

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other financial adviser, authorised under the Financial Services and Markets Act 2000 (as amended).**

If you have sold or otherwise transferred all of your Ordinary Shares in Chelverton Growth Trust PLC, you should pass this document, together with all of the accompanying documents, as soon as possible, to the purchaser or transferee or to the other person through whom the sale or transfer was effected for transmission to the purchaser or transferee. This Circular and all accompanying documents should not, however, be forwarded or transmitted in or into any Restricted Territories.

Merchant Securities Limited is acting for the Company in connection with the Tender Offer and no one else and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Merchant Securities Limited nor for providing advice in relation to the Tender Offer.

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## **Chelverton Growth Trust PLC**

(Incorporated in England and Wales under the Companies Act 1985 with registered number 02989519)  
(ISIN GB0002621349)

### **Tender Offer**

by

### **Merchant Securities Limited**

to purchase up to 10 per cent. of the Ordinary Shares in issue of  
**Chelverton Growth Trust PLC**

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**The procedure for acceptance of the Tender Offer is set out on pages 15 to 18 of this document and in the accompanying Tender Form.**

The Tender Offer will close at 3.00 p.m. on 17 December 2010 and will only be available to Shareholders on the Register at the close of business on 17 December 2010. Shareholders wishing to tender Ordinary Shares for purchase in the Tender Offer should ensure that their completed Tender Forms are returned by post or by hand (during normal business hours) to Share Registrars Limited, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL in all cases so as to arrive by no later than 3.00 p.m. on 17 December 2010. Shareholders who hold their Ordinary Shares in certificated form should also return their share certificate(s) and/or other documents of title covering the Ordinary Shares they are electing to tender. Shareholders who hold Ordinary Shares in uncertificated form (that is, in CREST) should return the Tender Form as described above and also arrange for the Ordinary Shares they are electing to tender to be transferred into escrow as described in Part III of this document.

This Tender Offer is not being made to Restricted Shareholders. In particular, the Tender Offer is not being made, directly or indirectly, in or into or by the use of mail by any means or instrumentality (including, without limitation, facsimile transmission, internet, telex and telephone) of interstate or foreign commerce, or any facility of a national securities exchange, of the United States of America, nor is it being made directly or indirectly in or into Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan and the Tender Offer cannot be accepted by any such use, means, instrumentality or facility or from within such states.

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## **Expected Timetable of Events**

Closing Date: latest time and date for receipt of Tender Forms	3.00p.m. on 17 December 2010
Record Date for the Tender Offer	Close of business on 17 December 2010
Calculation Date close of business on	17 December 2010
Result of Tender Offer announced	21 December 2010
Tender Price announced	21 December 2010
Balancing Ordinary Shares despatched through CREST	17 January 2011
Cheques despatched by	17 January 2011
Balancing Ordinary Share certificates despatched by	17 January 2011

## Definitions

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

<b>“Act”</b>	Companies Act 2006, as amended
<b>“Administrator”</b>	Capita Sinclair Henderson Limited
<b>“AGM”</b>	annual general meeting
<b>“Articles of Association”</b>	the articles of association of the Company
<b>“Basic Entitlement”</b>	the entitlement of each Shareholder to tender 10 per cent. of the Ordinary Shares registered in each Shareholder’s name on the Record Date rounded down to the nearest whole number
<b>“Board” or “Directors”</b>	the directors of the Company
<b>“Business Day”</b>	any day other than a Saturday, Sunday or public holiday in England and Wales
<b>“Calculation Date”</b>	the close of business on 17 December 2010, being the day on which the Company will calculate the Tender Price for the purposes of the Tender Offer
<b>“certificated” or “in certificated form”</b>	not in uncertificated form
<b>“Closing Date”</b>	3.00 p.m. on 17 December 2010
<b>“Company”</b>	Chelverton Growth Trust PLC
<b>“Court”</b>	the High Court of Justice in England and Wales
<b>“CREST”</b>	a paperless settlement procedure in the United Kingdom enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument or stock transfer form and in respect of which Euroclear is the operator
<b>“CREST Manual”</b>	the Reference Manual issued by Euroclear dated September 2010
<b>“CREST Regulations”</b>	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)
<b>“CREST sponsor”</b>	a CREST participant admitted to CREST as a CREST sponsor, being a sponsoring system participant (as defined in the CREST Regulations)
<b>“Euroclear”</b>	Euroclear UK & Ireland Limited

## Definitions (continued)

<b>“CTA 2010”</b>	the Corporation Tax Act 2010
<b>“Future Tender Offers”</b>	as defined in the last paragraph under the section headed ‘Introduction’ in Part I of this Circular
<b>“FSMA</b>	the Financial Services and Markets Act 2000, as amended
<b>“GM”</b>	meeting of the Company as provided for in the Articles
<b>“ITA 2007”</b>	the Income Tax Act 2007
<b>“London Stock Exchange”</b>	London Stock Exchange plc
<b>“Manager”</b>	Chelverton Asset Management Limited
<b>“member account ID”</b>	the identification code or number attached to any member account in CREST
<b>“Merchant Securities”</b>	Merchant Securities Limited
<b>“Net Asset Value” or “NAV”</b>	the total value of all of the assets of the Company less its liabilities as determined by the Board and calculated in accordance with the Company’s accounting policies
<b>“Net Asset Value per Ordinary Share”</b>	the Net Asset Value divided by the number of Ordinary Shares (other than Ordinary Shares held in treasury) then in issue
<b>“Notice of AGM”</b>	the notice convening an AGM of the Company on 16 December 2010, as contained in the Company’s Annual Report for the year ended 31 August 2010 which accompanies this Circular
<b>“Ordinary Shares”</b>	ordinary shares of £0.01 each in the capital of the Company
<b>“Overseas Shareholders”</b>	Shareholders who are resident in, or citizens of, territories outside the United Kingdom and not resident in, or citizens of, any of the Restricted Territories
<b>“participant ID”</b>	the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant
<b>“the Proposals” or “Proposals”</b>	the Tender Offer
<b>“Receiving Agent” or “Registrars”</b>	Share Registrars Limited
<b>“Record Date”</b>	the close of business on 17 December 2010

## **Definitions (continued)**

<b>“Register”</b>	the register of Shareholders
<b>“Repurchase Agreement”</b>	the agreement dated 24 November 2010 between the Company and Merchant Securities relating to the repurchase by the Company on the London Stock Exchange of the Ordinary Shares purchased by Merchant Securities pursuant to the Tender Offer as summarised in paragraph 2 of Part V of this document
<b>“Restricted Shareholders”</b>	the Shareholders who are resident in, or citizens of, a Restricted Territory
<b>“Restricted Territories”</b>	any of: Australia, Canada, Japan, the Republic of Ireland, the Republic of South Africa and the United States of America and any other jurisdiction into which the making of the Tender Offer, or the distribution of any of the documents relating to the Tender Offer would be contrary to local securities laws
<b>“Settlement Date”</b>	the date by which the consideration for Ordinary Shares purchased in the Tender Offer will be despatched by cheque to the Shareholders entitled thereto, which is expected to be on 17 January 2011
<b>“Shareholders”</b>	holders of Ordinary Shares
<b>“Sterling” or “£”</b>	the lawful currency of the United Kingdom
<b>“Tender Form”</b>	the tender form for use in connection with the Tender Offer accompanying this document
<b>“Tender NAV”</b>	the NAV on the Calculation Date
<b>“Tender NAV per Ordinary Share”</b>	the Tender NAV divided by the number of Ordinary Shares (other than Ordinary Shares held in treasury) in issue on the Calculation Date
<b>“Tender Offer”</b>	the invitation by Merchant Securities to Shareholders (other than Restricted Shareholders) to tender Ordinary Shares for purchase on the terms and subject to the conditions set out in this document and in the Tender Form
<b>“Tender Price”</b>	a price per Ordinary Share equal to 92.5 per cent. of the Tender NAV per Ordinary Share as at the Calculation Date
<b>“TFE Instruction”</b>	a transfer from escrow instruction (as defined by the CREST Manual issued by Euroclear)
<b>“Treasury”</b>	the holding of the Company’s own issued Ordinary Shares that it has bought but not cancelled

