# ATHELNEY TRUST PLC

## OFFER FOR SUBSCRIPTION

**Sponsored**
**by**

## DUNBAR BOYLE & KINGSLEY LIMITED

A copy of this document, which comprises particulars relating to Athelney Trust PLC, together with copies of the documents referred to in paragraphs 5 and 8 of Part IV, has been delivered to the Registrar of Companies in accordance with Section 64 of the Companies Act 1985.

The Directors of Athelney Trust PLC, whose names appear in the section entitled "Directors, Secretary and Advisers", have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein whether of fact or opinion. All such Directors accept responsibility accordingly.

**It should be emphasised that the share capital of Athelney Trust PLC is not presently listed on any stock exchange and, at the date of this document, no application for listing on any stock exchange nor for the share capital to be dealt in on the Unlisted Securities Market is being made. However, conditional on the Offer taking place as set out herein, the Directors intend to seek permission for the Ordinary shares to be dealt in under Rule 535.2 of the London Stock Exchange regulations.**

**Investment in Athelney Trust PLC involves a degree of risk and, in particular, your attention is drawn to the section entitled "Risk Factors" in Part 1.**

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# ATHELNEY TRUST PLC

*(Incorporated in England and Wales under the Companies Act 1985 with Registered No.2933559)*

## OFFER FOR SUBSCRIPTION

## Sponsored by

## DUNBAR BOYLE & KINGSLEY LIMITED

**of up to 10,000,000 Ordinary shares of 25p each at 50p per share payable in full on application**

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### SHARE CAPITAL

| Authorised | | | Issued and to be issued fully paid* | |
|---|---|---|---|---|
| Nominal value | No. of shares | | Nominal value | No. of shares |
| £2,500,000 | 10,000,000 | Ordinary shares of 25p each | £2,500,000 | 10,000,000 |

*on the basis that the Offer is fully subscribed

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Dunbar Boyle & Kingsley Limited, a member of the Securities and Futures Authority and of the London Stock Exchange, is acting for Athelney Trust PLC in connection with the Offer and no one else and will not be responsible to anyone other than Athelney Trust PLC for providing the protections afforded to customers of Dunbar Boyle & Kingsley Limited or for affording advice in relation to the Offer.

**If valid applications are received for fewer than 500,000 Ordinary shares the Offer will not proceed and all subscription monies will be returned to applicants. The minimum subscription would result in proceeds (before initial expenses) of £250,000 for the Company.**

## DEFINITIONS

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

| | |
|---|---|
| "The Company" | Athelney Trust PLC |
| "Directors" | the Directors of the Company whose names appear under "Directors, Secretary and Advisers" below |
| "Act" | the Companies Acts 1985 and 1989 |
| "Articles of Association" | the articles of association of the Company |
| "Application Form" | the detachable application form to be used in connection with the Offer which appears at the end of this document |
| "London Stock Exchange" | The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited |
| "SFA" | The Securities and Futures Authority Limited |
| "DBKL" | Dunbar Boyle & Kingsley Limited, members of the London Stock Exchange and of the SFA |
| "Investment Managers" | DBKL |
| "Sponsors" | DBKL |
| "Offer" | the offer for subscription of up to 10,000,000 Ordinary shares contained in this document |
| "Offer price" | 50p per Ordinary share |
| "Ordinary shares" | Ordinary shares of 25p each in the Company |
| "Shareholders" | the holders of Ordinary shares |
| "Rule 535.2" | Rule 535.2 of the London Stock Exchange regulations |

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## TIMETABLE

| | 1994 |
|---|---|
| Opening of subscription lists | 10.00 a.m. Monday, 13th. June |
| Date of closing of Offer, unless extended | 3.00 p.m. Monday, 27th. June |
| Basis of initial allocation expected to be announced | Tuesday, 28th. June |
| Dealings expected to be permitted under Rule 535.2 | Tuesday, 28th. June |
| Definitive certificates expected to be despatched | Monday, 4th. July |

