

# BARONSMEAD

Baronsmead VCT plc  
Baronsmead VCT 2 plc  
Baronsmead VCT 3 plc  
Baronsmead VCT 4 plc

## OFFERS DOCUMENT

Offers for subscription  
to raise up to £4.135 million per Company and £16.54 million in aggregate



THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO WHAT ACTION YOU SHOULD TAKE, YOU ARE RECOMMENDED TO CONSULT A PERSON AUTHORISED UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000 ("FSMA") WHO SPECIALISES IN ADVISING ON THE ACQUISITION OF SHARES AND OTHER SECURITIES.

VENTURE CAPITAL TRUSTS ("VCTS") ARE A PARTICULAR TYPE OF INVESTMENT COMPANY. THEY WERE ESTABLISHED BY THE UK GOVERNMENT WITH THE INTENTION OF ENCOURAGING INVESTMENT IN SMALLER, OR "VENTURE", UK COMPANIES. INVESTMENT IN VCTS IS HIGH-RISK AND FOR THE LONG-TERM. WHEN CONSIDERING AN INVESTMENT IN THE COMPANIES, POTENTIAL INVESTORS SHOULD CONSULT THEIR FINANCIAL OR OTHER ADVISER(S). PLEASE SEE THE IMPORTANT NOTES SHOWN BELOW AND THE RISKS ASSOCIATED WITH INVESTING IN VCTS PRINTED ON PAGES 13 AND 14.

Offers for subscription of new ordinary shares of 10 pence each ("New Shares") in each of Baronsmead VCT plc, Baronsmead VCT 2 plc, Baronsmead VCT 3 plc and Baronsmead VCT 4 plc (each a "Company" and together the "Companies") to raise up to £4.135 million per Company and £16.54 million in aggregate (each an "Offer" and together the "Offers").

Company	Registered Number	Directors
Baronsmead VCT plc	03035709	Peter Lawrence, Godfrey Jillings, Andrew Crossley and Valerie Marshall
Baronsmead VCT 2 plc	03504214	Clive Parritt, Gillian Nott OBE, Howard Goldring and Christina McComb
Baronsmead VCT 3 plc	04115341	Anthony Townsend, Andrew Karney, Gillian Nott OBE and Ian Orrock
Baronsmead VCT 4 plc	04313537	Robert Owen, Alan Pedder CBE, Ian Kirkpatrick and Robin Williams

All registered in England & Wales with their registered offices at 100 Wood Street, London EC2V 7AN (Tel: 0207 506 5600).

## Important notes

This document, which constitutes a financial promotion for the purposes of section 21 of the FSMA, has been approved, for the purposes of that section only, by ISIS EP LLP ("ISIS" or "the Manager") which is authorised and regulated by the Financial Services Authority in the United Kingdom pursuant to the FSMA.

In approving this document, ISIS is acting solely for the Companies and no one else and will not be responsible to anyone other than the Companies for providing the protections afforded to ISIS's regulatory clients or for providing financial advice in relation to the subject of this document.

Each Company accepts responsibility for the information contained in this document relating to it and the terms of its Offer but accepts no responsibility for any information contained in this document specifically relating to the other Companies or their Offers.

There is no guarantee that the Companies' investment objectives will be achieved. The value of the shares in the Companies and the income from them may fluctuate and those who invest in the Companies' shares may not get back what they invested. Past performance is not a guide as to what might happen in the future. If you are in any doubt as to what action to take, you should contact an independent financial adviser who specialises in advising on the acquisition of shares and other securities. The levels and bases of reliefs from taxation described in this document are those currently available. These may change and their value depends on an investor's individual circumstances.

The Companies each have three market makers. No person other than ISIS has been authorised to issue any advertisements or give any information, or make any representations in connection with the Offers, other than those contained in this document and, if issued, given or made, such advertisements, information or representations must not be relied upon as having been authorised by the Companies and/or ISIS.

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## Expected Timetable

Offers open	12 January 2012
Offers close <sup>(i)</sup>	12.00 noon 5 April 2012
First allotments	20 February 2012
Second allotments	7 March 2012
Third and final allotments	12.00 noon 5 April 2012
Dealings in New Shares commence	three Business Days after allotments
Definitive share certificates dispatched	within ten Business Days of allotments

## Offers Statistics

The number of New Shares to be allotted in each Offer will be determined by each respective Offer Price as set out below.

The Offer Price at which the New Shares will be allotted in respect of each Offer will be calculated on the basis of the following formula (the "Pricing Formula"):

**Latest published net asset value of an existing share at the time of allotment divided by 0.9525  
(to allow for the relevant Company's issue costs of 4.75 per cent.)  
rounded up to the nearest 0.1p per share.**

Minimum Subscription under each Offer <sup>(ii)</sup>	£1,000
Minimum aggregate Subscriptions under the Offers	£4,000
Costs of each Offer	4.75 per cent.
Expected net proceeds of each Offer (assuming full Subscription)	£3,938,587.50

**Notes:**

- (i) Each Board may close its respective Company's Offer earlier than the date stated above if it is fully subscribed by an earlier date or may extend such Offer. Each Board further reserves the right to accept Subscription Forms and to allot and arrange for the listing of New Shares in its Company in respect of Subscriptions received for its Company's Offer on or prior to the closing date of such Offer as each Board sees fit, which may not be on the dates stated above.
- (ii) Subject to the minimum aggregate subscription amount.

# Letter from the Chairmen

## Dear Investor

We are delighted to offer new investors and existing Shareholders in Baronsmead VCT, Baronsmead VCT 2, Baronsmead VCT 3 and Baronsmead VCT 4 the opportunity to invest into some of the largest and most established generalist VCTs, managed by one of the most experienced teams in the VCT industry.

Each Company is seeking to raise through its own Offer approximately £4.135 million, before expenses, (approximately £16.54 million in aggregate across the Offers), this being the sterling equivalent of just under €5 million for each Company<sup>1</sup>.

The funds raised under each Offer will be used by the relevant Company to make investments in accordance with its individual investment policy, maintain liquidity and enable payment of dividends and costs without reducing the overall amounts available for investment.

Amounts subscribed under each Offer will be used to purchase New Shares in the relevant Company and will enable investors to participate in the investment returns of that Company's existing investment portfolio following the allotment of the New Shares.

## Terms of the Offers

Subscribers may elect to invest equally in all of the Offers or invest different amounts under one or more of the Offers, subject to the Offers being open at the time the Subscription Form is received as detailed in Application Procedure on page 7. Subscribers must subscribe a minimum in aggregate of £4,000, with a minimum of £1,000 per elected Offer and thereafter in multiples of £1,000 per Offer.

The number of New Shares to be allotted in each Offer will be determined by each respective Offer Price calculated on the basis of the following formula (the "Pricing Formula"):

**Latest published net asset value of an existing share at the time of allotment divided by 0.9525 (to allow for the relevant Company's issue costs of 4.75 per cent.) rounded up to the nearest 0.1p per share.**

The number of New Shares to be issued under each Offer will be rounded down to the nearest whole number (fractions of shares will not be allotted). If there is a surplus of funds from the Subscription amount, the balance will be returned (without interest) in the form of a cheque made payable to the Subscriber sent to the address shown on the Subscription Form (save where the amount is less than £1 per Offer, in which case it will be retained by the relevant Company). Share and tax certificates will be sent to the Subscriber at the address shown on the Subscription Form.

Each Company's net asset value is expected to be announced with respect to the anticipated allotments in accordance with the following table:

Allotment	Date of NAV	Announcement of NAV*	Date of Allotments
First allotments	31 January 2012	17 February 2012	20 February 2012
Second allotments	29 February 2012	6 March 2012	7 March 2012
Third and final allotments	30 March 2012	4 April 2012	5 April 2012

Notes:

\* The NAVs to be announced on 17 February, 6 March and 4 April 2012 will comprise valuations of the unquoted investments as at 31 December 2011 and valuations of the AIM-traded and other listed investments as at 31 January, 29 February and 30 March 2012 respectively, provided that the Board of each Company shall have the right at its sole discretion to use a more recent valuation of any unquoted investment if it believes that there has been a material change in the value of such investment since the last valuation date and the date of the announcement of its respective NAV.

The maximum amount to be raised under each Offer is approximately £4.135 million. The maximum number of New Shares to be issued by each Company under its respective Offer is as follows:

<sup>1</sup> Pursuant to the Prospectus Rules of the Financial Services Authority, each Company can list up to 9.99 per cent. of its issued share capital (subject to a maximum of less than €5 million being offered) in any rolling 12 month period without the need to publish a prospectus. At the date of launch of the Offer the exchange rate was €1:82.76p.

7,664,038 Baronsmead VCT New Shares, 6,802,227 Baronsmead VCT 2 New Shares, 5,993,753 Baronsmead VCT 3 New Shares and 5,821,596 Baronsmead VCT 4 New Shares. Each Offer will close once fully subscribed or once that Company has reached its individual maximum number of New Shares which may be issued.