### **Definitions (continued)**

<b>“TTE Instruction”</b>	a transfer to escrow instruction (as defined by the CREST Manual issued by Euroclear)
<b>“uncertificated” or “in uncertificated form”</b>	an Ordinary Share recorded on the Register as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
<b>“United Kingdom” or “UK”</b>	the United Kingdom of Great Britain and Northern Ireland
<b>“UK Listing Authority”</b>	the Financial Services Authority acting in its capacity as the competent authority for listing pursuant to Part VI of FSMA.

Unless otherwise stated in this document, all references to statute or other forms of legislation shall refer to statutes or forms of legislation of the UK.

## **PART I**

### **Letter from the Chairman**

#### **Chelverton Growth Trust PLC**

(Incorporated and registered in England and Wales under the Companies Act 1985, with registered number 02989519; an investment company within the meaning of section 833 of the Companies Act 2006)

Directors (all of whom are non executive):

George Stevens

Bryan Lenygon

David Horner

Kevin Allen

Registered office:

Beaufort House,

51 New North Road,

Exeter EX4 4EP

24 November 2010

Dear Shareholder

#### **Tender Offer by Merchant Securities Limited to purchase up to 10 per cent. of the Ordinary Shares in issue of Chelverton Growth Trust PLC**

##### **Introduction**

In order to provide shareholders with the opportunity to sell Ordinary Shares, the Directors have decided to implement this Tender Offer.

This document contains the formal terms of the Tender Offer, together with details of how Shareholders (other than Restricted Shareholders) can tender Ordinary Shares for purchase, if they wish to do so. The Tender Offer is conditional, inter alia, on the passing of a resolution at the AGM of the Company on 16 December 2010 approving the Tender Offer. The Notice of AGM is contained in the Annual Report and Accounts which accompanies this document.

The current intention of the Board is to make further tender offers ("Future Tender Offers") in each subsequent calendar year, for up to 10 per cent. of the Ordinary Shares in issue at such times, on terms substantially similar to those applying to this Tender Offer. It is envisaged that such Future Tender Offers will be implemented on or around the date of the Company's AGM in the relevant year, and each such Future Tender Offer will be subject or pursuant to the approval by Shareholders at a general meeting. Although the above sets out the Board's current intentions, the Board will of course exercise its discretion as to whether any Future Tender Offer should be implemented and the terms thereof. In the event that a Future Tender Offer is made, the terms attaching to this Tender Offer may also apply (but subject to such modifications as set out in the communication relating to the same) by incorporation.

##### **Background to and Key Points of the Tender Offer**

The key points of the Tender Offer are as follows:

- The Tender Offer is for up to 10 per cent. of the Company's issued share capital;
- As of the date of this document, the Company has 14,864,827 Ordinary Shares in issue of which the Company holds 145,000 in Treasury;
- Shareholders (other than Restricted Shareholders) will be able to decide whether to tender some or all of their Ordinary Shares within the overall limits of the Tender Offer (but tenders in excess



of a Shareholder's Basic Entitlement will only be accepted to the extent that other Shareholders tender less than their Basic Entitlement or do not tender any Ordinary Shares);

- The Tender Price will be the price per Ordinary Share which represents 92.5 per cent. of the Tender NAV per Ordinary Share on the Calculation Date;
- Assuming a Calculation Date as at the close of business on 19 November 2010 (being the latest practicable date prior to the publication of this document) the Net Asset Value per share was 26.37p and the Tender Price would have been 24.39p compared to the mid-market Ordinary Share price at the close of business on that day of 19.00p.

The Tender Offer is conditional, *inter alia*, on valid tenders being received in respect of at least one per cent. of the Company's issued share capital by the Closing Date.

### **Options for Shareholders**

Shareholders can choose:

- to continue to hold in full their investment in the Company. Assuming that the full 10 per cent. of Ordinary Shares are tendered, accepted and cancelled pursuant to the Tender Offer, the effect on Net Asset Value per Ordinary Share arising is neutral; or
- to tender some or all of their Ordinary Shares for purchase and to receive cash in consideration of such purchase (subject to the scaling back of tenders in excess of the Basic Entitlement).

Shareholders will be entitled to have up to 10 per cent. of their respective holdings purchased under the Tender Offer. Shareholders will be able to tender additional Ordinary Shares, but such tenders will only be satisfied, pro rata in proportion to the amount in excess of the Basic Entitlement tendered, to the extent that other Shareholders tender less than their Basic Entitlement.

### **Background to the Company**

The Company was incorporated on 8 November 1994. The Company's objective is to provide capital growth through investment in companies listed on the Official List and traded on AIM with a market capitalisation at the time of investment of up to £50 million, and which are believed by the Manager to be at a "point of change". The Company also invests in unquoted investments where it is believed that there is a likelihood of the shares becoming listed or traded on AIM or the investee company being sold. The Company's investment objective is to increase net asset value per share at a higher rate than other quoted smaller company trusts and the FTSE All-Share Index. It is the Company's policy not to invest in any listed investment companies (including listed investment trusts).

As at 31 August 2010 the Company held 28 investments, of which the largest 20 companies in the portfolio represented 98.7 per cent. of Shareholders' funds.

### **The Company's Performance and Prospects**

For the 12 month period ended 31 August 2010, the Company's net asset value and share price rose by 26.66 per cent. and 18.97 per cent. respectively. These figures compare with the FTSE All Share Index and the FTSE AIM Index which rose by 6.98 per cent. and 16.42 per cent. respectively, over the same period.

Please refer to the Annual Report in respect of the year ended 31 August 2010 which accompanies this document for the Manager's Report and details on the key investments in the portfolio.

**Further details of the Tender Offer**

Shareholders on the Register on the Record Date will be invited to tender some or all of their Ordinary Shares to Merchant Securities who will, as principal, purchase at the Tender Price the Ordinary Shares validly tendered (subject to the overall limits of the Tender Offer) and, following the completion of all those purchases, sell the relevant Ordinary Shares on to the Company at the Tender Price by way of an on-market transaction. All transactions will be carried out on the London Stock Exchange and will be subject to the rules of the London Stock Exchange.

The Tender Offer is subject to certain conditions, and may be terminated in certain circumstances as set out in paragraph 7 of Part III of this document.

Shareholders' attention is drawn to the letter from Merchant Securities set out in Part II of this document and to Part III of this document, which, together with the Tender Form constitute the terms and conditions of the Tender Offer. Details of how Shareholders will be able to tender Ordinary Shares can be found in paragraph 3 of Part III of this document.