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## DIRECTORS, SECRETARY AND ADVISERS

| | |
|---|---|
| Directors | Hugo Bernard Deschampsneufs (Chairman)<br>Robin George Boyle (Managing Director)<br>Derek Leonard Scrivener<br>Richard John Ellert<br><br>all of<br>Gun House,<br>1/4 Artillery Passage,<br>London E1 7LJ |
| Secretary, Registrar and Registered Office | David Randolph Michell Dunbar, FCA,<br>55 Church Road,<br>Wimbledon,<br>London SW19 5DQ |
| Sponsors and Investment Managers | Dunbar Boyle & Kingsley Limited,<br>Gun House,<br>1/4 Artillery Passage,<br>London E1 7LJ |
| Auditors and Reporting Accountants | W.H. Payne & Co.,<br>Chartered Accountants,<br>Sandringham House,<br>199 Southwark Bridge Road,<br>London SE1 0HA |
| Solicitors to the Company and to the Offer | Stringer Saul,<br>Marcol House,<br>293 Regent Street,<br>London W1R 7PD |
| Bankers | The Royal Bank of Scotland plc,<br>62/63 Threadneedle Street,<br>London EC2R 8LA |
| Receiving Agents | Dunbar Boyle & Kingsley Limited<br>Gun House,<br>1/4 Artillery Passage,<br>London E1 7LJ |

## PART I

### Introduction

The Company is a new investment company formed to provide investors with the opportunity to invest in a professionally managed and diversified portfolio of UK companies selected from:

- companies whose shares are traded under Rule 535.2 and are assessed by DBKL as being undervalued;

- quoted smaller companies with market capitalisations below £50 million;

- companies of any size which DBKL consider to be under-researched and substantially undervalued;

- companies which DBKL believe represent 'special situations', such as asset situations, where the share price is significantly below the net asset value, recovery stocks, high yield equities and possible takeover candidates.

On 26th. April, 1994 the London Stock Exchange announced a seven point initiative to encourage capital into smaller companies. Details of this initiative have yet to be published but it is expected that emphasis will be placed on enhanced marketing, improving the trading technology for small company shares, codifying the regulations for small companies and creating a new index against which investors can benchmark performance. It is widely expected, as part of this initiative, that the London Stock Exchange will use Rule 535.2 as the basis for a new junior market for small company shares to replace the Unlisted Securities Market, which is to be phased out.

An investment in the Company has the following advantages:

* DBKL, the Investment Managers, have considerable experience of investing in unquoted and smaller companies and have the research capability to identify and assess investments which meet the investment criteria of the Company;

* as the Company is a closed end fund, the Investment Managers can take a longer term view of investments;

* the Company's diverse portfolio will provide the risk averse investor with a spread of investments.

The Company will have a simple capital structure consisting of Ordinary shares and, subject to the Offer taking place as set out herein, the Directors intend to seek permission for the Ordinary shares to be dealt in under Rule 535.2. The Company has an initial life of ten years.

### Investment objectives

The investment objectives of the Company will be to achieve long term capital growth while at the same time producing a progressive income return.

The Investment Managers believe that there are currently many good opportunities to invest in suitable smaller companies to achieve these objectives and investments will be identified from the Listed market and Unlisted Securities Market of the London Stock Exchange and from companies whose shares are traded on the Stock Exchange Alternative Trading System and under Rule 535.2.

*Why Rule 535.2?*

Rule 535.2 is the rule of the London Stock Exchange under which dealings in the shares of unquoted companies have traditionally been permitted on a matched bargain basis. In recent years the number of companies whose shares are regularly traded under Rule 535.2 has increased significantly and currently some 230 companies have their securities dealt under this facility. A list of dealings in Rule 535.2 securities is published each week in the Saturday edition of the Financial Times.

*Why smaller companies?*

Smaller companies are the lifeblood of the British economy and yet they remain one of the most neglected areas of the investment market, which is surprising given the simple fact that all of today's multinationals evolved from much humbler origins. In order to have reached their current size, today's multinationals are likely to have grown successfully and faster than the average, both organically and by the acquisition of other companies helped by the drive and commitment of their founders and succeeding managements.

The Investment Managers believe that there will be opportunities within a diversified managed portfolio of smaller companies to benefit from early investment in companies which are currently small but which have the potential for above average growth.

Above average growth may arise, *inter alia*, from:

* opportunities to invest in smaller companies which are well managed but assessed to be significantly undervalued due to a lack of market research and awareness; such companies are likely to be favourably re-rated at some stage as market awareness and the marketability of their shares increase;

* opportunities to invest in smaller companies which are involved in emerging or strong growth markets and themselves demonstrating good growth;

* investment in companies which are currently traded under Rule 535.2 where the potential exists to upgrade to listing or to the Unlisted Securities Market of the London Stock Exchange, often at an enhanced valuation;

* investment in successful smaller companies which may become the target for takeover activity by larger groups, often with substantial uplifts in value.

