceeds	24.9	43.9	31.3
Total Return (%)	39	20	2
FTSE All-Share Index (%)	60	(10)	(21)

(*source: Datastream and Friends Ivory & Sime*)

Baronsmead VCT plc was one of the first three VCTs launched in 1995 and has played a pioneering role in both the evolution of VCTs and the communication of the investment/VCT taxation benefits to Shareholders and their advisers.

## Experienced Management Team

The private equity team within the Friends Ivory & Sime Group is responsible for managing in excess of \$200 million, including the Existing Baronsmead VCTs and three annual limited partnerships, which invest on behalf of institutional clients.

Baronsmead VCT 4 will be managed by the private equity team within the Friends Ivory & Sime Group. This team consists of seventeen investment professionals who operate from offices in London and Birmingham. The six senior directors have approximately 60 years relevant experience of venture capital transactions and the close monitoring of the performance of investee companies. There is also a dedicated investor relations manager to assist Shareholders and their advisers.

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## Offer Statistics

Offer price per Ordinary Share	100 pence
Maximum net proceeds of the Offers	£28.5 million
Minimum subscription per investor per Offer	£3,000

## Expected Timetable

	Self-Assessment Allotment	2001/2002 Offer	2002/2003 Offer
Latest time for receipt of Subscription Forms and payment in full	12 noon on 23 January 2002	12 noon on 3 April 2002	12 noon on 18 April 2002
Ordinary Shares admitted to trading	28 January 2002	5 April 2002	24 April 2002
Definitive share certificates despatched	7 February 2002	15 April 2002	6 May 2002

Note: (i) the Directors reserve the right to extend the closing date of the Offers and increase the number of Ordinary Shares being offered pursuant to the Offers. The Offers may close earlier than the dates stated above if they are fully subscribed by an earlier date.

(ii) the Directors may make allotments and have dealings commence earlier than these dates at their discretion, provided the minimum subscription level of £700,000 has been reached in aggregate under the Offers.

# Part I: Baronsmead VCT 4

## THE VENTURE CAPITAL MARKET

The UK venture capital market can provide investors with superior returns compared to UK quoted markets. In the ten years to 31 December 2000, the annual net investment return for member companies of the BVCA averaged 20.4 per cent. This compares to the FTSE All-Share Index annual returns of 15.4 per cent over the same period (source: *The WM Company*).

Since early 2001, many world stock markets have fallen following over-investment in information technology and telecommunication industries and deteriorating economic prospects. In the UK, the FTSE All-Share Index at 30 September 2001 had fallen 21.6 per cent over the previous 9 months. In this more uncertain economic environment, the Manager believes there is the opportunity to invest in qualifying investments on more attractive terms.

The performance figures for BVCA members on funds raised between 1980 and 1996, measured to the end of 2000, show an overall 16.4 per cent annual compound return. This sixteen year period included the recessions of the early eighties and early nineties. VCTs have three years in which to invest up to 70 per cent of the portfolio into qualifying investments and in the period to 2002-2004, the directors believe there is the potential for economic stability to return and hence better prospects for the qualifying investments to be made by the Company.

Recently, the economic environment has become more uncertain with lower valuations and reduced investor competition and the Manager believes this presents an opportunity to invest in qualifying investments on more attractive terms ahead of the next recovery cycle.

VCTs offer private investors the opportunity to invest in a selected portfolio of unquoted and AiM-traded companies. Although individual venture capital investments can be risky, the Manager believes that a well diversified portfolio of venture capital investments may be no more risky than a similar sized portfolio of quoted equities. VCTs can

provide better access to potentially faster growth companies through their portfolio approach than is possible for most private investors. VCTs also provide their qualifying shareholders with multiple tax reliefs that enhance the potential return and can limit the potential downside risk.

## OBJECTIVES OF BARONSMEAD VCT 4

The objectives of Baronsmead VCT 4 are to achieve long-term capital growth and to generate tax-free dividends for private investors. As a tax-efficient listed company, Baronsmead VCT 4 will seek to invest in a diversified portfolio of approximately 30 companies so as to maximise the growth in net asset value from which dividends and realised capital gains can be generated for payment to Shareholders.

It is intended to increase the financial planning opportunities for Shareholders by offering them the ability to top up their investments, to reinvest dividends or to sell their Shares through the operation of a share buy-back policy.

## INVESTMENT POLICY

Prior to investment in Qualifying Companies the Company's funds will be invested in fixed interest securities, which are to be managed by Cazenove Fund Management. As BVCT 4 establishes its portfolio of investments in Qualifying Companies, the fixed interest portfolio will be reduced. Once re-invested, the Manager intends to establish a diversified portfolio. This will be split as follows:

- approximately 80 per cent in Qualifying Companies in sectors which the Manager perceives as having good growth prospects; including established and profitable companies and technology-enabled companies; and
- approximately 20 per cent in fixed interest securities.

The 80 per cent intended to be invested in VCT Qualifying Companies will be invested in either unquoted companies or companies trading on, or seeking admission to, AiM. Investments are expected to range in size from £300,000 to

£1 million although an initial investment may be increased subsequently by follow-on investments. The size of investments in AiM-traded companies is likely to be smaller.

Accordingly, the investment policy of the Company is similar to the present investment policies of the Existing Baronsmead VCTs. The table on page 5 shows the ten largest combined investments of the Existing Baronsmead VCTs as at 30 September 2001. The investments are representative of the type and size of investments made by the Existing Baronsmead VCTs.

The fixed interest securities will be managed by Cazenove Fund Management. Their mandate will be to invest in short-dated fixed interest securities and cash, so as to minimise the capital risk of these monies.

#### CO-INVESTMENT

Baronsmead VCT 4 will co-invest with the Existing Baronsmead VCTs and other VCT and non-VCT clients of Friends Ivory & Sime, typically as a lead investor. This will enable Baronsmead VCT 4 to invest in larger transactions and in larger VCT Qualifying Companies than most other VCTs. As a result, Baronsmead VCT 4 will often be investing alongside institutions, which do not offer their shareholders the same tax incentives as a VCT.

Members of the Friends Ivory & Sime Group act, and will continue to act, as investment managers and/or investment advisers to various other clients. Investment opportunities may be suitable for both the Company and for some or all of such other clients. In such cases, the Manager will abide by guidelines agreed with the Board which are designed to ensure that investment opportunities are apportioned fairly and equitably among the Company and other clients of the Friends Ivory & Sime 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 and the requirement to achieve or maintain a minimum of 70 per cent of the Company's portfolio in VCT Qualifying Holdings. The agreed single investment limit will be dependent upon the total investment size and the investment allocation of the Company and the Existing Baronsmead VCTs but is expected to be between £300,000 and £1,000,000.

In the event of a conflict of interest on the part of the Friends Ivory & Sime 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 Friends Ivory & Sime Group has an interest) such investment will require the approval of the board of directors of BVCT 4, for example, in terms of investment size and portfolio balance, in accordance with guidelines published by the BVCA.

In accordance with the rules of the UKLA, the Manager will not invest for its own account in an investment in which the Company is also interested without Shareholder approval.

#### THE MANAGER AND TRACK RECORD

The Friends Ivory & Sime Group is one of the largest UK fund managers of VCTs. The launch dates of its five existing VCTs are listed below:

- Baronsmead VCT plc – 1995
- Baronsmead VCT 2 plc – 1998
- Baronsmead VCT 3 plc – 2001
- The AiM VCT plc – 1998
- AiM VCT 2 plc – 2000

#### Funds under management

The private equity team within the Friends Ivory & Sime Group is responsible for managing in excess of £200 million, including the Existing Baronsmead VCTs and three annual limited partnerships, which invest on behalf of institutional clients. Baronsmead

VCT 4 will be managed by the private equity team within the Friends Ivory & Sime Group. The Existing Baronsmead VCTs had combined net assets of £98 million as at 30 September 2001.

Investors in Baronsmead VCT 4 will benefit from the professional investment management expertise and experience of the Friends Ivory & Sime Group, which managed approximately £34 billion for a variety of clients as at 30 June 2001.

#### The Existing Baronsmead VCTs

The performance record of the Manager and the Friends Ivory & Sime Group can be illustrated by the portfolio of investments within the Existing Baronsmead VCTs whose investment policies are similar to that of the Company. The ten largest qualifying investments of the Existing Baronsmead VCTs as at 30 September 2001 are shown in Part II of this document and are summarised below. The table below illustrates the sector diversity and co-investment nature of the Existing Baronsmead VCTs. The investments are representative of the type and size of investments made by the Existing Baronsmead VCTs:

**The ten largest combined investments by value in the Existing Baronsmead VCTs as at 30 September 2001**

Portfolio company	Sector	Percentage of Investment made by	
		Total equity raised	Existing Baronsmead VCTs
		£m	(%)
Tricom Supplies	Business services	2.1	83
Inter Link Foods	Consumer	8.2	16
Fat Face	Consumer	3.5	29
Demica	IT	7.0	29
Thomas Sanderson	Consumer	6.0	33
Kondor	Consumer	6.9	29
Fitzhardinge	Business Services	6.0	23
Staffline Recruitment	Business Services	5.7	29
Simba	Other	2.0	67
Job Opportunities	Media & Comms	5.5	29

Since inception, the Existing Baronsmead VCTs have raised net proceeds of £100 million from private investors. Baronsmead VCT plc was one of the first three VCTs launched in 1995 and has played a pioneering role in both the evolution of VCTs and the communication of the investment/VCT taxation benefits to Shareholders and their advisers. The growth in net asset value per share and distributions paid to Shareholders exceed that of each of the two other VCTs launched in 1995.

Baronsmead VCT plc achieved full qualifying VCT status for the period ending August 1999 and its portfolio had grown to 41 holdings (excluding the fixed interest portfolio) at 30 September 2001.

Baronsmead VCT 2 plc was launched in April 1998 and by 30 September 2001 had invested or made commitments to invest £16 million in 32 holdings (excluding the fixed interest portfolio). The 70 per cent VCT qualifying status level which was required to be reached by 31 March 2001 has been reached.

Baronsmead VCT 3 was launched on 29 January 2001 and by September 2001 had invested or made commitments to invest £2 million in 6 holdings (excluding the fixed interest portfolio).

A total of £50 million has been invested by the Existing Baronsmead VCTs in 60 unquoted or AiM-traded companies.

The average aggregate venture capital invested in the ten largest combined qualifying investments was £5.3 million of which, on average, the Existing Baronsmead VCTs provided £1.6 million. In most instances, the balance has been provided by non-VCT institutional co-investors. The Manager believes that, through co-investment with each other and with other VCT and non-VCT clients of Friends Ivory & Sime, the Existing Baronsmead VCTs are often able to invest in larger transactions and qualifying companies than many other VCTs.

### Performance of the Existing Baronsmead VCTs

The investment performance shown in the table below indicates the level of total returns achieved by the Existing Baronsmead VCTs (measured by reference to the growth in net asset value per share and assuming that dividends are reinvested).

Baronsmead VCT plc has paid two capital distributions totalling 11.5 pence per share. This distribution together with dividends paid has resulted in total payments to its qualifying Shareholders of 28.8 pence per share since launch (£5.4 million in aggregate).

In the three and a half years to 30 September 2001, Baronsmead VCT 2 plc has paid out 11.4 pence per share to its qualifying Shareholders (£3.1 million in aggregate).

In the eight month period from incorporation to 30 September 2001, Baronsmead VCT 3 plc has paid out 1 pence per share to its qualifying Shareholders (£0.3 million in aggregate).

### The Investment Management Team

Within the Friends Ivory & Sime Group, the venture capital team has been responsible for managing the Existing Baronsmead VCTs since inception. This team consists of seventeen investment professionals who operate from offices in London and Birmingham.