**Shareholders should note that, once tendered, Ordinary Shares may not be sold, transferred, withdrawn from the offer, charged or otherwise disposed of other than in accordance with the Tender Offer.**

**Shareholders who are in any doubt as to the contents of this document or as to the action to be taken should immediately consult their stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised under FSMA.**

**Expenses**

The costs relating to the Proposals, assuming the Tender Offer is fully subscribed, are expected to be approximately £29,500 including VAT. The Tender Price will be 92.5 per cent. of the Tender Net Asset Value. On the basis that the Tender Offer is fully subscribed, costs are estimated to be approximately 0.73 per cent. of the Tender Net Asset Value. If the Tender Offer is not fully subscribed, the costs of the Tender Offer will be lower due to savings in stamp duty.

**Treasury Shares**

Any Ordinary Shares repurchased pursuant to the Company's buy back powers may be held in treasury.

Resolutions to renew the existing authority to reissue Ordinary Shares from treasury will be put at the AGM on 16 December 2010. Both the repurchase for cancellation and the use of treasury shares should assist the Manager in the objective of providing a discount management mechanism and enhancing the Net Asset Value of the Company's Ordinary Shares. The Directors have determined the following policies in respect of the Manager's discretion in the use of treasury shares.

The Manager will not repurchase Ordinary Shares into Treasury at a discount to Net Asset Value of less than 7.5 per cent. on the date of purchase. The number of Treasury shares that may be held for reissue at any one time will be limited to 10 per cent. of the shares in issue. Treasury shares will only be reissued at a higher price to which they were acquired and at a lower discount to which they were purchased.

Any shares held in Treasury at each financial year end that have not been sold will be cancelled.

### **Taxation**

Shareholders who sell Ordinary Shares in the Tender Offer may, depending on their individual circumstances, incur a liability to taxation. Individual and trustee Shareholders resident in the UK should be aware that HM Revenue & Customs (“HMRC”) may seek to treat part of the disposal proceeds of their Ordinary Shares as income.

The attention of Shareholders is drawn to Part IV of this document which sets out a general guide to certain aspects of current UK law and HMRC practice.

The ability of the Company to qualify as an investment trust under Chapter 4 to Part 24 of the CTA 2010 should not be affected by the Tender Offer.

Shareholders who are in any doubt as to their tax position or who are subject to tax in a jurisdiction other than the UK should consult an appropriate professional adviser.

### **Action to be taken**

The Board unanimously recommends that shareholders vote in favour of Resolution 10 set out in the Notice of AGM, as the Directors intend to do in respect of their own beneficial holdings totalling 2,203,651 shares (representing 14.82 per cent. of the Company’s issued share capital).

Merchant Securities has received an irrevocable undertaking from George Stevens, Chairman, that he will be tendering his entire shareholding, being 1,221,315 shares (representing 8.22 per cent. of the Company’s issued share capital).

Merchant Securities has also received irrevocable undertakings from David Horner, Brian Lenygon and Kevin Allen, Non-Executive Directors, that they will not be tendering any of their Ordinary Shares, being 982,336 shares in aggregate (representing 6.61 per cent. of the Company’s issued share capital).

Shareholders who wish to participate in the Tender Offer should complete the Tender Form in accordance with the instructions set out therein and return the completed Tender Form by post or by hand (during normal business hours) to Share Registrars Limited, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL to arrive as soon as possible after receipt of the Tender Form and by no later than 3.00 p.m. on 17 December 2010. **A reply-paid envelope for use in the United Kingdom is enclosed with the Tender Form for your convenience.**

The extent to which Shareholders participate in the Tender Offer is a matter for each Shareholder to decide, and will be influenced by their own individual financial and tax circumstances and their investment objectives. Shareholders should seek advice from their own financial adviser authorised under FSMA.

Yours faithfully,

**George Stevens**  
Chairman

## PART II



Merchant Securities

### Letter from Merchant Securities Limited

24 November 2010

Dear Sir or Madam

As explained in the letter from your Chairman in Part I of this document, Shareholders are being given the opportunity to tender some or all of their Ordinary Shares for purchase in the Tender Offer, subject to the scaling back of tenders in excess of the Basic Entitlement on the basis set out below and in Part III of this document. The purpose of this letter is to summarise the principal terms and conditions of the Tender Offer, which should be read in conjunction with the Company's report and accounts.

Merchant Securities accordingly hereby invites Shareholders on the Register on the Record Date to tender up to 10 per cent. of their holding of Ordinary Shares for purchase by Merchant Securities for cash at the Tender Price. The Tender Price will be equal to 92.5 per cent. of the Tender NAV per Ordinary Share on the Calculation Date.

Each Shareholder will be entitled to have accepted in the Tender Offer valid tenders in respect of a Shareholder's Basic Entitlement. In addition, Shareholders may tender Ordinary Shares in excess of their Basic Entitlement but such excess tenders will only be satisfied to the extent that other Shareholders have not tendered all or any part of their Basic Entitlement, as the case may be.

Tenders in excess of the Basic Entitlement will be satisfied pro rata in proportion to the amount in excess over the Basic Entitlement tendered, rounded down to the nearest whole number of Ordinary Shares.

The Tender Offer is made on the terms and subject to the conditions set out in Part III of this document and the Tender Form, the terms of which will be deemed to be incorporated in this document and form part of the Tender Offer.

#### Procedure for Tendering Ordinary Shares

Shareholders who wish to tender Ordinary Shares should complete the Tender Form in accordance with the instructions set out therein and return the completed Tender Form by post or by hand (during normal business hours) to Share Registrars Limited, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL, to arrive by no later than 3.00 p.m. on 17 December 2010.

Shareholders who hold their Ordinary Shares in certificated form should also return the Ordinary Share certificate(s) and/or other document(s) of title in respect of the Ordinary Shares tendered with their Tender Form. Shareholders who hold their Ordinary Shares in uncertificated form (that is, in CREST) should return the Tender Form as described above and arrange for their Ordinary Shares to be transferred to escrow as described in paragraph 3 of Part III of this document and in the Tender Form.

Shareholders should note that, once tendered, Ordinary Shares may not be sold, transferred, charged or otherwise disposed of other than in accordance with the Tender Offer.

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Full details of the procedure for tendering Ordinary Shares are set out in Part III of this document and in the Tender Form.

### **Validity of Tender Forms**

Tender Forms which are received by the Receiving Agent after 3.00 p.m. on the Closing Date or which at that time are incorrectly completed or not accompanied by all relevant documents or instructions may be rejected and returned to Shareholders or their appointed agent, together with any accompanying Ordinary Share certificate(s) and/or other document(s) of title.

Merchant Securities reserves the right to treat as valid Tender Forms which are not entirely in order and which are not accompanied (in the case of Ordinary Shares held in certificated form) by the relevant Ordinary Share certificate(s) and/or other document(s) of title or a satisfactory indemnity in lieu thereof.

### **Conditions**

The Tender Offer is conditional on the terms specified in paragraph 2 of Part III of this document.

### **Termination of Tender Offer**

The Tender Offer may be terminated in the circumstances described in paragraph 7 of Part III of this document.

### **Settlement**

Subject to the Tender Offer becoming unconditional, payment of the Tender Price due to Shareholders whose tenders have been accepted under the Tender Offer will be made by a Sterling cheque by 17 January 2011 (as set out in further detail in paragraph 4.3 of Part III of this document).

### **Further Information**

Your attention is drawn to the information contained in the rest of this document, including, in particular, the terms and conditions of the Tender Offer in Part III of this document.