Each Board may close its Company's Offer earlier than the date stated above or may extend such Offer. Each Board further reserves the right to accept a Subscription and to allot and arrange the listing of New Shares in its Company in respect of Subscriptions received for its Company's Offer on or prior to the closing date of such Offer as that Board sees fit, which may not be on the dates stated above.

## Illustration of the Pricing Formula

An illustration of the application of the Pricing Formula based on the most recently published NAVs per existing Share as at 30 November 2011, is set out below.

	Unaudited NAV per Share as at 30 November 2011 (p)	Example Offer Prices per New Share (p)**
Baronsmead VCT	72.62	76.3
Baronsmead VCT 2	94.58	99.3
Baronsmead VCT 3	99.98*	105.0
Baronsmead VCT 4	93.58*	98.3

Notes:

\* After accounting for dividends paid on 9 December 2011.

\*\* The Offer Prices used above are for illustrative purposes only as the NAV per Share for each Company may be different for the purposes of calculating the actual Offer Prices applicable for each allotment of New Shares under each Offer (which may be higher or lower than in the example above).

## The Manager

ISIS is the investment manager of the Companies and has managed VCTs since their inception in 1995. As at 30 November 2011, ISIS managed approximately £650 million on behalf of its Venture Capital Trust and institutional clients.

The Manager aims to bring capital and strategic support to profitable growth businesses that have ambitious management teams, scalable business models and the potential for market leadership. The Manager takes an active role in helping the portfolio companies to grow through organic development and/or acquisition, providing expertise from within its own team and helping to source external support when required.

## Investment objectives

Each Company is a tax-efficient listed company which aims to achieve long-term investment returns for private investors. Funds raised under each Offer will be utilised by the relevant Company in accordance with its existing investment policy. The Companies co-invest with each other, enabling them to invest into larger transactions and into more established unquoted companies.

Collectively, the Companies have one of the largest pools of VCT funds raised before 6 April 2006. As a result, the Manager has the ability to continue to make investments under less restrictive VCT rules which allow the Companies to invest in companies with gross assets of up to £15 million pre-investment (£16 million post-investment).

Details of each Company's investment policy and risk management are contained in the Directors' Report within their respective latest Annual Report and Accounts which are available on request or can be found on the Companies' respective websites at [www.baronsmeadvcts.co.uk](http://www.baronsmeadvcts.co.uk) under the "Reports" section.

There is no guarantee that a Company's investment objective will be achieved. The value of a VCT depends on the performance of the underlying assets. Shareholders may get back less than originally

invested, even taking the available tax reliefs into account. Investment in smaller companies which are unquoted, or traded on AIM, by its nature, involves a higher degree of risk than investment in larger companies.

## Established Companies with invested portfolios

Each Company is amongst the largest VCTs in the generalist sector and between them have a combined net asset value of £235 million as at 30 November 2011. The Companies were established between 1995 and 2001 and each has an existing portfolio of 64 to 72 companies in which they have co-invested. Baronsmead VCT, Baronsmead VCT 2 and Baronsmead VCT 3 have also invested in Wood Street Microcap, a fund giving them investment exposure to a further 31 AIM-traded and fully listed companies.

A summary of the combined investment portfolio of the Companies is shown below.

	Total for all four Companies
Total net assets*	£234.7 million
No. of portfolio companies	72
No. of unquoted companies	21
No. of quoted companies	51
Investments in common**	92%

Notes:

\* Unaudited net assets as at 30 November 2011.

\*\* By value

The future performance of each Company's portfolio will be determined by the existing investments but this will change as the existing investments are sold and new investments are made. The market for stock in smaller unquoted and quoted companies is often less liquid than that for larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such investments. In addition, past performance is no indication of future performance.

## Regular dividends

The dividend policy of each Company is to seek to maintain a regular flow of dividends to its Shareholders, and is set out on the inside front cover of its Annual Report and Accounts.

The Board of each Company has sought to maintain a regular flow of dividends to its shareholders over time as illustrated in the table below setting out the dividends paid over the five years to 31 December 2011. It has done so through the retention of some of the profits realised from the sale of investments for the payment of future dividends, where it has been possible and appropriate to do so. Each Board intends to continue this strategy in the future where appropriate, and at the sole discretion of the Board of that Company, should it consider it to be in the best interests of its shareholders, and subject to the legal and regulatory requirements at the time.

Dividends paid in the five years to 31 December 2011 (p per Share).						
	2007	2008	2009	2010	2011	Averages
Baronsmead VCT	12.5	8.0	6.0	6.0	8.0	8.1
Baronsmead VCT 2	8.5	7.0	5.5	5.5	7.0	6.7
Baronsmead VCT 3	7.5	7.5	7.5	7.5	7.5	7.5
Baronsmead VCT 4	7.0	7.0	7.0	7.0	7.0	7.0
Combined averages						7.3

It is the intention of each Company that its Shareholders will receive dividends twice each year. As dividends are normally paid with respect to the half-year and final results, as shown in the table below, it is anticipated that investors who invest in each of the four Offers will receive two dividend payments, four times a year.

	Interim reporting date	Normally paid	Financial year end	Normally paid
Baronsmead VCT & Baronsmead VCT 2	31 March	May/June	30 September	January/February
Baronsmead VCT 3 & Baronsmead VCT 4	30 June	August/September	31 December	April/May

The ability of each Company to meet its dividend policy objective cannot be guaranteed and depends primarily on the level and timing of profitable realisations of its investments. As a result, there may be variations in the amounts and timing of dividends paid year on year. The value of the investment, and the dividend stream from a Company, can rise and fall.

## Track record

Since November 1995, the Companies have raised £288 million (net of expenses). In aggregate, as at 30 November 2011, the net asset values of the Companies were £235 million having paid or declared dividends of approximately £144 million and having bought back shares at an aggregate cost of £35 million.

Since their respective launches between 1995 and 2001, the Companies have paid average annual dividends of 6.1p per Share (tax free to Qualifying Investors). Over the last five years the Companies have paid an average annual dividend of 7.3p per Share (tax free to Qualifying Investors). A summary of the track record of each Company since their respective launches is set out in the table below.

	Launch date	NAV (£m)	Average annual dividends paid per Share since launch (p)	NAV total return per Share since launch* (p)
Baronsmead VCT	November 1995	55.8	7.1	250.9
Baronsmead VCT 2	April 1998	64.6	6.4	229.9
Baronsmead VCT 3	January 2001	59.8	5.8	189.4
Baronsmead VCT 4	December 2001	54.5	5.2	163.5
<b>Total/averages</b>	–	234.7	6.1p	208.4

Notes:

As at 30 November 2011

\*AIC methodology: NAV total return to the investor, including the original amount invested (rebased to 100p) from launch, assuming dividends paid were reinvested at the NAV of that Company at the time the Shares were quoted ex-dividend.

The difference in the investment returns between the Companies, as shown above, is largely a legacy matter. The differences can mostly be explained by the six year period over which the Companies were launched and the market conditions during those times. The amount raised by each Company in its initial offering varied, and as a result the Companies historically invested different amounts in the portfolio investments according to their respective available cash resources. However, since 2005 each Company has invested the same proportion in each new unquoted investment. As at 30 November 2011, 92% of the combined total value of the unquoted, AIM-traded and other listed investments were common to each Company's individual investment portfolio.

For illustrative purposes only, based on the average Offer Prices per New Share and the average dividends paid and declared, each as set out above, the yield (tax free to Qualifying Investors) on an equal amount invested under all of the Offers would have been 6.5 per cent since launch (based on NAVs as at 30 November 2011).

The above figures are stated before taking initial VCT tax reliefs into account and are only an illustration and no forecast or projection is implied or inferred and are based on historical dividends. Past performance is not a guide as to what might happen in the future and any change of governmental, economic, fiscal, monetary or political policy could materially affect, directly or indirectly, the operation of the VCTs and/or their ability to achieve or maintain VCT status. The ability of each Company to pay dividends in the future cannot be guaranteed.

## Share buy back policies

Each Company buys back its Shares if, in the opinion of its Board, a repurchase of Shares would be in the best interests of its Shareholders as a whole. Historically, the repurchase price has represented an approximate discount to net asset value of circa. 10 per cent. The Manager works closely with each Company's broker, Matrix Corporate Capital LLP, to minimise the bid-offer spread, which has averaged approximately 1p per Share for each Company in the two years to 30 November 2011.

Trading in VCT shares is not particularly active, so shares tend to be valued at a discount to their net asset value and may be difficult to realise. As a result, Shareholders may be offered a price which is less than the full value of a Company's underlying assets. The spread between the buying and selling price of such shares may be wide and thus the price used for valuation may not be achievable. While each Company has sought to buy back its Shares in the past there is no guarantee that there will be any buy back or other opportunity for Shareholders to realise their holdings in the future.