There are six senior directors with approximately 60 years relevant experience of venture capital transactions and who are members of the investment committee which makes the new investment and divestment decisions:

- David Thorp (56) is managing director of the Manager and has extensive experience of venture capital over the last three decades. He was chairman of the BVCA until June 2001. He joined 3i in 1971 and was a 3i regional director between 1984-91. He was non-executive chairman of both Unipalm, the first UK Internet service provider between 1992-95 until its sale to UUNet, and Patientline plc, the NHS service provider between 1994-98. He joined the Friends Ivory & Sime Group in 1995 and has been the lead manager of the Existing Baronsmead VCTs from their launch and will be the lead manager for Baronsmead VCT 4. He is also a non-executive director of Baronsmead VCT plc.
- Wol Kolade (34) is joint managing director of the venture capital team. He joined Friends Ivory & Sime in 1992 from Barclays Bank plc where he worked in strategic planning and credit analysis. He has played a key role in developing the sector-focused strategy and process and has overall responsibility for the performance of unquoted investments.

Total return to 30 September 2001			
	From 13 November 1995 (%) Baronsmead VCT plc	From 2 April 1998 (%) Baronsmead VCT 2 plc	From 29 January 2001 (%) Baronsmead VCT 3 plc
FTSE All-Share Index increase/(decrease)	60.4	(9.9)	(21.3)
Total Return	39.4	20.5	1.7
Total Return (after allowing for income tax reclaim)	49.3	25.6	2.1
Total Return after allowing for income tax relief and assuming continued capital gains tax deferral	98.5	51.2	4.3

(source: Datastream and Friends Ivory & Sime)



- Mark Advani (31) is the director responsible for new investments and heads up the Birmingham office of the Manager. He joined Friends Ivory & Sime in 1999 from the Birmingham office of Barclays Acquisition Finance. He had previously worked on secondment between 1993-94. He has overall responsibility for deal-flow and origination.
- Sheenagh Egan (38) is director of fund management. She joined Friends Ivory & Sime in 1997 having previously spent two years in Grant Thornton Corporate Finance where she advised on venture capital transactions. She has overall responsibility for institutional client reporting and financial systems.
- Adam Holloway (34) is director of portfolio management. He joined Friends Ivory & Sime in 1999 having spent most of his career with Deloitte & Touche working on Corporate recovery and corporate finance transactions with particular emphasis on private equity.
- Shani Zindel (30) is director of investment in the London office. She joined Friends Ivory & Sime in 1997 from Fisher Hoffman Sithole, a Chartered Accountancy firm based in South Africa. She is also a Chartered Financial Analyst.

Investor relations for the Shareholders of the Existing Baronsmead VCTs are managed by Michael Probin (38). He joined Friends Ivory & Sime as VCT investor relations manager in 1999 having previously worked at AXA Sun Life where he gained extensive experience of Business Expansion Scheme tax efficient investments. He can assist Shareholders and their advisers with enquiries about venture capital trusts and provides a dedicated resource for the Existing Baronsmead VCTs.

### **Key investment criteria**

The Manager believes that selected sectors in the UK are capable of growing at rates superior to the underlying economy.

The Manager will aim to pursue investments in unquoted companies that it believes combine the attractions of a strong market niche with entrepreneurial management teams capable of implementing major strategic and operational decisions, including growth by acquisition. The Manager will expect investee companies to have demonstrated their commitment to well-conceived, deliverable and profitable growth strategies and to have a clear vision and resilience to cope with the changing business environment. The Manager will aim to ensure that such companies will also exhibit competitive advantage, which gives them barriers of defence against imitation, substitution or competition.

### **Sector focused investment strategy**

The Manager adopts a "top-down, sector-driven" approach to identifying and evaluating potential investment opportunities. Working closely with managers of quoted funds within the Friends Ivory & Sime Group, the Manager has developed a forward view of the business environment. The Manager believes that the key issues that will prove influential over the medium term are:

- low and stable inflation; and
- integrated information connectivity through to market.

To prosper in this business environment the Manager believes that companies will need to have both of the following attributes:

- pricing power; and
- the ability to scale up their business.

The Manager's approach is to focus on companies in sectors and niches that it believes are likely to exhibit the aforementioned attributes. Based on its research, the Manager has selected a number of sectors that it believes will offer attractive growth prospects and investment opportunities. The sectors currently identified by the Manager are:

- business services;
- consumer markets;
- media;
- healthcare; and
- information technology.

The Manager's analysis aims to determine the likely development of its chosen market sectors and to establish the primary characteristics that companies in these sectors will need in order to outperform their competitors. The Manager then aims to select companies that either already display these characteristics or that it considers are capable of developing them.

#### **Deal flow, origination of transactions and due diligence**

The Manager actively seeks out suitable unquoted investment opportunities and in the period from 1 January 2000 to 30 September 2001 had received over 500 seriously considered proposals. The average size of equity finance required in these transactions was approximately £6.0 million, which fits the manager's policy of co-investment between the Existing Baronsmead VCTs and its other clients. The time to complete a new investment from these introductions during this 21 month period can vary and so the proportion of these that become investments cannot be computed precisely but the Manager estimates an investment conversion ratio of approximately 1 in 40.

The investment opportunities principally derive from:

- corporate intermediaries acting on behalf of a vendor and management teams;
- direct approaches within the chosen sector focus; and
- the Friends Ivory & Sime AiM team which manages The AiM VCT plc, AiM VCT 2 plc and The AiM Trust plc and is one of the largest dedicated fund management groups specialising in AiM.

The Manager has a well developed due diligence process that ensures close control over the implementation of its investment strategy. The progression of an investment proposal is on a team-based approach. Usually two or more of its investment professionals will be closely involved in negotiating, structuring and evaluating the potential opportunity.

The Manager's internal analysis will be supported by the engagement of a number of professionals with whom it has built up close relationships to provide additional market and/or technical analysis, a confidential assessment of the track record and capabilities of management teams and financial/legal due diligence.

#### **Active portfolio management and realisation**

A key part of the Manager's initial investment appraisal is the assessment of the likely path of the prospective investee company to achieving a realisation of the investment within a 3-5 year period. In this regard, in addition to its corporate finance contacts, the Manager maintains a regular dialogue with the smaller quoted companies and the AiM teams in the Friends Ivory & Sime Group.

The Manager monitors closely the performance of its investee companies. It will seek to add value in a number of ways, including strategic and financial planning, helping with the development of the management team, advising on mergers and acquisitions and helping to prepare the company for a trade sale or, if an unlisted company, for an AiM or Official List flotation.

Normally, two of the Manager's investment professionals will be involved in managing the relationship with an investee company from initial investment through to final realisation. The level of involvement ranges from board representation to quarterly review meetings depending on progress against business plan and the Manager's ability to add value. All new portfolio companies usually have an independent non-executive chairman usually with sector experience, in place at, or soon after, completion of the Manager's investment.

#### THE DIRECTORS

The Directors have overall responsibility for the Company's affairs and board meetings will be attended by representatives of the Manager (at least, twice yearly) and PricewaterhouseCoopers (as adviser on VCT status). The Directors, all of whom are non-executive and independent of the Manager, are as follows:

**Philip Dunne**, (43), non-executive Chairman of Ottakar's plc, has 20 years corporate finance expertise, initially with S. G. Warburg and latterly as a managing director of Donaldson, Lufkin & Jenrette where he was responsible for all mid market divestiture advisory business in the UK and Continental Europe.

**Ian Kirkpatrick**, (57), is a non-executive director of Harvey Nash Group PLC, Hunting Gate Group, Quantum Energy Group Ltd and Semple Cochrane PLC. He has also been a non-executive director of Saracen Value Investment Trust. Previously he worked for 15 years with Bank of Scotland, predominantly in their merchant banking arm, British Linen Bank.

**Robert Owen**, (55), is a director of Baronsmead VCT 3 plc. Previously he was a senior manager at Coutts and Co. responsible for the overall running of the venture capital investment portfolio.

**Alan Pedder**, (63), is a non-executive chairman of Remploy Ltd, AECI Ltd and ELAM-T Ltd. He is also a non-executive director of Huntsman Tioxide Ltd, SANS Ltd and governor and director of South Bank University Limited. Previously he worked for ICI plc for more than 30 years becoming managing director of ICI Fibres, followed by CEO of ICI Polyurethanes and Chairman and CEO of the Tioxide Group, all international businesses, and finally director of technology for the ICI Group.

#### INVESTMENT MANAGEMENT ARRANGEMENTS

##### Management Fees

The Company and the Manager have entered into a management agreement that has an initial fixed term of three years and may be terminated by either party on 12 months' notice expiring after the initial term.

##### Annual Management Fees

In the first three years, the Manager will receive a management fee equivalent to 2 per cent of the net assets of the Company paid quarterly in arrears (plus VAT). Thereafter, the Manager will be paid a management fee equivalent to 2.5 per cent per annum of the net assets of the Company paid quarterly in arrears (plus VAT). In addition, the Manager will receive an administration fee of \$40,000 per annum plus a variable administration fee equivalent to 0.125 per cent per annum on net assets over £5 million payable quarterly in arrears (plus VAT).

##### Performance Incentive

It is VCT industry practice to reward exceptional performance of an investment manager. Accordingly, the Manager may also become entitled to receive a performance fee from the Company.

The performance fee will be calculated by reference to the increase (if any) in the net asset value of the Company, calculated on the assumption that any dividends paid by the Company are re-invested by way of subscription for further shares (the "Total Return").

The performance fee will be calculated by reference to each accounting period of the Company. No performance fee will be paid unless and until the Total Return on the net proceeds of the Offers exceeds 8 per cent per annum (simple) over the period from the issue of Shares under the 2001/2002 Offer to the end of the relevant accounting period. To the extent that the Total Return to the end of an accounting period exceeds this threshold, a performance fee will be paid to the Manager of 20 per cent (plus VAT) of the excess. If a performance fee is paid for any accounting period, the 8 per cent Total Return threshold will be rebased so that it is calculated on the Total Return as at the end of the accounting period less the amount of the performance fee paid. However, the first performance fee will not be paid to the Manager unless and until the Total Return on the net proceeds of the Offers exceeds 40 per cent. In addition, the amount of any performance fee due which is paid in respect of an accounting period shall not exceed 5 per cent of the net asset value of the Company at the end of the period. Any balance of the performance fee remaining unpaid will be carried forward and paid (without interest) at the end of the following accounting period or periods (subject to this 5 per cent limit).

In the event that the Company purchases Shares or raises new capital, the threshold returns required in order for the Manager to earn a performance fee will be adjusted so that the Manager's entitlement is unaffected by the purchase or new capital raising. Further information on the performance fee is given in paragraph 10.2 of Part V of this document.

#### *Arrangement and Monitoring Fees*

The Manager may receive monitoring and/or arrangement fees from any investee company. Total monitoring fees received by the Manager are typically in the range of £15,000 to £20,000 per annum and arrangement fees received by the Manager are typically in the range of 0 per cent to 2.5 per cent of the equity invested. To date, no such fees have been arranged.

#### **Fixed Interest Portfolio**

The agreement between the Company, Cazenove and Cazenove Fund Management for the management of the Company's fixed interest portfolio is an open agreement, terminable on one month's notice by the Company or Cazenove and Cazenove Fund Management. This agreement provides for a fee to be paid to Cazenove and Cazenove Fund Management of 0.2 per cent per annum of the amount invested in fixed interest securities. This is subject to a minimum of £10,000 per annum (plus VAT). This fee is payable in arrears.

#### **Valuation Policy**

Unquoted investments will be valued in accordance with the Directors' valuations which will normally follow guidelines published by the BVCA.

#### **DIVIDEND POLICY**

Venture capital trusts can distribute realised capital profits from the sale of underlying investments and income by way of dividends, which are free of income tax to Qualifying Subscribers. It is intended that Baronsmead VCT 4 will take advantage of this by distributing some or all of its realised profits from time to time.

In the early years, dividends are likely to be funded from the income from the fixed interest portfolio and investee companies.

The Company has elected to adopt the status of an investment company in order to enhance its ability to pay dividends from income and securities. 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 revoke this status at any time if and when sufficient profits of this kind are realised for distribution as a 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. Accordingly, it is anticipated that an interim dividend will be paid to Shareholders in August and that the final dividend will be paid in February. The first dividend is expected to be an interim dividend paid in August 2002.

Shareholders who wish to have dividends paid directly into a bank account, rather than by cheque to their registered address, may complete a mandate form for this purpose. A dividend mandate form is printed on the reverse of the Subscription Form. Further dividend mandate forms may be obtained from the Company's registrar.