Yours faithfully,

**Lindsay Mair**

For and on behalf of Merchant Securities Limited

## **PART III**

### **Terms and Conditions of the Tender Offer**

- 1.1 All Shareholders may tender Ordinary Shares for purchase by Merchant Securities on the terms and subject to the conditions set out in this document. Shareholders are not obliged to tender any Ordinary Shares.
- 1.2 The Company will calculate its Tender NAV as at the Calculation Date. The Tender Offer is made at the Tender Price, which will be equal to 92.5 per cent. of the Tender NAV resulting from such calculation, divided by the number of Ordinary Shares in issue (other than Ordinary Shares held in treasury) on the Calculation Date. The calculations approved by the Directors will be conclusive and binding on all Shareholders.
- 1.3 The consideration for each tendered Ordinary Share acquired by Merchant Securities pursuant to the Tender Offer will be paid in accordance with the settlement procedures set out in paragraph 4.3 below.
- 1.4 Upon the Tender Offer becoming unconditional and unless the Tender Offer has lapsed or terminated in accordance with the provisions of paragraph 2 or paragraph 7 below, Merchant Securities will accept the offers of Shareholders validly made in accordance with this Part III subject as explained below, on the following basis:
  - 1.4.1 each Shareholder on the Register at the Record Date will be entitled to sell to Merchant Securities his, her or its Basic Entitlement, being such number of Ordinary Shares rounded down to the nearest whole number, as represents 10 per cent. of such Shareholder's holding of Ordinary Shares entered on the Register as at the Record Date;
  - 1.4.2 each Shareholder will also be entitled to sell Ordinary Shares in excess of his, her or its Basic Entitlement to the extent that other Shareholders tender Ordinary Shares in respect of less, in the aggregate, than the whole of their Basic Entitlement. Any such excess tenders will be satisfied pro rata in proportion to the amount in excess of the Basic Entitlement tendered rounded down to the nearest whole number of Ordinary Shares; and
  - 1.4.3 the Basic Entitlement will apply to each registered Shareholder. Registered Shareholders who hold for multiple beneficial owners may decide the allocation between such beneficial owners at their own discretion.

## **2. Conditions**

- 2.1 The Tender Offer is conditional on the following (together the "Conditions"):
  - 2.1.1 valid tenders being received in respect of at least one per cent. of the Company's issued share capital by the Closing Date;
  - 2.1.2 passing, at the AGM of the Company on 16 December 2010, of the Resolution numbered 10 in the Notice of AGM;
  - 2.1.3 Merchant Securities being satisfied that the Company has paid an amount equal to the aggregate of the Tender Price for all successfully tendered Ordinary Shares into a designated account in accordance with the Repurchase Agreement;

- 2.1.4 the Tender Offer not having been terminated in accordance with paragraph 7 of this Part III prior to the fulfilment of the conditions referred to in sub-paragraphs 2.1.1, 2.1.2 and 2.1.3 above; and
- 2.1.5 the Company confirming to Merchant Securities that the Company has sufficient distributable profits (as defined in section 830 of the Act) to effect the purchase of all such Ordinary Shares pursuant to the Repurchase Agreement.

Merchant Securities will not purchase any Ordinary Shares pursuant to the Tender Offer unless the Conditions have been satisfied. The Conditions, other than that contained in subparagraph 2.1.3 above, may not be waived by Merchant Securities. If any Conditions have not been satisfied (or waived where they are capable of waiver) prior to the close of business on 28 February 2011 the Tender Offer, if not then completed, will lapse.

### 3. Procedure for Tendering Ordinary Shares

To tender your Ordinary Shares, you must (whether or not your Ordinary Shares are in CREST) complete, sign and return the Tender Form in accordance with the instructions printed on the Tender Form which shall be deemed to form part of the Tender Offer.

#### 3.1 *Completion of Tender Forms*

If you hold Ordinary Shares in both certificated and uncertificated form, you should complete a separate Tender Form for each holding. In addition, you should complete separate Tender Forms for Ordinary Shares held in uncertificated form but under different member account IDs and for Ordinary Shares held in certificated form but under different designations. Additional Tender Forms will be available from Share Registrars Limited, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL, telephone number 01252 821390 (or if calling from outside the UK +44 1252 821390).

#### 3.2 *Return of Tender Forms*

The completed and signed Tender Form should be sent either by post or by hand (during normal business hours) to Share Registrars Limited or by hand only (during normal business hours) to Share Registrars Limited at Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL, so as to arrive no later than 3.00 p.m. on 17 December 2010. No Tender Forms received after this time will be accepted. **Reply paid envelopes are enclosed with the Tender Forms.** No acknowledgement of receipt of documents will be given and all documents sent to, from, by or on behalf of the Shareholder are sent at his/her own risk.

##### 3.2.1 *Ordinary Shares held in certificated form (that is, not in CREST)*

The completed and signed Tender Form should be accompanied by the relevant Ordinary Share certificate(s) and/or other document(s) of title. If your Ordinary Share certificate(s) and/or other document(s) of title are not readily available (for example, if they are with your stockbroker, bank or other agent), the Tender Form should nevertheless be completed, signed and returned as described above so as to be received by Share Registrars Limited not later than 3.00 p.m. on 17 December 2010 together with any Ordinary Share certificate(s) and/or other document(s) of title you may have available, accompanied by a letter stating that the (remaining) Ordinary Share certificate(s) and/or other document(s) of title will be forwarded as soon as possible thereafter and, in any event, not later than 3.00 p.m. on 17 December 2010.

The Registrars, acting as your agent, will effect such procedures as are required to transfer your Ordinary Shares to Merchant Securities under the Tender Offer.

If you have lost your Ordinary Share certificate(s) and/or other document(s) of title, you should write to the Company's Registrars, Share Registrars Limited, for a letter of indemnity in respect of the lost Ordinary Share certificate(s) which, when completed in accordance with the instructions given, should be returned to Share Registrars Limited at the address referred to at the beginning of this paragraph 3.2 so as to be received no later than 3.00 p.m. on 17 December 2010.

3.2.2 *Ordinary Shares held in uncertificated form (that is, in CREST)*

If the Ordinary Shares which you wish to tender are held in uncertificated form, you must complete and return the Tender Form as described above. In addition, you should take (or procure to be taken) the action set out below to transfer (by means of a TTE Instruction) the number of Ordinary Shares which you wish to tender in the Tender Offer to an escrow balance, specifying Share Registrars Limited in its capacity as a CREST Receiving Agent under its participant ID (referred to below) as the escrow agent, as soon as possible and, in any event, so that the transfer to escrow settles not later than 3.00 p.m. on 17 December 2010.

If you are a CREST sponsored member, you should refer to your CREST sponsor before taking any action. Only your CREST sponsor will be able to send the TTE Instruction to CREST Co in relation to the Ordinary Shares which you wish to tender.