The Investment Managers believe that the recently announced Stock Exchange initiative, referred to in the introductory paragraphs above, will lead to wider investor recognition of smaller companies, better research coverage, and consequently improved marketability for the shares of those smaller companies which are currently dealt in under Rule 535.2.

## Investment policy

Investments will primarily be made in the equity securities of both unquoted and quoted UK companies, including smaller companies with a market capitalisation below £50 million, which the Investment Managers assess as fulfilling the investment objectives outlined above.

Initially the Company's Ordinary shares will not be quoted on a recognised stock exchange but the Directors intend to conduct the affairs of the Company so that it would otherwise be eligible for approval as an investment trust under the provisions of Section 842 of the Income and Corporation Taxes Act 1988.

## Borrowing powers

The Articles of Association of the Company permit borrowings up to a sum equal to its share capital and reserves as shown by its most recent published balance sheet and, until the presentation of its first balance sheet at the Company's first annual general meeting, of up to £500,000. The Directors may use this power, after consultation with the Investment Managers, to borrow within these limits from time to time with a view to enhancing net asset value growth.

## Life of the Company

The Directors consider it desirable that Shareholders should be able to vote on the future of the Company at regular intervals. Shareholders will, therefore, be given an opportunity at the annual general meeting in 2005 and at every subsequent fifth annual general meeting to vote on an ordinary resolution to continue the life of the Company. If such resolution is passed, the Company will continue as an investment company for a further five years. In the event that any such resolution is not passed, the Directors will prepare and submit to Shareholders (for approval by special resolution) proposals for the reorganisation or other reconstruction of the Company. If these proposals are not approved, the Company will be wound up. Upon winding up, all the surplus assets of the Company, after repayment of its liabilities, will be distributed to the Shareholders.

## Risk factors

The Company intends to maintain a diversified portfolio spread over a range of companies in order to reduce the level of investment risk. However, investors should recognise that:

* Investment in unquoted companies is perceived to involve a higher degree of risk than investment in companies whose shares are quoted on a recognised stock exchange;

* Investments in unquoted and smaller companies are often illiquid and can be difficult to realise;

* Many unquoted and smaller companies have small management teams and, accordingly, the loss of any one individual may have a material effect on the performance of an investee company;

* Prospective investors should be aware that the value of an investment in the Company and the income derived from it may go down as well as up. In addition, there can be no guarantee that the market price of securities in investment companies will fully reflect their underlying net asset value;

* Investment in the Company's shares should be regarded as long term in nature. There can be no guarantee that the Company's investment objectives will be achieved.

## Dividend policy and accounts

The Company intends that its income will be derived wholly or mainly from shares or other securities and substantially all of its net income will be distributed in the form of dividends.

The Company's investment objectives will be to achieve long term capital growth while at the same time producing a progressive income return and it is likely that the level of dividends from the Company will initially be low. It is expected that dividends will normally be paid by way of a final dividend in March/April of each year.

The annual accounts of the Company will be made up to 31st. December in each year. The Company's first accounting period will end on 31st. December, 1994.

## Directors of the Company

Hugo Deschampsneufs (Chairman), aged 48, is a Chartered Accountant, having qualified with Binder Hamlyn. He is a non-executive Director of Dunbar Boyle & Kingsley Holdings PLC, Financial and Funding Director of a UK leasing company and a non-executive director of a sales training company. His previous appointments include Company Secretary of a City bank and Financial Director of a Dun & Bradstreet subsidiary.

Robin Boyle (Managing Director) is 49 and has twenty-seven years experience in private client fund management with Panmure Gordon, Hoare Govett, Capel-Cure Myers (where he worked with Derek Scrivener) and Stancliffe. In 1988, he formed DBKL with David Dunbar and is presently Managing Director of that firm.

Derek Scrivener, aged 52, was trained in law and after a number of years in insurance broking and tax consultancy became a Director of Capel-Cure Myers Capital Management Limited and Chief Executive of CCM Financial Services Limited. He was subsequently a Director of Royal Trust Asset Management Limited. He joined DBKL in January, 1993 and is now New Business Director.

Richard Ellert, aged 48, has been involved in corporate finance and investment management for many years. Between 1985 and 1989 he was Managing Director of Charles Stanley Corporate Finance Limited and since 1989 he has been Managing Director of Sancroft Corporate Services Limited, which gives corporate and investment advice to private companies, and a Director of DBKL. He is also Chairman of Hoskins Inns PLC and Manor House Collection PLC.