## Costs of each Offer

The Manager will, in respect of services provided pursuant to each Offer, receive a fee of 4.75 per cent. of the gross proceeds of that Offer. Out of this fee, the Manager will pay both initial and trail commission to authorised advisers and all other costs in connection with the relevant Offer. The Manager will be responsible for any costs in excess of this amount. The net proceeds of each Offer will, therefore, be approximately £3,938,587.50 million if each Offer is fully subscribed.

## Management and administration

Details of the management, administration and monitoring fee arrangements, along with the performance fees charged by the Manager and co-investment arrangements, are shown in the "Report of the Directors" section of each Company's Annual Report and Accounts.

## Annual running costs

Annual running costs, including the Manager's fees, Directors' fees, professional fees and the costs incurred by each Company in the ordinary course of business (but excluding any performance fees payable to the Manager and irrecoverable VAT), are capped at 3.5 per cent. of each Company's net assets, any excess being met by the Manager by way of reduction in future management fees.

The Manager is paid an annual management fee equivalent to 2 per cent. of the net assets of Baronsmead VCT and Baronsmead VCT 2 and 2.5 per cent. of the net assets of Baronsmead VCT 3 and Baronsmead VCT 4, which in each case is paid quarterly in arrears. The total expense ratios of Baronsmead VCT and Baronsmead VCT 2 as at 30 September 2011 were 2.5 per cent. and 2.4 per cent. respectively. The total expense ratios of Baronsmead VCT 3 and Baronsmead VCT 4 as at 31 December 2010 were 3.0 per cent. and 3.1 per cent. respectively. For each Company these percentages are stated with reference to the average total Shareholder funds for the respective Company over the last financial year.

Charges and performance fees for VCTs may be higher than unit trusts and open ended investment companies.

## Adviser commissions

Authorised financial intermediaries who, acting on behalf of their clients, return valid Subscription Forms bearing their FSA number, will be paid initial commission of 3 per cent. or, if so elected, 2 per

cent. with additional annual trail commission for four years of 0.4 per cent. on the amount paid for the New Shares allotted in each Company in respect of such Subscription Forms.

Authorised financial intermediaries may agree to waive part or all of their initial commission in respect of Subscriptions. If this is the case, then the Subscriptions for each relevant Company will be increased by the amount of initial commission waived and the enlarged Subscriptions will be applied in subscribing for additional New Shares in those Companies. No further fees or commission will be paid in respect of such additional New Shares in each Company.

## Application procedure

Subscribers may elect to invest equally in all of the Offers or invest different amounts under one or more of the Offers, subject to the Offers being open at the time their Subscription Forms are received. Subscribers must subscribe a minimum in aggregate of £4,000, with a minimum of £1,000 per elected Offer and thereafter in multiples of £1,000 per Offer.

Where Subscribers have elected to invest equally in all of the Offers, as far as practically possible, the following will apply at the time their Subscription Forms are received:

- If all of the Offers remain open, the Subscriptions will be invested equally in all of the Offers.
- If one or more of the Offers has closed, the Subscriptions will be invested equally in all of the Offers which remain open.
- If all of the Offers are closed, the total amount subscribed will be returned.

Where Subscribers have elected to invest different amounts under one or more of the Offers, as far as practically possible, the following will apply at the time their Subscription Forms are received:

- If all of the Offers remain open, the Subscriptions will be invested as elected on the Subscription Form.
- If one or more but not all of the chosen Offers are closed, Subscribers may elect to have either;
  - (i) their Subscriptions re-allocated to Offers that they have subscribed to that remain open; or
  - (ii) their Subscriptions re-allocated to any Offers that remain open; or
  - (iii) their Subscriptions for the closed Offers returned; or
  - (iv) their Subscriptions returned in full (i.e. no Subscription will be made).
- If all of the Offers are closed, the total amount subscribed will be returned.

Existing Shareholders in the Companies will have received a personalised Subscription Form with this document. Blank Subscription Forms are also attached at the end of this document together with explanatory notes.

The terms and conditions of Subscriptions for the New Shares under each Offer are set out on pages 17 to 20 of this document. Subscribers are advised to read the terms and conditions of Subscription, as well as the Notes on how to complete the Subscription Form on pages 21 to 24, in particular in respect of how to make elections as to investing in all or specific Offers and the consequences of one or more of the Offers already being fully subscribed by the time the Subscription Forms are received.

Please send all completed Subscription Forms to:

**The City Partnership (UK) Limited, Thistle House, 21-23 Thistle Street, Edinburgh EH2 1DF**

The Board of each Company reserves the right, in its absolute discretion, to determine the basis of acceptances of Subscriptions and the allocation of the New Shares under its Company's Offer. In the event that aggregate Subscriptions are received in excess of £4.135 million for an Offer, each Board reserves the right to use its discretion in the allocation of successful Subscriptions in its Company's Offer, but will otherwise seek to deal with Subscriptions on a "first come, first served basis".

Each Company will make an application to the UK Listing Authority for the New Shares to be issued pursuant to its Offer to be admitted to the premium segment of the Official List of the UK Listing Authority and to the London Stock Exchange for their trading on the London Stock Exchange's main market for listed securities. Admission is expected to take place three Business Days after each allotment.

## Investment by the Directors

The directors of each of the Companies have committed to make the following investments in aggregate across the Offers: Baronsmead VCT £86,000; Baronsmead VCT 2 £11,000; Baronsmead VCT 3 £41,000; and Baronsmead VCT 4 £33,000.

## Enquiries

Potential investors should consult their professional or financial advisers before deciding whether and, if so, how much they should invest under the Offers.

Should you have any questions concerning the Subscriptions procedure please call ISIS EP LLP on 020 7506 5717 or The City Partnership (UK) Limited on 0131 243 7210.

Please note that ISIS and The City Partnership (UK) Limited act only for the Companies and not for any investor under the Offers and will not be responsible to investors for providing the protections afforded to their regulatory clients. ISIS and The City Partnership (UK) Limited will not be able to give investment, financial or tax advice.

We very much look forward to welcoming participation from new investors and existing Shareholders.

Yours faithfully

**Peter Lawrence**

Chairman,  
Baronsmead VCT plc  
[www.baronsmeadvct.co.uk](http://www.baronsmeadvct.co.uk)

**Clive Parritt**

Chairman,  
Baronsmead VCT 2 plc  
[www.baronsmeadvct2.co.uk](http://www.baronsmeadvct2.co.uk)

**Anthony Townsend**

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**Robert Owen**

Chairman,  
Baronsmead VCT 4 plc  
[www.baronsmeadvct4.co.uk](http://www.baronsmeadvct4.co.uk)

# Taxation considerations

## Tax Position of Investors

### 1. Tax reliefs

The following is only a summary of the current law concerning the tax position of individual Qualifying Investors in VCTs. Potential investors are recommended to consult a duly authorised independent financial adviser as to the taxation consequences of an investment in a VCT. The tax rules or their interpretation in relation to an investment in the Companies and/or rates of tax may change during the life of the Companies and can be retrospective.

The tax reliefs set out below are those currently available to individuals aged 18 or over who subscribe for New Shares under the Offers and will be dependent on personal circumstances. Whilst there is no specific limit on the amount of an individual's acquisition of shares in a VCT, tax reliefs will only be given to the extent that the total of an individual's subscriptions or other acquisitions of shares in VCTs in any tax year does not exceed £200,000. Qualifying Investors who intend to invest more than £200,000 in VCTs in any one tax year should consult their professional advisers.

#### (a) Income tax

##### (i) *Relief from income tax on investment*

A Qualifying Investor subscribing for New Shares will be entitled to claim income tax relief on amounts subscribed up to a maximum of £200,000 invested in VCTs in any tax year.

To obtain relief a Qualifying Investor must subscribe on his own behalf although the New Shares may subsequently be transferred to a nominee.

The relief is given at the rate of 30 per cent. on the amount subscribed regardless of whether the Qualifying Investor is a higher rate, additional rate or basic rate tax payer, provided that the relief is limited to the amount which reduces the Qualifying Investor's income tax liability to nil. Investments to be used as security for or financed by loans may not qualify for relief, depending on the circumstances.

##### (ii) *Dividend relief*

A Qualifying Investor, who acquires shares in VCTs in any tax year having a value of up to a maximum of £200,000, will not be liable to income tax on dividends paid on those shares and there is no withholding tax thereon.

##### (iii) *Purchases in the market*

A Qualifying Investor who purchases existing shares in the market will be entitled to claim dividend relief (as described in paragraph 1(a)(ii) above) but not relief from income tax on investment (as described in paragraph 1(a)(i) above).

##### (iv) *Withdrawal of relief*

Relief from income tax on a subscription for VCT shares (including New Shares) will be withdrawn if the VCT shares are disposed of (other than between spouses or on death) within five years of issue or if the VCT loses its approval within this period as detailed below.

Dividend relief ceases to be available once the Qualifying Investor ceases to own VCT shares in respect of which it has been given or if the VCT loses its approval within this period as detailed below.

#### (b) Capital gains tax

##### (i) *Relief from capital gains tax on the disposal of VCT shares*

A disposal by a Qualifying Investor of VCT shares will give rise to neither a chargeable gain nor an allowable loss for the purposes of UK capital gains tax. The relief is limited to the disposal of VCT shares acquired within the limit of £200,000 for any tax year.

