

# TALISMAN FIRST VENTURE CAPITAL TRUST PLC

Offer for Subscription  
1999/2000 and 2000/2001

Sponsored by  
**Seymour Pierce Limited**



A copy of this prospectus relating to Talisman First Venture Capital Trust Plc , prepared in accordance with the listing rules made under section 142 of the Financial Services Act 1986, has been delivered to the Registrar of Companies in England and Wales in accordance with section 149 of that Act.

Application has been made to the London Stock Exchange for all the Ordinary Shares of the Company, issued and being issued pursuant to the Offer, to be admitted to the Official List. It is expected that Admission will take place and that dealings in the Ordinary Shares will commence on 4 April 2000 as regards those allotted in respect of the 1999/2000 tax year or, as regards Ordinary Shares allotted in respect of the 2000/2001 tax year, 22 May 2000. The Directors of the Company, whose names appear on page 4 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Seymour Pierce Limited, which is regulated by the Securities and Futures Authority Limited and is a member of the London Stock Exchange, is acting exclusively for Talisman First Venture Capital Trust Plc and no-one else in connection with the Offer and will not be responsible to anyone other than Talisman First Venture Capital Trust Plc for providing the protections afforded to customers of Seymour Pierce Limited or for providing advice in relation to the Offer.

If you require advice, you should consult your stockbroker, solicitor, accountant or other independent financial adviser authorised under the Financial Services Act 1986 who specialises in advising on the acquisition of shares and other securities.

**An investment in a Venture Capital Trust carries a high risk. Your attention is directed to the risk factors set out in Part II of this document. Prospective investors should regard an investment in the Company as long term in nature, particularly in the light of the Company's investment objective and policy for the five-year period for which Shareholders must hold their Ordinary Shares to retain certain tax reliefs.**

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# TALISMAN FIRST VENTURE CAPITAL TRUST PLC

*(incorporated and registered in England and Wales  
under the Companies Act 1985, registered number 3870187)*

**Offer for Subscription  
of up to 37,500,000 Ordinary Shares of 10p each  
at 20p per share payable in full on application**

**Sponsored by  
Seymour Pierce Limited**

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Share capital of the Company immediately following the Offer, assuming that the Offer is fully subscribed:

<i>Authorised</i>		<i>Issued and fully paid</i>	
<i>Nominal value</i>	<i>No.</i>	<i>Nominal value</i>	<i>No.</i>
£4,000,000	40,000,000	£3,750,000	37,500,000

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Completed Application Forms accompanied by a cheque or banker's draft for the appropriate amount, should be either sent by post or delivered by hand to Harford Registrars, Harford House, 101-103 Great Portland Street, London W1N 6LL.

**The Offer will not proceed unless valid subscriptions for at least 10,000,000 Ordinary Shares are received by 3.00 p.m. on 3 April 2000. The Offer is not underwritten.**

## CONTENTS

	<i>Page No</i>
<b>Expected Timetable</b>	3
<b>Offer Statistics</b>	3
<b>Directors and Advisers</b>	4
<b>Definitions</b>	5
<b>PART I</b>	6
<b>Introduction</b>	6
<b>Background</b>	6
<b>The Opportunity</b>	6
<b>Talisman First VCT</b>	7
<b>Taxation</b>	8
<b>Tax Benefits</b>	8
<b>Directors</b>	9
<b>Investment Administration</b>	10
<b>Costs</b>	10
<b>Performance Incentive</b>	10
<b>Dividend Policy</b>	10
<b>Realisation of Ordinary Shares</b>	11
<b>Continuation of the Company</b>	11
<b>Monitoring of VCT Status</b>	11
<b>Valuation of Investments</b>	11
<b>Tax Recovery</b>	11
<b>The Offer</b>	12
<b>PART II</b>	13
<b>Risk Factors</b>	13
<b>PART III</b>	15
<b>Taxation Summary</b>	15
<b>PART IV</b>	18
<b>Additional Information</b>	18
<b>PART V</b>	28
<b>Terms and Conditions of Application</b>	28
<b>APPLICATION FORM</b>	

## EXPECTED TIMETABLE

Offer opens	28 March 2000
<b>Closing date for application (for 1999/2000 tax year)</b>	3 April 2000
Dealings in Ordinary Shares (allotted in 1999/2000 tax year) commence	4 April 2000
<b>Closing date for applications (for 2000/2001 tax year)</b>	19 May 2000
Dealings in Ordinary Shares (allotted in 2000/2001 tax year) commence	22 May 2000
Share certificates despatched	22 May 2000

## OFFER STATISTICS

Offer price per Ordinary Share	20p
Issue costs per Ordinary Share	1p
Initial Net Assets per Ordinary Share	19p
Maximum number of Ordinary Shares in issue following the Offer	37,500,000
Minimum number of Ordinary Shares in issue following the Offer	10,000,000
Maximum net proceeds of the Offer after issue costs	£7,125,000
Minimum net proceeds of the Offer after issue costs	£1,900,000

## **DIRECTORS AND ADVISERS**

<b>Directors</b>	Jonathan Dodgson Carr ( <i>Chairman</i> ) Stephen John Barclay John Quentin Alexander Findlater Anne Veronica Higgins David Alistair Horner Brian Oliver John May John Lewis Scaife all of 29-30 Cornhill, London EC3V 3NF
<b>Registered Office</b>	29-30 Cornhill London EC3V 3NF
<b>Company Secretary</b>	John Quentin Alexander Findlater F.C.A.
<b>Investment Administrator</b>	Clifton Financial Associates Plc 29-30 Cornhill London EC3V 3NF
<b>Sponsor and Stockbroker</b>	Seymour Pierce Limited 29-30 Cornhill London EC3V 3NF
<b>Auditors, Tax Advisers and VCT Compliance Advisers</b>	Baker Tilly Chartered Accountants 2 Bloomsbury Street London WC1B 3ST
<b>Solicitors to the Company</b>	Hobson Audley 7 Pilgrim Street London EC4V 6LB
<b>Solicitors to the Sponsor</b>	Halliwell Landau St James's Court Brown Street Manchester, M2 2JF
<b>Receiving Agent and Registrar</b>	Harford Registrars Harford House 101-103 Great Portland Street London W1NN 6LL
<b>Bankers</b>	Barclays Bank Plc 54 Lombard Street London EC3P 3AH

## DEFINITIONS

The following definitions are used throughout this document, except when the context otherwise requires.

“Admission”	admission of the Ordinary Shares issued and to be issued pursuant to the Offer to the Official List becoming effective
“AIM”	Alternative Investment Market of the London Stock Exchange
“Application Form”	the application form and enduring declaration in respect of Ordinary Shares under the Offer at the end of this document
“BVCA”	British Venture Capital Association
“CFA”	Clifton Financial Associates Plc, a wholly owned subsidiary of Talisman House Plc
“Company” or “Talisman First VCT”	Talisman First Venture Capital Trust Plc
“Directors” or “Board”	the directors of the Company
“ICTA”	Income and Corporation Taxes Act 1988, as amended.
“Independent Directors”	those Directors who are independent of the Investment Administrator or Sponsor
“Investee Company”	a company in which Talisman First VCT makes an investment
“Investment Administrator”	CFA
“London Stock Exchange”	London Stock Exchange Limited
“Net Assets”	gross assets less all liabilities (excluding contingent liabilities) of the Company (calculated each 30 September and 31 March)
“Offer”	the offer for subscription of up to 37,500,000 Ordinary Shares at 20p per share described in this document
“OFEX”	a trading facility operated by JP Jenkins Limited to facilitate trading in securities neither quoted nor dealt in on the London Stock Exchange
“Official List”	the official list of the London Stock Exchange
“Ordinary Shares”	ordinary shares of 10p each in the capital of the Company
“Qualifying Investment”	an investment made by Talisman First VCT in an unquoted company which is a qualifying holding for a VCT under the Finance Act 1995
“Redeemable Shares”	redeemable shares of £1 each in the Company
“Seymour Pierce” or “Sponsor”	Seymour Pierce Limited, a wholly owned subsidiary of Talisman House Plc
“Shareholders”	holders of issued Ordinary Shares
“Venture Capital Trust” or “VCT”	a company which is, or is seeking to be, approved as a venture capital trust pursuant to Section 842 AA of ICTA by the Board of the Inland Revenue

## PART I

# TALISMAN FIRST VENTURE CAPITAL TRUST PLC

### **Introduction**

The key feature of Talisman First VCT is that it is a venture capital trust set up primarily to invest in companies whose shares are either traded or are expected to be traded on OFEX and, in some circumstances, companies whose shares are traded or which are likely to be traded on AIM. The Directors believe that the returns from such investments can be high but also recognise that the associated risks can also be high and consequently believe that the portfolio approach offered by Talisman First VCT will prove attractive to investors. Subscribers to Talisman First VCT may also enjoy the tax advantages of a venture capital trust being:

- Tax paying investors receive income tax relief of 20 per cent. on the amount invested (up to a maximum of £100,000 across all VCT investments in a tax year) thus reducing the net cost of investment to 80p for every £1 invested, provided the shares are held for at least 5 years.
- Investors may defer any chargeable gain by investing the amount of the gain in a VCT up to one year before or after the gain.
- Dividends paid by a VCT are free of income tax.
- Capital gains arising upon the disposal of shares in a VCT are free of capital gains tax except in relation to gains which have previously been deferred.
- Capital gains made by the VCT on its underlying investments are free of corporation tax. These gains may be distributed to investors by way of dividend – unlike an investment trust.

### **Background**

OFEX is an off-exchange trading facility established and managed by JP Jenkins Limited to enable London Stock Exchange member firms to deal in the securities of unlisted and unquoted companies. OFEX attracts companies which are seeking to raise money, establish a trading facility, raise their public profile for commercial reasons or use OFEX as a stepping stone to a flotation on a larger market such as AIM or the Official List.

On OFEX, companies are provided with an independent market maker, screen based prices and a comprehensive company information and announcement system provided by Newstrack Limited and distributed by Bloomberg, PriMark (formerly ICV-Topic), Reuters and OST. JP Jenkins Limited cannot deal directly with the public who must transact business through a broker.

Typically, companies trading on OFEX are smaller and younger than those quoted on AIM or the Official List and OFEX is less regulated. Consequently, there is a higher risk associated with OFEX traded companies. OFEX operates on a trading basis and also on a matched bargain basis but there are often times when it may not be possible to effect a trade at a price and in a quantity of a particular share. OFEX is therefore sometimes described as illiquid.

### **The Opportunity**

The Directors believe that a number of companies traded on OFEX have demonstrated or have the potential for high growth. Also certain companies have subsequently moved to AIM or been admitted to the Official List and depending on market conditions and perceptions such companies may have the opportunity to raise further sums from institutions. In view of the way in which new finance is often raised from institutions the opportunity of further investment by the private investor is not always available. Generally an OFEX investment offers an opportunity for the private investor to invest at an early stage.

The Directors anticipate that Talisman First VCT will concentrate its investments predominantly in companies which the Directors believe have the potential for high growth and will construct a portfolio of Qualifying Investments with the following characteristics:

- companies which are traded or which are likely to be traded on OFEX.
- companies which are traded or which are likely to be traded on AIM.