You should send (or, if you are a CREST sponsored member, procure that your CREST sponsor sends) a TTE Instruction to Euroclear, which must be properly authenticated in accordance with Euroclear's specification and which must contain, in addition to the other information that is required for the TTE Instruction to settle in CREST, the following details:

- the ISIN number for the Ordinary Shares, this is: GB0002621349;
- the number of Ordinary Shares to be transferred to an escrow balance;
- your member account ID. This must be the same member account ID as the member account ID that is shown on the Tender Form;
- your participant ID. This must be the same participant ID that is shown on the Tender Form; the participant ID of the escrow agent, Share Registrars Limited, in its capacity as a CREST receiving agent, this is: 7RA36;
- the member account ID of the escrow agent, Share Registrars Limited, this is MSLCGT01;
- the Corporate Action Number for the Tender Offer. This is allocated by Euroclear and can be found by viewing the relevant corporate action details in CREST;
- input with standard delivery instructions of 80;
- the Form ID number. This is the reference number that appears on page 3 of the Tender Form. This reference number should be inserted in the first eight characters of the shared note field on the TTE Instruction. Such



reference will enable Share Registrars Limited to match the transfer to escrow to your Tender Form.

You should keep a separate record of this Tender Form reference number for future reference; and the intended settlements date for the transfer to escrow. This should be as soon as possible after receipt of your Tender Form and in any event no later than 3.00 p.m. on 17 December 2010.

After settlement of the TTE Instruction, you will not be able to access the Ordinary Shares concerned in CREST for any transaction or for charging purposes, notwithstanding that they will be held by Share Registrars Limited as your agent until completion or lapsing of the Tender Offer. If the Tender Offer becomes unconditional, Share Registrars Limited will transfer the Ordinary Shares which are accepted for purchase by Merchant Securities to itself as your agent for onward sale to Merchant Securities.

You are recommended to refer to the CREST Manual published by Euroclear for further information on the CREST procedures outlined above. For ease of processing, you are requested wherever possible, to ensure that a Tender Form relates to only one transfer to escrow.

If no Tender Form reference number, or an incorrect Tender Form reference number, is included on the TTE Instruction, Merchant Securities may (but shall not be obliged to) treat any number of Ordinary Shares transferred to an escrow balance in favour of the escrow agent from the participant ID and member account ID identified in the TTE Instruction as relating to any Tender Form which relates to the same participant ID and member account ID (up to the number of Ordinary Shares inserted or deemed to be inserted in the Tender Form concerned).

You should note that Euroclear does not make available special procedures in CREST, for any particular corporate action. Normal system timings and limitations will therefore apply in connection with a TTE Instruction and its settlement. You should therefore ensure that all necessary action is taken by you (or by your CREST sponsor) to enable a TTE Instruction relating to your Ordinary Shares to settle prior to 3.00 p.m. on 17 December 2010. In connection with this, you are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

- 3.2.3 Deposits of Ordinary Shares into, and withdrawals of Ordinary Shares from, CREST normal procedures (including timings) apply in relation to any Ordinary Shares that are, or are to be, converted from uncertificated to certificated form, or from certificated to uncertificated form, during the course of the Tender Offer (whether such conversion arises as a result of a transfer of Ordinary Shares or otherwise). Shareholders who are proposing to convert any such Ordinary Shares are recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the Ordinary Shares as a result of the conversion to take all necessary steps in connection with such person's participation in the Tender Offer (in particular, as regards delivery of Ordinary Share certificates and/or other documents of title or transfer to an escrow balance as described above) prior to 3.00 p.m. on 17 December 2010.

### 3.3 *Validity of Tender Forms*

Notwithstanding the powers in paragraph 8.5 below, Merchant Securities reserves the right to treat as valid only Tender Forms which are received entirely in order by 3.00 p.m. on 17 December 2010, which are accompanied (in the case of Ordinary Shares held in certificated form) by the relevant Ordinary Share certificate(s) and/or other document(s) of title or a satisfactory indemnity in lieu thereof or (in the case of Ordinary Shares held in uncertificated form) by the relevant TTE Instruction. The Record Date for the Tender Offer is the close of business on 17 December 2010.

Notwithstanding the completion of a valid Tender Form, the Tender Offer may terminate or lapse in accordance with the Terms and Conditions set out in this Part III.

The decision of Merchant Securities as to which Ordinary Shares have been validly tendered shall be conclusive and binding on Shareholders who participate in the Tender Offer.

If you are in any doubt as to how to complete the Tender Form or as to the procedures for tendering Ordinary Shares and you are a registered Shareholder, please contact Share Registrars Limited by telephone on (if calling from the UK) 01252 821390, or (if calling from overseas) +44 1252 821390. You are reminded that, if you are a CREST sponsored member, you should contact your CREST sponsor before taking any action.

## 4. **Announcement of the Tender Price and Settlement**

4.1 Unless terminated in accordance with the provisions of this Part III, the Tender Offer will close for Shareholders at 3.00 p.m. on 17 December 2010 and it is expected that:

4.1.1 on 21 December 2010, the Company will make a public announcement of the total number of Ordinary Shares tendered and, if applicable, either the extent to which tenders will be scaled back, or the number of tendered Ordinary Shares in excess of the Basic Entitlement which will be purchased by Merchant Securities from Shareholders who have tendered Ordinary Shares in excess of their Basic Entitlement.

4.1.2 on 21 December 2010 the Company will make a public announcement of the Tender Price.

4.2 Delivery of cash to Shareholders for the Ordinary Shares to be purchased pursuant to the Tender Offer will be made by the Receiving Agent. The Receiving Agent will act as agent for tendering Shareholders for the purpose of receiving the cash and transmitting such cash to tendering Shareholders. Under no circumstances will interest be paid on the cash to be paid by the Company, Merchant Securities or the Receiving Agent regardless of any delay in making such payment.

4.3 If any tendered Ordinary Shares are not purchased because of an invalid tender, the termination of the Tender Offer or otherwise, relevant certificates evidencing any such Ordinary Shares and other documents of title, if any, will be returned or sent as promptly as practicable, without expense to, but at the risk of, the tendering Shareholder, or in the case of Ordinary Shares held in uncertificated form (that is, in CREST), the Receiving Agent will provide instructions to Euroclear to transfer all Ordinary Shares held in escrow balances by TFE instruction to the original available balances to which those Ordinary Shares relate.

Settlement of the consideration to which any Shareholder is entitled pursuant to valid tenders accepted by Merchant Securities whether the Ordinary Shares are held in certificated form (that is, not in CREST) or held in uncertificated form (that is, in CREST) will be made by way of cheque. Cheques for the consideration due will be despatched by Share Registrars Limited by first class post to the person or agent whose name and address is set out in Box 1 (or, if relevant, Box 3 of the Tender Form). All cash payments will be made in Sterling by cheque drawn on a branch of a UK clearing bank by 17 January 2010.

The payment of any consideration to Shareholders for Ordinary Shares pursuant to the Tender Offer will be made only after the relevant TTE Instruction has settled or (as the case may be) timely receipt by the Receiving Agent of certificates and/or other requisite documents evidencing such Ordinary Shares, a properly completed and duly executed Tender Form and any other documents required by the Tender Offer.

- 4.4 If only part of a holding of Ordinary Shares is sold pursuant to the Tender Offer or if, because of scaling back, any tendered Ordinary Shares in excess of a Shareholder's Basic Entitlement are not purchased pursuant to the terms of the Tender Offer:

4.4.1 where the Ordinary Shares are held in certificated form, the relevant Shareholder will be entitled to receive a certificate in respect of the balance of the remaining Ordinary Share(s) that have been requested to be tendered; or

4.4.2 where the Ordinary Shares are held in uncertificated form (that is, in CREST) the unsold Ordinary Shares will be transferred by the Receiving Agent to the original available balance from which those Ordinary Shares came.