(ii) ***Purchases in the market***

An individual purchaser of existing shares in the market will be entitled to claim relief from capital gains tax on disposal (as described in paragraph 1b(i) above).

**(c) Loss of VCT approval**

For a company to be fully approved as a VCT it must meet the various requirements for full approval as set out below.

If a company which has been granted approval as a VCT subsequently fails to comply with the conditions for approval, approval as a VCT may be withdrawn. In these circumstances, relief from income tax on the initial investment is repayable unless loss of approval occurs more than five years after the issue of the relevant VCT shares. In addition, relief ceases to be available on any dividend paid in respect of profits or gains in any accounting period ending when VCT status has been lost and any gains on the VCT shares up to the date from which loss of VCT status is treated as taking effect will be exempt, but gains thereafter will be taxable.

**2. Illustration of effect of tax relief for Qualifying Investors**

The table below has been prepared for illustrative purposes only and does not form part of the summary of the tax reliefs contained in this section. The table shows how the initial tax reliefs available can reduce the effective cost of an investment of £10,000 in a VCT by a Qualifying Investor subscribing for VCT shares to only £7,000:

	Effective Cost	Tax Relief
Investors unable to claim any tax reliefs	£10,000	Nil
Qualifying Investor able to claim full 30% income tax relief	£7,000	£3,000

Income tax relief is only available if the shares are held for the minimum holding period of five years. The limit for obtaining income tax relief on investments in VCTs is £200,000 in each tax year.

**3. Obtaining tax reliefs**

The Companies will provide to each Qualifying Investor a certificate which the Qualifying Investor may use to claim income tax relief, either by obtaining from HMRC an adjustment to his tax coding under the PAYE system or by waiting until the end of the tax year and using his tax return to claim relief.

**Tax Position of the Companies**

The Companies each have to satisfy a number of tests to qualify as a VCT. A summary of these tests is set out below.

**1. Qualification as a VCT**

To qualify as a VCT, a company must be approved as such by HMRC. To obtain such approval it must:

- (a) not be a close company;
- (b) have each class of its ordinary share capital listed on a regulated market;
- (c) derive its income wholly or mainly from shares or securities;
- (d) have at least 70 per cent. by VCT Value of its investments in shares or securities in Qualifying Investments, of which 30 per cent. must be in eligible shares (70 per cent. for funds raised after 5 April 2011);
- (e) have at least 10 per cent. by VCT Value of each Qualifying Investment in eligible shares;
- (f) not have more than 15 per cent. by VCT Value of its investments in a single company or group (other than a VCT or a company which would, if its shares were listed, qualify as a VCT); and

(g) not retain more than 15 per cent. of its income derived from shares and securities in any accounting period.

The term 'eligible shares' means shares which carry no preferential rights to voting, dividends and assets on a winding-up and no rights to be redeemed or, for funds raised after 5 April 2011, shares which do not carry any rights to be redeemed or a preferential right to assets on a winding-up or dividends (in respect of the latter, where the right to the dividend is cumulative or where the amount or dates of payment of the dividend may be varied by the company, a shareholder or any other person).

## 2. Qualifying Investments

A Qualifying Investment consists of shares or securities first issued to the VCT (and held by it ever since) by a company satisfying the conditions set out in Chapters 3 and 4 of Part 6 of the Tax Act and for which not more than £1 million was subscribed in any one tax year (nor more than £1 million in any period of six months straddling two tax years).

The conditions are detailed, but include that the company must be a Qualifying Company, have gross assets not exceeding £15 million immediately before and £16 million immediately after the investment, must apply the money raised for the purposes of a qualifying trade within certain time periods and not be controlled by another company. In certain circumstances, an investment in a company by a VCT can be split into a part which is a qualifying holding and a part which is a non-qualifying holding.

For funds raised after 5 April 2006, the gross assets test was reduced to £7 million immediately before and £8 million immediately after investment. In addition, for funds raised after 5 April 2007, to be qualifying holdings, investments must be in companies which have fewer than 50 full-time (equivalent) employees and do not obtain more than £2 million of investment from VCTs (where funds were raised after 5 April 2007) and individuals claiming relief under the Enterprise Investment Scheme in any rolling 12 month period.

The Government announced in March 2011 that, subject to EU State Aid approval being received, legislation will be introduced in forthcoming tax years to increase the above mentioned limits. The gross assets test referred to above is proposed to be increased to £15 million immediately before and £16 million immediately after the investment, the number of permitted employees for an investee company is proposed to be increased from 50 to 250 and the amount of investment obtained by companies from VCTs or under the Enterprise Investment Scheme is proposed to be increased to £10 million in any rolling 12 month period.

## 3. Qualifying Companies

A Qualifying Company must be unquoted (for VCT purposes this includes companies whose shares are traded on PLUS Markets and AIM) and must carry on a qualifying trade. For this purpose certain activities are excluded (such as dealing in land or shares or providing financial services). The qualifying trade must either be carried on by, or be intended to be carried on by, the Qualifying Company or by a qualifying subsidiary at the time of the issue of shares or securities to the VCT (and at all times thereafter).

The company must have a permanent establishment in the UK, but the company need not be UK resident. A company intending to carry on a qualifying trade must begin to trade within two years of the issue of shares or securities to the VCT and continue it thereafter.

A Qualifying Company may have no subsidiaries other than qualifying subsidiaries which must, in most cases, be at least 51 per cent. owned.

## 4. Draft 2012 Finance Bill

The draft legislation to be included in the Finance Bill 2012 published on 6 December 2011 contains measures to increase some of the size limits applying to investee companies (as detailed at 2 above), subject to EU State Aid approval. The draft legislation also contains proposals to remove the annual £1 million limit VCTs can invest in qualifying investments and a disqualifying purpose test designed to exclude companies set up for the purpose of accessing the tax reliefs. It is proposed that these changes should take effect for investments made after 5 April 2012. This follows a consultation document issued in July 2011 which contained proposals to ensure that VCT investments remain appropriately targeted. In addition, for VCT funds raised after 5 April 2012 it is proposed that such funds should be excluded from being used for the acquisition of shares in another company.

## 5. Approval as a VCT

A VCT must be approved at all times by HMRC. Approval has effect from the time specified in the approval.

A VCT cannot be approved unless the tests detailed above are met throughout the most recent complete accounting period of the VCT and HMRC is satisfied that they will be met in relation to the accounting period of the VCT which is current when the application is made. However, where a VCT raises further funds, VCTs are given grace periods to invest those funds before such further funds become subject to the tests.

Each Company has received approval as a VCT from HMRC.

## 6. Withdrawal of approval

Approval of a VCT may be withdrawn by HMRC if the various tests set out above are not satisfied. The exemption from corporation tax on capital gains will not apply to any gain realised after the point at which VCT status is lost.

Withdrawal of approval generally has effect from the time when notice is given to the VCT but, in relation to capital gains of the VCT only, can be backdated to not earlier than the first day of the accounting period commencing immediately after the last accounting period of the VCT in which all of the tests were satisfied.

**The above is only a summary of the conditions to be satisfied for a company to be treated as a VCT.**

# Risk factors associated with investing in VCTs

Each Board draws the attention of potential investors to the following risk factors which may affect the Companies, the New Shares and VCTs generally. The profile of a typical investor for whom shares in the Companies are designed is a retail investor, who is a UK income tax payer aged 18 or over with an investment range of between £4,000 and £200,000 and who is looking for exposure to unquoted, PLUS Markets-traded and AIM-traded companies whilst receiving tax-free income through a dividend stream. Any decision by an investor to invest in any one or more of the Companies should be based on consideration of this document as well as the latest publicly available financial information on such Companies. An investment in any one or more of the Companies is only suitable for investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result from such investment.

Investment in any one or more of the Companies should be regarded as long-term in nature and is not suitable for all individuals, particularly with regard to the five year period for which investors must hold their New Shares to retain initial income tax relief. Potential investors should consult their professional or financial advisers before deciding whether and, if so, how much they should invest in the New Shares of any one or more of the Companies.

The following risks are those material risks of which each Board is aware. Additional risks which are not presently known to each Board, or that the relevant Board currently deems immaterial, may also have an effect on its Company's business, financial condition or results of operations.

## General risks

The market price of the New Shares may not fully reflect their underlying NAV. The value of an investment in a Company, and the income derived from it, may go down as well as up and an investor may not get back the amount invested.

Although each Company's existing shares are already listed, and it is intended that the New Shares to be issued in that Company will be listed on the premium segment of the Official List and admitted to trading on the main market for listed securities of the London Stock Exchange, it is likely that there will not be a liquid market in such New Shares (which may be partly due to up front tax relief not being available for VCT shares bought in the market and as VCT shares generally trade at a discount to net asset value) and Shareholders may have difficulty in selling their shares as a result.