OFEX commenced with 45 companies in October 1995 and as at 16 March 2000 had grown to be used by 202 companies with a combined market capitalisation of over £4.14 billion.

### **Talisman First VCT**

In addition to pursuing the above opportunity, the Directors believe that Talisman First VCT will help to address the issues of risk and lack of liquidity associated with OFEX traded companies. Risk is addressed by establishing a portfolio of investments in companies whose shares are traded or expected to be traded on OFEX and illiquidity is addressed as investors will benefit from an investment quoted on the London Stock Exchange, considered by the Directors to be the most liquid share market in the UK. In addition subscribers may also benefit from the tax advantages of a venture capital trust, such as 20 per cent. income tax relief and 40 per cent. capital gains tax deferral.

**The Directors believe that the investment policy of the Company will have advantages over an investment policy concentrating on private companies with no trading facility. The advantages of Qualifying Investments in companies traded on OFEX include:**

- A visible price
- Shares traded on OFEX may be easier to sell than securities in private companies.
- Companies applying for their shares to be traded on OFEX must provide financial and other information which is publicly available.
- There will normally have been a degree of “due diligence” carried out on the company prior to its shares being traded on OFEX.
- OFEX imposes continuing reporting obligations on companies through the OFEX Code of Best Practice.

All investment proposals will require to be approved by a majority of the independent Directors, each of whom has experience of investments in early stage companies. Full details of the Board are given on page 9 of this document.

The Directors have existing relationships which they believe will generate a high quality flow of deals for Talisman First VCT. It is expected that investment proposals will be received from the Directors’ existing industry contacts, intermediaries and professional advisers. The Directors have contacts with other venture capital institutions and a wide range of private investors who have previously made investments or shown interest in investing in companies similar to those traded on OFEX. The Directors anticipate that, from time to time, certain of the companies in respect of which Talisman First VCT has made Qualifying Investments will seek admission to AIM. The Directors will determine at that time whether to retain the whole or part of the relevant Qualifying Investments and in some circumstances the Directors will consider investments in companies which are traded or which are likely to be traded on AIM where they meet Talisman First VCT’s investment criteria. However, the clear investment focus of Talisman First VCT will be on investing in companies traded on OFEX or likely to be traded on OFEX.

The investment policy will be to achieve an acceptable risk/reward ratio for the portfolio as a whole, by virtue of the number of investments which will be made. A very important element in the stock selection process will be assessment of the key people involved in the management of the business and where appropriate Talisman First VCT may nominate a non-executive director to the board of an Investee Company. It is expected that, based on full subscription under the Offer, at least twenty investments will be made in the 3 year period following Admission.

By the third anniversary of Admission, it is intended that 70 per cent. of the net funds subscribed will have been invested in Qualifying Investments leaving the balance available for follow-on investment, if required. Although the Directors have no present intention of utilising borrowing powers contained in

the Company’s Articles of Association, in appropriate circumstances funds may be borrowed for follow-on investments.

**Taxation**

Talisman First VCT has received provisional approval as a venture capital trust from the Inland Revenue under section 842AA of ICTA, effective from Admission. It is intended that the business of Talisman First VCT will be carried on so as to comply with that section, thereby allowing subscribers to benefit from the tax reliefs detailed below.

**Tax benefits**

**The benefits available to investors for investments up to £100,000 per annum in any tax year are:**

- Investments in new ordinary shares in a Venture Capital Trust attract income tax relief at 20 per cent. on the amount invested (provided the shares are held for 5 years) and deferral of capital gains.
- Dividends paid by Venture Capital Trusts are free of income tax and capital gains made by a Venture Capital Trust are free of corporation tax and may be distributed by way of dividend to investors.
- Capital gains made on the disposal of Venture Capital Trust shares are free of capital gains tax.

**The effect of these tax advantages is to enhance the returns available as is set out below.**

The table below illustrates the effective initial cost of making an investment of £10,000 in a VCT after taking account of the initial tax reliefs available.

	<i>No VCT tax relief £</i>	<i>20% income tax relief £</i>	<i>20% income tax relief and capital gains tax deferral claimed £</i>
Initial investment	10,000	10,000	10,000
20 per cent. income tax relief	Nil	(2,000)	(2,000)
Capital gains tax deferral (40 per cent. taxpayer)	Nil	Nil	(4,000)
Effective cost of investment	£10,000	£8,000	£4,000

The table set out above is shown for the purpose only of illustration. The example is not a forecast and is intended as a guide only. The Directors consider that the assumptions below, on which the table is based, are fair and reasonable.

*Assumptions:*

1. The investor is a higher rate taxpayer and has chargeable gains of £10,000 after utilising all other reliefs.
2. The investor subscribes £10,000 for shares in a VCT. He claims both income tax relief, resulting in a tax repayment of £2,000 and capital gains tax deferral, reducing the immediate cost of this investment by a further £4,000.

Investors should be aware that tax on any original capital gain is only deferred and any subsequent disposal of shares in a VCT (other than to the investor’s spouse), even at a loss, will nevertheless result in the earlier gain being liable to be taxed in full at the rate of capital gains tax prevailing at the time of the subsequent disposal.

A fuller summary of the tax benefits available in respect of VCTs is set out in Part III of this document.

**Any potential investor in any doubt as to the taxation consequences of investment in a VCT should consult an appropriately qualified professional adviser.**

**In addition, attention is drawn to the language set out under the heading Taxation Summary in Part III of this document.**

## Directors

The Board of the Company comprises seven non-executive Directors, all of whom have relevant experience in investing in early stage companies.

Biographies of the Directors are detailed below:

**Jonathan D Carr** (*Chairman*), aged 60, worked at Phillips and Drew from 1962 to 1967 and at L. Messel & Co from 1968 to 1986, specialising in investment trusts. He was manager of the corporate division of Thomson T-Line from 1987 to 1989 and from 1990 to 1993 was director in charge of the London office of Bell Lawrie White. From 1993 to 1997 he was a director of S G Warburg Securities (now Warburg Dillon Read), specialising in investment trusts corporate broking. He is currently chairman of both Govett Enhanced Income Investment Trust Plc and Galaxy Asset Management and is a non-executive director of Finsbury Smaller Companies Trust Plc, BFS Income and Growth Trust Plc, Framlington Second Dual Trust Plc and Beta Global Emerging Markets Trust PLC.

**Stephen J Barclay**, aged 57, qualified as a chartered accountant in 1964 with Robson Rhodes before going to Wharton Graduate School of Finance, University of Pennsylvania, where he graduated in 1967 with an MBA. In 1989 he established CFA to provide corporate finance advice to small companies. In August 1998 CFA was purchased by Talisman House Plc and Stephen Barclay was appointed executive chairman. He is currently a non-executive director of BGR plc and MICE Group Plc and he is also a governor of the London School of Economics and Political Science.

**John Q A Findlater**, aged 59, qualified as a chartered accountant in 1968 and joined the broking firm of Hoblyn Dix & Maurice in January 1969. He has over 20 years' experience of research and analysis, specialising in smaller companies. Following 3 years' broking and corporate finance experience with Guinness Mahon & Co. and Granville, he left to set up his own business consultancy firm in 1992. In June 1993 he became a consultant to Newstrack Ltd, the information arm of JP Jenkins Ltd which operates the OFEX trading facility. In April 1994, he joined Rutherford Asset Management Limited (now Close Investment Ltd) and assisted in the fund raising and management of Beacon Investment Trust Plc and a number of tax-efficient funds which invested in AIM, OFEX and other unquoted companies. He joined Seymour Pierce in November 1997 and is involved in the raising of funds for smaller companies.

**Anne V Higgins**, aged 58, is an experienced non-executive director who has been a member of a wide variety of boards over 20 years. These include both quoted public companies and unquoted venture and development capital situations. From 1980 to 1986 she was an executive director of English and Caledonian Investment Plc and from 1986 to 1991 was an associate director of Argosy Asset Management Plc. She was a fund manager with Ivory and Sime Plc from 1991 to 1992 and is currently a non-executive director of Plantation and General Investments Plc, Greylink Plc, One Small Step Trust and Coburg Plc.

**David A Horner**, aged 40, qualified as a chartered accountant in 1984. In 1986 he joined 3i Corporate Finance Limited, where he worked until 1992. In 1993 he joined Strand Partners Limited, where he was involved in identifying, structuring and managing investments in quoted and unquoted companies. In July 1997 he left Strand Partners Limited to set up Chelverton Asset Management Limited. He has been responsible for the setting up of the Micro Quoted Growth Trust plc, and since May 1999 has managed the BFS Small Companies Dividend Trust PLC.

**Brian O J May**, aged 38, graduated from Stanford University, California in 1983. From 1984 to 1988 he worked for Aitken Hume Plc as a small companies fund manager for Sentinel Funds Management Limited. Since 1989 he has been managing director of the Berthon Boat Company Limited. He has also managed his family's private equity portfolio for the last six years.

**John L Scaife**, aged 41, has 17 years of experience with the media and technology sectors as an investment banker and consultant. From 1981 to 1983 he worked for Citibank NA, specialising in asset based finance. From 1983 to 1989 he worked at Samuel Montagu & Co Ltd where he was an assistant director and specialised in media transactions. In 1989 he set up and ran the Media and Communications team for Canadian Imperial Bank of Commerce. In April 1993 he started his own company, Charon Capital Corporation, which provides strategic business and financial advice to senior management and owners in the media and interactive industries, and arranges finance for companies and projects.

## **Investment Administration**

CFA is a wholly owned subsidiary of Talisman House Plc. The Talisman House group also comprises the sponsor to the Offer, Seymour Pierce, an institutional stockbroker, and Ellis and Partners Limited, a private client stockbroker. CFA specialises in providing a financial advisory service to small and medium sized UK companies. CFA will be responsible for the administration of Talisman First VCT. Further details of the arrangements with CFA are set out in paragraph 8.2 of Part IV of this document.

## **Costs**

### *Costs of Formation and the Offer*

Seymour Pierce will be paid a fee of up to 5 per cent. of the gross proceeds of the Offer and will be responsible for paying all the costs of the Offer including listing expenses and commissions, payable to authorised financial advisers on successful applications bearing their stamp (usually at the rate of 2.5 per cent.). The fee to Seymour Pierce will be £375,000 on the basis of maximum subscription and £100,000 on the basis of minimum subscription under the Offer.

### *Annual running costs*

The annual running costs of Talisman First VCT will be capped at 3 per cent. of Net Assets subject to a minimum of £150,000 (plus applicable VAT) which is payable by the Company to CFA as set out in paragraph 8.2 of Part IV of this document. Directors' fees and expenses, fees for audit and taxation advice and registrar's fees will be paid by CFA on behalf of the Company out of the fee received by it.

## **Performance Incentive**

The subscription price of the Ordinary Shares under the Offer will be 20p per share. Once the sum of 25p (gross) has been returned to investors, by way of dividends and capital distributions, a performance incentive fee of 25 per cent. of all distributions thereafter will be paid as to 10 per cent. of such distributions to the Investment Administrator, 10 per cent. of such distributions to the Independent Directors and 5 per cent. of such distributions to Seymour Pierce.