#### DIVIDEND REINVESTMENT

The Company will operate a Dividend Reinvestment Scheme to enable Shareholders to reinvest their dividends by subscribing for further Shares. Dividend reinvestment enables Shareholders to increase their total holding in the Company without incurring dealing costs, issue costs or stamp duty. These Shares should qualify for the VCT tax reliefs that are applicable to subscriptions for new VCT shares. The Dividend Reinvestment Scheme may be appropriate for those subscribers who are investing primarily for capital growth.

Shares subscribed for via the Dividend Reinvestment Scheme will form part of each Shareholder's annual limit for investing in venture

capital trusts. Shareholders wishing to reinvest their dividends should tick the box on the Subscription Form. The terms and conditions of the Dividend Reinvestment Scheme are set out in Part VIII of this document.

#### FUTURE ISSUES OF SHARES AND BUY-BACK POWER

The Directors have authority until the conclusion of the first annual general meeting of the Company to issue further Ordinary Shares for cash without pre-emption rights applying (by way of an offer to existing Shareholders or otherwise). It is the intention of the Company to seek this authority at each annual general meeting in respect of one-third of the issued capital of the Company. More information is given in paragraph 4.2(b)(iv) of Part V of this document.

Whilst Qualifying Subscribers must hold their Shares for at least three years to retain the initial income tax relief, Shareholders are able to sell their Shares at any time through the London Stock Exchange.

The Company has the authority to purchase up to 14.99 per cent of the Ordinary Shares issued under the Offers and proposes (subject to Court approval) to cancel its share premium account, thereby creating a special reserve which may be treated as distributable profits for all purposes, including making purchases of Ordinary Shares. The Board is mindful of the importance of the share buy-back powers in attempting to reduce any discount at which the Shares are traded in the market from time to time.

Purchases of Ordinary Shares will be made within guidelines established from time to time by the Board. The timing of any purchases will be decided by the Board. Under the current listing rules of the UKLA, the price paid for Ordinary Shares must be

not more than 5 per cent above the average of the market values of 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 interests of Shareholders as a whole. Any Shares purchased will be cancelled.

#### DURATION OF THE COMPANY

The Ordinary Shares will be listed on the Official List and traded 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 three years when they are sold. VCTs should be considered as long-term investments, due to the nature of the underlying investments. Consequently, the initial duration of the Company has been set at seven years.

The Company's Articles 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 2008 and thereafter at three-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.

#### BORROWING POLICY AND ANNUAL ACCOUNTS

The Articles allow the Company to borrow up to an amount equal to 25 per cent of its gross assets. This power has been included to provide flexibility should unforeseen circumstances arise in the future. There is no current intention for these borrowing powers to be used.

The Company's annual report and accounts will be made up to 30 November in each year and will normally be sent to Shareholders in January.

Shareholders will also receive unaudited half-year accounts for the period to the end of May in each year.

#### TAXATION AND 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 PricewaterhouseCoopers 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 2001/2002 Offer (which is expected to occur by 5 April 2002), 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 30 November 2004 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. Further details on VCTs are contained in Part VI of this document.

#### OFFER COSTS AND RUNNING COSTS

The expenses of the Offers (including irrecoverable VAT and commission) payable by the Company will be fixed at 5 per cent of the gross proceeds. The Manager has agreed to indemnify the Company in respect of any excess and to the extent that the expenses of the Offers are less than 5 per cent of the gross proceeds, the Company will pay to the Manager a fee of an amount equal to the shortfall.

Introductory commission will be paid to authorised financial intermediaries at a rate of 3 per cent on the value (at the Offer Price) of successful applications submitted through them.

Intermediaries must substantiate the interests of investors who hold through nominees to the satisfaction of the Manager.

Annual Running Costs, being the Directors' fees, professional fees and the costs incurred by the Company in the ordinary course of its business (excluding any performance fee payable to the Manager and any irrecoverable VAT), will be capped at 3.5 per cent of the Company's net assets, as at quarterly dates in the relevant year, any excess being met by the Manager by way of reduction of its management fee. If the Offers are fully subscribed, the Annual Running Costs of the Company for the first financial period to 30 November 2002 are estimated to be approximately 2.7 per cent of the Company's net assets (3.1 per cent including irrecoverable VAT).

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. It is the Board's current intention, taking into account the expected long-term returns in the form of income and capital gains in accordance with standard VCT practice, that management fees and any performance fees will be allocated 25 per cent to the Company's revenue account and 75 per cent to its capital account.

#### THE OFFERS

The Directors and David Thorp are together proposing to subscribe for a minimum of £158,000 under the Offers. These subscriptions will be satisfied in full.

It is proposed to raise up to £30 million (before expenses) by means of two separate offers for subscription. The Offers will be marketed to the public. 30 million Ordinary Shares, nominal value 10 pence each, are being offered at 100 pence per share, payable in full on application. The Offers are not underwritten. If fully subscribed, the net proceeds of the Offers will be £28.5 million. Such net proceeds will be invested in accordance with the investment policy set out above.

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

The minimum application level under each of the Offers is £3,000 (3,000 Ordinary Shares).

Applications for more than £3,000 under the Offers must be made in multiples of £1,000. The maximum aggregate subscription in any tax year, which will be eligible for the full tax relief, is £100,000. Investors wishing to invest in both the 2001/2002 and 2002/2003 tax years may therefore invest up to £200,000 by applying under both Offers. A husband and wife may obtain tax relief in respect of £400,000 in total under the Offers.

The 2001/2002 Offer will close at 12 noon on 3 April 2002 (or any earlier date on which it is fully subscribed). The 2002/2003 Offer will close at 12 noon on 18 April 2002 (or any earlier date on which it is fully subscribed) save that the Directors reserve the right to extend the closing date of the 2002/2003 Offer to not later than 25 May 2002. It is anticipated that dealings in the Ordinary Shares issued pursuant to the 2001/2002 Offer will commence on 5 April 2002 and that dealings in the Ordinary Shares issued pursuant to the 2002/2003 Offer will commence on 24 April 2002.

The Directors reserve the right to allot and arrange for the listing of Ordinary Shares under the 2001/2002 Offer before 3 April 2002. It is anticipated that the first allotment of Ordinary Shares will be made prior to 31 January 2002, provided the Company has raised its minimum subscription level of £700,000 in aggregate under the Offers. This should enable Qualifying Subscribers who have a capital gains tax liability for the tax year 2000/2001 to invest in the Company rather than paying the tax that is due to be paid to the Inland Revenue.

#### SETTLEMENT AND DEALINGS

Definitive share certificates are expected to be despatched by post within 10 working days of each allotment to successful applicants. Temporary documents of title will not be used in connection with the Offers.

Ordinary Shares are capable of being transferred by means of the CREST system. Those successful applicants who wish to take advantage of the ability to trade in Shares in uncertificated form, and who have access to a CREST account, may arrange with their CREST operator to convert their holdings into dematerialised form. Investors should be aware that Ordinary Shares delivered in certificated form are likely to incur higher dealing costs than those in respect of Ordinary Shares held in CREST.

Authorised financial intermediaries who stamp the Subscription Form will be paid 3 per cent commission on application monies accepted under the Offers.

Application has been made to the UKLA and the London Stock Exchange for the Ordinary Shares to be issued pursuant to the Offers to be admitted to the Official List and to trading under the London Stock Exchange's Admission and Disclosure Standards. The Ordinary Shares will be in registered form and will be transferable.

Ordinary Shares will not be allotted under the Offers unless valid applications have been received in respect of a minimum of 700,000 Ordinary Shares; if this minimum is not reached, subscription monies will be returned to Subscribers. Interest shall not be paid on any subscription monies returned to subscribers. Ordinary Shares will not be allotted under the 2001/2002 Offer unless valid applications have been received in respect of an aggregate minimum of 700,000 Ordinary Shares under both Offers by the close of the 2001/2002 Offer; if this minimum is not reached, subscription monies will be returned to Subscribers. Interest shall not be paid on any subscription monies returned to subscribers.

The terms and conditions of the Offers are set out in Part IX of this document.

#### AVAILABILITY OF THE PROSPECTUS

Copies of this document are available for inspection at the Document Viewing Facility, The Financial Services Authority, 25 The North Colonnade, Canary Wharf, London E14 5NS until 18 April 2002 (or earlier if the Offers are fully subscribed), from the Company and free of charge from:

##### ISIS

Friends Ivory & Sime plc  
100 Wood Street  
London  
EC2V 7AN  
08457 992299

##### ISIS

Friends Ivory & Sime plc  
One Charlotte Square  
Edinburgh  
EH2 4DZ  
08457 992299

Noble & Company Limited  
76 George Street  
Edinburgh  
EH2 3BU  
0131 225 9677



## Part II: The Ten Largest Combined Investments in Qualifying Companies within the Existing Baronsmead VCTs as at 30 September 2001

As at 30 September 2001, the Existing Baronsmead VCTs had made 60 investments in VCT qualifying companies. The information below relates to the 10 largest of such investments, by value, as at 30 September 2001. These investments are representative of the type and return of investments made by the Existing Baronsmead VCTs. The investments below represent 59 per cent, 62 per cent and 52 per cent, as at 30 September 2001, of each of Baronsmead VCT plc, Baronsmead VCT 2 plc and Baronsmead VCT 3 plc's VCT qualifying companies respectively. The total cost of the 10 largest investments was £15,990,847 and the value at 30 September 2001 was £22,013,540. The total cost of the other investments (excluding the fixed interest portfolio) made by the Existing Baronsmead VCTs was £23,585,476 and the value at 30 September 2001 was £15,913,018. The total cost of all investments (excluding the fixed interest portfolio) made by the Existing Baronsmead VCTs was £39,576,323 and the value at 30 September 2001 was £37,926,558.

Quoted investments are valued at middle market prices. Unquoted investments are valued by the directors in accordance with the following rules, which are consistent with the British Venture Capital Association guidelines:

1. Investments which have been made in the last 12 months are valued at cost in the absence of overriding factors; and
2. Investments which have been held for more than 12 months are valued semi-annually using a price earnings ratio (at a significant discount to an appropriate stock market industry sector price earnings ratio) in the absence of overriding factors. Where such factors apply, alternative methods of valuation will include application of an arms length third party valuation, a profit before interest and tax multiple less a discount, or a net asset basis.

All percentages disclosed for equity held are stated before any dilution associated with the exercise of share options or warrants.

<i>Company</i>	<i>Head Office</i>	<i>Valuation Basis</i>	<i>Cost £</i>	<i>Valuation £</i>
Tricom Supplies Limited	Bedford	Discounted P/E	1,700,001	5,140,874

### Investment made – November 1998

Tricom is a chain of builders merchants supplying plumbing, heating and sanitaryware goods to independent merchants and installers. In November 1998, £2.05 million of institutional equity was raised to finance a management buy-out from its German parent company.

For the year to 31 December 2000, pre-tax profits were £1.8 million on a turnover of £108.5 million.

Net assets were £6.1 million and retained profits were £1.2 million.

Baronsmead VCT plc and Baronsmead VCT 2 plc own 23.2 per cent and 16.2 per cent respectively of the issued share capital of this company and have equivalent voting rights.



Inter Link Foods PLC	Blackburn	AiM Middle Market Price	1,347,179	2,508,464
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### Investment made – August 1998

Inter Link Foods manufactures and sells own label cakes and pastry products to major retail groups. The company joined AiM in August 1998 and raised net proceeds of £2.1 million for expansion including additional product machinery.

For the year to 30 April 2001, pre-tax profits were £1.7 million on a turnover

of £18.7 million. Net assets at 30 April 2001 were £9.0 million and retained profit £0.9 million.

Baronsmead VCT plc and Baronsmead VCT 2 plc own 5.7 per cent and 4.6 per cent respectively of the issued share capital of this company and have equivalent voting rights.



Company	Head Office	Valuation Basis	Cost £	Valuation £
Fat Face Limited	Havant	Discounted P/E	1,000,000	2,044,000

**Investment made – February 2000**

Fat Face is a multi-channel retailer supplying branded clothing and accessories to the outdoor active lifestyle market. In February 2000 £3.5 million was raised from institutional investors to fund expansion. For the year ended 31 May 2001, pre-tax profits were £1.0 million on a turnover of £14.7 million.