The past performance of any one or more of the Companies or other funds managed or advised by the Manager is not a guide to the future performance of the Companies. The value of Shares in a Company depends on the performance of its underlying assets. The value of the investment and dividend stream can rise and fall. Shareholders may get back less than the amount originally invested in a Company, even taking into account the available tax reliefs.

There can be no guarantee that a Company's investment objective will be achieved or that suitable investment opportunities will be available.

## Investment and market risks

Investment in AIM-traded and unquoted companies by its nature, involves a higher degree of risk than investment in companies traded on the main market for listed securities of the London Stock Exchange. In particular, smaller companies often have limited product lines, markets or financial resources and may be dependent for their management on a smaller number of key individuals. In addition, the market for stock in smaller companies is often less liquid than that for stock in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such stock. Full information for determining their value or the risks to which they are exposed may also not be available.

A Company's investments may be difficult to realise. The fact that a share is traded on AIM or PLUS Markets does not guarantee its liquidity. The spread between the buying and selling price of such shares may be wide and thus the price used for valuation may not be achievable. The valuation of a Company's portfolio and opportunities for realisation may also depend on stock market conditions.

The market for new shares in AIM is subject to market forces and there can be no certainty that there will be sufficient new share issues to enable a Company to achieve the intended level of investment in Qualifying Investments.

Changes in legislation concerning VCTs (whether pursuant to the draft legislation to be included in the Finance Bill 2012 or otherwise), in particular, in relation to qualifying holdings and qualifying trades, may limit the number of qualifying investment opportunities, reduce the level of returns which would otherwise have been achievable or result in a Company not being able to meet its objectives.

Any change of governmental, economic, fiscal, monetary or political policy, in particular current government spending reviews and cuts, could materially affect, directly or indirectly, the operation of a Company and/or the performance of that Company (and the portfolio companies in which it invests) and the value of and returns from Shares and/or its ability to achieve or maintain VCT status.

## Tax and legislative related risks

The information in this document is based on existing legislation, including taxation legislation. The tax reliefs described are those currently available. The tax rules or their interpretation in relation to an investment in any one or more of the Companies and/or rates of tax may change during the life of those Companies and can be retrospective. The value of tax reliefs depends on the personal circumstances of holders of Shares in any one or more of the Companies, who should consult their own tax advisers before making any investment.

Each Company intends to manage its affairs in respect of each accounting period so as to obtain and thereafter maintain approval as VCTs. However, there can be no guarantee that a Company will be able to maintain VCT status. Where a Company fails to maintain approval as a VCT before Qualifying Investors have held their New Shares in that Company for five years, the income tax relief obtained on the amount subscribed in that Company will have to be repaid by such investors. Dividends paid in an accounting period where VCT status is lost will become taxable and a Qualifying Investor will generally be liable to income tax on the aggregate amount of the dividend and the notional tax credit equal to 1/9th of the dividend. The notional tax credit will discharge the income tax liability of a basic rate tax payer. Qualifying Investors who also pay tax at the higher or additional rate can use the notional credit against their tax liability.

Where approval as a VCT is not maintained a Company will also lose its exemption from corporation tax on capital gains. If at any time VCT status is lost, dealings in the Shares of a Company will normally be suspended until such time as the Company has published proposals either to continue as a VCT or to be wound up.

The sale of New Shares within five years of their issue will result in some or all of the 30 per cent. income tax relief available upon investment becoming repayable. On this basis, investing in New Shares should be considered a long-term investment.

# Definitions

“AIM”	the AIM Market of the London Stock Exchange
“Admission”	the respective date on which the New Shares allotted pursuant to the Offers are listed on the premium segment Official List and admitted to trading on the London Stock Exchange’s main market for listed securities
“Baronsmead VCT”	Baronsmead VCT plc
“Baronsmead VCT Offer”	the offer for subscription of New Shares in Baronsmead VCT contained in this document
“Baronsmead VCT 2”	Baronsmead VCT 2 plc
“Baronsmead VCT 2 Offer”	the offer for subscription of New Shares in Baronsmead VCT 2 contained in this document
“Baronsmead VCT 3”	Baronsmead VCT 3 plc
“Baronsmead VCT 3 Offer”	the offer for subscription of New Shares in Baronsmead VCT 3 contained in this document
“Baronsmead VCT 4”	Baronsmead VCT 4 plc
“Baronsmead VCT 4 Offer”	the offer for subscription of New Shares in Baronsmead VCT 4 contained in this document
“Boards”	the boards of Directors of the Companies (and each a “Board”)
“Business Days”	any day (other than a Saturday) on which clearing banks are open for normal banking business in sterling
“Chairmen”	the chairmen of the Companies and each a “Chairman”
“Companies”	Baronsmead VCT, Baronsmead VCT 2, Baronsmead VCT 3 and Baronsmead VCT 4 (and each a “Company”)
“HMRC”	Her Majesty’s Revenue & Customs
“ISIS” or “the Manager”	ISIS EP LLP
“London Stock Exchange”	London Stock Exchange plc
“NAV” or “net asset value”	the net asset value of a Share calculated in accordance with the relevant Company’s accounting policies
“New Shares”	new Shares in a Company to be issued under its Offer
“Offers”	the Baronsmead VCT Offer, the Baronsmead VCT 2 Offer, the Baronsmead VCT 3 Offer and the Baronsmead VCT 4 Offer (and each an “Offer”)
“Offer Price”	the subscription price of the New Shares under each Offer as calculated in accordance with the Pricing Formula
“Official List”	the official list of the UK Listing Authority
“Pricing Formula”	the formula to be used to calculate the Offer Price of the New Shares under each Offer as set out in this document
“Qualifying Company”	an unquoted (including Plus Markets-traded and AIM-traded) company which satisfies the requirements of Part 4 of Chapter 6 of the Tax Act
“Qualifying Investor”	an individual aged 18 or over who satisfies the conditions of eligibility for tax relief available to investors in a VCT
“Qualifying Investment”	shares in, or securities of, a Qualifying Company held by a VCT which meet the requirements of Part 4 of Chapter 6 of the Tax Act

“Registrars”	Computershare Investor Services PLC
“Receiving Agent”	The City Partnership (UK) Limited
“Shareholders”	holders of Shares in any one or more of the Companies (and each a “Shareholder”)
“Shares”	ordinary shares of 10p each in the capital of a Company (and each a Share”)
“Subscriber”	a person whose name appears as such in a Subscription Form for use in connection with the Offers
“Subscription Forms”	the subscription forms for use in connection with the Offers (and each a “Subscription Form”)
“Subscriptions”	offers by investors pursuant to each Offer and made by completing Subscription Forms and posting (or delivering) these to the Receiving Agent or as otherwise indicated on the Subscription Forms (and each a “Subscription”)
“Tax Act”	the Income Tax Act 2007 (as amended)
“this document”	this document including the terms and conditions of Subscriptions
“UK Listing Authority”	the FSA in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
“VCT Value”	the value of an investment calculated in accordance with Section 278 of the Tax Act
“Venture Capital Trust” or “VCT”	a venture capital trust as defined in Section 259 of the Tax Act

# Terms and conditions of Subscriptions

The following terms and conditions apply to each Offer.

Save where the context otherwise requires, words and expressions defined in this document have the same meanings when used in these terms and conditions of Subscriptions, the Subscription Form and explanatory notes.

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

- (a) The contract created by the acceptance of a Subscription under each Offer will be conditional on admission to the premium segment of the Official List in respect of the relevant New Shares in the relevant Company becoming effective, unless otherwise so resolved by the Board of the relevant Company.
- (b) The right is reserved by each Company to present all cheques and bankers' drafts for payment on receipt and to retain its relevant share certificates and Subscription monies, pending clearance of such successful Subscribers' cheques and bankers' drafts. Each Company may treat its relevant Subscriptions as valid and binding even if not made in all respects in accordance with the prescribed instructions and each Company may, at its discretion, accept a Subscription in its Offer in respect of which payment is not received by that Company prior to the closing date of that Offer. If any Subscription is not accepted in full or if any contract created by acceptance does not become unconditional, the Subscription monies or, as the case may be, the balance thereof in excess of £1 per Offer will be returned (without interest) by returning each relevant Subscriber's cheque or banker's draft or by crossed cheque in favour of the Subscriber, through the post at the risk of the person(s) entitled thereto. Balances of less than £1 per Offer may be retained by the relevant Company and used for its own purposes. In the meantime, Subscription monies will be retained by Baronsmead VCT in a separate account (such monies being allocated and held on trust by Baronsmead VCT for the relevant Company to which the Subscription relates). Each Board reserves the right to close its respective Company's Offer earlier than the closing date of such Offer if fully subscribed or to extend such Offer. Each Board further reserves the right in respect of its own Company to accept Subscriptions and issue New Shares in respect of Subscriptions accepted, prior to the closing date of its respective Company's Offer as that Board sees fit. Subscriptions which are not accompanied by cheques available for immediate presentation or by other valid payment means will be dealt with at each Board's discretion. If any dispute arises as to the date or time on which a Subscription is received, each Board's determination shall be final and binding.
- (c) By completing and delivering a Subscription Form, you confirm and warrant that in respect of each Offer you:
  - (i) offer to subscribe the monetary amount stated on the Subscription Form in respect of the relevant Company for such number of New Shares in that Company (or such lesser amount for which your Subscription in that Company is accepted and subject to paragraph (f) below) divided by the applicable Offer Price of the New Shares resulting from the application of the Pricing Formula (as described in this document), subject to these terms and conditions of Subscriptions, and subject to the memorandum and articles of association of the relevant Company;
  - (ii) agree that, in consideration of the relevant Company agreeing to process your Subscription, your Subscription will not be revoked until the relevant Offer is closed and that this paragraph shall constitute a collateral contract between you and the relevant Company which will become binding upon despatch by post to, or (in the case of delivery by hand) on receipt by, the Receiving Agent of your Subscription Form;
  - (iii) agree and warrant that your cheque or banker's draft may be presented for payment on receipt and will be honoured on first presentation and agree that if it is not so honoured you will not be entitled to receive a certificate in respect of the New Shares in the relevant Company until you make payment in cleared funds for such New Shares in that Company and such payment is accepted by that Company in its absolute discretion, (which acceptance shall be on the basis that you indemnify the relevant Company and the Receiving Agent against all costs, damages, losses, expenses and liabilities arising out of or in