## **Dividend Policy**

It is expected that dividends will primarily arise from the realisation of successful investments.

The level of dividends will be affected partly by the extent to which investment income exceeds operating costs, but in particular by the realisation of gains on the disposal of investments (in excess of any write-downs required against the cost of any remaining investments). Investors should further be aware that the timetable for such realisations may be relatively long.

It is intended that, following Admission, the net proceeds of the Offer will be invested in fixed-income securities including gilt-edged stock and preference shares. The income earned will be used first to pay the annual running cost of the VCT. If a surplus remains, then it will be the intention of the Board to distribute such surplus so far as possible by payment of dividends to Shareholders.

As funds are invested in Investee Companies, it is expected that the amount available for dividend distribution from the yield on fixed-income securities will decline. Investors should be aware that the ability of early stage and start-up companies to pay dividends to Talisman First VCT is likely to be limited, at least during the early years following the investment.

The Company is structured as an "investment company" for the purposes of the Companies Act 1985 to enhance its ability to pay dividends out of income. Unlike an investment trust, a VCT is permitted to make distributions of all its profits including realised profits. It is the intention of the Board to make a distribution of a proportion of the profits as dividends. However, whilst the Company retains the status of an investment company, it is precluded from distributing capital profits. When the Company has accumulated capital profits which the Board considers appropriate to distribute by way of dividend, the Board will apply to revoke the status of the Company as an investment company so that capital profits may be distributed.

Dividends will be paid net of income tax since the Company will not be able to reclaim tax credits on behalf of Shareholders.

### **Realisation of Ordinary Shares**

As the Ordinary Shares will be listed on the London Stock Exchange after Admission therefore there will be a facility available for Shareholders to realise their investment. However, investors should be aware that the volume of dealings in the Ordinary Shares of Talisman First VCT is likely to be limited in practice and the Ordinary Shares may be quoted at a discount to the issue price. Realisation within 5 years of subscription of the Ordinary Shares will result in the selling Shareholder becoming liable for the tax liabilities summarised in Part III of this document. Investors must hold their Ordinary Shares for at least 5 years to retain their income tax relief.

### **Continuation of the Company**

It is considered desirable that investors in their capacity as Shareholders should have the opportunity to review the future of the Company at appropriate intervals. At the annual general meeting of the Company following the sixth anniversary of Admission (the “sixth AGM”), the Directors will propose a resolution for the continuation of the Company as a VCT.

If the Shareholders decide to continue the Company as a Venture Capital Trust at the sixth AGM, then similar resolutions will be proposed every third subsequent annual general meeting. If the holders of 50 per cent. or more of the nominal value of the issued share capital vote against a resolution to continue as a Venture Capital Trust, an extraordinary general meeting of the Company will be convened within the following twelve months to consider proposals with regard to the reorganisation, reconstruction or voluntary winding up of the Company.

### **Monitoring of VCT status**

In order to obtain the tax reliefs for investors, Talisman First VCT must obtain and retain Inland Revenue approval as a VCT. The Company has appointed Baker Tilly as tax adviser to advise on the initial and ongoing compliance with the VCT legislation.

### **Valuation of Investments**

Companies whose shares are traded on OFEX will be valued at the mid price quoted or at the last traded price unless the Directors conclude that a provision is necessary to reflect low volumes and marketability.

The Directors’ policy in valuing unquoted investments in Investee Companies will be to carry them at cost except in the following circumstances:

- where an Investee Company’s under-performance against plan indicates a diminution in value of the investment, provision against cost will be made as appropriate in bands of 25 per cent; and
- where any Investee Company is well-established and profitable, the shares may be valued by applying a suitable price-earnings ratio to the company’s historic post-tax earnings. The ratio will be based on a comparable company or sector but discounted by 25-50 per cent. to reflect lack of marketability.

Unquoted investments will not normally be revalued upwards for a period of at least 12 months from the date of acquisition.

The Directors believe that the above policies are consistent with the present Guidelines for the Valuation and Disclosure of Venture Capital Portfolios issued by the BVCA.

### **Tax Recovery**

Within 30 days of the final closing date of the Offer, investors should receive a certificate specifying the details necessary to enable initial income tax relief and deferral of capital gains tax to be claimed.

### **The Offer**

It is proposed to raise up to £7.5 million before expenses by means of the Offer.

A commission of 2.5 per cent. will be paid to authorised financial intermediaries on any subscription introduced by them and accepted under the terms of the Offer.

The expenses of the Offer will be 5 per cent. of the gross proceeds of the Offer. This figure includes commissions payable to authorised financial intermediaries on subscriptions introduced by them and assumes that commissions will be paid on all shares subscribed. The Directors and members of their immediate families have indicated that it is their intention to apply under the Offer for 675,000 Ordinary Shares in aggregate.

The Ordinary Shares are being offered pursuant to the terms and conditions set out in this document and the Application Form at 20p per share, subject to a minimum aggregate subscription of £2,000,000. The minimum application level for subscription is £1,000.

Investors may apply for any number of Ordinary Shares, in multiples of 500 in excess of the minimum subscription amount. However, the maximum subscription on which an individual investor may obtain the tax relief summarised in Part III of this document for the tax year ending 5 April 2000 is limited to £100,000. As part of the Offer, each investor may also subscribe up to £100,000 in respect of the tax year ending 5 April 2001 and claim tax reliefs thereon.

The Offer will initially be open from 28 March 2000 until 3.00 p.m. on 3 April 2000. If the minimum subscription is achieved by 3.00 p.m. on 3 April 2000, the Offer will (if the maximum subscription is not achieved) remain open for further applications until the earlier of 3.00 p.m. on 19 May 2000 and the date on which the maximum subscription is achieved.

In respect of successful applications for investment in the current tax year 1999/2000, it is expected that dealings in the Ordinary Shares will commence on 4 April 2000.

In respect of successful applications for investment in the 2000/2001 tax year, it is expected that dealings in the Ordinary Shares will commence on 22 May 2000.

If the minimum subscription has not been reached by 3.00 p.m. on 3 April 2000, the Offer will lapse and monies will be returned to applicants by 7 April 2000.

Share certificates will be posted to Shareholders on 22 May 2000.

The Company has applied for the Ordinary Shares to be admitted to CREST and it is expected that the Ordinary Shares will be so admitted, and eligible for settlement in CREST, on the respective dates of Admission.

**As there is a limit on the maximum size of the Offer, applications will be met on a “first come, first served” basis.**

Further details of the terms and conditions of the applications under the Offer are set out in Part V of this document and in the Application Form.

## PART II

### RISK FACTORS

Prospective Shareholders should be aware that the value of Ordinary Shares in the Company and the income from them can fluctuate. In addition, there is no guarantee that the market price of the Ordinary Shares will fully reflect their underlying net asset value or the ability to buy and sell at that price. In the opinion of the Directors, as well as the foregoing general risk factors, investing in the Company, and thereby in smaller unquoted companies, carries particular risks some of which are set out below:

- Although it is intended that the Company will be managed so as to qualify as a VCT, and retain such status, there is no guarantee that such status will be achieved or maintained. Further details on the taxation implications of an investment in the Company are set out in Part III of this document. However, if the Company fails to meet the qualifying requirements for a VCT, this could result in:
  - (i) Shareholders being required to repay the 20 per cent. income tax relief received on subscription of Ordinary Shares;
  - (ii) any capital gains tax liability deferred by Shareholders on subscription for Ordinary Shares becoming payable;
  - (iii) loss of income tax relief on dividends paid (or subsequently payable) to Shareholders;
  - (iv) loss of tax relief previously obtained in relation to corporation tax on capital gains made by the Company;
  - (v) if the Company loses its VCT status any disposal of Ordinary Shares may result in a liability to tax on capital gains; and
  - (vi) loss of its listing on the London Stock Exchange.
- The levels and bases of reliefs from taxation may change. The tax reliefs referred to in this document are those currently available and their value depends on the individual circumstances of Shareholders. In addition, rates of capital gains tax may change and adversely affect the tax position of a Shareholder deferring capital gains.
- Shareholders should be aware that the sale of Ordinary Shares within five years of their subscription will require repayment of the 20 per cent. income tax relief available upon investment to the extent of the amount received from such sale.
- An investment in a VCT is free from tax on capital gains. Consequently, any realised losses on disposal of Ordinary Shares cannot be used to create an allowable loss for capital gains tax purposes. In addition, for those Shareholders sheltering a realised capital gain, the amount of the original gain will be chargeable on disposal of Ordinary Shares at the prevailing rate of capital gains tax at the time of disposal.
- Although the Ordinary Shares will be listed on the London Stock Exchange, there may not be a liquid market in the Ordinary Shares and there may not be two competitive market makers. It may, therefore, prove difficult for Shareholders to sell their Ordinary Shares.
- Any subsequent purchaser of existing Ordinary Shares, as opposed to a subscriber for new Ordinary Shares, will not qualify for income tax relief or for capital gains tax deferral relief.
- The Company's investments may be in companies whose securities are not publicly traded or for which there is not a liquid market and may therefore be difficult to realise. The fact that a share is traded on OFEX does not guarantee its liquidity. The spread between the buying and selling price of such companies' shares may be wide and thus the mid-market price used for valuation may not be achievable.
- Many of the Company's Qualifying Investments will be in new or early stage companies. Such businesses are exposed to greater risks than established businesses.

- OFEX is designed primarily for emerging and smaller companies. Such companies can be expected, in comparison to companies quoted on AIM or the Official List, to have less mature businesses, a more restricted depth of management and a higher risk profile. The rules of OFEX are less demanding than those of AIM and the Official List.
- As part of its investment strategy, the Company intends to acquire new ordinary shares issued by Investee Companies already quoted on OFEX. The market for new share issues on OFEX is subject to market forces and there can be no certainty that there will be sufficient new share issues to enable the Company to achieve the intended level of Qualifying Investments.
- In order to comply with VCT Rules, the Qualifying Investments in which the Company will invest at least 70 per cent. of its capital, must have gross assets of less than £15 million prior to investment. Such companies carry substantially higher risks than “blue chip” investments.
- There is no guarantee that the Company’s objectives will be met or that suitable investment opportunities will be identified. In particular, there could be a downturn in the OFEX market.
- No guarantee is given or implied that the investment objectives or the realisation strategies set by the Company will be achieved. Furthermore, the Company’s ability to obtain maximum value from its investments (for example, through sale) may be limited by the requirements imposed in order to maintain the tax status of the Company (such as the obligation to have at least 70 per cent. by value of its investments in Qualifying Investments).
- The Ordinary Shares in the Company must be retained by Shareholders for at least five years if the initial tax reliefs available upon subscription are not to be withdrawn. Accordingly, investment in the Company is not suitable as a short or medium term investment.
- The initial income tax relief will be withdrawn if a Shareholder, or any person associated with him, takes out a loan which would not have been made, or would not have been made on the same terms, save for the acquisition of Ordinary Shares.
- The value of Ordinary Shares may go down as well as up and Shareholders may not receive back the full amount invested.