## Investment Managers

The Company's investments will be managed by DBKL, a wholly owned subsidiary of Dunbar Boyle & Kingsley Holdings PLC. DBKL is a member of the London Stock Exchange, a member of the Securities and Futures Authority and a member of the Association of Private Client Investment Managers and Stockbrokers.

DBKL, which was formed in 1988, manages discretionary and non-discretionary funds on behalf of its clients. DBKL has developed its own research capabilities and expertise in the assessment and selection of smaller company investments in both the unquoted and quoted sectors of the market.

Under the terms of the Investment Management Agreement referred to in paragraph 5 of Part IV of this document, DBKL's appointment is subject to termination by not less than three years' written notice by either party. DBKL will receive a quarterly fee (exclusive of value added tax) payable in arrears equal to 0.375 per cent. of the Company's total assets less current liabilities, less an amount equal to 2.0 per cent. of such fee. The first such fee will be calculated and payable in respect of the quarter ending on the relevant valuation date in September, 1994.

## Valuation policy

The Company's investments will be valued according to the following rules:

(i) Where "bid" and "offer" prices are quoted by a market maker in such securities on the valuation date, investments will be valued on the basis of the "offer" price, which is the higher of the dealing prices (or "spread") quoted by such market maker, and reflects the price at which the market maker is prepared to sell such securities;

(ii) Where no spread is available, investments will be valued on the basis of the average of the dealing prices recorded by a market maker for such securites on the valuation date or, in the absence of any dealings on that date, at the average of such dealing prices on the latest practicable day prior to the valuation date.

The Company's auditors have approved this basis of valuation for the purposes of the Company's annual audited accounts.

Valuations will normally be prepared, for the purpose of calculating fees, as at the last dealing day of March, June, September and December in each year ("the valuation dates"), except that no valuation will be prepared for any dates prior to September, 1994, and valuations will normally only be circulated to shareholders in respect of each June and December valuation date.

## Further issues

The Directors have authority, after the closing of the Offer and until the 1996 annual general meeting of the Company, to issue Ordinary shares for cash on such terms as they think fit, as if the statutory pre-emption rights did not apply. DBKL has undertaken, to the extent that any Ordinary shares remain authorised but unissued following the Offer, to use its reasonable endeavours to find subscribers for such shares by way of private placings as appropriate throughout this period, for which it will receive a fee of 3.0 per cent. (plus value added tax, if any) of the proceeds of such share issues.

## Taxation

The Directors intend to conduct the affairs of the Company so that in due course it satisfies the conditions for approval as an investment trust laid down in Section 842 of the Income and Corporation Taxes Act 1988. However, as the Company's Ordinary shares will not, initially, be quoted on a recognised stock exchange, which is a requirement for such approval to be given, the Company will not immediately qualify for such approval and consequently it will be subject to UK corporation tax on its capital gains. In this context, it is the Directors' intention at an appropriate time in the future to make application to the London Stock Exchange for the Company's Ordinary shares to be admitted to listing. There can, however, be no guarantee that such application would be successful.

The income of the Company (except dividends received from other UK resident companies) will be liable to UK corporation tax in the normal way, subject to relief for management expenses and charges on income.

Shareholders may be liable to UK taxation on capital gains arising from the sale or other disposal of Ordinary shares, or on the liquidation of the Company, and amounts paid in the liquidation of the Company to shareholders will be treated as capital rather than income distributions.

**If any investors are in any doubt regarding the taxation consequences of their acquiring, holding or disposing of Ordinary shares, they should seek advice from their accountant or other taxation adviser.**

## Offer arrangements

It is proposed to raise, before expenses, up to £5,000,000 by the issue of up to 10,000,000 Ordinary shares at 50p each. None of the Ordinary shares offered for subscription has been underwritten. No other shares or securities in the Company are being issued. If valid applications are received for fewer than 500,000 Ordinary shares, the Offer will not proceed and all subscription monies will be returned to applicants without interest. The expenses to be borne by the Company will vary according to the number of Ordinary shares subscribed and the level of selling commission payable. On the basis that the Offer is fully subscribed, the total expenses to be borne by the Company are expected to be not more than 3.3 per cent. of the aggregate proceeds of the Offer. In the event that only the minimum level of subscription is achieved, the total expenses to be borne by the Company are expected to be not more than 7.9 per cent. of the aggregate proceeds of the Offer.

The procedure for application for Ordinary shares and an Application Form can be found at the end of this document. Application Forms must be for a minimum of 2,000 Ordinary shares. Potential investors are advised that Application Forms must be sent by post to Dunbar Boyle & Kingsley Limited, Gun House, 1/4 Artillery Passage, London E1 7LJ, or delivered by hand, in each case, by no later than 3.00 p.m. on Monday, 27th. June, 1994, since the application list may be closed at any time thereafter.