## **5. Tender Form**

Each Shareholder by whom, or on whose behalf, a Tender Form is executed irrevocably undertakes, represents, warrants and agrees to and with Merchant Securities (for itself and as trustee for the Company) so as to bind him, his personal representatives, heirs, successors and assigns that:

5.1 the execution of the Tender Form shall constitute an offer to sell to Merchant Securities such Shareholder's Basic Entitlement or, if relevant, the number of Ordinary Shares inserted in Box 1B of the Tender Form, in each case, on and subject to the terms and conditions set out or referred to in this document and the Tender Form and that, once lodged, such offer shall be irrevocable;

5.2 such Shareholder has full power and authority to tender, sell, assign or transfer the Ordinary Shares in respect of which such offer is accepted (together with all rights attaching thereto) and, when the same are purchased by Merchant Securities, Merchant Securities will acquire such Ordinary Shares with full title guarantee and free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching thereto on or after the Closing Date, including the right to receive all dividends and other distributions declared, paid or made after that date;

5.3 the execution of the Tender Form will, subject to the Tender Offer becoming unconditional, constitute the irrevocable appointment of any director or officer of Merchant Securities as such Shareholder's attorney and/or agent ("attorney"), and an irrevocable instruction to the attorney to complete and execute all or any instruments of

transfer and/or other documents at the attorney's discretion in relation to the Ordinary Shares referred to in sub-paragraph 5.1 above in favour of Merchant Securities or such other person or persons as Merchant Securities may direct and to deliver such instrument(s) of transfer and/or other documents at the discretion of the attorney, together with the Ordinary Share certificate(s) and/or other document(s) relating to such Ordinary Shares, for registration within six months of the Tender Offer becoming unconditional and to do all such other acts and things as may in the opinion of such attorney be necessary or expedient for the purpose of, or in connection with, the Tender Offer and to vest in Merchant Securities or its nominee(s) or such other person(s) as Merchant Securities may direct such Ordinary Shares;

- 5.4 such Shareholder agrees to ratify and confirm each and every act or thing which may be done or effected by Merchant Securities or any of its directors or any person nominated by Merchant Securities in the proper exercise of its or his or her powers and/or authorities hereunder;
- 5.5 if such Shareholder holds Ordinary Shares in certificated form, he, she or it will deliver to Share Registrars Limited their Ordinary Share certificate(s) and/or other document(s) of title in respect of the Ordinary Shares referred to in sub-paragraph 5.1 above, or an acceptable indemnity in lieu thereof, or will procure the delivery of such document(s) to such person as soon as possible thereafter and, in any event, no later than 3.00 p.m. on 17 December 2010;
- 5.6 such Shareholder shall do all such acts and things as shall be necessary or expedient and execute any additional documents deemed by Merchant Securities (or its nominee) to be desirable, in each case to complete the purchase of the Ordinary Shares and/or to perfect any of the authorities expressed to be given hereunder;
- 5.7 such Shareholder, if an Overseas Shareholder, has fully observed any applicable legal requirements and that the invitation under the Tender Offer may be made to and accepted by him under the laws of the relevant jurisdiction;
- 5.8 such Shareholder has not received or sent copies or originals of this document or the Tender Form or any related documents to a Restricted Territory and has not otherwise utilised in connection with the Tender Offer, directly or indirectly, the mails or any means or instrumentality (including, without limitation, facsimile transmission, internet, telex and telephone) of interstate or foreign commerce or of any facility of a national securities exchange, of any Restricted Territory, that the Tender Form has not been mailed or otherwise sent in, into or from any Restricted Territory and that such Shareholder is not accepting the Tender Offer from any Restricted Territory;
- 5.9 the provisions of the Tender Form shall be deemed to be incorporated into the terms and condition of the Tender Offer;
- 5.10 in the case of Ordinary Shares held in certificated form or held in uncertificated form (that is in CREST), the despatch of a cheque by the Receiving Agents in respect of the Tender Price to a Shareholder at his registered address or such other address as is specified in the Tender Form will constitute a complete discharge by Merchant Securities of its obligations to make such payment to such Shareholder;
- 5.11 on execution the Tender Form takes effect as a deed; and

5.12 the execution of the Tender Form constitutes such Shareholder's submission to the jurisdiction of the Court in relation to all matters arising out of or in connection with the Tender Offer or the Tender Form. A reference in this paragraph 5 to a Shareholder includes a reference to the person or persons executing the Tender Form and in the event of more than one person executing a Tender Form, the provisions of this paragraph will apply to them jointly and to each of them.

**6. Additional Provisions**

- 6.1 Each Shareholder may tender some of or all of their holding of Ordinary Shares subject to the scaling back of tenders in excess of such Shareholder's Basic Entitlement on the basis provided for in paragraph 1.4 of this Part III. If (i) Section 1 of the Tender Form or (ii) in Merchant Securities' determination (in its absolute discretion) Section 1 in the case of Tender Forms has not been validly completed, provided that the Tender Form is otherwise in order and accompanied by all other relevant documents, the tender may be accepted as a valid tender in respect of the whole of the tendering Shareholder's Basic Entitlement.
- 6.2 Ordinary Shares acquired by Merchant Securities in the Tender Offer will be market purchases in accordance with the rules of the London Stock Exchange and the UK Listing Authority.
- 6.3 Ordinary Shares sold by Shareholders pursuant to the Tender Offer will be acquired with full title guarantee and free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching thereto on or after the Closing Date, including the right to receive all dividends and other distributions declared, paid or made after that date.
- 6.4 Each Shareholder who tenders or procures the tender of Ordinary Shares will thereby be deemed to have agreed that, in consideration of Merchant Securities agreeing to process his tender, such Shareholder will not revoke his tender or withdraw his Ordinary Shares. Shareholders should note that once tendered, Ordinary Shares may not be sold, transferred, charged or otherwise disposed of.
- 6.5 Any omission to despatch this document or the Tender Form or any notice required to be despatched under the terms of the Tender Offer to, or any failure to receive the same by any person entitled to participate in the Tender Offer shall not invalidate the Tender Offer in any way or create any implication that the Tender Offer has not been made to any such person.
- 6.6 No acknowledgement of receipt of any Tender Form, Ordinary Share certificate(s) and/or other document(s) of title will be given. All communications, notices, certificates, documents of title and remittances to be delivered by or sent to or from Shareholders (or their designated agents) will be delivered by or sent to or from such Shareholders (or their designated agents) at their own risk.
- 6.7 All powers of attorney and authorities on the terms conferred by or referred to in this Part III or in the Tender Form are given by way of security for the performance of the obligations of the Shareholders concerned and are irrevocable in accordance with section 4 of the Powers of Attorney Act 1971.
- 6.8 Subject to paragraphs 8 and 9 below all tenders must be made on the relevant prescribed Tender Form, fully completed in accordance with the instructions set out thereon which constitute part of the terms of the Tender Offer. A Tender Form will only be valid when the procedures contained

in these terms and conditions and in the Tender Form are complied with. The Tender Offer and all other tender offers will be governed by and construed in accordance with English law.