## PART III

### TAXATION SUMMARY

**The Chancellor in his Budget on 21 March 2000 proposed a number of changes to the legislation in respect of VCTs. In particular, for shares issued on or after 6 April 2000, the minimum holding period where income tax relief can be claimed is to be reduced from 5 years to 3 years. The summaries of the relevant tax legislation set out in this document do not reflect these proposals which are dependent upon enactment of the Finance Bill 2000.**

#### 1. Approval

To obtain VCT status a company must be approved by the Inland Revenue as a VCT. The Inland Revenue has agreed to grant the Company provisional approval under Section 842AA of ICTA as a VCT, effective from the first day on which Ordinary Shares are allotted pursuant to the Offer. Full unconditional approval should follow pending satisfaction of the conditions set out below. Tax reliefs are available during the provisional approval period provided that full unconditional approval is ultimately granted.

To obtain full unconditional approval, the conditions summarised below have to be satisfied in relation to the accounting period of the company which is current when the application for approval is made, or in any event must be satisfied by no later than the beginning of the VCT's next accounting period and must continue to be satisfied throughout the life of the VCT:

- (i) the VCT's income must have been derived wholly or mainly from shares or securities;
- (ii) no holding in a company (other than a VCT or a company which would if its shares were listed, qualify as a VCT) by the VCT may represent more than 15 per cent. by value of the VCT's total investment at the time of investment;
- (iii) the VCT must not have retained more than 15 per cent. of the gross income derived from shares or securities in any accounting period; and
- (iv) the VCT must not be a close company.

The Company's ordinary share capital must be quoted on the London Stock Exchange by not later than the beginning of the accounting period following that in which the application for approval is made.

The following conditions also have to be satisfied by no later than the beginning of the VCT's accounting period which commences no more than three years after provisional approval takes effect and must continue to be satisfied throughout the life of the VCT:

- (i) at least 70 per cent. by value of its investments is represented by shares or securities comprising Qualifying Investments; and
- (ii) at least 30 per cent. by value of its Qualifying Investments is represented by holdings of ordinary shares which carry no present or future preferential rights to dividends or return on capital and no rights to redemption.

"Qualifying Investments" comprise shares or securities (including loans with a five year or greater maturity period) issued by unquoted trading companies which exist wholly or mainly for the purpose of carrying on one or more qualifying trades. The definition of a qualifying trade excludes dealing in property, shares, securities, commodities or futures. It also excludes banking, insurance, receiving royalties or licence fees, leasing and the provision of legal and accounting services. Qualifying Investments are limited to investments of £1 million per Investee Company in any one tax year, or any six month period, whichever is the greater. A Qualifying Investment can also be made in a company which is a parent company of a trading group where the activities of the group, taken as a whole, consist of carrying on one or more qualifying trades, one of which is carried on wholly or mainly in the United Kingdom

The Investee Company's gross assets must not exceed £15 million immediately prior to the investment and £16 million immediately thereafter. The VCT may not control the Investee Company.

Companies whose shares are traded on OFEX are treated as unquoted companies for the purposes of calculating qualifying investments. Shares in an unquoted company which subsequently become listed may still be regarded as a Qualifying Investment for a further five years following listing.

## **2. Taxation of VCT**

VCTs are exempt from corporation tax on chargeable gains. There is no restriction on the distribution of realised capital gains by a VCT, subject to the requirements of company law. The Company will be subject to corporation tax on its income (dividends received from UK companies are not taxable) after deduction of attributable expenses.

## **3. Tax reliefs for individual investors resident in the UK**

Individuals who subscribe for new Ordinary Shares must be aged 18 or over to qualify for the tax reliefs outlined below.

### *Relief from income tax*

An investor subscribing up to £100,000 in any tax year for new ordinary shares in a VCT will be entitled to claim income tax relief on the investment, in the year in which the investment is made, at the rate of 20 per cent., although this relief will be withdrawn if either the shares are sold within five years or an investor takes out a loan which would not have been made, or would not have been made on the same terms, save for the acquisition of such shares. Relief is restricted to the amount which reduces the investor's income tax liability to nil.

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

Dividend income is exempt from tax.

### *Relief from capital gains tax*

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

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

Investors should note that the prior gain is only deferred and the subsequent disposal of the ordinary shares in a VCT, whether at profit or a loss, will nevertheless result in the earlier gain being taxed in full at the then prevailing rate. Any loss realised on shares in a VCT on which relief has been obtained will not be allowed against any other chargeable gains realised by the investor.

### *Loss of tax reliefs*

- (i) If a company loses approval as a VCT, the following consequences will follow:
  - the company will be liable to pay corporation tax on chargeable gains which are realised after such approval is lost; and
- (ii) For investors, the withdrawal of VCT status may (depending upon the timing of such withdrawal) result in:
  - repayment of the 20 per cent. income tax relief on subscription for new VCT shares;
  - crystallisation, at the time of such withdrawal, of any capital gain deferred by investors on subscription for new VCT shares;

- income tax becoming payable on subsequent payments of dividends by the company; and
  - a liability to tax on capital gains being suffered in the normal way on the disposal of shares in the company, except that any part of the gain attributable to the period of which the VCT was approved would be exempt.
- (iii) If, however, a company never obtains full unconditional approval as a VCT, tax reliefs previously claimed will be withdrawn. The company will be treated as if it was never entitled to the exemption from capital gains tax and will therefore be liable to corporation tax on all chargeable gains it has realised;
- (iv) The consequences for investors in a company which never obtains full unconditional approval as a VCT are as follows:
- any capital gain for which deferral had been obtained by an investor would be treated as if it had not been deferred and interest on overdue tax may arise;
  - repayment of the 20 per cent. income tax relief on subscriptions for new VCT shares and interest on overdue tax may arise; and
  - any gain rising on a disposal of the shares would be liable to capital gains tax and losses on the shares would be allowable losses for capital gains tax purposes.

#### 4. Consequences if an investor dies

(i) *Initial income tax and deferral of capital gains tax reliefs*

If an investor dies within five years of making an investment in a VCT, the transfer of shares on death is not treated as a disposal and, therefore, the initial income tax relief is not withdrawn. In addition, any deferred capital gains tax does not become chargeable on death. However, the shares will become part of the deceased's estate for inheritance tax purposes. The executors of the estate are free to deal with the VCT shares in any way they see fit.

(ii) *Tax implications for the beneficiary*

Provided a number of conditions are met, the beneficiary of any VCT shares will be entitled to any initial income tax relief or deferral of capital gains tax.

#### General

1. Investors who are not resident in the UK.

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

2. Stamp duty and stamp duty reserve tax

- No stamp duty or (unless shares in a VCT are issued to a nominee for a clearing system or a provider of depository receipts) stamp duty reserve tax will be payable on the issue of such shares.
- The transfer on the sale of shares would normally be subject to ad valorem stamp duty or (if an unconditional agreement to transfer such shares is not completed by a duly stamped transfer within two months) stamp duty reserve tax generally, in each case, at the rate of 50p for every £100 or part of £100 of the consideration paid. Such duties would be payable by a person who purchases such shares from the original subscriber.

**The above is only a summary of the law concerning the tax position of VCTs and investors in VCTs and is based on the understanding of current law and practice in relation to VCTs. Potential investors are recommended to consult a professional adviser as to the taxation consequences of their investing in a VCT.**

## PART IV

### ADDITIONAL INFORMATION

#### 1. Incorporation and administration

- 1.1 The Company was incorporated in England and Wales and registered in England on 2 November 1999 under the Companies Act 1985 (the "Act") as a public company limited by shares with the name Hallco 355 plc and changed its name to First OFEX Venture Capital Trust plc on 1 March 2000. On 21 March 2000 the name of the Company was changed to Talisman First OFEX Venture Capital Trust plc and on 23 March 2000 the name was changed to Talisman First Venture Capital Trust plc. The Company operates under the Act and the regulations made thereunder. The Company is registered with the Registrar of Companies in England and Wales with number 3870187 and its registered office and principal place of business in the United Kingdom is at 29-30 Cornhill, London, EC3V 3NF.
- 1.2 Since the incorporation and registration of the Company on 2 November 1999, the Company has neither traded nor prepared any accounts.
- 1.3 The Company was issued with a certificate under section 117 of the Act by the Registrar of Companies on 7 March 2000.
- 1.4 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.
- 1.5 The Inland Revenue has provisionally approved the Company under section 842AA of ICTA with effect from Admission and it is intended that the business of the Company be carried on so as to comply with that section.
- 1.6 Seymour Pierce is, at the date of this Prospectus, the promoter of the Company and it is a shareholder of the Company, holding 10 Ordinary Shares and 50,000 Redeemable Shares. Further details of these shares are set out in paragraph 2 below. CFA also holds 10 Ordinary Shares in the Company.

#### 2. Share capital

- 2.1 The authorised share capital of the Company on incorporation was £50,000 divided into 50,000 shares of £1 each, two of which were in issue and fully paid up and the remainder were unissued.
- 2.2 Since its incorporation the authorised and issued share capital of the Company has been changed as follows:
  - (i) By special resolution passed in writing on 15 February 2000:
    - (a) each of the two issued shares and each of the 49,998 unissued shares of £1 each in the Company was sub-divided into 10 Ordinary Shares of 10 pence each;
    - (b) the authorised share capital of Company was increased by £2,950,000 by the creation of 50,000 Redeemable Shares and 29,000,000 Ordinary Shares;
    - (c) the Directors were generally and unconditionally authorised in accordance with section 80 of the Act to exercise all powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £2,999,998, such authority to expire on the date falling 15 months after the date on which the resolution was passed;
    - (d) the Directors were empowered (pursuant to section 95 of the Act) to allot equity securities (as defined by section 94(2) of the Act) up to an aggregate nominal amount of £2,999,998 pursuant to the authority referred to in paragraph (i)(c) above, as if section 89(1) of the Act did not apply to such allotment, such power to expire on the date falling 15 months after the date on which the resolution was passed;
    - (e) new articles of association of the Company were adopted; and
    - (f) the memorandum of association of the Company was amended.
  - (ii) The two subscriber shares were allotted and issued to each of HL Directors Limited and HL Secretaries Limited. They were transferred to Seymour Pierce and CFA on 1 March 2000.
  - (iii) To enable the Company to obtain a certificate under section 117 of the Act, on 1 March 2000 50,000 Redeemable Shares were allotted and issued to Seymour Pierce paid up as to one quarter. Such Redeemable Shares will be redeemed in full out of the proceeds of the Offer. The shares comprised in the authorised but unissued share capital thereby created will automatically be re-designated as Ordinary Shares.