It is expected that the basis of allocation will be announced on Tuesday, 28th. June, 1994 and that definitive certificates will be posted on Monday, 4th. July, 1994. It is expected that dealings will be permitted under Rule 535.2 with effect from Tuesday, 28th. June, 1994.

## Selling commission

Under the Subscription Agreement referred to in paragraph 5(i) of Part IV of this document, DBKL will receive a commission of 3.0 per cent. (plus value added tax, if any) of the proceeds of the Offer and 3.0 per cent. (plus value added tax, if any) of any monies subscribed subsequently in relation to the issue of further Ordinary shares by the Company. This agreement is subject to termination by not less than one month's written notice by either party.

Out of such commission, DBKL will pay a selling commission of up to 2.5 per cent. of the Offer price in respect of successful applications to authorised financial intermediaries who return Application Forms bearing their stamp and SIB number. Financial intermediaries should keep a record of all Application Forms submitted bearing their stamp to substantiate any claim for selling commission. No selling commission will be paid if the Offer does not proceed.

DBKL, as Receiving Agents, will collate the Application Forms bearing the financial intermediaries' stamps and calculate the selling commission payable, which will be paid within one month of the close of the Offer.

## PART II

## Articles of Association

### (a) Dividends

The profits of the Company available for distribution by way of dividend and resolved to be distributed shall be distributed to the holders of Ordinary shares by way of interim and final dividends and at such times as the Directors may determine.

### (b) Issue of shares

Subject to the provisions of the Act and of the Articles of Association, all unissued shares shall be at the disposal of the Directors and they may allot, grant options over or otherwise dispose of them to such persons, at such times and on such terms as they think fit.

### (c) Voting and restrictions on voting

(i) Subject to any rights or restrictions attached to any shares, and in particular the provisions summarised in paragraph (d) below, each holder of Ordinary shares present in person (or, being a corporation, by a duly authorised representative) at a general meeting shall upon a show of hands have one vote and upon a poll each holder of Ordinary shares shall have one vote in respect of every Ordinary share held by him.

(ii) A member shall not, unless the Directors otherwise determine, be entitled in respect of any Ordinary share to attend or vote at any general meeting or to exercise any other right conferred by membership in relation to meetings of the Company if he or any other person appearing to be interested in the relevant shares has been given notice under Section 212 of the Act and has failed to give the Company such information as is required by the notice within 14 days, in a case where the shares in question represent at least 0.25 per cent. of their class, or, in any other case, within 28 days from the date of the notice. The restrictions will continue until the information required by the notice is supplied to the Company or until the shares in question are transferred in certain specified circumstances.

### (d) Duration and winding up of the Company

(i) The Directors shall procure that at the annual general meeting of the Company to be held in 2005 an ordinary resolution will be proposed to the effect that the Company shall continue in being as an investment company. If at such meeting the resolution is passed, the Directors shall procure that at every fifth subsequent annual general meeting an ordinary resolution will be proposed to the effect that the Company shall continue as an investment company.

If at any such meeting such resolution is not passed, the Directors shall within 120 days thereof convene an extraordinary general meeting of the Company at which an ordinary resolution shall be proposed for the re-organisation or reconstruction of the Company incorporating proposals for Shareholders either to continue their investment in a closed-ended company or trust or in an open-ended company or trust or to receive cash, and, if that resolution is not passed, a special resolution shall be proposed to wind up the Company voluntarily.

(ii) At any extraordinary general meeting called to propose the winding up of the Company pursuant to paragraph (i) above, those holders of Ordinary shares who (being individuals) are present in person or by proxy or (being corporations)are present by proxy or by a duly authorised representative and entitled to vote and who vote on the poll in favour of the resolution proposed to wind up the Company voluntarily shall collectively have such total number of votes as is one more than the number of votes which are required to be cast on such poll for the said resolution to be carried, and upon such resolution being passed the Company shall be wound up accordingly.

(iii) If the Company is wound up, the liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by law, divide among the members in specie the whole or any part of the assets of the Company. Any such division may be otherwise than in accordance with the existing rights of the members, but if any division is resolved otherwise than in accordance with such rights, the members of the Company shall have the same right of dissent and consequential rights as if such resolution were a special resolution pursuant to Section 110 of the Insolvency Act 1986.