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

- (iv) agree that, in respect of those New Shares in the relevant Company for which your Subscription has been received and is not rejected, your Subscription may be accepted at the election of that Company either by notification to the London Stock Exchange of the basis of allocation or by notification of acceptance thereof to the Receiving Agent;
- (v) agree that Baronsmead VCT will hold (on behalf of the Companies) any monies in respect of your Subscription relating to its Offer, together with other monies received in respect of its own Offer, on trust for the payment of the Offer Price in respect of New Shares in that Company you have subscribed for or failing such payment to be returned to you without interest earned in respect of such monies which will be paid to that Company;
- (vi) agree that any monies refundable to you may be retained by Baronsmead VCT (on behalf of the Companies) pending clearance of your remittance and any verification of identity which is, or which that Company or the Receiving Agent may consider to be, required for the purposes of the Money Laundering Regulations 2007 and that such monies will not bear interest;
- (vii) authorise the Registrar to send share certificate(s) in respect of the number of New Shares in the relevant Company for which your Subscription is accepted and that Baronsmead VCT (on behalf of the Companies) to send a crossed cheque for any monies returnable, by post, at your own risk, without interest, to your address set out in the Subscription Form and to procure that your name is placed on the registers of members of that Company in respect of such New Shares;
- (viii) agree that all Subscriptions, acceptances of Subscriptions and contracts resulting therefrom and any non-contractual obligations arising out of or in connection with your Subscription shall be governed by and construed in all respects 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 relevant Company to bring any action, suit or proceeding arising out of or in connection with any such Subscriptions, acceptances of Subscriptions and contracts in any other manner permitted by law or any court of competent jurisdiction;
- (ix) agree and acknowledge that you are making your Subscription on the basis of the information and statements concerning the relevant Company and the New Shares in that Company contained in this document and the latest publicly available financial information of the relevant Company and 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 other information or representation relating to that Company or its New Shares or for any change in the law or regulations affecting VCTs;
- (x) irrevocably authorise the Receiving Agent and/or the relevant Company or any person authorised by any of them, as your agent, to do all things necessary to effect registration of any New Shares in that Company subscribed by or issued to you into your name and authorise any representative of the Receiving Agent or of the relevant Company, as relevant, to execute any document required thereof;
- (xi) 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 relevant Company and its New Shares contained herein;
- (xii) confirm that you are not a US Person within the meaning of Regulation S made under the United States Securities Act of 1933, as amended, or a resident of Canada and that you are not applying for any New Shares with a view to their offer, sale, delivery to or for the benefit of any US Person or a resident of Canada, and that you have reviewed the restrictions contained in paragraphs (d) and (e) below and warrant compliance therewith;
- (xiii) declare that you are an individual aged 18 or over;

- (xiv) agree that all documents in connection with the relevant Offer and any returned monies will be sent by post at your risk;
- (xv) agree, on request by the relevant Company, or the Receiving Agent on behalf of that Company, to disclose promptly in writing to that Company any information which that Company or the Receiving Agent may reasonably request in connection with your Subscription including, without limitation, satisfactory evidence of identity to ensure compliance with the Money Laundering Regulations 2007 and authorise the relevant Company and the Receiving Agent to disclose any information relating to your Subscription as it considers appropriate;
- (xvi) agree that ISIS will neither treat you as its customer by virtue of your Subscription being accepted nor owe you any duties or responsibilities concerning the price of the New Shares in the relevant Company or the suitability for you of New Shares in that Company or be responsible to you for providing the protections afforded to its customers;
- (xvii) 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, New Shares in the relevant Company and that the New Shares in that Company are being acquired for bona fide commercial purposes and not as part of a scheme of arrangement the main purpose of which, or one of the main purposes of which, is the avoidance of tax;
- (xviii) declare that the Subscription Form has been completed to the best of your knowledge;
- (xix) warrant that, if you sign the Subscription Form on behalf of somebody else, you have due authority to do so on behalf of that other person, and such person will also be bound accordingly and will be deemed also to have given the confirmations, warranties, undertakings and authority contained herein and undertake to enclose your power of attorney or a copy thereof duly certified by a solicitor or bank with the Subscription Form; and
- (xx) consent to the information provided on the Subscription Form being provided to the Receiving Agent and the Registrars to process shareholding details and send notifications to you.

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

(e) The New Shares in each Company have not been and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States of America, its territories or possessions or other areas subject to its jurisdiction (the "USA"). In addition, the Companies have not been and will not be registered under the United States Investment Company Act of 1940, as amended. ISIS is not and will not be registered under the United States Investment Advisers Act of 1940, as amended. No Subscription will be accepted if it bears an address in the USA.

(f) Subscribers will be bound by the allocation of Subscription(s) indicated by them on their Subscription Forms, including any re-allocation instruction. The basis of allocation for each Offer will be determined by the relevant Board in its absolute discretion. The right is reserved to reject in whole or in part and scale down and/or ballot any Subscription or any part thereof including, without limitation, Subscriptions in respect of which any verification of identity which any of the Companies or the Receiving Agent consider may be required for the purposes of the Money Laundering Regulations 2007 has not been satisfactorily supplied. Each Board in its absolute discretion may decide to close, suspend or extend its own Offer. Each Offer shall be suspended if (i) the issue of any New Shares pursuant to that Offer would result in the relevant

Company being required to publish a prospectus pursuant to the Prospectus Rules of the FSA or (ii) the issue of such New Shares in the relevant Company would result in a breach of the Listing Rules of the FSA. Dealings prior to the issue of certificates for New Shares will be at the risk of Subscribers. A person so dealing must recognise the risk that a Subscription may not have been accepted to the extent anticipated or at all.

- (g) Authorised financial intermediaries who, acting on behalf of their clients, return valid Subscription Forms bearing their FSA number, will be paid initial commission of 3 per cent. or, if so elected, 2 per cent. with additional annual trail commission for four years of 0.4 per cent. on the aggregate amount paid in respect of the New Shares allotted by a Company under its Offer in respect of such Subscription Form. Authorised financial intermediaries may agree to waive part or all of their initial commission in respect of a Subscription. If this is the case, then Subscriptions will be increased by the amount of initial commission waived and the enlarged Subscription will be applied in subscribing for New Shares in the relevant Company. No further fees or commission will be paid in respect of such additional New Shares in that Company. Financial intermediaries should keep a record of Subscription Forms submitted bearing their FSA number to substantiate any claim for introductory commission. Claims for introductory commission must be made and substantiated on the Subscription Forms.
- (h) The maximum amount to be raised by each Offer is approximately £4.135 million. The maximum number of New Shares to be issued by each Company through its respective Offer is as follows: 7,664,038 Baronsmead VCT New Shares, 6,802,227 Baronsmead VCT 2 New Shares, 5,993,753 Baronsmead VCT 3 New Shares and 5,821,596 Baronsmead VCT 4 New Shares. Each Offer will close once the maximum aggregate number of New Shares under that Offer which may be issued has been reached.

# Notes on how to complete the Subscription Form

**Please complete all relevant parts of the Subscription Form in accordance with the instructions in these notes.**

Sections 1-3 of the Subscription Form require you to provide your own details about your Subscription(s). Sections 4-6 allow your financial adviser to provide their details concerning commission payable to them and how that is to be administered. Investors can make multiple applications using more than one Subscription Form. The Subscription Form is printed towards the end of this Offers Document.

## Subscriber and Subscription Details Sections 1-3

### **1 Name and address, etc:**

Insert using block capitals your full name, full address including the post code, daytime telephone number, email address, National Insurance number and date of birth. Should the Receiving Agent need to contact you about your Subscription it will need your contact details to enable them to do so.