- (iv) by special resolution passed in writing on 2 March 2000:
  - (a) the authorised share capital was increased by £1,000,000 by the creation of 10,000,000 Ordinary Shares;
  - (b) the Directors were generally and unconditionally authorised in accordance with Section 80 of the Act (and in substitution for any existing power to allot relevant securities) to exercise all powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £3,949,998, such authority to expire on the date falling 15 months after the date on which the resolution was passed; and
  - (c) the Directors were empowered (pursuant to section 95 of the Act) to allot equity securities (as defined by section 94(2) of the Act) (and in substitution for any existing power to allot relevant securities) up to an aggregate nominal amount of £3,949,998 pursuant to the authority referred to in paragraph (iv)(b) above as if section 89(1) of the Act did not apply to such allotment, such power to expire on the date falling 15 months after the date on which the resolution was passed.
- (v) Following the Offer, the authorised share capital of the Company will be £4,000,000, divided into 40,000,000 Ordinary Shares of which 37,500,000 Ordinary Shares will be issued and 2,500,000 Ordinary Shares will be unissued if the Offer is subscribed for in full.
- (vi) 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 otherwise than by way of allotment to employees under an employee's share scheme (as defined in section 743 of the Act)) apply to the authorised but unissued share capital of the Company to the extent not disapplied as described in paragraph (i)(d) above.
- (vii) Save as disclosed in paragraph 2.2 of this part of this document:
  - no alteration has been made in the share capital of the Company;
  - no share or loan capital of the Company has been issued or is now proposed to be issued fully or partly paid either for cash or otherwise;
  - no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option; and
  - no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of shares or loan capital of the Company.
- (viii) Subject to any special rights or restrictions attaching to any class of shares issued by the Company in the future, the holders of 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.
- (ix) The Ordinary Shares will be in registered form. Temporary documents of title will not be issued.

### 3. Memorandum of association

The Company's principal objects include carrying on the business of a venture capital trust company. The objects of the Company are set out in full in clause 4 of its memorandum of association which is available for inspection at the address specified in paragraph 11 below.

### 4. Articles of association

The articles of association (the "Articles") of the Company, which were adopted on 15 February 2000 and amended on 17 March 2000, contain, *inter alia*, provisions to the following effect:

#### 4.1 Voting rights

Subject to any special terms as to voting, every member present in person at a general meeting has upon a show of hands one vote, and every member present in person or by proxy has upon a poll one vote for every share held by him. A member whom a court or an official having jurisdiction has made an order to the effect that he may be suffering from mental disorder or is incapable of running his affairs may vote through a guardian, receiver, curator bonis or such other person appointed by a court. If shares are jointly held, the person whose name appears first on the Register of Members shall have the entitlement to vote in respect of that share.

#### 4.2 Rights attaching to the Redeemable Shares

Each of the Redeemable Shares entitles the holder to vote at Annual General Meetings, but not at General Meetings (unless redemption monies or a preferential dividend in respect of that share has been outstanding for at least three months).

Following Admission each Redeemable Share shall confer upon the holder thereof the right to receive a fixed cumulative preferential dividend at the rate of 2 per cent above the base rate of the Royal Bank of Scotland plc (calculated in proportion to the level to which each Redeemable Share is paid-up) but with no further entitlement. The preferential dividend shall be paid in two installments on the 31 December and 30 June in each year.

Each Redeemable Share shall confer upon the holder thereof the right on a winding-up or other return of capital to receive out of the assets of the Company available for distribution amongst the members repayment in full of the capital paid up on such Redeemable Share and a payment equal to any arrears or accruals of preferential dividend to be calculated down to the date of the return of capital. In this respect, the Redeemable Shares shall rank in priority to all other shares of the Company. There is no entitlement for the Redeemable Shares to participate further in the assets of the Company.

The Redeemable Shares shall be redeemed by the Company at par within 42 days of Admission, by giving the holder at least 48 hours written notice, at a consideration equal to the level to which each Redeemable Share is paid up together with any accrued preferential dividend payable thereon.

#### 4.3 *Variation of rights*

Rights attached to any class of shares may be varied 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 an extraordinary resolution passed at a separate general meeting of the holders of those shares. The quorum at such a general meeting (other than an adjourned meeting) shall be two persons holding or representing by proxy at least one third in nominal value of the issued shares of the class in question. The creation or issue of shares ranking *pari passu* with shares of any class shall not be deemed a variation of the rights of such shares.

#### 4.4 *Changes in capital*

The Company may by ordinary resolution increase, consolidate or sub-divide its share capital. The Company may by special resolution reduce its share capital redemption reserve or share premium account or other undistributable reserve. The Company may purchase its own shares.

#### 4.5 *Transfer of shares*

Any member may transfer all or any of his certified shares by an instrument of transfer in any usual form or in any other form which the Board may approve. Any instrument must be executed by or on behalf of the transferor and (in the case of a partly-paid share) the transferee and the transferor is deemed to remain the holder until the transferee's name is entered in the register. Title to any uncertified share may be transferred by means of a relevant system prescribed by the Uncertified Securities Regulations (SI 1995/3272) (the "Regulations").

The Board may, in its absolute discretion (save as stated below) and without giving any reason, decline to register any transfer of any certified share which is not a fully paid share or on which the Company has a lien. The Board's discretion cannot be exercised if to do so would prevent dealings in the shares from taking place on an open and proper basis.

The Board may also decline to register the transfer of an uncertified share to the extent it is permitted to do so by the Regulations. The Board may also decline to register a transfer of a certificated share unless the duly stamped instrument of transfer:

- (i) is lodged with the Company accompanied by the relevant share certificate and such other evidence of the right to transfer as the Board may require;
- (ii) is in respect of only one class of share; and
- (iii) if to joint transferees, is in favour of not more than four such transferees.

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.

#### 4.6 *Dividends*

The Company may by ordinary resolution from time to time declare dividends not exceeding the amount recommended by the Board. The Board may pay interim dividends, and also any fixed rate dividend, according to the financial position of the Company.

Except in so far as the rights attaching to or the terms of the issue of any share otherwise provide, all dividends will be apportioned and paid pro rata according to the amounts paid up on the shares during any portion of the period in respect of which the dividend is paid.

The Board may, if authorised by an ordinary resolution of the Company, offer ordinary Shareholders in respect of any dividend the right to elect to receive Ordinary Shares by way of scrip dividend instead of cash.

The Board may withhold dividends payable on shares after there has been a failure to provide the Company with information concerning interests in those shares under the Articles or the Act until such failure has been remedied.

Any dividend unclaimed after a period of 12 years from the date when it becomes due for payment will be forfeited and revert to the Company.

#### 4.7 *Distribution of realised capital profits*

At any time when the Company has given notice in the prescribed form (which has not been revoked) to the Registrar of Companies of its intention to carry on business as an investment company (a “Relevant Period”), distribution of the Company’s capital profits (within the meaning of section 266(2)(c), of the Act) shall be prohibited. The Board shall establish a reserve to be called the capital reserve. During a Relevant Period, all surpluses arising from the realisation or revaluation of investments and all other monies realised on or derived from the realisation, payment 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 payment of or other dealing with any investments or other capital assets and, subject to the Act, any expenses, loss or liability (or provision thereof) which the Board considers to relate to a capital item or which the Board otherwise considers appropriate to be debited to the capital reserve shall be carried to the debit of the capital reserve.

During a Relevant Period, all sums carried and standing to the credit of the capital reserve may be applied for any of the purposes to which sums standing to any revenue reserve are applicable except and provided that notwithstanding any other provision of the Articles during a Relevant Period no part of the capital reserve or any other money in the nature of accretion to capital shall be transferred to the revenue reserves of the Company or be regarded or treated as profits of the Company available for distribution (as defined by section 263(2) of the Act) or 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.

#### 4.8 *Duration and Distribution of assets on winding up*

The Board shall procure that at the Company’s annual general meeting in 2006 an ordinary resolution will be proposed to the effect that the Company shall continue in being as a VCT. If, at that meeting, such resolution is not passed, the Board shall, within 12 months of such meeting, convene an extraordinary general meeting to propose a special resolution for the reorganisation or reconstruction of the Company or if that resolution is not passed, a special resolution to wind up the Company voluntarily. In the case of the special resolution relating to a 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 Shareholders resolve that the Company continue its being as a VCT, similar resolutions will be proposed at every third subsequent annual general meeting of the Company.

The holders of its shares will, under the general law, be entitled to participate in any surplus assets in a winding up in proportion to their shareholdings. A liquidator may, with the sanction of any extraordinary resolution, divide among the members in kind all or part of the assets of the Company (whether they shall consist of property of the same kind or not) as he thinks fit.

#### 4.9 *Borrowing powers*

The Board may exercise all powers of the Company to borrow money and to mortgage or charge any of its undertaking, property, assets and uncalled capital and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The Board must, however, restrict the borrowing of the Company and exercise all voting and other rights or powers of control exercisable by the Company so as to secure that the aggregate principal amount from time

to time outstanding of all borrowings (as defined in the Articles) by the Company shall not, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to three times the aggregate of the Company's share capital and reserves (as defined in the Articles).

#### 4.10 *Directors*

- (i) Number of Directors – unless otherwise determined by ordinary resolution of the Company the Directors shall be not less than two and not more than fifteen in number.
- (ii) Age of Directors – no person is disqualified from being a Director, or is required to vacate that office, by reason only of the fact that he has attained the age of 70 years or any other age, nor is it necessary to give special notice of a resolution appointing or approving the appointment or re-appointment of such a Director.

However, where the Board convenes any general meeting at which, to the knowledge of the Board, a Director who is 70 years of age or more will be proposed for appointment or re-appointment, the Board will give notice of his age in the documents convening the meeting.

- (iii) Remuneration of Directors – each of the Directors may be paid a fee at such rate as may from time to time be determined by the Board, but the aggregate of all such fees (excluding performance incentives) so paid to the Directors shall not exceed £250,000 per annum or such higher amount as may from time to time be decided by ordinary resolution of the Company. Any Director may be paid his reasonable travelling, hotel and incidental expenses of attending and returning from meetings of the Board of the Company or any other meeting which as a Director he is entitled to attend and shall be paid all 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. In addition, any Director who performs services which in the opinion of the Board are beyond the ordinary duties of a Director may be paid such extra remuneration as the Board may determine.
- (iv) Restrictions on voting – except as mentioned below, no Director may vote on, or be counted in a quorum in relation to any resolution of the Board in respect of any contract in which he is materially interested and, if he does so, his vote will not be counted. These prohibitions do not apply to a Director in relation to:
  - (a) the giving to him of any guarantee, indemnity or security in respect of money lent or obligations undertaken by him for the benefit of the Company or any of its subsidiaries;
  - (b) the giving of any guarantee, indemnity or security to a third party in respect of a debt or obligation of the Company or any of its subsidiaries in relation to which he himself has granted an indemnity, guarantee or security in whole or in part;
  - (c) the subscription or purchase by him of shares, debentures or other securities of the Company or any of the subsidiaries pursuant to any offer to members or debenture holders of the Company or the public or underwriting by him of any shares, debentures or other securities;
  - (d) any transaction in which he is interested by virtue of his interest in shares or debentures or other securities of the Company or by reason of any other interest in or through the Company;
  - (e) any transaction concerning any other company in which he is interested directly or indirectly unless he is interested in one per cent or more of the equity share capital or voting rights;
  - (f) any proposal concerning the adoption, modification or operation of a scheme or arrangement for the benefit of employees of the Company or any of its subsidiaries which does not provide in respect of any Director as such any privilege or advantage not accorded to the relevant employees; and
  - (g) any proposal for the purchase or maintenance of insurance for the benefit of the Directors.
- (v) Retirement by rotation – subject to the provisions of the Articles, at every annual general meeting one third of the Directors who are subject to retirement by rotation or, if their number is not a multiple of three, then the number nearest to but not exceeding one third shall retire from office. If there are fewer than three Directors who are subject to retirement by rotation, one Director will retire. Any Director so retiring shall be eligible for re-appointment.