At 31 May 2001 net assets were £1.1 million and retained profits were £0.4 million.

Baronsmead VCT plc and Baronsmead VCT 2 plc each own 5.7 per cent of this company and have equivalent voting rights.



Demica Limited	London	Cost	2,000,906	2,000,906
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**Investment made – August 2000**

Demica designs and supplies internal financial flow software solutions under its Citadel brand to banking and corporate customers. In August 2000, £6.2 million was raised from institutional investors to restructure and develop the business.

For the year to 30 June 2000, pre-tax losses were £1.8 million on a turnover

of £2.3 million. Net liabilities at 30 June 2000 were £4.6 million and retained losses were £1.8 million.

Baronsmead VCT plc and Baronsmead VCT 2 plc each own 3.3 per cent of the issued share capital of this company and have equivalent voting rights.

**DEMICA**

Thomas Sanderson Limited	Waterlooville	Cost	2,000,001	2,000,001
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**Investment made – March 2001**

Thomas Sanderson is an assembler and seller of pleated conservatory blinds and external patio awnings. In March 2001, £6.0 million of institutional equity was raised to finance a management buy-out/buy-in.

For the 16 month period to 31 December 2000 pre-tax profits were £2.2 million on a turnover of £21.5 million. Net assets at 31 December 2000 were £3.3 million and retained profits were £1.5 million.

Baronsmead VCT plc, Baronsmead VCT 2 plc and Baronsmead VCT 3 plc each own 5.6 per cent of the issued share capital of this company and have equivalent voting rights.



Kondor Limited	Ringwood	Cost less 100% Provision on Ordinary Shares	2,000,000	1,799,416
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**Investment made – May 2000**

Kondor is a value added distributor of mobile telephone accessories. In May 2000, £6.9 million of institutional equity was raised as replacement capital.

For the year to 31 December 2000, profits before interest, tax and goodwill amortisation were £4.2 million on a turnover of £11.9 million.

Net assets at 31 December 2000 were £10.9 million and retained profits were £0.2 million.

Baronsmead VCT plc and Baronsmead VCT 2 plc each own 3.7 per cent of the issued share capital of this company and have equivalent voting rights.

**KONDOR**

Company	Head Office	Valuation Basis	Cost £	Valuation £
Fitzhardinge PLC	London	AiM Middle Market Price	1,409,999	1,704,260

**Investment made – July 2001**

Fitzhardinge plc provides consultancy services and solutions to the real estate market throughout the United Kingdom and internationally. Fitzhardinge plc acquired the holding company of Milner Consultancies Limited on 10 August 2001.

For the year to 31 May 2001, Milner Consultancies' pre-tax profits were

£5.15 million on a turnover of £38.75 million. Fitzhardinge plc is expected to report on its preliminary results for the period from 10 August to 31 December 2001 in March 2002.

Baronsmead VCT plc and Baronsmead VCT 2 plc each own 1.8 per cent of the issued share capital and have equivalent voting rights.

**Fitzhardinge**

Staffline Recruitment Limited	Nottingham	Cost	1,628,000	1,628,000
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**Investment made – July 2000**

Staffline is a provider of temporary staff to the blue collar/light industrial sector. In July 2000, £5.7 million of institutional equity was raised to finance a management buy-out/buy-in.

For the trading period 18 May 2000 to 31 December 2000 pre-tax profits were £0.4 million on a turnover of

£14.6 million. Net assets at 31 December 2000 were £1.1 million and retained profits were £0.1million.

Baronsmead VCT plc and Baronsmead VCT 2 plc each own 7 per cent of the issued share capital of this company and have equivalent voting rights.



Simba International Limited	Sleaford	Cost plus capitalised interest	1,333,333	1,616,191
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**Investments made – August 1997**

Simba manufactures agricultural cultivation equipment. For the year to 31 October 2000, pre-tax profits were £0.5 million on a turnover of £12.3 million. Net assets at 31 October 2000 were £3.0 million and retained profits were £0.5 million.

Baronsmead VCT plc owns 31.4% of the issued share capital of this company and has equivalent voting rights.



Job Opportunities Limited	Berkhamsted	Cost	1,571,428	1,571,428
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**Investment made – September 2000**

Job opportunities publishes free pick-up recruitment magazines. By the end of 2000 the company had sixteen titles in circulation.

For the year to 31 December 1999, pre-tax losses were £0.9 million on turnover of £1.7 million. Net liabilities at

31 December were £0.3 million and retained losses were £0.9 million.

Baronsmead VCT plc and Baronsmead VCT 2 plc each own 3.6 per cent of the issued share capital and have equivalent voting rights.

**Job Opportunities**

# Part III:

## Tax Planning for VCT Shareholders

VCTs are fully-listed public companies which can provide significant tax benefits, both initially on subscription and subsequently. By their nature, VCTs tend to be long-term investments for shareholders, not only due to the time that it can take to sell advantageously investments in the portfolio companies, but also because of the requirement that shares be held for at least three years in order to retain income tax relief on subscription.

The Board aims to be responsive to Shareholder needs and at each annual general meeting, Shareholder consent will be sought to give the Directors authority to repurchase Ordinary Shares, up to 14.99 per cent of the issued share capital in any year. This authority, together with the ability for Shareholders to reinvest dividends, offers Shareholders a variety of tax planning alternatives. As regards the share buy-back provisions, the Board is mindful of the importance to Shareholders of attempting to maintain a narrow discount between net asset value and the price at which the Ordinary Shares trade. This is relevant for Shareholders who require to realise their holdings.

The price paid for the buy-back of Ordinary Shares will not be more than 5 per cent above the average of the market values of the Ordinary Shares for the five business days before the Ordinary Shares are purchased. This power will be exercised only if, in the opinion of the Directors, a repurchase would be in the best interests of Shareholders as a whole. Any Ordinary Shares purchased would be cancelled.

### Tax advantages for Private Investors

VCTs provide a tax-efficient investment vehicle with substantial income tax and capital gains tax advantages.

The following is an outline only and should be read in conjunction with the detailed provisions of the legislation relating to VCTs which is summarised in Part VI of this document.

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

- provided that the shares are held for at least three years, income tax relief, in the tax year in which the subscription is made, of up to 20 per cent of the amount subscribed; and
- if income tax relief is obtained, and the individual is UK resident, deferral of up to 40 per cent capital gains tax (based on liability at the higher rate) by reinvesting taxable capital gains arising during the period beginning 12 months before, and ending 12 months after, the VCT shares are issued.

These benefits are available on aggregate investments in VCTs of up to £100,000 in any one tax year. Under the Offers investors can invest in either one or both of the current and the next tax years. 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.

Whereas the above reliefs are only available on subscription, the following additional reliefs are available to both Qualifying Subscribers and Qualifying Purchasers on investments up to a maximum of £100,000 in VCTs in any one tax year.

- dividends will be exempt from income tax; and
- any profits on the disposal of the shares will be exempt from capital gains tax.

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

\* Subject to available tax reliefs, the capital gains become taxable at the rate of capital gains tax applicable to the individual when his or her investment in the VCT is realised.

# Part IV: 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:

- 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 Official List, it is possible that there may not be a liquid market in the Ordinary Shares and Shareholders may have difficulty in selling them. Any purchase of existing Shares, as opposed to a subscription of new Shares pursuant to the Offers, will not qualify for income tax relief at 20 per cent of the amount invested or qualify for deferral of capital gains.
- Any realised losses on a disposal of Ordinary Shares will not be allowable losses, for the purposes of capital gains tax, and will therefore not be available for 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 qualifying 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 achieve or maintain full VCT qualifying status. If the Company fails to obtain full approval as a VCT, or ceases to retain approval as a VCT, any capital gains tax liability which has been deferred will become payable and if this occurs before Qualifying Subscribers have held their shares for three years, any 20 per cent income tax relief will have to be repaid. 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.
- Where full approval as a VCT is not achieved within the three year limit, any dividends previously paid to Shareholders will be liable to be assessed to income tax in the year in which they were paid. Interest may also be due. The Company will also lose its exemption from corporation tax on capital gains. If at any time VCT status is lost, dealings in the Shares will normally be suspended until such time as the Company has published proposals either to continue as an investment company or to be wound up. Further information concerning the loss of VCT status is set out in Part VI of this document.
- Should the Company 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 the notional tax credit equal to  $\frac{1}{5}$ th of the dividend. The notional tax credit will discharge the income tax liability of a basic rate tax payer. Shareholders who also pay tax at the higher rate can use the notional credit to offset against their higher rate tax liability.
- 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 own tax advisers before making any investment.
- Investment in unquoted and AiM-listed companies, by its nature, may involve a higher degree of risk than investment in the main market.
- Although the Company expects to receive conventional venture capital rights and board representation in connection with its investments, as a minority investor it will not control the board of directors of investee companies and may not always be in a position to fully protect its interests.
- The Company's investments may be difficult to realise. There may also be constraints imposed on the realisation of investments by reason of the need to maintain the tax status of the Company. The fact that a share is traded on AiM does not guarantee its liquidity. The spread between the buying and selling price of such shares may be wide and thus the price used for valuation may not be achievable.
- The tax rules or their interpretation in relation to an investment in the Company and/or rates of tax may change during the life of the Company.
- The past performance of the Friends Ivory & Sime Group, Baronsmead VCT plc, Baronsmead VCT 2 plc, Baronsmead VCT 3 plc, and investments made by Friends Ivory & Sime Private Equity plc is not necessarily a guide to the future performance of the Company.
- There can be no guarantee that the Company's investment objectives will be achieved.
- Investment in the Company should be regarded as long-term in nature and is not suitable for all individuals. Potential investors should consult their professional advisers.

# Part V: General Information

## 1. Listing

Copies of this document, which comprises a prospectus relating to Baronsmead VCT 4 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. ✓

## 2. Responsibility

The directors of Baronsmead VCT 4 plc, whose names appear on the inside back cover of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

## 3. Incorporation and Administration

- 3.1 The Company was incorporated and registered in England and Wales on 30 October 2001 with limited liability as a public limited company under the Act with the name Baronsmead VCT 4 plc and with registered number 4313537. The Company operates under the Act and the regulations made under the Act. The Board shall procure that at the Company's annual general meeting in 2008 and any 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 to wind up the Company voluntarily.
- 3.2 The Directors confirm that, since the incorporation of the Company on 30 October 2001, the Company has neither traded nor prepared any accounts.
- 3.3 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.
- 3.4 The Company was issued with a certificate under section 117 of the Act by the Registrar of Companies on 31 October 2001.
- 3.5 KPMG Audit plc have been the only auditors of the Company since its incorporation.
- 3.6 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.
- 3.7 It is intended that the business of the Company be carried on so as to comply with Section 842AA ICTA.

#### 4. Share Capital

- 4.1 The authorised share capital of the Company at the date of this document is £8,000,000 divided into 79,500,000 Ordinary Shares of 10 pence each and 500,000 redeemable shares of 10 pence each and its issued share capital is £50,002 divided into 500,000 redeemable shares of 10 pence each and 20 Ordinary Shares of 10 pence each. Following the Offers, and assuming the Offers are fully subscribed, the Company's authorised share capital will be unchanged and the Company's issued share capital will be £3,000,000 divided into 30,000,000 Ordinary Shares of 10 pence each.
- 4.2 (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. On 30 October 2001 the two subscribers' Shares were transferred to the Manager. Such subscriber Shares will be included in the Offers.
- (b) By ordinary and special resolutions passed on 30 October 2001:
- (i) each of the two issued Shares and each of the 49,998 unissued Shares of £1 each in the Company were sub-divided into 10p each and were designated as Ordinary Shares;
  - (ii) the authorised share capital of the Company was increased to £8,000,000 by the creation of 79,000,000 Ordinary Shares of 10p each and 500,000 redeemable 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 of any existing power) to allot relevant securities up to an aggregate nominal amount of £7,999,998 during the period commencing on 30 October 2001 and expiring on 29 October 2006 (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 4.2(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 an aggregate nominal amount of £7,999,998;
  - (v) the Company was generally and unconditionally authorised to make market purchases (within the meaning of section 163 of the Act) of up to 14.99 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 as determined by the rules of the UKLA at the time of purchase (which currently set a maximum price equal to 5 per cent above the average of the market values for an Ordinary Share taken from the Official List for the 5 business days immediately preceding the day on which the Ordinary Shares are purchased), and such authority to expire at the conclusion of the first annual general meeting of the Company in 2003 or, if earlier, on 25 March 2003, 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 30 October 2001, 500,000 Redeemable Shares were allotted to Friends Ivory & Sime 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 30 April 2002, in which case Friends Ivory & Sime undertook to pay up, or procure payment of, one-quarter of the nominal value of all such Redeemable Shares in cash on or before 30 April 2002 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 4.2(b)(iii) and 4.2(b)(iv) above, and by a resolution of the Directors passed on 6 November 2001, it was resolved to offer up to 30 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 4.2(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 £8,000,000 divided into 80,000,000 Ordinary Shares and the Company's issued share capital will be £3,000,000 divided into 30,000,000 Ordinary Shares if the Offers are fully subscribed.
- (h) By special resolution passed on 30 October 2001, conditionally upon the issue of Ordinary Shares by the Company pursuant to the Offers and the payment up in full thereof, it was resolved that all of the amount standing to the credit of the share premium account of the Company immediately following the issue of Ordinary Shares pursuant to the Offers be cancelled.
- (i) 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.
- (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 30,000,000 Shares are being made available to the public pursuant to the Offers.