**Existing Shareholders** in any of the Companies will have received a separate Subscription Form with their name and address details completed. Existing Shareholders should provide their contact details and personal information as it will enable the Receiving Agent to contact you about your Subscription should it need to do so.

It is very important that you complete this section clearly and accurately as the Receiving Agent will send a confirmation letter to you at the address shown in this section. If your Subscription(s) are successful your name and address will be entered on to the Register of the relevant Company and printed on the tax and share certificates.

### **2.1 Amount you wish to subscribe equally to all of the Offer(s):**

Insert (in figures) in the box the total aggregate value of the investment you wish to make pursuant to the Offers. This amount will be invested, as far as is practically possible, equally in all of the Offers that are open at the time your Subscription Form is received. This may mean that you invest in only one Offer if the other three Offers are closed by the time your Subscription Form is received. Your Subscriptions must be for a minimum aggregate amount of £4,000 and thereafter in multiples of £1,000.

If all of the Offers are closed by the time your Subscription Form is received then the total amount you have subscribed will be returned to you.

OR

### **2.2 Amount you wish to subscribe to the individual Offer/s:**

Insert (in figures) in the relevant box the value of the investment you wish to make pursuant to each Company's individual Offer. Your Subscription(s) must be for a minimum aggregate amount of £4,000 and a Subscription to each Company's Offer must be in multiples of £1,000.

If all of the Offers under which you have chosen to subscribe are closed by the time your Subscription Form is received then the total amount you have subscribed will be returned to you.

If one or more, but not all, of the Offer(s) under which you have chosen to subscribe to is/are closed by the time your Subscription Form is received you can choose to have the balance of your Subscription monies in respect of the closed Offer(s) either re-allocated to those Offer(s) that remain open or returned to you.

### ***Re-allocation of Subscriptions***

In the event that one or more, but not all, of the Offer/s under which you have chosen to subscribe is/ are closed by the time your Subscription Form is received and you want the balance of your Subscriptions re-allocated tick:

Box (i) so that your Subscriptions are invested equally in the remaining Offers for which you have subscribed and which are open.

OR

Box (ii) so that your Subscriptions are invested, as far as is practically possible, equally in all the remaining Offers which are open. This may mean that you would invest in only one Offer if the other three Offers are closed by the time your Subscription Form is received and also that you may invest in a Company you had not previously indicated that you wanted to invest in.

In the event that you choose to have your Subscription(s) re-allocated under option (i) or option (ii) above, the Receiving Agent will inform you of the allocation of your Subscription(s) as a result of the re-allocation when acknowledging receipt of your Subscription Form.

#### ***Return of Subscription(s)***

In the event that one or more but not all of the Offers under which you have chosen to subscribe is/are closed by the time your Subscription Form is received and you want your Subscription(s) to be returned tick:

Box (iii) so that your Subscription(s) are returned to you but for that sum which is retained and invested in the Offers for which you have subscribed and which are open such that a minimum amount of £4,000 is subscribed in total;

OR

Box (iv) so that all of your Subscription(s) are returned, including the Subscription monies in respect of any Offer(s) under which you have chosen to subscribe and which are still open, i.e. all of your Subscription monies would be returned to you if you tick this box.

In the event that one or more, but not all, of the Offer/s under which you have chosen to subscribe is / are closed by the time your Subscription Form is received but you have not indicated whether you want your Subscription/s either re-allocated or returned, your Subscription/s will be dealt with under option 2.2 (iii) above.

#### ***3 Signature and date:***

Sign and date the Subscription Form in Section 3. By signing and dating the Subscription Form you agree to invest in the relevant Companies in accordance with the terms and conditions of Subscriptions as set out on pages 17 to 20 of this document. **If this section of the form is unsigned the Receiving Agent will not be able to process your Subscription(s) and the Subscription monies will be returned to you.**

#### ***Payment***

Pin a cheque or banker's draft to the Subscription Form for the exact amount shown in the box in section 2.1 **or** the total of the amount/s shown in the boxes in section 2.2. Your cheque or banker's draft must be made payable to "Baronsmead VCT plc – offer subscriptions a/c 300002 00441134". Your payment must relate solely to the Offer(s). Cheques may be presented for payment on receipt. Subscriptions under the Offers will be processed upon receipt. Subscription Forms accompanied by a post dated cheque will not be processed until the cheque can be presented and will not be treated as being received by the Receiving Agent until that date.

Your cheque or banker's draft must be drawn in sterling on an account with a United Kingdom or European Union regulated credit institution, and which is in the sole or joint name of the Subscriber and must bear the appropriate sort code in the top right-hand corner.

The right is reserved to reject any Subscription(s) in respect of which the Subscriber's cheque or banker's draft has not been cleared on first presentation. Any monies returned will be sent through the post at the risk of the persons entitled thereto by cheque crossed "A/C Payee only" in favour of the Subscriber without interest.

#### ***Administration of Shareholder Account***

##### *Existing Shareholders*

Existing Shareholders' dividend payment/reinvestment details and shareholder communications preferences will not be altered as a result of New Shares being issued to them in respect of the relevant

Companies in which they are already invested. Should an existing Shareholder wish to change any of the existing instructions with regard to the administration of the existing Shareholder account(s) they should do so separately by writing to the Registrars, Computershare Investor Services PLC.

#### *New shareholders*

Shortly after New Shares have been allotted, the Registrars for the relevant Companies, Computershare Investor Services PLC, will write to you to allow you to indicate whether you would like to reinvest your dividends or have them paid directly into your bank account and receive electronic or hard copies of the relevant Company(ies) reports. Dividends paid by cheque will be sent to the Shareholder's registered address using the standard mail delivery at the Shareholder's own risk. The Registrars will charge administration fees for re-issuing any cheques that are not presented for payment.

#### *Money Laundering Notice – Important Procedures for Applications of the Sterling equivalent of €15,000 (approximately £12,400) or more.*

The verification requirements of the Money Laundering Regulations 2007 will apply and verification of the identity of the Subscriber may be required. Failure to provide the necessary evidence of identity may result in your Subscription(s) being treated as invalid or in delay of confirmation.

If the aggregate Subscription(s) under the Offers is for the Sterling equivalent of €15,000 or more (or is one of a series of linked Subscriptions, the value of which exceeds that amount) and:

- A is made through an authorised financial intermediary then verification of the Subscriber's identity may be provided by means of a "Letter of Introduction", from an IFA or other regulated person (such as a solicitor or accountant) who is a member of a regulatory authority and is required to comply with the Money Laundering Regulations 2007 or a UK or EC financial institution (such as a bank). The City Partnership (UK) Limited will supply specimen wording on request;
- B is made direct (not through an IFA), you must ensure that the following documents are enclosed with the Subscription Form:
  1. a certified copy of either your passport or driving licence; and
  2. a recent (no more than three months old) original bank or building society statement, or utility bill (not being a mobile phone bill), or recent tax bill, in your name.

Copies should be certified by a solicitor or bank. Original documents will be returned by post at your risk. If a cheque is drawn by a third party, the above will also be required from that third party.

## **Financial Advisers' Details Sections 4-6**

#### **4 Financial Advisers' Contact Details:**

Appropriately authorised financial advisers who are entitled to receive commission should complete Section 4, giving their contact name and address and their FSA Number. Please note the financial advisers' obligation to advise their clients of the risk factors set out on pages 13 and 14 of this document.

#### **5 Commission:**

Initial commission will be paid to authorised financial advisers at a rate of (i) 3 per cent. on the aggregate amount invested under an Offer and no annual trail commission or (ii) 2 per cent. on the aggregate amount invested under an Offer plus annual trail commission of 0.4 per cent. on the aggregate amount invested under an Offer for four years. Authorised financial advisers can waive some or all of this initial commission and have it invested on behalf of their clients in additional New Shares in the relevant Companies pro rata to the sums invested in those Companies by the client. Please insert the amount of initial commission to be waived and reinvested, if any.

#### **6 Bank Details:**

Financial advisers who are entitled to receive commission can choose to have their commission paid directly to their bank account. In order to facilitate this, please complete section 6 of the Subscription Form.

**This section of the Subscription Form must be signed by authorised financial advisers before any commission is paid.**

## FREQUENTLY ASKED QUESTIONS

*Q: To whom should I make the cheque payable?*

*A:* Cheques should be made payable to “Baronsmead VCT plc – offer subscriptions a/c 300002 00441134”

*Q: Where should I send my Subscription Form?*

*A:* Your Subscription Form and cheque or banker’s draft should be sent to The City Partnership (UK) Limited, Thistle House, 21-23 Thistle Street, Edinburgh EH2 1DF.

*Q: What happens after I invest?*

*A:* The Receiving Agent, The City Partnership (UK) Limited, will send you (and your financial adviser, if applicable) confirmation that it has received your Subscription Form by return post. If it has any questions about your Subscription(s) it will contact you by telephone or email in the first instance so it is important that you provide your contact information on the Subscription Form.