#### 4.11 *Purchase of own shares*

The Company may, subject to the requirements of the Act or the rights of the holders of any class of shares, purchase its own shares.

#### 4.12 *Untraced shareholders*

The Company may after advertising its intention, sell any shares in the Company if the shares have been in issue for at least 12 years and during that period at least three cash dividends have become payable on them

and have not been claimed or satisfied and the Company has not received any communication during the relevant period from the holder of the shares or any person entitled to them by transmission. Upon any such sale, the Company will become indebted to the former holder of the shares or the person entitled to them by transmission for an amount equal to the net proceeds of the sale. All dividends unclaimed for a period of twelve years or more from the date they become due for payment shall be forfeited and shall revert to the Company. The payment of an unclaimed dividend into a separate account shall not constitute the Company a trustee thereof.

4.13 *Non-United Kingdom shareholders*

Members with registered addresses outside the United Kingdom are not entitled to receive notices from the Company, unless they have given the Company an address within the United Kingdom at which such notices may be served.

**5. Directors' and other interests**

5.1 The Directors named below have indicated that they will subscribe under the Offer for the following number of Ordinary Shares:

<i>Director</i>	<i>Number of Ordinary Shares</i>
Jonathan Carr	50,000
Stephen Barclay	375,000
John Findlater	5,000
Anne Higgins	10,000
David Horner	5,000
Brian May	225,000
John Scaife	5,000
Total	<u>675,000</u>

5.2 Save as disclosed in paragraph 5.1 above, none of the Directors (nor any person connected with them within the meaning of section 346 of the Act) has any interest in the share capital of the Company or any of its subsidiaries nor has the Company been notified of any such interest pursuant to sections 324 or 328 of the Act or are such interests required pursuant to section 325 of the Act to be entered in the register referred to therein.

5.3 None of the Directors has a service contract with the Company and no such contract is proposed. Under appointment letters dated 22 March 2000 between each of the Directors and the Company each of the Directors was appointed a Director until determined by either party on three months' notice. Each Independent Director is entitled to an annual fee of £10,000 (save for Jonathan Carr who will receive £12,500) and a performance incentive calculated by reference to the Company's performance. Each of John Findlater and Stephen Barclay has agreed to waive his entitlement to an annual fee whilst employed by Talisman House Plc or its affiliates. Once the sum of 25p (gross) has been paid to the holders of Ordinary Shares, each Independent Director is entitled to 2 per cent. of any further dividend or capital distribution.

5.4 Save as disclosed above, the Directors are not aware of any interest (within the meaning of part VI of the Act) which will represent 3 per cent or more of the issued share capital of the Company following Admission or any person who will, directly or indirectly, jointly or severally, exercise or could then exercise control of the Company.

5.5 None of the Directors is or has been interested in any transaction with the Company which was or is unusual in its nature or conditions or significant to the Company which was effected by the Company since incorporation and remains in any respect outstanding or unperformed.

5.6 There are no outstanding loans by the Company to any Director nor are there any outstanding guarantees provided by the Company for the benefit of any Director.

5.7 The aggregate amount payable to the Directors in respect of the financial period ending 31 March 2001 under the arrangements in force at the date of this document is expected to be approximately £52,500.

5.8 In addition to directorships of the Company the Directors hold or have held the following directorships and are or have been partners in the following partnerships within the five years prior to the date of this document.

- (i) Jonathan Carr
- |   |   |
|---|---|
| <p><i>Current Directorships</i><br/> First Global Group Limited<br/> B.F.S. Income &amp; Growth Trust PLC<br/> Finsbury Smaller Quoted Companies Trust Plc<br/> Govett Enhanced Income Investment Trust Plc<br/> Galaxy Asset Management Limited<br/> Geit Securities PLC<br/> Framlington Second Dual Trust PLC<br/> Beta Global Emerging Markets Investment Trust PLC</p> | <p><i>Past Directorships</i><br/> Finsbury Smaller Companies Trust PLC<br/> Lancashire &amp; London Finance Co. Limited</p> |
|---|---|
- (vi) Stephen Barclay
- |   |  |
|---|--|
| <p><i>Current Directorships</i><br/> MICE Group Plc<br/> BGR Plc<br/> Clifton Financial Associates Plc<br/> Templeton College<br/> Talisman House Plc<br/> Seymour Pierce Limited<br/> New Venture Capital Trust Limited<br/> City Investor Relations Limited<br/> The Leading Edge Holdings Limited<br/> The Leading Edge (Retail) Limited<br/> Revelation Piccadilly Holdings Plc<br/> Travel Accessories Limited<br/> Travel Accessories (UK) Limited<br/> Housemasters (West London) Limited<br/> Masters London Limited<br/> QuadraNet plc</p> | <p><i>Past Directorships</i><br/> Upton &amp; Southern Holdings Plc<br/> The Premiere Group PLC<br/> Marchthistle Limited<br/> SWP Group PLC<br/> SWP Holdings Limited<br/> DRC Holdings Limited<br/> Fullflow Limited<br/> Versalite Group Plc<br/> The London School of Economics and Political Science<br/> BESSA LSE Plc<br/> Coburg plc<br/> Gladstone plc<br/> Merton &amp; London Limited<br/> Merton &amp; Falcon Limited<br/> The Institute of Jewish Policy Research</p> |
|---|--|
- (ii) John Findlater
- |   |  |
|---|--|
| <p><i>Current Directorships</i><br/> None</p> | <p><i>Past Directorships</i><br/> Smart Car Holdings PLC</p> |
|---|--|
- (iv) Anne Higgins
- |   |   |
|---|---|
| <p><i>Current Directorships</i><br/> Plantation &amp; General Investments PLC<br/> Coburg Group PLC<br/> Greylink PLC<br/> One Small Step Trust<br/> One Small Step Limited<br/> Crest Dynamics PLC</p> | <p><i>Past Directorships</i><br/> The Turkey Trust PLC<br/> Aberdeen European Investment Trust PLC<br/> Importers Limited<br/> Langdons (Coffee and Tea) Limited<br/> ABS Services Limited<br/> Coburg Tea and Coffee Limited<br/> Cafe D'or Limited<br/> Coburg Coffee Company Limited<br/> Jubilee Coffee Roasting Company Limited<br/> The Eastern Tea and Coffee Company Limited<br/> The Eastern Tea Company Limited</p> |
|---|---|
- (vii) David Horner
- |   |   |
|---|---|
| <p><i>Current Directorships</i><br/> Robert H Lowe PLC<br/> Chelverton Asset Management Limited<br/> Colinette Holdings Limited<br/> The Micro Quoted Growth Trust PLC<br/> MGT Trading Limited</p> | <p><i>Past Directorships</i><br/> Pilkington's Tiles Group PLC<br/> Strand Partners Limited</p> |
|---|---|
- (v) Brian May
- |  |  |
|--|--|
| <p><i>Current Directorships</i><br/> The Berthon Boat Company Limited<br/> Berthon International Limited</p> | <p><i>Past Directorships</i><br/> Agamemnon Boatyard Limited</p> |
|--|--|
- (iii) John Scaife
- |  |   |
|--|---|
| <p><i>Current Directorships</i><br/> Charon Capital Corporation Limited<br/> Back 2 Back Films Limited</p> | <p><i>Past Directorships</i><br/> Epoch Productions Limited<br/> Smart Asset Management Limited</p> |
|--|---|

- 5.9 Stephen Barclay was a director of Revelation Piccadilly Holdings Plc and certain of its subsidiaries when they went into administrative receivership in March 1999. The directors of Revelation Piccadilly Holdings Plc estimated the deficiency as regards creditors to be approximately £2.9 million and the administrative receiver's report indicates there are no funds available for distribution to unsecured creditors.
- 5.10 Stephen Barclay was a director of Cobworth Limited which went into creditors' voluntary liquidation in 1978 with a deficit to creditors of some £18,000.
- 5.11 Save as detailed in paragraphs 5.9 and 5.10 above, none of the Directors has any unspent convictions in relation to indictable offences, nor has any been declared bankrupt or entered into individual voluntary arrangements, nor been a partner in a partnership where there has been a compulsory liquidation, administration or partnership voluntary arrangement of any partnership where he was a partner at the time or in the preceding twelve months, nor been a director of a company where there has been a receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors where he was a director at the time or in the preceding twelve months, nor has any had a receivership of any asset of his or of a partnership when he was a partner at the time of or within twelve months preceding such event nor has any of them been publicly criticised by any statutory or regulatory authority (including recognised professional bodies), nor 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.

## **6. Taxation**

The following paragraphs, which are intended as a general guide only and are based on current legislation and Inland Revenue practice, summarise advice received by the Directors as to the position of the Company's shareholders who hold shares in the Company other than for trading purposes. Any person who is in any doubt as to his taxation position or is subject to taxation in any jurisdiction other than the United Kingdom should consult his professional advisers.

### *6.1 Taxation of dividends*

Under current law, no tax will be withheld by the Company when it pays a dividend.

A UK resident corporate Shareholder will generally not be liable to UK corporation tax on any dividend received.

### *6.2 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 the Ordinary Shares. The Company has been advised that the transfer of shares of any class in the Company will, subject to any applicable exceptions, be liable to ad valorem stamp duty at the rate of 50 pence for every £100 (or part thereof) of the consideration paid. An unconditional agreement to transfer such Shares if not completed by a duly stamped transfer will be subject to stamp duty reserve tax generally at the rate of 50 pence per £100 (or part thereof) of the consideration paid.

### *6.3 Close company*

The Directors believe that the Company is not and expect that following completion of the Offer the Company will not be a close company within the meaning of section 414 of ICTA. If the Company was a close company in any accounting period, approval as a VCT would be withdrawn.

## **7. Investment policy**

- 7.1 The Company intends that its income will be derived wholly or mainly from shares or other securities. The Company intends to direct its affairs in respect of each of its accounting periods so as to qualify as a venture capital trust under the provisions of section 842AA of ICTA. Accordingly, not more than 15 per cent of the Company's investments will be invested in the securities of one company or group at the time such investment is made (aggregating for this purpose any existing holding in the company concerned).
- 7.2 Not more than 20 percent of the Company's gross assets will be invested in the securities of property companies, i.e. any companies primarily engaged in property activities which include:
- (i) the holding of properties and development of properties for letting and retention as investments; or
  - (ii) the purchase or development of properties for subsequent sale, or both.
- 7.3 The investment policy set out in this paragraph 7 and on page 7 will, in the absence of unforeseen circumstances, be adhered to for at least three years following admission of the Ordinary Shares to the London Stock Exchange. Any material change to the Company's investment policy within that three year period will only be made with the approval of Shareholders by ordinary resolution.