## 5. 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.

### 5.1 Voting Rights

- 5.1.1 Subject to the provisions of the Act or any special terms as to voting on which any shares may be issued, or may be for the time being 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.
- 5.1.2 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 the 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.



## 5.2 Variation of rights and alteration of capital

- 5.2.1 Rights attached to any shares 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.
- 5.2.2 The Company may from time to time in general meeting, by ordinary resolution, increase, consolidate or sub-divide its share capital.
- 5.2.3 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.
- 5.2.4 Subject to the provisions of the Act and the Articles and the rights of the holders of any class shares, the Company may from time to time purchase its own shares.

## 5.3 Transfer of shares

- 5.3.1 Subject to the provisions of the Act and the Articles, the unissued shares of the Company shall be at the disposal of the Board.
- 5.3.2 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 for or on behalf of the transferor and (in the case of a partly paid share) the transferee.
- 5.3.2 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 the 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.

## 5.4 Directors

- 5.4.1 Unless otherwise determined by ordinary resolution of the Company, the Directors (disregarding alternative Directors) shall not be less than two and not more than ten in number.
- 5.4.2 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.
- 5.4.3 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 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.

5.4.4 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 a debt 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.

5.4.5 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 £75,000 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.

5.4.6 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.

5.4.7 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 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.

5.4.8 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. In addition, any Director who at an annual general meeting of the Company has been a Director at each of the preceding two annual general meetings and who was not required to retire by rotation at either of such annual general meetings and has not otherwise ceased to be a Director of the Company at or since either such annual general meetings shall retire. Any Director so retiring shall be eligible for reappointment.

#### 5.4.9 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.

#### 5.4.10 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 a 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 revert to the Company.

#### 5.4.11 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 except to the extent that the requirements for investment company status under section 266 of the Act do not require a company to prohibit the distribution of its capital profits in its memorandum or articles of association. 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 the 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), except to the extent that the requirements for investment company status under section 266 of the Act do not require a company to prohibit the distribution of its capital profits in its memorandum or articles of association, 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.

#### 5.4.12 Duration and winding up

The Board shall procure that at the Company's annual general meeting in 2008 and at every third 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 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 a division shall be carried out as between the member 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.

## **6. Directors' and Other Interests in the Company**

- 6.1 The Directors named below will be subscribing under the Offers for the following number of Shares (prior to the reinvestment of any commission) and such subscriptions will be met in full.

	<i>No of Shares</i>
Philip Dunne	100,000
Ian Kirkpatrick	3,000
Robert Owen	10,000
Alan Pedder	15,000

Save as disclosed in this paragraph 6.1, none of the Directors, nor any member of their respective immediate families, has any interest in the capital of the Company, which is or would, immediately following the publication of this document, be required to be notified pursuant to section 324 or section 328 of the Act or which is or would be required to be entered in the register maintained under section 325 of the Act nor does any person connected with any Director (within the meaning of section 346 of the Act) have any such interest which would, if the connected person were a Director, be required to be disclosed and the existence of which is known to or could with reasonable diligence be ascertained by the Directors.

- 6.2 There are no service contracts in existence between the Company and any of the Directors nor are any such contracts proposed. However, the Company has entered into letters of appointment with each of the Directors on 7 November 2001. The Directors' letters of appointment provide for their appointment for a period of 3 years subject to re-appointment by the Board and retirement by rotation and earlier cessation for any reason under the Articles. The Directors' letters of appointment require the Directors to comply with their responsibilities as non-executive directors of a listed company, including the model code on directors' dealings in securities, as set out in the appendix to chapter 16 of the Listing Rules of the UKLA ("Model Code"). In addition, provisions exist regarding conflicts of interest and confidentiality. Each of the Directors is entitled to an annual fee of £10,000 per annum, save for the Chairman who is entitled to £15,000 per annum. Travel and other expenses incurred in connection with the business of the Company will also be reimbursed.
- 6.3 None of the Directors has or has had any interest in transactions effected by the Company since its incorporation which are or were unusual in their nature or conditions or which are or were significant to the business of the Company.
- 6.4 No loan or guarantee has been granted or provided by the Company to or for the benefit of any Director.
- 6.5 It is estimated that the aggregate amount to be paid to the Directors for the current financial year under the arrangements in force at the date of this document will not exceed £50,000 (plus out of pocket expenses).
- 6.6 The Company is not aware of any person who, immediately following the publication of this document, 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.

- 6.7 The Company has taken out, and will maintain, Directors and officers liability insurance for the protection of the Directors. This insurance is renewable on an annual basis.
- 6.8 The current directorships and partnerships and the directorships and partnerships of the Directors during the last five years are listed below:

	<i>Current Directorships/Partnerships</i>	<i>Past Directorships/Partnerships</i>
Philip Dunne	Ottakar's Town Limited Ottakar's PLC Juvenile Diabetes Research Foundation Limited Moor Park Charitable Trust Ltd Town Booksellers Limited	Greenwich Managing Agency Limited DLJ Securities Investments Limited SMA Holdings Limited Proteus Ventures Limited Phoenix Securities Investments Limited Phoenix Methuen Limited
Ian Kirkpatrick	Ian Kirkpatrick Management Services Limited Prime Estates (C I) Limited E.P.I. Trading Limited Wilbury Investments Limited Hitchin Industrial Estate Limited E.P. Investments Limited Erecta Properties Limited Erecta (Hitchin) Limited BFE (Wilburn Way) Limited HIE (Hunting Gate) Limited Prime Estates Limited Prime Estates (Northumbria) Limited Carteret Investments Limited Erecta (Hunting Gate) Limited Wilbury Estates Limited E H (Bedford) Limited EP (Andover) Limited EP (Hillgate) Limited Harvey Nash Group plc Harvey Nash Group EBT Limited Semple Cochrane plc Quantum Energy Group Limited	Cassiobury (Holdings) Limited Court Cavendish Group plc Datrontech Group plc Care First Group plc Saracen Value Trust Public Limited Company
Robert Owen	Baronsmead VCT 3 plc	
Alan Pedder	AECI Limited ELAM-T Limited Remploy Limited South Bank University Limited Huntsman Tioxide Limited SANS Limited	ABB Eutech Limited Bioss International Ltd

- 6.9 None of the Directors has any unspent convictions in relation to indictable offences.
- 6.10 None of the Directors has been declared bankrupt or been subject to an individual voluntary arrangement.
- 6.11 None of the Directors has been a Director with any executive function of a company at the time of or within the 12 months preceding that in which a company has gone into receivership, compulsory liquidation, been the subject of company voluntary arrangements or any composition or

arrangements with its creditors generally or any class of its creditors. None of the Directors has been a partner in any partnership at the time of or within 12 months preceding that in which the partnership was the subject of any compulsory liquidations, administrations or partnership voluntary arrangements, or any asset of the partners or the partnership was the subject of receivership.

- 6.12 None of the Directors has been the subject of any public criticisms by statutory or regulatory authorities (including recognised professional bodies), nor has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

## **7. UK Taxation**

The following summary is of general nature only. Any potential investor should consult his or her other appropriately qualified adviser with respect to the tax reliefs available in his or her personal circumstances.

This 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.

### **7.1 Dividends**

Under current law, no tax will be withheld by the Company when it pays a 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, they will be exempt from tax on dividends received.

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. 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. A higher rate taxpayer will have further income tax to pay.

### **7.2 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 of Ordinary Shares will be liable to ad valorem stamp duty, normally at the rate of 0.5 per cent, usually rounded up to the nearest multiple of £5, 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 actual consideration paid.

Liability to pay any stamp duty or stamp duty reserve tax is that of the purchaser or transferee.

- 7.3 The Company is not a close company for tax purposes.

## **8. Investment Policy and Listing Requirements**

- 8.1 The Company intends that its income will be derived wholly or mainly from shares or other securities. The Company intends to manage its own affairs in respect of each accounting period so as to obtain, and thereafter maintain, approval as a VCT under the provisions of section 842AA ICTA. Accordingly, not more than 15 per cent of the Company's investments will be 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 or group concerned).

- 8.2 Not more than 20 per cent of the Company's investments will be in the securities of property companies, that is, in any companies primarily engaged in property activities which include:

- (i) the holding of properties or the development of properties for letting and retention as investments; or
- (ii) the purchase or development of properties for subsequent sale.

8.3 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 such investment manager or any other company in the same group as such investment manager;
- (iii) that the Company will not have control of the companies in which it invests such that they are subsidiary undertakings;
- (iv) that the Company will not, to a significant extent, be a dealer in investments; and
- (v) adherence to the restrictions on investments set out in paragraphs 8.1 and 8.2 above.

## 9. Overseas Investors

No person receiving a copy of this document or a mini-prospectus or a Subscription 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 Subscription Form unless, in the relevant territory, such an invitation to offer could be lawfully made to him or such Subscription Form could be lawfully used without contravention of any registration or other legal requirements. It is the responsibility of any person outside the UK wishing to make a subscription 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 subscribers under the Offers will be required to warrant that they are not a US person as defined under the United States Securities Act of 1933.

## 10. Material Contracts

The following contracts entered into since incorporation (not being contracts entered into in the ordinary course of its business), are, or may be, material at the date of the listing particulars:

- 10.1 An offer agreement dated 7 November 2001 (the "Offer Agreement") between the Company, the Directors, the Manager and Friends Ivory & Sime under which Nobles has agreed to act as sponsor to the Offers and Friends Ivory & Sime has agreed to act as promoter to the Offers and has undertaken to use reasonable endeavours to procure applications under the Offers for up to 30 million Ordinary Shares subject (*inter alia*) to the approval by the UKLA of this document for the purposes of its listing rules.

Under the Offer Agreement, the Manager, the Company and the Directors have given certain warranties and an indemnity to Nobles. These warranties and indemnity are customary in agreements of this nature. Friends Ivory & Sime may terminate the Offer Agreement in the event of material breach of warranty prior to Admission. The Manager has agreed to indemnify the Company if and to the extent that the expenses of the Offers (including any irrecoverable VAT) exceed 5 per cent of the gross proceeds of the Offers. If and to the extent that the expenses of the Offers are less than 5 per cent of the gross proceeds of the Offers, the Company will pay a fee to the Manager of an amount equal to the shortfall. The expenses of the Offers as referred to above include, *inter alia*, IFA commission of 3 per cent and the costs of sponsorship, legal advice, tax advice, printing and registrars (including irrecoverable VAT) which are estimated to amount to £200,000.

- 10.2 A management agreement dated 7 November 2001 (the "Management Agreement") between the Company and the Manager 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 accordance with the investment policy in return for a management fee, for the first three years, equivalent to 2 per cent per annum (plus VAT, if any, at the applicable rate) of the net asset value of the Company as at the close of business on the last day of each quarter. Thereafter the management fee will rise to an amount equivalent to 2.5 per cent per annum of the net asset value of the Company. The management fee is payable quarterly in arrears. In addition, the Manager will receive an

administration fee of £10,000 per quarter plus a variable fee equivalent to 0.125 per cent per annum of the net assets of the Company in excess of \$5 million, plus VAT if applicable. The Manager may also receive a performance fee from the Company as described below. 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 asset value, the Company will be entitled to a rebate on the fees paid to the Manager to the extent of this excess.