- 6.9 If the Tender Offer is terminated or lapses, all documents lodged pursuant to the Tender Offer will be returned promptly by post, within 14 Business Days of the Tender Offer terminating or lapsing, to the person or agent whose name and address is set out in Box 3 of the Tender Form or, if none is set out, to the tendering Shareholder or, in the case of joint holders, the first named at his or her registered address as shown in Box 1. In the case of Ordinary Shares held in uncertificated form, Share Registrars Limited in its capacity as the escrow agent will, within 14 Business Days of the Tender Offer lapsing, give instructions to Euroclear to transfer all Ordinary Shares held in escrow balances and in relation to which it is the escrow agent for the purposes of the Tender Offer by TFE Instruction to the original available balances from which those Ordinary Shares came. In any of these circumstances, Tender Forms will cease to have any effect.
- 6.10 The instructions, terms, provisions and authorities contained in or deemed to be incorporated in the Tender Form shall constitute part of the terms of the Tender Offer. The definitions set out in this document apply to the terms and conditions set out in this Part III.
- 6.11 Subject to paragraphs 8 and 9 below, the Tender Offer is open to Shareholders on the Register on the Record Date, and will close at 3.00 p.m. on 17 December 2010. No Tender Form, Ordinary Share certificate(s) and/or other document(s) of title or indemnity or TTE Instruction received after that time will be accepted.
- 6.12 Further copies of this document and copies of the Tender Form may be obtained on request from Share Registrars Limited.

## **7. Termination of the Tender Offer**

If the Company (acting through the Directors) shall, at any time prior to Merchant Securities effecting the purchase as principal of the tendered Ordinary Shares pursuant to the Repurchase Agreement, notify Merchant Securities in writing that in their opinion (i) as a result of any change in national or international financial, economic, political or market conditions, the cost of realisation of assets to fund the Tender Offer has become significantly more expensive since the date of this document; or (ii) in its reasonable opinion the completion of the purchase of Ordinary Shares in the Tender Offer could have unexpected adverse fiscal or other consequences (whether by reason of a change in legislation or practice or otherwise) for the Company or its Shareholders if the Tender Offer were to proceed, Merchant Securities and/or the Company shall be entitled at their complete discretion by a public announcement and the Company's subsequent written notice to Shareholders to withdraw the Tender Offer, and in such event the Tender Offer shall cease and determine absolutely.

## **8. Miscellaneous**

- 8.1 Any changes to the terms, or any extension or termination of the Tender Offer will be followed as promptly as practicable by a public announcement thereof no later than 1.00 p.m. on the Business Day following the date of such changes. Such an announcement will be released to a Regulatory Information Service of the London Stock Exchange. References to the making of an announcement by the Company include the release of an announcement on behalf of the Company by Merchant Securities or its agent to the press and delivery of, or telephone or facsimile or other electronic transmission of, such announcement to a Regulatory Information Service of the London Stock Exchange.

- 8.2 Ordinary Shares purchased pursuant to the Tender Offer will, following the completion of the Tender Offer, be acquired from Merchant Securities by the Company on the London Stock Exchange pursuant to the Repurchase Agreement and such Ordinary Shares with Merchant Securities subsequently be cancelled or held in treasury.
- 8.3 Tendering Shareholders will not be obliged to pay brokerage fees, commissions or transfer taxes or stamp duty in the UK on the purchase by Merchant Securities of Ordinary Shares pursuant to the Tender Offer.
- 8.4 Except as contained in this document, no person has been authorised to give any information or make any representations with respect to the Company or the Tender Offer and, if given or made, such other information or representations should not be relied on as having been authorised by Merchant Securities or the Company. Under no circumstances should the delivery of this document or the delivery of any consideration pursuant to the Tender Offer create any implication that there has been no change in the assets, properties, business or affairs of the Company since the date of this document.
- 8.5 Merchant Securities reserves the absolute right to inspect (either itself or through its agents) all Tender Forms and may consider void and reject any tender that does not in Merchant Securities' sole judgement (acting reasonably) meet the requirements of the Tender Offer. Merchant Securities also reserves the absolute right to waive any defect or irregularity in the tender of any Ordinary Shares, including any Tender Form (in whole or in part) which is not entirely in order or which is not accompanied by (in the case of Ordinary Shares held in uncertificated form) the relevant TTE Instruction or (in the case of Ordinary Shares held in certificated form), the related Ordinary Share certificate(s) and/or other document(s) of title or an indemnity acceptable to Merchant Securities in lieu thereof. In that event, for Ordinary Shares held in certificated form, however, the consideration in the Tender Offer will only be despatched when the Tender Form is entirely in order and the Ordinary Share certificate(s) and/or other document(s) of title or indemnities satisfactory to Merchant Securities has/have been received. None of Merchant Securities, the Company, the Registrars or any other person will be under any duty to give notification of any defects or irregularities in tenders or incur any liability for failure to give any such notification.
- 8.6 The provisions of the Contracts (Rights of Third Parties) Act 1999 do not apply to the Tender Offer.

## **9. Overseas Shareholders**

- 9.1 The provisions of this paragraph 9 and any other terms of the Tender Offer relating to Restricted Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by Merchant Securities in consultation with the Company but only if Merchant Securities and the Company are satisfied that such a waiver, variance or modification will not constitute or give rise to a breach of applicable securities or other laws.
- 9.2 Overseas Shareholders should inform themselves about and observe any applicable legal requirements. It is the responsibility of any such Overseas Shareholder wishing to tender Shares to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection herewith, the compliance with other necessary formalities and the payment of any transfer or other taxes or other requisite payments due in such jurisdiction. Any such Overseas Shareholders will be responsible for the payment of any such transfer or other taxes or other requisite payments due by whomsoever payable and Merchant Securities and the Company and any person acting on their behalf shall be fully indemnified and held harmless by such Overseas Shareholder for any

such transfer or other taxes or other requisite payments such person may be required to pay. No steps have been taken to qualify the Tender Offer or to authorise the extending of the Tender Offer or the distribution of the Tender Forms, in any territory outside the United Kingdom.

- 9.3 The Tender Offer is not being made to Restricted Shareholders. Restricted Shareholders are being excluded from the Tender Offer in order to avoid offending applicable local laws relating to the implementation of the Tender Offer. Accordingly, copies of this document, the Tender Form and any related documents are not being and must not be mailed or otherwise distributed into a Restricted Territory, including to Shareholders with registered addresses in Restricted Territories. Persons receiving such documents (including, without limitation, custodians, nominees and trustees) should not distribute or send them in or into a Restricted Territory or use such mails or any such means, instrumentality or facility in connection with the Tender Offer, as so doing will render invalid any related purported acceptance of the Tender Offer. Persons wishing to accept the Tender Offer should not use such mails or any such means, instrumentality or facility for any purpose directly or indirectly relating to acceptance of the Tender Offer. Envelopes containing Tender Forms should not be postmarked from a Restricted Territory or otherwise despatched to a Restricted Territory and accepting Shareholders must not provide Restricted Territory addresses for the remittance of cash or return of Tender Forms.
- 9.4 A Shareholder will be deemed not to have made a valid tender if (i) such Shareholder is unable to make the representations and warranties set out in paragraph 5.7 (if relevant) and 5.8 of this Part III; or (ii) such Shareholder inserts in Box 3 of the Tender Form the name and address of a person or agent in a Restricted Territory to whom he wishes the consideration to which such Shareholder is entitled in the Tender Offer to be sent; or (iii) the Tender Form received from him is in an envelope postmarked in, or which otherwise appears to Merchant Securities or its agents to have been sent from, a Restricted Territory. Merchant Securities reserves the right, in its absolute discretion, to investigate, in relation to any acceptance, whether the representations and warranties referred to in paragraph 5.7 (if relevant) and 5.8 above given by any Shareholder are correct and, if such investigation is undertaken and as a result Merchant Securities determines (for any reason) that such representations and warranties are not correct, such acceptance shall not be valid.
- 9.5 If, in connection with making the Tender Offer, notwithstanding the restrictions described above, any person (including, without limitation, custodians, nominees and trustees), whether pursuant to a contractual or legal obligation or otherwise, forwards this document, the Tender Form or any related offering documents in or into a Restricted Territory or uses the mails of, or any means or instrumentality (including, without limitation, facsimile transmission, telex, internet and telephone) of interstate or foreign commerce of, or any facility of a national securities exchange in, a Restricted Territory in connection with such forwarding, such person should (i) inform the recipient of such fact; (ii) explain to the recipient that such action may invalidate any purported acceptance by the recipient; and (iii) draw the attention of the recipient to this paragraph 9.