## **8. Material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company since its incorporation and are, or may be, material or have been entered into by the Company and contain provisions under which the Company has an obligation or entitlement which is or may be material:

8.1 Under the Offer Agreement dated 23 March 2000 between the Company, the Directors and the Sponsor, the Sponsor has agreed to act as sponsor to the Offer. The Sponsor is not obliged to subscribe for Shares itself. Under the Offer Agreement, subject to the agreement becoming unconditional in all respects, the Company is obliged to pay:

- (a) to Seymour Pierce, commission calculated as follows:
  - (i) 2.5 per cent. of the Offer proceeds;
  - (ii) an additional 2.5 per cent. of any Offer proceeds with regard to funds raised by Seymour Pierce;
- (b) to Seymour Pierce, a fee equal to 5 per cent. of all future distributions once distributions to the holders of Ordinary Shares exceed 25p (gross) per share;

Out of these commissions, Seymour Pierce will pay, on behalf of the Company, all other costs and expenses of the Offer and Admission.

Under the Offer Agreement, which may be terminated by the Sponsor in certain circumstances, certain warranties have been given by the Company and the Directors to the Sponsor. The Company has also agreed to indemnify the Sponsor in respect of its role as sponsor. The Offer Agreement is conditional, *inter alia*, upon subscriptions for at least 10,000,000 Ordinary Shares being received prior to 3.00 p.m. on 3 April 2000.

8.2 Under an Investment Administration Agreement dated 23 March 2000 between the Company and CFA the Company appointed CFA to advise in relation to the administration and investment and reinvestment of the Company's investments. The appointment is terminable by either party on one year's notice expiring not earlier than the date of the third anniversary of the agreement. Under the agreement the Company is obliged to pay to CFA:

- (a) an annual fee equivalent to the greater of £150,000 or a sum equivalent to 3 per cent of the total value of the gross assets of the Company less its current liabilities (plus applicable VAT); and
- (b) once the sum of 25p (gross) has been paid to Shareholders a fee equal to 10 per cent of the amount or value of any future dividend or capital distribution to Shareholders.

Out of the fee payable under paragraph 8.2(a) above CFA shall pay, on behalf of the Company, the annual Directors fees and expenses payable by the Company to the Directors together with the annual costs and expenses of the Registrars and the Company's auditors, tax advisers and VCT compliance consultants.

## **9. Overseas Investors**

9.1 No person receiving a copy of this document or an Application Form in any territory other than the UK may treat the same as constituting an offer or invitation to him to subscribe for or purchase Ordinary Shares.

9.2 No action has been taken to permit the distribution of this document in any jurisdiction outside the UK where such action is required to be taken. All applicants under the Offer will be required to warrant that they are not a US person as defined in the Securities Act of 1933, as amended.

## **10. General**

10.1 The price of each Ordinary Share under the Offer represents a premium of 10 pence over the nominal value of 10 pence of each new Ordinary Share.

10.2 The commissions payable by the Company in connection with the Offer and Admission will be £375,000 if the Offer is fully subscribed. All other expenses incurred by the Company in connection with the Offer and Admission will be paid by Seymour Pierce on behalf of the Company. No expenses of the Offer are being specifically charged to subscribers under the Offer.

10.3 The Company does not have nor has it had since its incorporation any subsidiaries, subsidiary undertakings or employees and it neither owns nor occupies any premises.

10.4 There has been no significant change in the financial or trading position of the Company since its incorporation.

- 10.5 The Company has not, since incorporation, been engaged in any legal or arbitration proceedings which may have or have had a significant effect on the Company's financial position and no legal or arbitration proceedings are pending or threatened by or against the Company.
- 10.6 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 size and type in which the Company intends to invest;
  - (ii) that the Directors of the Company will act independently of any investment manager 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 any investment manager or any other company in the same group as any investment manager;
  - (iii) until such time as it has obtained approval as a Venture Capital Trust from the Inland Revenue the Company will not have control of the companies in which it invests in accordance with its investment policy in such a way as to render them subsidiary undertakings; and
  - (iv) adherence to the restrictions on investment set out in paragraph 7 above.
- 10.7 The application for listing is sponsored by Seymour Pierce which is regulated by The Securities and Futures Authority Limited and is a member of the London Stock Exchange.
- The Ordinary Shares in issue at the date of this document are, and the further Ordinary Shares to be in issue following closing of the Offer will be, in registered form. Following admission of the Ordinary Shares to the London Stock Exchange, the Ordinary Shares will be listed on the London Stock Exchange.
- 10.8 None of the new Ordinary Shares has now been sold to, nor are any of the new Ordinary Shares being made available in whole or in part to, the public in conjunction with the application for listing of the new Ordinary Shares other than pursuant to the Offer.
- 10.9 There are no arrangements under which future dividends are waived or agreed to be waived.
- 10.10 The first accounting period of the Company will end on 31 March 2001 and subsequently on 31 March each year.
- 10.11 Seymour Pierce has consented to the inclusion of its name in this document in the form and context in which it is included.
- 10.12 In the opinion of the Directors the financial and trading prospects of the Company for the current financial year are reasonable.

#### **11. Documents available for inspection**

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays and public holidays excepted) at the registered office of the Company for a period of 14 days from the date of this document:

- 11.1 the memorandum and articles of association of the Company;
- 11.2 the material contracts referred to in paragraph 8 above;
- 11.3 the letter of consent referred to in paragraph 10.11 above.

23 March 2000

## PART V

### TERMS AND CONDITIONS OF APPLICATION

In these terms and conditions, which apply to the Offer: “Applicant” means a person whose name appears as such in an Application Form and “Application” means the offer by an Applicant by completing an Application Form and posting (or delivering) it to Harford Registrars (the “Receiving Agents”).

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

- (a) The contract created by the acceptance of an Application will be conditional on the Offer Agreement referred to in paragraph 8.1 of Part IV of this document becoming unconditional in all respects, and not being terminated in accordance with its terms before the closing date for the Offer.
- (b) The right is reserved by the Company to present all cheques and banker’s drafts for payment on receipt and to retain share certificates and application monies pending clearance of successful Applicants’ cheques and banker’s drafts. The Company may treat Applications as valid and binding even if not made in all respects in accordance with the prescribed instructions and the Company may, at its discretion, accept an Application in respect of which payment is not received by the Company prior to the closing of the Offer. If any Application is not accepted in full or if any contract created by acceptance does not become unconditional, the application monies or, as the case may be, the balance thereof will be returned (without interest) by returning each relevant Applicant’s cheque or banker’s draft or by crossed cheque in favour of the Applicant, through the post at the risk of the person(s) entitled thereto. In the meantime, application monies will be retained by the Receiving Agents in a separate account.
- (c) By completing and delivering an Application Form, you:
  - (i) offer to subscribe for the number of Ordinary Shares specified in your Application Form (or such lesser number for which your Application is accepted) at the Offer price per Ordinary Share of 20 pence on the terms of and subject to the provisions of this document, including these terms and conditions, and subject to the Memorandum and Articles of Association of the Company;
  - (ii) 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 Ordinary Shares until you make payment in cleared funds for such shares and such payment is accepted by the Company in its absolute discretion (which acceptance shall be on the basis that you indemnify Seymour Pierce and the Receiving Agents against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and you agree that, at any time prior to the unconditional acceptance by the Company of such late payment, the Company may (without prejudice to its other rights) avoid the agreement to subscribe such shares and may issue or allot such shares to some other person, in which case you will not be entitled to any payment in respect of such shares, other than the refund to you, at your risk, of the proceeds (if any) of the cheque or banker’s draft accompanying your Application, without interest;
  - (iii) agree that, in respect of those Ordinary Shares for which your Application has been received and is not rejected, your Application may be accepted at the election of the Company either by notification to the London Stock Exchange of the basis of allocation or by notification of acceptance thereof to the Receiving Agents;
  - (iv) agree that any monies refundable to you may be retained by the Receiving Agents pending clearance of your remittance and any verification of identity which is, or which the Company or the Receiving Agents may consider to be, required for the purposes of the Money Laundering Regulations 1993 and that such monies will not bear interest;
  - (v) authorise the Receiving Agents to send share certificate(s) in respect of the number of Ordinary Shares for which your Application is accepted and/or a crossed cheque for any monies returnable, without interest by post, to your address set out in the Application Form and to procure that your name is placed on the register of members of the Company in respect of such Ordinary Shares;
  - (vi) agree that all Applications, acceptances of Applications and contracts resulting therefrom shall be governed in accordance with English law, and that you submit to the jurisdiction of the English Courts and agree that nothing shall limit the right of the Company or Seymour Pierce to bring any action, suit or proceeding arising out of or in connection with any such Applications, acceptances of Applications and contracts in any other manner permitted by law or any court of competent jurisdiction;

- (vii) confirm that, in making such Application, you are not relying on any information or representation in relation to the Company other than the information contained in this document and accordingly you agree that no person responsible solely or jointly for this document or any part thereof or involved in the preparation thereof shall have any liability for any such information or representation;
  - (vii) irrevocably authorise the Receiving Agents and/or Seymour Pierce or any person authorised by either of them, as your agent, to do all things necessary to effect registration of any Ordinary Shares subscribed by or issued to you into your name and authorise any representative of the Receiving Agents or of Seymour Pierce to execute any document required therefor;
  - (ix) agree that, having had the opportunity to read this document, you shall be deemed to have had notice of all information and statements concerning the Company and the Ordinary Shares contained therein;
  - (x) confirm that you have reviewed the restrictions contained in paragraph (e) below and warrant that you are not a “US Person” as defined in the Securities Act of 1933, as amended, nor a resident of Canada and that you are not applying for any Ordinary Shares with a view to their offer, sale or delivery to or for the benefit of any US Person or a resident of Canada;
  - (xi) declare that you are an individual aged 18 or over.
  - (xii) agree that all documents and cheques sent by post to, by or on behalf of the Company or the Receiving Agents will be sent at the risk of the person thereto;
  - (xiii) agree, on request by the Company, or Seymour Pierce on behalf of the Company, to disclose promptly in writing to the Company, any information which the Company or Seymour Pierce may reasonably request in connection with your Application including, without limitation, satisfactory evidence of identity to ensure compliance with the Money Laundering Regulations 1993 and authorise the Company and Seymour Pierce to disclose any information relating to your Application as it considers appropriate;
  - (xiv) agree that Seymour Pierce will not treat you as its customer by virtue of your Application being accepted or owe you any duties or responsibilities concerning the price of the Ordinary Shares or the suitability for you of the Ordinary Shares or be responsible to you for providing the protections afforded to its customers or give you any advice in relation to the Offer;
  - (xv) declare that the Application Form has been completed to the best of your knowledge; and
  - (xvi) 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, Ordinary Shares and that the Ordinary 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.
- (d) No person receiving a copy of this document or an Application Form in any territory other than the UK may treat the same as constituting an invitation or offer to him, nor should he in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such Application Form could lawfully be used without contravention of any regulation or other legal requirements. It is the responsibility of any person outside the UK wishing to make an Application to satisfy himself as to full observance of the laws of any relevant territory in connection therewith including obtaining any requisite governmental or other consents, observing any other formalities required in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
- (e) The Ordinary Shares have not been and will not be registered under the United States Securities Act 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 1940, as amended. No Application will be accepted if it bears an address in the USA.
- (f) The basis of allocation will be determined by the Company in its absolute discretion after consultation with Seymour Pierce. All Applications will be accepted in order of receipt without regard to the tax year for which the Application is made. The right is reserved, notwithstanding the basis so determined, to reject in whole or in part and scale down and/or ballot any Application or any part thereof including, without limitation, Applications in respect of which any verification of identity which the Company or the Receiving Agents consider may be required for the purpose of the Money Laundering Regulations 1993 has not been satisfactorily supplied. Dealings prior to the issue of certificates for Ordinary Shares will be at the risk of Applicants. A person so dealing must recognise the risk that an Application may not have been accepted to the extent anticipated or at all.