### (e) Record dates and unclaimed dividends

The Company or the Directors may fix a date as the record date by reference to which a dividend will be declared or paid, whether or not it is before the date on which the declaration or payment is made. Any dividend which has remained unclaimed for a period of 12 years after having become due for payment will, if the Directors so resolve, be forfeited and cease to remain owing by the Company. No dividend or other money payable in respect of a share will bear interest against the Company unless the rights attached to the share provide otherwise.

### (f) Variation of rights

Subject to the provisions of the Act, the rights attached to any class of shares may be varied in such manner as may be provided by those rights or (in the absence of any such provision) with the consent in writing of the holders of three quarters in nominal value of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the shares of that class, but not otherwise. Unless otherwise expressly provided by the rights attached to any class of shares, those rights are deemed to be varied by the reduction of capital paid up on those shares and by the creation or issue of further shares ranking in priority to them for payment of a dividend or repayment of capital or which confer on the holders voting rights more favourable than those conferred by the first-mentioned shares, but are deemed not to be varied by the creation or issue of further shares ranking *pari passu* with them or subsequent to them or by the purchase by the Company of any of its own shares.

### (g) Transfer of shares

Shares may be transferred by an instrument in any usual form or in any other form approved by the Directors. The Directors may refuse to register a transfer if it is (a) of shares which are not fully paid, (b) not stamped and duly presented for registration together with the share certificate (unless one has not been issued) and such other evidence of title as the Directors may reasonably require, (c) in respect of more than one class of shares, (d) in favour of more than four transferees, or (e) in respect of shares which are the subject of a notice under Section 212 of the Act and, subject to the conditions specified in the Articles of Association relating to the disclosure of interests, the required information has not been received by the Company within the prescribed period.

### (h) Alteration of capital

The Company may, by ordinary resolution, increase its share capital, consolidate and divide all or any of its shares into shares of larger amount, subdivide all or any of its shares into shares of smaller amount and cancel any shares not taken or agreed to be taken by any person. The Company may, subject to the provisions of the Act, by special resolution reduce its share capital, any capital redemption reserve and any share premium account.

### (i) Distribution of realised capital profits

The Directors shall establish a reserve to be called the capital reserve and shall either carry to the credit of such reserve or apply in providing for depreciation or contingencies from time to time all surpluses arising from the sale, realisation or payment off of, or other dealings with, any capital assets of the Company in excess of the book value of the same and all other monies in the nature of accretion to capital. Any losses realised on the sale, realisation or payment off of, or other dealings with, any capital assets and any depreciation in the value of any capital assets shall be debited, except insofar as the Directors shall in their discretion decide to make good the same out of other funds of the Company, together with any taxation relevant to capital transactions, to the capital reserve and shall not be available for distribution as dividend (within the meaning of Section 842 of the Income and Corporation Taxes Act 1988) or for distribution (within the meaning of Section 263 of the Act).

### (j) Directors

(i) Unless otherwise determined by ordinary resolution, the Directors shall be paid such fees for their services as Directors as the Directors may determine, not exceeding £5,000 (plus any value added tax payable thereon) in aggregate per annum or such larger amount as the Company may by ordinary resolution determine. The Directors may also be paid all expenses properly incurred by them in connection with the discharge of their duties as Directors.

A Director who provides the Company with services outside the scope of the ordinary duties of a Director may be paid such extra remuneration as the Directors think fit.

The Directors may provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, for any Director who has held but no longer holds any executive office or employment with the Company or any body corporate which is or has been a subsidiary of the Company (or a predecessor in business of the Company or of any such subsidiary) and for a member of his family or other dependent.

(ii) Subject to the provisions of the Act, and provided that he has disclosed to the Directors the nature and extent of any material interests of his, a Director is not by reason of his office (a) disqualified from being a party to or otherwise interested in, any transaction or arrangement with the Company, or in which the Company has an interest, (b) disqualified from being a Director or other officer or employee of any body corporate promoted by the Company or in which the Company has an interest, or (c) liable to account to the Company for any benefit thereby derived, and no such transaction or arrangement is liable to be avoided on the grounds of any such interest or benefit. Except as otherwise provided by the Articles of Association, no Director may vote or be counted in a quorum at a meeting in relation to any resolution concerning a matter in which he has directly a material interest (other than an interest in shares, debentures or other securities of, or otherwise in or through, the Company). The foregoing prohibition will not apply to:

(1) the giving of any guarantee, security or indemnity to a Director in respect of money lent to or obligations incurred by him for the benefit of the Company or any of its subsidiaries: or