*Q: When can I expect to receive share and tax certificates?*

*A:* The Companies’ Registrars, Computershare Investor Services PLC, will send share and tax certificates approximately ten Business Days after the allotment of the New Shares. These documents are important and should be kept in a safe place. Administration and other fees will be charged for their replacement. Allotments are expected to take place in accordance with the Expected Timetable shown on page 1 of this document. However, allotments can take place earlier by each Company at the discretion of its Board. Allotments will be announced through a Regulatory Information Service.

*Q: Whom do I contact if I have any questions concerning the application?*

*A:* Please call the Receiving Agent, The City Partnership (UK) Limited, on 0131 243 7210. The City Partnership (UK) Limited cannot give investment, tax or financial advice.

# Subscription Form for the Offers from Baronsmead VCT plc, Baronsmead VCT 2 plc, Baronsmead VCT 3 plc and Baronsmead VCT 4 plc

Please pin or staple  
your cheque or  
banker's draft here.

If you are in any doubt about the action to take you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or other independent financial adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

**IMPORTANT** – Before completing this form please read the accompanying notes. PLEASE USE BLOCK CAPITALS.

Make your cheque or banker's draft out to "Baronsmead VCT plc – offer subscriptions a/c 300002 00441134" and cross it with the words "A/C Payee only". Return this form by post or by hand (during normal business hours) to The City Partnership (UK) Limited, Thistle House, 21-23 Thistle Street, Edinburgh EH2 1DF so as to arrive by no later than 12 noon on 5 April 2012. If you post your Subscription Form you are recommended to use first class post and to allow at least four days for delivery.

## SUBSCRIBER AND SUBSCRIPTION DETAILS

### 1. NAME AND ADDRESS

Title and Full Name:.....

Address:.....

..... Post Code:.....

Email Address: ..... Daytime Telephone Number:.....

National Insurance Number: ..... Date of Birth: .....

### 2. DETAILS OF SUBSCRIPTION(S)

I note that I may choose not to subscribe an amount in respect of one or more Companies but, for each Company for which I decide to subscribe, the minimum investment is £1,000 and thereafter in multiples of £1,000 and I must subscribe in total a minimum amount of £4,000.

#### FOR SUBSCRIPTIONS TO ALL OF THE OFFERS WHICH ARE OPEN AT THE TIME THE SUBSCRIPTION FORM IS RECEIVED

2.1 I wish to subscribe in aggregate under the Offers £..... (minimum £4,000) to be invested, as far as practically possible, equally in all of the Companies pursuant to their Offers which are open at the time my Subscription Form is received, which may mean only one Offer, for New Shares as available at the time my Subscription Form is received or such lesser amount for which these Subscriptions will be accepted, on the terms and conditions set out on pages 17 to 20 of the document issued by the Companies containing the Offers dated 12 January 2012. The definitions in that document apply to this Subscription Form.

**In the event that you prefer to invest in specific Offers and not others or if you wish to invest different amounts in any of the Companies, please complete the boxes below accordingly.**

#### FOR SUBSCRIPTIONS TO ONE OR MORE OF THE OFFERS OR FOR DIFFERENT AMOUNTS

2.2 I wish to subscribe under each Offer the amount specified in the box below in respect of the relevant Company for New Shares, or such lesser amount for which each Subscription is accepted, on the terms and conditions set out on pages 17 to 20 of the document issued by the Companies containing the Offers.

A. Amount to be invested in Baronsmead VCT in respect of its Offer: (minimum £1,000)	£	.....
B. Amount to be invested in Baronsmead VCT 2 in respect of its Offer: (minimum £1,000)	£	.....
C. Amount to be invested in Baronsmead VCT 3 in respect of its Offer: (minimum £1,000)	£	.....
D. Amount to be invested in Baronsmead VCT 4 in respect of its Offer: (minimum £1,000)	£	.....

TOTAL AGGREGATE AMOUNT £ .....  
(minimum £4,000)

**In the event that one or more but not all of your chosen Offer(s) is/are closed and you want the balance of your Subscription(s) in respect of the closed Offer(s) to be re-allocated to other Offer(s) that remain open please tick either of the boxes below.**

*Please continue to complete your details of subscription(s) overleaf (where appropriate) and sign and date the subscription form in section 3.*



**2.2 continued**

In the event that one or more but not all of the Offers for which I have subscribed is/are closed by the time my Subscription Form is received then I hereby request (by ticking the appropriate box) that the sums subscribed in respect of these closed Offers are either:

(i) Invested equally in the remaining Offers for which I have subscribed and which are open   
OR  
(ii) Invested equally in all the remaining open Offers

**In the event that one or more but not all of your chosen Offers is/are closed and you want some or all of your Subscription monies returned please tick either of the boxes below.**

In the event that one or more but not all of the Offers for which I have subscribed is/are closed by the time my Subscription Form is received then I hereby request (by ticking the appropriate box) that the sums subscribed in respect of these closed Offers are either:

(iii) Returned to me after deducting a sum that will be retained and invested equally in the Offer(s) for which I have subscribed and which are open so that a minimum amount of £4,000 is subscribed in total   
OR  
(iv) Returned to me together with all other sums subscribed i.e. all of my Subscription monies will be returned

In the event that one or more, but not all, of the Offer/s for which I have subscribed is /are closed by the time my Subscription Form is received but I have not ticked any of the boxes 2.2 (i), (ii), (iii) or (iv) above, I hereby authorise and request that the sums subscribed in respect of these closed Offers are dealt with under option 2.2 (iii) above.

**YOU MUST SIGN AND DATE THIS SUBSCRIPTION FORM OTHERWISE IT WILL NOT BE ACCEPTED AND YOUR SUBSCRIPTION(S) WILL BE RETURNED**

**3. Signature:** ..... **Date:** .....

By signing this form I HEREBY DECLARE THAT I have read the terms and conditions of Subscriptions contained on pages 17 to 20 of the document issued by the Companies containing the Offers dated 12 January 2012 and agree to be bound by them. I understand that this is a LONG-TERM investment and have read the RISK FACTORS on pages 13 and 14 of that document.

**FINANCIAL ADVISERS DETAILS**

To be completed by intermediaries only. FSA Number must be quoted.

All financial advisers MUST advise their clients of the Risk Factors set out on pages 13 and 14 of the document issued by the Companies containing the Offers dated 12 January 2012.

**4** Firm Name: .....

Contact (Adviser/Administrator) (delete as appropriate): .....

FSA Number: .....

Email: .....

Telephone No: .....

Fax No: .....

Address: .....

..... Post Code: .....

**5 INTRODUCTORY COMMISSION**

Introductory commission of 3% (no annual trail) or 2% (plus annual trail of 0.4% for four years) on the aggregate amount invested in each relevant Company under its Offer

Please state your choice by ticking the appropriate box:

3% (no annual trail)

2% (plus annual trail)

Insert the amount of the initial commission you wish to be waived and reinvested in additional New Shares in each relevant Company under its Offer for your client e.g. 0%, 1%, 1.5%, 2%, 2.5% or ALL.

**6 DIRECT PAYMENT OF COMMISSION(S) TO A BANK ACCOUNT**

If you would like your commission(s) to be paid directly into your bank or building society account please tick this box.

Please provide your Bank or Building Society details below. The Companies and The City Partnership (UK) Limited cannot accept responsibility if any details provided by you are incorrect.

Account Name: .....

Account Number: (please quote all digits and zeros)..... Sort Code: .....

Name of Bank or Building Society: .....

Branch: .....

Branch Address: .....

..... Post Code: .....

Please forward, until further notice, all commission(s) that may from time to time become due as a result of my client's investment in any one or more of the Companies

**THIS SECTION OF THE SUBSCRIPTION FORM MUST BE SIGNED AND DATED OTHERWISE ANY COMMISSION PAYMENTS WILL BE DELAYED**

Signature: ..... Date: .....

# Notes

# Notes

# Manager, Advisers and Service Providers

## Manager and Secretary

ISIS EP LLP  
100 Wood Street  
London  
EC2V 7AN  
Telephone: 020 7506 5600

## Solicitors to Baronsmead VCT plc and Baronsmead VCT 2 plc

SGH Martineau LLP  
No. 1 Colmore Square  
Birmingham  
B4 6AA

## Auditors

KPMG Audit Plc  
Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EG

## Receiving Agent

The City Partnership (UK) Limited  
Thistle House  
21-23 Thistle Street  
Edinburgh  
EH2 1DF  
Telephone: 0131 243 7210

## Promoter

RAM Capital Partners LLP  
74 Chancery Lane  
London  
WC2A 1AD

## Brokers

Matrix Corporate Capital LLP  
One Vine Street  
London  
W1J 0AH

## Solicitors to Baronsmead VCT 3 plc and Baronsmead VCT 4 plc

Norton Rose LLP  
3 More London Riverside  
London  
SE1 2AQ

## Registrar

Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road  
Bristol  
BS99 6ZZ  
Telephone: 0870 703 0137

## VCT Status Adviser

PricewaterhouseCoopers LLP  
1 Embankment Place  
London  
WC2N 6RH