The performance fee will be calculated by reference to the increase (if any) in the net asset value of the Company, calculated on the assumption that any dividends paid by the Company are re-invested by way of subscription for further Shares (the "Total Return").

*The performance fee will be calculated by reference to each accounting period of the Company. No performance fee will be paid unless and until the Total Return on the net proceeds of the Offers exceeds 8 per cent per annum (simple) over the period from the issue of Shares under the 2002/2003 Offer to the end of the relevant accounting period. To the extent that the Total Return to the end of an accounting period exceeds this threshold, a performance fee (plus VAT) will be paid to the Manager of 20 per cent of the excess. If a performance fee is paid for any accounting period, the 8 per cent Total Return threshold will be rebased so that it is calculated on the Total Return as at the end of the accounting period less the amount of the performance fee paid. However, the first performance fee will not be paid to the Manager unless and until the Total Return on the net proceeds of the Offers exceeds 40 per cent. In addition, the amount of any performance fee due which is paid in respect of an accounting period shall not exceed 5 per cent of the net asset value of the Company at the end of the period. Any balance of the performance fee remaining unpaid will be carried forward and paid (without interest) at the end of the following accounting period or periods (subject to this 5 per cent limit).*

In the event that the Company purchases Shares or raises new capital, the threshold returns required in order for the Manager to earn a performance fee will be adjusted so that the Manager's entitlement is unaffected by the purchase or new capital raising.

The Manager shall, following the end of each accounting period, calculate the amount (if any) of performance fee it considers to be payable and the Board may instruct the auditors of the Company to review and report to the Board on that calculation. Any performance fee payable in respect of a period shall fall due for payment in sterling (a) 30 days after the publication of the Company's audited accounts for that period or (b) in respect of a period ending on the termination of the Management Agreement or the commencement of the winding up of the Company, 30 days after the end of such period.

The Management Agreement is terminable on 12 months' notice to expire at the end of a calendar month after the third anniversary of the date of Admission. The Management Agreement may be terminated by the Company or the Manager forthwith if, the other party commits a material breach; or the other party shall suffer an insolvency event (as specified in the Management Agreement).

In addition, if there is a change of control of the Manager or the Company, the other party may terminate the Management Agreement on six months' notice.

Other than those listed above there are no other contracts entered into by the Company which contain any provisions under which the Company has any material obligation or entitlement at the date of this document.

## **11. Miscellaneous**

- 11.1 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 fixed at 5 per cent of the gross proceeds of the Offers. If the maximum of \$30 million is raised, the net proceeds of the Offers will amount to \$28.5 million. If the minimum of \$700,000 is raised, the net proceeds will be \$665,000. The proceeds will be applied in accordance with the Company's investment policy. The issue premium is 90 pence per Ordinary Share.
- 11.2 The principal place of business and registered office of the Company are at 100 Wood Street, London EC2V 7AN. 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.



- 11.3 There has been no significant change in the financial or trading position of the Company since its incorporation.
- 11.4 The Company's investment policy, as detailed in this document, will, in the absence of unforeseen circumstances, be adhered to for at least three years from Admission. Any material change in these policies within this period will be made only with Shareholder approval.
- 11.5 The Manager is the promoter of the Company. Save as disclosed in paragraph 10 above, no amount of cash, securities or benefits has been paid, issued or given to the promoters and none is intended to be given.
- 11.6 There are no nor have there been any legal or arbitration proceedings, or proceedings which are pending or threatened, of which the Company is aware which have had or may have a significant effect on the Company's financial position within the last 12 months.
- 11.7 None of the Company's capital is under option, nor are there any conditional or unconditional agreements for any of the Company's capital to be put under option.
- 11.8 Nobles has given, and not withdrawn, its consent to the use of its name in the form and context in which it appears in this document.
- 11.9 PricewaterhouseCoopers has given, and not withdrawn, its consent to the use of its name in the form and context in which it appears in this document.
- 11.10 Friends Ivory & Sime has given, and not withdrawn, its consent to the use of its name in the form and context in which it appears in this document.

## **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 2002/2003 Offer (or earlier if the Offers are fully subscribed):

- (a) the memorandum and articles of association of the Company;
- (b) the material contracts referred to in paragraph 10 above;
- (c) the Director's letters of appointment referred to in paragraph 6.2 above;
- (d) the mini-prospectus of the Company dated the date of this document;
- (e) the consent letters referred to in paragraphs 11.8, 11.9 and 11.10 above;
- (f) the source documentation referred to in the Key Features section and Part 1 of this document is The WM Company: BVCA Venture Capital and Private Equity Performance Measurement Survey, 2000.

7 November 2001 ✓

# Part VI: 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 VI. 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 VI.

## 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 the period in newly issued shares or securities (where the securities are not 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 to dividends or assets on winding up and no rights to be redeemed;
- (f) it must have at least 10 per cent by value of its Qualifying Holdings in a single company or group in ordinary shares which carry no preferential rights to dividends or assets on winding up and no rights to be redeemed;
- (g) 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
- (h) *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 accounting period (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 may be invested in the same company in any tax year. Where investments are made in two consecutive tax years up to this limit, there must be at least a 6 month gap between them. The £1 million 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 £15 million or less immediately pre-investment and £16 million or less immediately post-investment (in the case of companies which have qualifying subsidiaries (see below), the test is applied on a group basis);
- (d) it (or a relevant qualifying subsidiary of the Company) must apply the money invested for the purposes of a qualifying trade, which is carried out wholly or mainly in the UK, (see below under the heading, "Qualifying Companies and qualifying subsidiaries") within certain time periods;
- (e) it must not be able to control (whether on its own or together with a connected person) any company which is not a qualifying subsidiary; and
- (f) it must not be controlled by another company (on its own or together with a connected person).

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 exists to carry on one or more qualifying trades (see below) or is the parent of a trading group, where all of its subsidiaries are qualifying subsidiaries and the group as a whole is not engaged in non-qualifying activities (see below).

For the purposes of the Qualifying Holdings test in (d) above, a subsidiary will be a relevant 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.

In the case of Qualifying Holdings test (e) above, a subsidiary will be a qualifying subsidiary if at least 75 per cent of its issued share capital is owned by the Qualifying Company and the other tests are also satisfied.

A trade will be a qualifying trade only if it does not to a substantial extent include non-qualifying activities (non-qualifying activities include dealing in land or shares, providing financial services or activities which are largely land-based, such as farming, hotels and nursing homes). 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), (g) and (h) 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), (g) and (h) under the heading, "Qualifying as a VCT" above, will continue to be satisfied in all subsequent accounting periods.

The Company has applied for provisional approval as a VCT, effective from Admission under the 2001/2002 Offer.

### **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 provisional approval is withdrawn, 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 Qualifying Subscribers or Qualifying Purchasers. It assumes 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.

### **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 any tax benefits. The current limit is £100,000. Investments in ordinary 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 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 income tax liability of the private investor 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 (except in the case of husband/wife transfers), 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 three 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, or she, will be treated as disposing of the shares which he, or she, acquires on an earlier date in priority to those which he, or she, acquires on a later date. Where he, or she, has acquired shares on the same occasion, some of which qualify for relief and some of which do not, he, or she, will be treated as disposing of the shares which do not qualify for relief in priority to those which qualify.

#### Capital gains deferral relief

A private investor, who is UK resident and has received income tax relief in respect of the subscription, will, on making a claim, be entitled to defer a liability to capital gains tax on a chargeable gain arising within the period beginning 12 months before and ending 12 months after the date on which shares in a VCT are issued to him or her. This gain may have arisen from the disposal of a chargeable asset or a gain previously deferred on the making of a qualifying VCT investment or a qualifying investment under the Enterprise Investment Scheme, may have become chargeable to tax.

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 three years of his, or her, investment, but not death.

#### (b) Private investors and market purchasers

##### Exemption from capital gains tax

Any gain or loss accruing to private investors or market purchasers on a disposal of shares in a company which was a VCT at the time he, or she, 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. No tax credits will be payable in respect of dividends paid.

#### (c) Procedure for obtaining other reliefs available to private investors

##### (i) Income tax relief on investment.

VCTs will supply private investors with certificates enabling them to claim income tax relief. The certificate will specify details to the Shareholder, the date on which the Shares were issued and the amount paid for 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.

##### (ii) Capital gains deferral relief

Private investors are required to make a claim for the relief. The Inland Revenue 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 should VCT status be lost (and if approval is deemed never to have been given).

##### (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 three 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 deferral 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 three 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.

## Part VII: Definitions and Glossary

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

"Act"	the Companies Act 1985
"Admission"	admission of Ordinary Shares to the Official List and to trading on the London Stock Exchange becoming effective
"AiM"	the Alternative Investment Market of the London Stock Exchange
"Annual Running Costs"	the annual costs incurred by the Company in the ordinary course of its business (including Directors' fees and professional fees), excluding any performance fees payable to the Manager and any irrecoverable VAT
"Applicant"	the Shareholder participating in the Scheme or, where the Shareholders holds Ordinary Shares as nominee, the person, being the beneficial owner of the Ordinary Shares registered in the name of that Shareholder, participating in the Scheme
"Application Forms"	the application forms in connection with the Dividend Reinvestment Scheme for Shareholders holding Ordinary Shares as nominee
"Articles"	the Articles of Association of the Company
"Baronsmead VCT" or "Baronsmead VCT plc"	Baronsmead VCT plc
"Baronsmead VCT 2"	Baronsmead VCT 2 plc
"Baronsmead VCT 3"	Baronsmead VCT 3 plc
"Baronsmead VCT 4", "BVCT 4" or the "Company"	Baronsmead VCT 4 plc
"Business Expansion Scheme"	a tax efficient investment vehicle, designed to provide venture capital funds for small businesses. This was replaced by the Enterprise Investment Scheme in 1994.
"BVCA"	British Venture Capital Association
"Cazenove"	Cazenove & Co.
"Cazenove Fund Management"	Cazenove Fund Management Limited

"CREST"	a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument or stock transfer form. The CREST system is governed by the Uncertificated Securities Regulations 1995 (SI 1995 No 95/3272) and in respect of which CRESTCo Limited is the Operator
"Directors" or "Board"	the directors of the Company
"Dividend Reinvestment Scheme" or "Scheme"	the Baronsmead VCT 4 plc Dividend Reinvestment Scheme to be established in accordance with the Scheme Terms and Conditions
"Existing Baronsmead VCTs"	Baronsmead VCT plc, Baronsmead VCT 2 plc and Baronsmead VCT 3 plc, the existing "Baronsmead" branded VCTs managed by the Friends Ivory & Sime Group
"fixed interest portfolio"	that part of the Company's portfolio that is invested in fixed interest securities
"fixed interest securities"	principally fixed interest government stocks and other fixed interest stocks or cash deposits
"Friends Ivory & Sime"	Friends Ivory & Sime plc
"Friends Ivory & Sime Group"	Friends Ivory & Sime and its subsidiaries, including the Manager
"Manager"	Friends Ivory & Sime Private Equity plc
"Friends Provident"	Friends' Provident Life Office, the ultimate parent undertaking of Friends Ivory & Sime
"ICTA"	Income and Corporation Taxes Act 1988
"London Stock Exchange"	London Stock Exchange plc
"Market Purchaser"	an individual, aged 18 or over, who purchases Ordinary Shares, otherwise than by way of subscription, within the qualifying limit
"MBI"	management buy-ins
"MBO"	management buy-outs
"NAV", "net asset value" or "net assets"	the net asset value of a company calculated in accordance with the Company's accounting policy and Articles
"Nobles"	Noble & Company Limited
"Offer Price"	100 pence per Ordinary Share
"Offers"	the 2001/2002 Offer and the 2002/2003 Offer
"2001/2002 Offer"	the offer for subscription of Ordinary Shares at 100p per Share for those applicants who elect to subscribe in respect of the 2001/2002 tax year
"2002/2003 Offer"	the offer for subscription of Ordinary Shares at 100p per share for those applicants who elect to subscribe in respect of the 2002/2003 tax year
"Official List"	the Official List maintained by the UKLA
"Ordinary Shares" or "Shares"	ordinary shares of 10 pence each in the capital of the Company
"Private Investor"	an individual, aged 18 or over who subscribes for Ordinary Shares within the Qualifying Limit
"PWC"	PricewaterhouseCoopers