(2) the giving of any guarantee, security or indemnity to a third party in respect of an obligation of the Company or any of its subsidiaries for which the Director has assumed responsibility in whole or in part under a guarantee or indemnity or by giving security; or

(3) the participation of a Director in the underwriting or sub-underwriting of an offer of shares or debentures or other securities of the Company or any of its subsidiaries for subscription, purchase or exchange; or

(4) any proposal for a retirement benefits scheme which has been approved or is conditional upon approval by the Board of Inland Revenue for taxation purposes; or

(5) any arrangement for the benefit of the employees of the Company or any of its subsidiaries (including an employees' share scheme) which does not accord to any Director,

as such, any privilege or advantage not generally accorded to the employees to whom the arrangement relates; or

(6) any transaction or arrangement concerning any other company in which the Director is interested, whether directly or indirectly, provided that he is not the holder (other than as bare trustee or custodian or as a unit holder in any authorised unit trust scheme) of, or beneficially interested in, 1 per cent. or more of any class of the equity share capital of such company (or of any third company through which his interest is derived) or of the voting rights of members of such company; or

(7) any proposals to purchase or maintain liability insurance for Directors.

The Company may by ordinary resolution suspend or relax the provisions prohibiting a Director from voting at a meeting of the Directors or of a committee of the Directors.

(iii) At each annual general meeting one third of the Directors who are subject to retirement by rotation (or, if their number is not three or a multiple of three, the number nearest to, but not exceeding, one third) shall retire from office by rotation.

### (k) Borrowing powers

The Directors shall restrict the borrowings of the Company and exercise all powers of control exercisable by the Company in relation to its subsidiary undertakings so as to secure (as regards subsidiary undertakings so far as by such exercise they can secure) that the aggregate principal amount (including any premium payable on final repayment) outstanding of all money borrowed by the Company and its subsidiary undertakings ("the Group") excluding amounts borrowed by any member of the Group from any other member of the Group shall not at any time, save with the previous sanction of an ordinary resolution of the Company, exceed an amount equal to the aggregate of (i) the amount paid up on the share capital of the Company and (ii) the total of the capital and revenue reserves of the Group, including any share premium account, capital redemption reserve and credit balance on the profit and loss account all as shown in the then latest audited consolidated balance sheet and profit and loss account of the Group, but subject to deductions and adjusted as specified in the relevant Article provided that until an audited consolidated balance sheet and profit and loss account of the Group shall have been prepared as aforesaid the Directors may borrow up to £500,000.

# PART III

## Accountants' report

The following is the text of a letter received by the Directors and DBKL from W.H. Payne & Co., Chartered Accountants, the auditors of the Company:

Sandringham House,
199 Southwark Bridge Road,
London SE1 0HA.

The Directors,
Athelney Trust PLC,
Gun House,
1/4 Artillery Passage,
London E1 7LJ.

and

The Directors,
Dunbar Boyle & Kingsley Limited,
Gun House,
1/4 Artillery Passage,
London E1 7LJ.

3rd. June, 1994

Gentlemen,

We were appointed auditors of Athelney Trust PLC ("the Company") on 26th. May, 1994. The Company has not yet commenced business, no accounts have been made up nor have any dividends been declared or paid since the date of incorporation.

Yours faithfully,

**W.H. Payne & Co.**
**Chartered Accountants**

# PART IV

## General information

### 1. INCORPORATION AND ADMINISTRATION

(a) The Company, whose registered office is at 55 Church Road, Wimbledon, London SW19 5DQ and whose principal place of business is Gun House, 1/4 Artillery Passage, London E1 7LJ, was incorporated in England and Wales as a public limited company under the Act on 23rd. May, 1994 with the name Athelney Trust PLC and with registered number 2933559. The Company operates under the Act and the regulations made thereunder and has no subsidiaries nor any employees. The Company's accounting year end is 31st. December.

(b) Save for its entry into the material contracts summarised in paragraph 5 of this Part IV and certain non material contracts, since its incorporation the Company has not carried on business nor incurred borrowings. Upon receipt of the minimum subscription of £250,000 the Company will apply to the Registrar of Companies in England and Wales for a certificate under Section 117 of the Act to enable it to commence business.

(c) W.H. Payne & Co., Chartered Accountants, have been the only auditors of the Company since its incorporation.

(d) The Company has given notice to the Registrar of Companies of its intention to carry on business as an investment company pursuant to Section 266 of the Act.