## NOTES ON THE APPLICATION FORM

Please send the completed Application Form, together with your cheque or bankers' draft by post, or deliver it by hand, to Harford Registrars at Harford House, 101-103 Great Portland Street, London, W1NN 6LL. If you have any questions on how to complete the Application Form please contact your financial adviser.

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

1. Insert your full name, full address, daytime telephone number, date of birth and National Insurance Number in Box 1.
2. Insert the number of Ordinary Shares you are applying for in the 1999/2000 tax year in Box A (state nil if appropriate).

Insert the number of Ordinary Shares you are applying for in the 2000/2001 tax year in Box B (state nil if appropriate). Please note that the minimum investment is £1,000 per tax year, above which investments must be made in multiples of £100.

Insert the sum of Boxes A and B in Box C.

The maximum investment, on which tax reliefs on investments in VCTs are available, is £100,000 per tax year.

3. Insert (in figures) in Box 3 the amount you are paying. This is the same number as in Box C above.  
Attach a cheque or bankers' draft to the Application Form for the exact amount shown in Box 3. Your cheque or bankers' draft must be made payable to Harford Registrars – Account Talisman First VCT and crossed "A/c Payee only". Your payment must relate solely to this application. No receipt will be issued. You need only send in one cheque even if your application is in respect of both tax years.

Your cheque or bankers' 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 and Credit Clearing Company Limited or the CHAPS Clearing Company Limited, a member of the Scottish Clearing Banks Committee or the Belfast Clearing Committee or which has arranged for its cheques or bankers' drafts to be cleared through facilities provided for members of any of those companies or associations and must bear the appropriate sorting code in the top right hand corner. The right is reserved to reject any Application Form in respect of which the cheque or bankers' 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 person named in Box 1 ("the Applicant").

### **Money Laundering Regulations 1993 – Important note for applications of £10,500 or more**

If the value of the Ordinary Shares applied for is for £10,500 or more, payment should be made by means of a cheque drawn by the Applicant. If this is not practicable and you use a cheque drawn by a third party or a building society cheque or bankers' draft, you should write the name, address and date of birth of the Applicant on the back of the cheque or bankers' draft and:

- (a) if a building society cheque or bankers' draft is used, the building society or bank must also endorse on the cheque or draft the name and account number of the person whose bank account is being debited; or
- (b) if a cheque is drawn by a third party, you must ensure that one of the following documents is enclosed with the form; a copy of your passport or driving licence (certified by a solicitor or bank) or a recent original bank or building society statement or utility bill in your name. Original documents will be returned by post at your risk.

4. Investments made by individuals aged 18 or over, up to £100,000 per tax year (6 April to 5 April), in VCT's qualify for tax exemptions on dividends and the other VCT reliefs. If the aggregate of the amounts which you have already invested in VCTs in the 1999/2000 tax year and the amount you are applying to invest in the Company under the 1999/2000 Offer exceed £100,000, you must state the amount of the excess. Similarly, if the amount you are applying to invest in the 2000/2001 Offer and the amount you have applied to invest in any other VCT in respect of the 2000/2001 tax year exceed £100,000 you must state the amount of the excess. If there is no such excess over the permitted maximums please state "NIL" in both Boxes in 4.
5. The Applicant must date and sign Box 5.

# TALISMAN FIRST VENTURE CAPITAL TRUST PLC



Please pin or staple Reservation Number of your cheque here (if applicable)

Make your cheque or bankers' draft out to Harford Registrars – Account Talisman First VCT and crossed “A/C Payee only” and return this form as soon as possible to Harford Registrars at Harford House, 101-103 Great Portland Street, London, W1NN 6LL.

<b>1</b>	Title and Name in Full				
	Permanent address				
	Postcode	Daytime Tel:			
	Date of Birth     /     /19	National Insurance No:			

<b>2</b>	I am applying for the following number of Ordinary Shares:	1999/2000 Offer (income tax year 1999/2000)	▶	<div style="text-align: right;"><b>Shares</b></div> <div style="font-size: small;">Min 5,000 thereafter in multiples of 500, Max 500,000</div>	<b>A</b>
		2000/2001 Offer (income tax year 2000/2001)	▶	<div style="text-align: right;"><b>Shares</b></div> <div style="font-size: small;">Min 5,000 thereafter in multiples of 500, Max 500,000</div>	<b>B</b>
		<b>TOTAL</b>	▶	<div style="text-align: right;"><b>Shares</b></div>	<b>C</b>

or such lesser number of Ordinary Shares for which this application may be accepted in the event of over subscription in respect of the Offer on the terms and conditions set out in Part V of the Prospectus dated 23 March 2000. Please send me a certificate(s) confirming my entitlement to venture capital trust tax reliefs. I will acquire Ordinary Shares in the Company on 4 April 2000 (expected date of issue of the Ordinary Shares for the 1999/2000 tax year) and/or 22 May 2000 (the expected date of issue for the 2000/2001 tax year).

<b>3</b>	The amount I am paying for the Ordinary Shares is (at £0.20 per Share)	▶	<div style="text-align: right; font-size: large;">£</div>
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<b>4</b>	Specify the extent to which the Ordinary Shares for which you are applying, in addition to shares in other venture capital trusts, are being acquired in excess of £100,000 for the tax year to 5 April 2000 or to 5 April 2001, stating nil if appropriate. Important: see note 4 before completing these boxes	▶	<div style="text-align: right; font-size: large;">£</div> <div style="text-align: right; font-size: large;">2000</div>
			<div style="text-align: right; font-size: large;">£</div> <div style="text-align: right; font-size: large;">2001</div>

**BY SIGNING THIS FORM I HEREBY DECLARE THAT:** (i) I have received the Prospectus dated 23 March 2000 and have read the terms and conditions of application therein and agree to be bound by them; (ii) I will be the beneficial owner of the Ordinary Shares in the Company issued to me pursuant to the Offer; and (iii) to the best of my knowledge and belief, the particulars I have given to the Company are correct.

If the Ordinary Shares are issued on different dates or if the Offer is over subscribed I hereby authorise the Company or its agent to complete the boxes designed for official use below and for this information to be treated by the Inland Revenue as modifying the information provided in boxes 2, 3 and 4 and the date on which the shares were issued.

The Inland Revenue may inspect this declaration. It is a serious offence to make a false declaration.

<b>5</b>	Signature	
	Date	<div style="text-align: center; font-size: large;">/     /</div>

**YOU MUST COMPLETE ALL WHITE BOXES ABOVE.**

For official Use			
Date on which Ordinary Shares are Issued 1999/2000		Date on which Ordinary Shares are Issued 2000/2001	
Amount paid for Ordinary Shares		Number of Ordinary Shares Issued	
1999/2000	2000/2001	1999/2000	2000/2001
The excess of the aggregate subscription price over £100,000 for the tax year to 5 April 2000 is (stating nil if appropriate):			£
The excess of the aggregate subscription price over £100,000 for the tax year to 5 April 2001 is (stating nil if appropriate):			£

Authorised financial advisers should stamp and complete this box	
Firm name .....	
Contact Name .....	
SRO/RPB Registration No. ....	
Address .....	
.....Postcode .....	
Tel: .....	
Fax: .....	

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# TALISMAN FIRST VENTURE CAPITAL TRUST PLC



Please pin or staple Reservation Number of your cheque here (if applicable)

Make your cheque or bankers' draft out to Harford Registrars – Account Talisman First VCT and crossed “A/C Payee only” and return this form as soon as possible to Harford Registrars at Harford House, 101-103 Great Portland Street, London, W1NN 6LL.

<b>1</b>	Title and Name in Full						
	Permanent address						
	Postcode	Daytime Tel:					
	Date of Birth / /19	National Insurance No:					

<b>2</b>	I am applying for the following number of Ordinary Shares:	1999/2000 Offer (income tax year 1999/2000)	▶	<b>Shares</b> Min 5,000 thereafter in multiples of 500, Max 500,000	<b>A</b>
		2000/2001 Offer (income tax year 2000/2001)	▶	<b>Shares</b> Min 5,000 thereafter in multiples of 500, Max 500,000	<b>B</b>
		<b>TOTAL</b>	▶	<b>Shares</b>	<b>C</b>

or such lesser number of Ordinary Shares for which this application may be accepted in the event of over subscription in respect of the Offer on the terms and conditions set out in Part V of the Prospectus dated 23 March 2000 Please send me a certificate(s) confirming my entitlement to venture capital trust tax reliefs. I will acquire Ordinary Shares in the Company on 4 April 2000 (expected date of issue of the Ordinary Shares for the 1999/2000 tax year) and/or 22 May 2000 (the expected date of issue for the 2000/2001 tax year).

<b>3</b>	The amount I am paying for the Ordinary Shares is (at £0.20 per Share)	▶	£
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<b>4</b>	Specify the extent to which the Ordinary Shares for which you are applying, in addition to shares in other venture capital trusts, are being acquired in excess of £100,000 for the tax year to 5 April 2000 or to 5 April 2001, stating nil if appropriate. Important: see note 4 before completing these boxes	▶	£ <span style="float: right;">2000</span>  £ <span style="float: right;">2001</span>
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**BY SIGNING THIS FORM I HEREBY DECLARE THAT:** (i) I have received the Prospectus dated 23 March 2000 and have read the terms and conditions of application therein and agree to be bound by them; (ii) I will be the beneficial owner of the Ordinary Shares in the Company issued to me pursuant to the Offer; and (iii) to the best of my knowledge and belief, the particulars I have given to the Company are correct.

If the Ordinary Shares are issued on different dates or if the Offer is over subscribed I hereby authorise the Company or its agent to complete the boxes designed for official use below and for this information to be treated by the Inland Revenue as modifying the information provided in boxes 2, 3 and 4 and the date on which the shares were issued.

The Inland Revenue may inspect this declaration. It is a serious offence to make a false declaration.

<b>5</b>	Signature		Date	/ /
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**YOU MUST COMPLETE ALL WHITE BOXES ABOVE.**

For official Use			
Date on which Ordinary Shares are Issued 1999/2000		Date on which Ordinary Shares are Issued 2000/2001	
Amount paid for Ordinary Shares		Number of Ordinary Shares Issued	
1999/2000	2000/2001	1999/2000	2000/2001
The excess of the aggregate subscription price over £100,000 for the tax year to 5 April 2000 is (stating nil if appropriate):			£
The excess of the aggregate subscription price over £100,000 for the tax year to 5 April 2001 is (stating nil if appropriate):			£

Authorised financial advisers should stamp and complete this box	
Firm name .....	
Contact Name .....	
SRO/RPB Registration No. ....	
Address .....	
.....Postcode .....	
Tel: .....	
Fax: .....	