"Qualifying Company"	an unquoted (including AiM quoted) company carrying on a qualifying trade wholly or mainly in the UK satisfying the conditions in Schedule 28B to ICTA, which is summarised in Part VI of this document
"Qualifying Holding"	shares in, or securities of, a Qualifying Company held by a VCT which meets the requirements described in Schedule 28B ICTA
"Qualifying Limit"	the investor's subscription limit of £100,000 per tax year
"Qualifying Purchaser"	an individual, aged 18 or over, who purchases Ordinary Shares within the Qualifying Limit, otherwise than by way of subscription
"Qualifying Subscriber"	an individual, aged 18 or over, who subscribes for Ordinary Shares within the Qualifying Limit
"quoted equities and securities"	investments quoted on the London Stock Exchange or other recognised stock exchange
"Reinvestment Day"	a day on which any interim or final dividend on Ordinary Shares is credited to the account of the Scheme Manager on behalf of any of the Shareholders or, if such day is not a dealing day on the London Stock Exchange, the next day thereafter
"Scheme Manager"	Northern Administration Limited, acting through Northern Registrars Limited or such other person or persons who may from time to time be appointed by the Company to manage the Scheme on its behalf. Northern Administration Limited is regulated by IMRO
"Scheme Terms and Conditions"	the terms and conditions relating to the scheme and set out in Part VIII of this Prospectus
"Shareholders"	holders of Ordinary Shares
"Subscription Form"	the subscription form for use in respect of the Offers set out at the end of this document
"Total Return"	the increase in the net asset value of the Shares after deduction of any issue costs and assuming any dividends are re-invested
"UKLA"	United Kingdom Listing Authority
"VAT"	value added tax
"Venture capital trust" or "VCT"	a venture capital trust as defined in section 842AA ICTA

# Part VIII: Terms and Conditions of the Dividend Reinvestment Scheme

1. In these Scheme Terms and Conditions, capitalised terms shall have, unless the context otherwise permits, the meanings set out Part VII of this document.
2. The Scheme Manager shall invest the monies held within the Scheme (being dividends paid on Ordinary Shares held by, or on behalf of, subscribers participating in the Scheme) in the subscription of further Ordinary Shares. The Scheme Manager shall not have the discretion to vary such investments and subscribers may not instruct the Scheme Manager to make any other investments. Subscribers who are Shareholders may only join the Scheme in respect of the Ordinary Shares of the Company if all dividends on the Ordinary Shares registered in their name are mandated to the Scheme. The number of Shares held by any such subscriber which are mandated to the Scheme shall be altered immediately following any change to the number of Shares in respect of which such Shareholder is the registered holder as entered onto the share register of the Company from time to time. Subscribers who are not Shareholders may join the Scheme in respect of the number of Ordinary Shares of the Company specified on the application form available from the Scheme Manager marked "Nominee Shareholdings" completed by the subscriber and the Shareholder in whose name the Ordinary Shares are held. Any new Shares which will be issued to the subscriber (and not the Shareholder in whose name the Ordinary Shares mandated to the Scheme are held), will not be mandated to the Scheme unless a new Subscription Form is completed in respect of them.
3. (a) On or as soon as practicable after a Reinvestment Day, the funds held by the Scheme Manager on behalf of each subscriber shall be applied on behalf of that subscriber in the subscription for the maximum number of new Ordinary Shares as can be acquired with those funds;  
(b) The number of new Ordinary Shares issued to a subscriber pursuant to condition 3(a) above shall be calculated by dividing the aggregate value of the dividends paid on the Ordinary Shares to which that subscriber is entitled by the greatest of (i) the net asset value per share of Baronsmead VCT 4 plc (as determined by Friends Ivory & Sime plc) and (ii) the nominal value per Share each as at the close of business on the business day preceding the date of issue of such Shares;  
(c) Any balance of cash remaining with the Scheme Manager after the subscription shall be held by the Scheme Manager on behalf of the subscriber to whom it relates and added to the cash available in respect of that subscriber for the subscription of Ordinary Shares on the next Reinvestment Day. No interest shall accrue or be payable by the Scheme Manager in favour of any subscriber on any such cash balances.
4. The Scheme Manager shall immediately after the subscription of Ordinary Shares in accordance with condition 3 hereof take all necessary steps to ensure that the subscribers (or, where the subscriber is not a Shareholder, the Shareholder on whose behalf the Ordinary Shares mandated to the Scheme are held) are entered onto the share register of the Company as the registered holders of the Ordinary Shares issued to them in accordance with condition 3(b) above, and that share certificates in respect of such Shares are issued and delivered to the subscribers (or, where the subscriber is not a Shareholder, the Shareholder on whose behalf the Ordinary Shares mandated to the Scheme are held) at their own risk, as soon as is reasonably practicable (unless such Shares are to be uncertificated). Shareholders (or such other person as aforesaid) will receive with their share certificates (if any) a statement detailing:
  - (a) the dividend available for reinvestment
  - (b) the price per Share subscribed and the date of issue
  - (c) the number of Shares issued and the total cost
  - (d) the cash to be carried forward for investment on the next Reinvestment Day.
5. All costs and expenses incurred by the Scheme Manager in administering the Scheme will be borne by the Company.
6. Each subscriber warrants to the Scheme Manager that:
  - (a) during the continuance of his or her participation in the Scheme he or she will remain the sole beneficial owner of the Ordinary Shares mandated to the Scheme free from encumbrances or security interests;
  - (b) all information set out in the Subscription Form is correct and to the extent any of the information changes he or she will notify the changes to the Scheme Manager; and
  - (c) during the continuance of his or her participation in the Scheme he or she will comply with the provisions of condition 7 below.

7. The right to participate in the Scheme will not be available to any person who is a citizen, resident or national of, or has a registered address in, any jurisdiction outside the United Kingdom. No such person receiving a copy of the Scheme documents may treat them as offering such a right unless an offer could properly be made without such compliance. It is the responsibility of any subscriber wishing to participate in the Scheme to be satisfied as to the full observance of the laws of the relevant jurisdiction(s) in connection therewith, including obtaining any governmental or other consents which may be required and observing any other formalities needing to be observed in any such jurisdiction(s).
8. The Shareholder acknowledges that the Scheme Manager is not providing a discretionary management service. Neither the Scheme Manager nor the Company shall be responsible for any loss or damage to subscribers as a result of their participation in the Scheme unless due to the negligence or default of the Scheme Manager or the Manager (respectively), its servants or agents.
9. The subscriber may at any time by notice to the Scheme Manager terminate his or her participation in this Scheme and withdraw any monies held by the Scheme Manager on his or her behalf in relation thereto. If a subscriber who is a Shareholder shall at any time cease to hold any Ordinary Shares in the Company, he or she shall be deemed to have served such a notice in respect of his or her participation in the Scheme. Whenever a nominee sells Ordinary Shares on behalf of the beneficial owner of such Shares, the nominee agrees to notify the Scheme Manager of the full details of the sale as soon as practicable. Neither the Company nor the Scheme Manager shall be responsible for any loss or damage as a result directly or indirectly of a failure by a nominee to comply with such obligation. If a Shareholder in whose name Ordinary Shares are held on behalf of a subscriber shall at any time cease to hold any Ordinary Shares on behalf of that subscriber, he or she shall be deemed to have served such a notice in respect of his or her participation in the Scheme. If such notice is served or deemed to have been served, the Scheme Manager shall pay all of the monies held by the Scheme Manager on the subscriber's behalf to the subscriber at the address set out in the Subscription Form, subject to any deductions which the Scheme Manager may be entitled or bound to make hereunder.
10. If a subscriber withdraws from the Scheme and a cash balance remains of less than £1 that balance will not be repaid, but will be donated to a recognised registered charity.
11. The Company and the Scheme Manager shall be entitled, at any time and from time to time, to suspend the operation of the Scheme and/or to terminate the Scheme without notice to the subscribers and/or to refuse to reinvest dividends due on Shares held by a nominee where the Scheme Manager is unable to obtain confirmation as to the identity and shareholdings of beneficial holders. In the event of termination, the Scheme Manager shall, subject to condition 10 above, pay to each subscriber all of the monies held by the Scheme Manager on his behalf.
12. All notices and instructions to be given to the Scheme Manager shall be in writing and delivered or posted to Northern Administration Limited.
13. The Scheme Manager shall be entitled to amend the Scheme Terms and Conditions on giving one month's notice in writing to all participating subscribers. If such amendments have arisen as a result of any change in statutory or other regulatory requirements, notice of such amendment will not be given to subscribers unless in the Scheme Manager's opinion the change materially affects the interests of subscribers. Amendments to the Scheme Terms and Conditions which are of a formal, minor or technical nature or made to correct a manifest error and which do not adversely affect the interests of subscribers may be effected without notice.
14. By ticking box 5 and completing and delivering the Subscription Form, the subscriber:
  - (a) agrees to provide the Company with any information which it may request in connection with such application and to comply with legislation relating to venture capital trusts or other relevant legislation (as the same may be amended from time to time); and
  - (b) declares that a loan has not been made to the subscriber or any associate, which would not have been made or not have been made on the same terms but for the subscriber offering to subscribe for, or acquiring, Ordinary 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 is the avoidance of tax.
15. Subscriptions for venture capital trust shares only attract tax reliefs if in any tax year subscriptions to all venture capital trusts do not exceed £100,000 (including subscriptions pursuant to dividend reinvestment schemes). Investors are responsible for ascertaining their own tax status and liabilities and neither the Scheme Manager nor the Company can accept any liability in the event they do not receive any venture capital trust tax reliefs.
16. Since dividends on Ordinary Shares acquired in excess of £100,000 in any tax year will not be exempt from income tax in the same way as Ordinary Shares acquired within this limit, subscribers will generally be liable to tax on such dividends. The Scheme Manager will nevertheless invest the whole of such dividends unless notified to the contrary in writing at least 14 days before a Reinvestment Day.
17. The Company shall not be required to issue Shares hereunder if the Directors so decide.
18. These Scheme Terms and Conditions shall be governed by, and construed in accordance with, English Law and each subscriber submits to the jurisdiction of the English courts and agrees that nothing shall limit the right of the Company to bring any action, suit or proceeding arising out of or in connection with the Scheme in any other manner permitted by law or in any court of competent jurisdiction.

Shareholders in any doubt about their tax position should consult their independent professional adviser.

# Part IX: Terms and Conditions of Subscription

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

"Subscriber" means a person whose name appears as such in a Subscription Form;

"Subscription" means the offer made to a Subscriber by completing a Subscription 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 7 November 2001 issued by the Company in connection with the Offers;

"Prospectus" means the prospectus dated 7 November 2001 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 Subscription Form and explanatory notes in relation thereto.