## **10. Modifications**

The terms of the Tender Offer shall have effect subject to such non-material modifications or additions as the Company and Merchant Securities may from time to time approve in writing. The times and dates referred to in this document may be amended by agreement between the Company and Merchant Securities.



## **PART IV**

### **Taxation**

#### **UK Taxation**

**The following comments are intended only as a general guide to certain aspects of current UK law and HM Revenue & Customs (“HMRC”) published practice, and do not constitute tax advice. They are of a general nature and apply only to Shareholders who are resident or ordinarily resident in the UK (except where otherwise indicated) and who hold their Ordinary Shares beneficially as an investment. They do not address the position of certain classes of Shareholders such as dealers in securities.**

A Shareholder who sells Ordinary Shares in the Tender Offer should be treated, for the purposes of UK taxation, as having made a disposal. Accordingly, and subject to the comments in the remainder of this Part IV, a UK resident Shareholder may, depending on their personal circumstances, be liable to capital gains tax (or, in the case of a corporate Shareholder, corporation tax on chargeable gains) in respect of any gain arising on sale. Shareholders who are not resident or ordinarily resident in the UK for taxation purposes will not normally be liable to UK capital gains tax, with the exception of individual Shareholders who are considered “temporary non-residents”. Any such Shareholders, together with Shareholders who are subject to tax in a jurisdiction other than the UK and those in any doubt as to the potential tax consequences resulting from a disposal of their Ordinary Shares should take appropriate professional advice before accepting the Tender Offer.

The Company has not submitted a clearance application to HMRC under either Part 13 to ITA 2007 (Tax Avoidance) or Part 15 to CTA 2010 (Transactions in securities) seeking confirmation that HMRC will not issue a notice counteracting a tax advantage obtained by a Shareholder as a consequence of the disposal of Ordinary Shares as part of the Tender Offer. Based on their published practice, HMRC are unlikely to issue a counteraction notice in the context of the Tender Offer, however were they to do so the effect of any such notice would be to treat some or all of the disposal proceeds received by a Shareholder as distributions of income for tax purposes rather than as capital gains.

It is a defence to a counteraction notice for a Shareholder to show that the transaction in question was carried out for bona fide commercial reasons and did not involve as one of its main objects the obtaining of a tax advantage. Accordingly, the provisions relating to counteraction notices are not thought to apply generally in the context of the Tender Offer and will not, in any case, apply to UK individuals who are not liable to income tax at a rate which is greater than the basic rate or who hold their Ordinary Shares in a PEP or ISA, nor to investors who are exempt from UK tax or who are not UK resident. Shareholders are, however, advised to take independent advice as to the potential application of Part 13 to ITA 2007 (Tax Avoidance) and Part 15 to CTA 2010 (Transactions in securities) in the light of their own particular circumstances.

Stamp duty at the rate of 0.5 per cent. of the Tender Price on the Ordinary Shares repurchased will be payable by the Company as a result of the Tender Offer. The Tender Price will be 92.5 per cent. of the Tender NAV and costs including any stamp duty which is incurred will be deducted from the remaining 7.5 per cent. of the Tender NAV.

**If you are in any doubt as to your taxation position you should take appropriate professional advice without delay. The information relating to taxation set out above is a general guide and is not exhaustive. It is based on law and practice currently in force in the UK which is subject to change.**

## **PART V**

### **Additional Information**

#### **1. Further repurchases of Ordinary Shares**

The Company has a general authority granted by special resolution passed on 16 December 2009, to purchase shares up to 2,228,238 Ordinary Shares or if less 14.99 per cent. of the issued ordinary share capital of the Company. Subject to market conditions, the Board will consider using this general authority from time to time to make on-market share repurchases in order to return further capital to Shareholders.

Shareholders should also note that for any share buybacks the maximum price (exclusive of expenses) which may be paid for an Ordinary Share is, in respect of a share contracted to be purchased on any day, the higher of (i) an amount equal to 105 per cent. of the average of the middle market quotations for Ordinary Shares taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the contract of purchase is made; and (ii) the price stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation (ECNo. 2273/2003). The minimum price will not be below the nominal value of £0.01 per Ordinary Share. Purchases of Ordinary Shares pursuant to this general share buyback authority will be financed out of the Company's distributable reserves.

Purchases of Ordinary Shares under the share buyback authority will only be made through the market and otherwise in accordance with guidelines established from time to time by the Board.

The Company may utilise such general share buyback authority by either a single purchase or a series of purchases, as and when market conditions are appropriate, with the aim of maximising the benefit to the remaining Shareholders.

#### **2. Material Contracts**

##### **Repurchase Agreement**

The Repurchase Agreement between the Company and Merchant Securities is dated 24 November 2010. Under this agreement, the parties agree that, subject to the Tender Offer becoming unconditional in all respects and not lapsing or terminating in accordance with its terms, Merchant Securities shall, as principal, purchase, on-market, at the Tender Price, Ordinary Shares successfully tendered up to a maximum of 10 per cent. of the Ordinary Shares in issue.

The Company has agreed that, as soon as practicable following the purchase by Merchant Securities of all Ordinary Shares which it has agreed to purchase under the terms of the Repurchase Agreement (and in any event by no later than the business day following such sale and purchase), the Company will purchase from Merchant Securities such Ordinary Shares at the Tender Price.

The agreement also contains representations and warranties from the Company in favour of Merchant Securities and incorporates an indemnity in favour of Merchant Securities in respect of any liability which it may suffer in relation to its performance under the Tender Offer.

Merchant Securities has agreed that it will not vote in respect of any of the Ordinary Shares it holds pursuant to the Repurchase Agreement.

**3. General**

- 3.1 Merchant Securities has given and not withdrawn its written consent to the issue of this document with its letter and with the references to its name in the form and context in which they are included.
- 3.2 There has been no significant change in the Company's financial or trading position since 31 August 2010, the date of the latest annual report and accounts.

**4. Documents available for inspection**

Copies of the following documents will be available for inspection at the offices of Speechly Bircham LLP, 6 New Street Square, London EC4A 3LX during normal business hours on weekdays (Saturdays, Sundays and public holidays excepted) from the date of this document until the completion, lapse or termination of the Tender Offer:

- 4.1 this Circular;
- 4.2 the consent letter referred to in paragraph 3.1 above;
- 4.3 the Company's Articles of Association as at the date of this document;
- 4.4 the Company's annual report for the period ended 31 August 2010;
- 4.5 the Company's interim report for the six months ended 28 February 2010; and
- 4.6 the material contract described in paragraph 2 above.