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

- (a) The contract created by the acceptance of a Subscription will be conditional on:
- (i) Admission of Shares conditionally allotted pursuant to the Subscription becoming effective; and
  - (ii) The Offer Agreement referred to in paragraph 10.1 of Part V of the Prospectus becoming unconditional in all respects, and not being terminated in accordance with its terms before Admission of such Shares 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 Subscription monies, pending clearance of successful Subscribers' cheques and banker's drafts. The Company may treat Subscriptions 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 a Subscription in respect of which payment is not received by the Company prior to the closing of the Offers. If any Subscription is not accepted in full or if any contract created by acceptance does not become unconditional, the Subscription monies or, as the case may be, the balance thereof will be returned (without interest) by returning each relevant Subscriber's cheque or banker's draft or by crossed cheque in favour of the Subscriber, through the post at the risk of the person(s) entitled thereto. In the meantime, Subscription 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 Nobles, and to reject in whole or in part and scale down and/or ballot any Subscription or any part thereof. Subscriptions, 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 a Subscription 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 providing that Shares will not be allotted under the 2001/2002 Offer after 5 April 2002 or under the 2002/2003 Offer before 6 April 2002.
- (c) By completing and delivering a Subscription Form, you as the Subscriber (and, if you sign the Subscription Form on behalf of somebody else, that person, except as referred to in paragraph (c)(xx) below):
- (i) offer to subscribe for the number of Shares specified in your Subscription Form (or such lesser number for which your Subscription is accepted) at 100 pence 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 Subscription, your Subscription will not be revoked until after the closing date of the 2002/2003 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 Subscription 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 acceptances shall be on the basis that you indemnify it, Nobles 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 Subscription without interest;
  - (iv) agree that in respect of those Shares for which your Subscription has been received and is not rejected, your Subscription may be accepted at the election of the Company either by notification to the UKLA of the basis of allocation or by notification of acceptance thereof to the Receiving Agent;
  - (v) agree that the Receiving Agent will hold any monies in respect of your Subscription together with other monies received in respect of all Subscriptions on trust for the payment of the Offer Price in respect of Shares you have subscribed for or failing

such payment on resulting trust to be returned to you without interest and that any interest earned in respect of such monies will be paid to the Company;

- (vi) 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;
  - (vii) authorise the Receiving Agent to send share certificate(s) in respect of the Shares for which your Subscription is accepted and/or a crossed cheque for any monies returnable by post without interest to your address set out in the Subscription Form and to procure that your name is placed on the register of members of the Company in respect of such Shares;
  - (viii) agree that all Subscriptions, acceptances of Subscriptions 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 Nobles to bring any action, suit or proceeding arising out of or in connection with any such Subscriptions, acceptances of Subscriptions and contracts in any other manner permitted by law or any court of competent jurisdiction;
  - (ix) confirm that, in making such Subscription, you are not relying on any information or representation in relation to the Company other than the information contained in the Prospectus, Mini-Prospectus or any part thereof or involved in preparation thereof shall have any liability for any such information or representation;
  - (x) irrevocably authorise the Receiving Agent and/or Nobles 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 Nobles to execute any document required therefor;
  - (xi) 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;
  - (xii) confirm that you have reviewed the restrictions contained in paragraphs (d) and (e) below and warrant that you are not a "US Person" as defined in the United States 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;
  - (xiii) 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;
  - (xiv) agree on request by the Company, or Nobles on behalf of the Company, to disclose promptly in writing to the Company any information which the Company or Nobles may reasonably request in connection with your Subscription including, without limitation, satisfactory evidence of identity to ensure compliance with the Money Laundering Regulations 1993 and authorise the Company and Nobles to disclose any information relating to your Subscription as it considers appropriate;
  - (xv) agree that Nobles will neither treat you as its customer by virtue of your Subscription 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;
  - (xvi) declare that the Subscription Form has been completed to the best of your knowledge;
  - (xviii) 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;
  - (xix) declare that you are aged 18 or over; and
  - (xx) warrant that, if you sign the Subscription Form on behalf of somebody else, you have due authority to do so on behalf of that other person, and such person will also be bound accordingly and will be deemed also to have given the confirmations, warranties, undertakings and authorities contained herein and undertake to enclose your power of attorney or a copy thereof duly certified by a solicitor or bank with the Subscription Form.
- (d) No person receiving a copy of the Prospectus or a Subscription 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 Subscription Form unless in the relevant territory such an invitation or offer could lawfully be made to him or such Subscription 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 a Subscription 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.
- (e) 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. No Subscription will be accepted if it bears an address in the USA.
- (f) Dealings prior to the issue of certificates for Shares will be at the risk of Subscribers. A person so dealing must recognise the risk that a Subscription may not have been accepted to the extent anticipated or at all.
- (g) Authorised financial intermediaries who, acting on behalf of their clients, return valid Subscription Forms bearing their stamp and SRO or RPB number will be paid 3 per cent on the amount paid in respect of the Ordinary Shares allocated for each such Subscription Form. Authorised financial intermediaries may agree to waive part or all of their commission in respect of an application. If this is the case, then such application will be treated as an application to apply for the number of Ordinary Shares stated in box 3 of the Subscription Form together with a number of additional Ordinary Shares equivalent to the amount of commission waived at £1 per Ordinary Share, which waived commission will be applied in paying for such Ordinary Shares (and which additional Ordinary Shares will be treated as a *pro rata* application in respect of the tax year(s) indicated under box 3 of the Subscription Form). No commission will be paid in respect of such additional Ordinary Shares. Financial intermediaries should keep a record of Subscription Forms submitted bearing their stamp to substantiate any claim for introductory commission. Claims for introductory commission must be made and substantiated on subscription.

## Notes on how to complete the Subscription Form

It is essential that you complete all parts of the Subscription 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 number of Shares shown in Box 1 multiplied by £1.00.

Pin a cheque or banker's draft to the Subscription 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 4 plc" and crossed "A/C Payee only". Your payment must relate solely to this Subscription. 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 2001/2002 Offer and the 2002/2003 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 Subscription in respect of which the Subscriber'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 Subscriber without interest.

Money Laundering Regulations 1993. If Subscriptions for £8,500 or more by an individual are accompanied by a cheque or banker's draft by someone other than the Subscriber named in Box 1 (for example, a building society cheque), one of the following additional documents must be enclosed with the Subscription Form; a copy of the Subscriber's passport or driving licence or a recent original bank or building society statement or utility bill in the Subscriber'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 Subscriber's own risk. Please note that if the above requirements are not fulfilled and suitable evidence of identity cannot be obtained, your Subscription may not be accepted.
- 3** Complete the relevant box or boxes showing how you wish to divide your investment between the 2001/2002 Offer and the 2002/2003 Offer to enable your investment to be made in either the 2001/2002 tax year and/or the 2002/2003 tax year. The maximum investment on which tax reliefs are available is £100,000 in any tax year.
- 4** Insert in Box 4 your full name, full address, daytime telephone number, National Insurance number and date of birth.
- 5** Tick this box if you would like to participate in the Dividend Reinvestment Scheme. If you are subscribing for Shares to be held by you as a nominee, please contact the Registrar on 01484 600923.
- 6** Sign and date Box 6.
- 7** All dividends on Ordinary Shares may be paid directly into bank or building society accounts. In order to facilitate this please complete the mandate form on the back of the Subscription Form. Do not complete this form if you wish to participate in the Dividend Reinvestment Scheme.

# BARONSMEAD VCT 4 plc

Pin or  
staple your  
cheque(s)  
here



## Subscription 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 4 plc" and cross it with the words "A/C Payee only". Return this form to Northern Registrars Limited, Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0LA to arrive by 12 noon on 3 April 2002 for Subscriptions under the 2001/2002 Offer or by 12 noon on 18 April 2002 for Subscriptions under the 2002/2003 Offer. If you post your Subscription 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 Subscription 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 subscription under the following Offer(s)

The 2001/02 Offer (Income tax year 2001/02) minimum £3,000

The 2002/03 Offer (Income tax year 2002/03) minimum £3,000

TOTAL (this should be the same figure as Box 2)

4 Title and name in full  
Permanent address in full

Post Code:	Daytime Tel:
NI No.:	Date of Birth:

5 I would like to participate in The Dividend Reinvestment Scheme (tick box) ☐  
By signing this form I HEREBY DECLARE THAT I have read the terms and conditions of Subscription contained in the Offers and agree to be bound by them.

6 Signature  Date  2002

Intermediaries to complete. SRO/RPB No. must be quoted.

Firm Name

Contact

IFA Network (if applicable)

SRO/RPB No.

Address

Tel:

Fax:

Insert ALL or a number of Shares in respect of which you wish commission to be waived and reinvested in additional Shares

All dividends on shares held in Baronsmead VCT 4 plc may be paid directly into bank and building society accounts. In order to facilitate this, please complete the mandate instruction form below. Dividends paid directly to your account will be paid in cleared funds on the dividend payment dates. Your bank or building society statement will identify details of the dividends as well as the dates and amounts paid.

Please forward, until further notice, all dividends that may from time to time become due on any shares now standing, or which may hereafter stand, in my name in the register of members of Baronsmead VCT 4 plc to:

**Bank or Building Society reference number and details:**

(1) Sort Code Number

--	--	--

(2) Name of Bank/Building Society

\_\_\_\_\_

Title of Branch

\_\_\_\_\_

Address of Branch


Please quote all digits including zeros

(3) Account Number

--	--	--	--	--	--	--	--

(4) Signature

\_\_\_\_\_

Date \_\_\_\_\_

--	--	--

Baronsmead VCT 4 plc and Northern Registrars Limited cannot accept any responsibility if any details quoted by you are incorrect.



# BARONSMEAD VCT 4 plc

Pin or  
staple your  
cheque(s)  
here



## Subscription 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 4 plc" and cross it with the words "A/C Payee only". Return this form to Northern Registrars Limited, Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0LA to arrive by 12 noon on 3 April 2002 for Subscriptions under the 2001/2002 Offer or by 12 noon on 18 April 2002 for Subscriptions under the 2002/2003 Offer. If you post your Subscription 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 Subscription 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 subscription under the following Offer(s)

The 2001/02 Offer (Income tax year 2001/02) minimum £3,000

£

The 2002/03 Offer (Income tax year 2002/03) minimum £3,000

£

TOTAL (this should be the same figure as Box 2)

£

☐ 4 Title and name in full  
Permanent address in full

<input type="text"/>	
<input type="text"/>	
<input type="text"/>	
<input type="text"/>	
Post Code:	Daytime Tel:
NI No.:	Date of Birth:

☐ 5 I would like to participate in The Dividend Reinvestment Scheme (tick box)  
By signing this form I HEREBY DECLARE THAT I have read the terms and conditions of Subscription contained in the Offers and agree to be bound by them.



☐ 6 Signature  Date  2002

Intermediaries to complete. SRO/RPB No. must be quoted.	
Firm Name	
Contact	
IFA Network (if applicable)	
SRO/RPB No.	
Address	
<input type="text"/>	
Tel:	Fax:
Insert ALL or a number of Shares in respect of which you wish commission to be waived and reinvested in additional Shares	
<input type="text"/>	

**Payment of dividends directly to bank or building society accounts**

All dividends on shares held in Baronsmead VCT 4 plc may be paid directly into bank and building society accounts. In order to facilitate this, please complete the mandate instruction form below.

Dividends paid directly to your account will be paid in cleared funds on the dividend payment dates. Your bank or building society statement will identify details of the dividends as well as the dates and amounts paid.

Please forward, until further notice, all dividends that may from time to time become due on any shares now standing, or which may hereafter stand, in my name in the register of members of Baronsmead VCT 4 plc to:

Bank or Building Society reference number and details:

(1) Sort Code Number

--	--	--

(2) Name of Bank/Building Society

--

Title of Branch

--

Address of Branch


Please quote all digits including zeros

(3) Account Number

--	--	--	--	--	--	--	--

(4) Signature

--

Date

--	--	--

Baronsmead VCT 4 plc and Northern Registrars Limited cannot accept any responsibility if any details quoted by you are incorrect.

**Directors, Manager and Advisers**

**Directors**

Philip Dunne  
Ian Kirkpatrick  
Robert Owen  
Alan Pedder

all of:

100 Wood Street  
London  
EC2V 7AN

(which is the registered office of the Company)

**Secretary**

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

**VCT Status Adviser**

PricewaterhouseCoopers  
No 1 London Bridge  
London SE1 9QL

**Registrars and Receiving Agents**

Northern Registrars Limited  
Northern House  
Woodsome Park  
Fenay Bridge  
Huddersfield HD8 0LA

**Fixed Rate Securities Manager**

Cazenove Fund Management Limited  
12 Moorgate  
London EC2R 6DA

**Manager**

Friends Ivory & Sime  
Private Equity plc  
100 Wood Street  
London EC2V 7AN

**Auditors**

KPMG Audit plc  
Chartered Accountants  
Saltire Court  
20 Castle Terrace  
Edinburgh EH1 2EG

**Sponsor**

Noble & Company Limited  
76 George Street  
Edinburgh EH2 3BU

**Bankers**

JPMorgan Chase Bank  
125 London Wall  
London EC2Y 5AJ

**Solicitors to the Company and to the Offers**

Norton Rose  
Kempson House  
Camomile Street  
London EC3A 7AN

**Promoter and Marketing Advisers**

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