(e) Save for the Offer arrangements described in this document, there has been no significant change in the trading or financial position of the Company since its incorporation.

### 2. SHARE CAPITAL

(a) The Company was incorporated with an authorised share capital of £2,500,000 divided into 10,000,000 Ordinary shares of 25p each (which the Directors were authorised and empowered to allot in full), of which two shares were issued, nil paid, to the subscribers to the Memorandum of Association. These shares were subsequently transferred to DBKL or its nominees and paid up in full.

(b) By a special resolution passed at an extraordinary general meeting of the Company held on 3rd. June, 1994:

(i) the Directors were generally and unconditionally authorised in accordance with Section 80 of the Act to exercise all the powers of the Company to allot relevant securities (as defined in that Section) up to an aggregate nominal amount of £2,500,000 pursuant to the Offer, such authority to expire on 31st. December, 1998 (unless previously revoked, varied or extended by the Company in general meeting), but so that such authority allows the Company to make offers or agreements before the expiry thereof which would or might require relevant securities to be allotted after the expiry of such authority;

(ii) the Directors were empowered (pursuant to Section 95(1) of the Act) to allot equity securities (as defined in Section 94(2) of the Act) pursuant to the authority referred to in sub-paragraph (i) above as if Section 89(1) of the Act did not apply to any such allotment provided that such power was limited to the allotment of equity securities prior to the annual general meeting of the Company to be held in 1996.

(c) The authorised share capital of the Company at the date hereof is £2,500,000 divided into 10,000,000 Ordinary shares of 25p each.

(d) Any of the Ordinary shares comprised in the Offer but not subscribed will remain authorised but unissued. Following the Offer DBKL will continue to seek subscribers for such unissued shares by way of private placings from time to time, until the authority referred to in paragraph (b)(ii) above, or any renewal thereof, expires. No issue of Ordinary shares will be made which will effectively alter the control of the Company or the nature of its business without the prior approval of the Company in general meeting.

(e) The provisions of Section 89 of the Act (which confer on Shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) apply to the balance of the authorised but unissued share capital of the Company, save to the extent disapplied by the resolution referred to in paragraph (b)(ii) above.

(f) Save as disclosed in this paragraph 2, in paragraph 5 below and in the section "Selling commission" in Part I of this document, since the date of its incorporation no share or loan capital of the Company has been issued or agreed to be issued, or is now proposed to be issued, for cash or any other consideration and no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any such capital.

(g) No share capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.

(h) The Company's registers may be closed at such time or times and during such period as the Directors may think fit, not exceeding in total 30 days in each year.

## 3. DIRECTORS' AND OTHER INTERESTS

(a) Each of Mr.Boyle, Mr. Scrivener and Mr. Ellert are Directors of DBKL and Mr. Boyle and Mr. Deschampsneufs are Directors and shareholders of its holding company, Dunbar Boyle & Kingsley Holdings PLC. The two issued shares in the capital of the Company are beneficially owned by DBKL and will be sold in the Offer. DBKL will receive fees in connection with the issue of shares in the Company and management of the Company's affairs, pursuant to the contracts referred to in paragraph 5 below.

(b) Save as disclosed in this prospectus, no Director has any beneficial or non-beneficial interest in the capital of the Company within the meaning of the Act.

(c) Save as disclosed in this prospectus, there are no matters to be disclosed under paragraph 13(1) of Schedule 3 of the Act.

(d) Mr. Boyle is a beneficiary of The Ampersand Pension Fund which may subscribe for Ordinary shares pursuant to the Offer.

(e) The business address of each Director is Gun House, 1/4 Artillery Passage, London E1 7LJ.

(f) The aggregate remuneration of the Directors in respect of the Company's accounting period ending on 31st. December, 1994 is expected to be less than £5,000 (plus any value added tax payable thereon).

(g) No Director has any service contract with the Company, nor are any such contracts proposed. The provisions of the Act relating to the retirement of directors of companies aged over 70 apply to the Company.

(h) No loan has been granted to, nor any guarantee provided for the benefit of, any Director by the Company.

(i) Save as referred to herein, and in particular, in paragraph (a) above, none of the Directors has, or has had, any interest in any transactions which are or were significant to the business of the Company which were effected by the Company since its incorporation.

(j) Save as referred to in paragraph (d) above, the Directors are not aware of any person who, following the Offer, will be interested directly or indirectly (within the meaning of Part VI of the Act) in 3.0 per cent. or more of the issued Ordinary share capital of the Company or who could, directly or indirectly, whether jointly or severally, exercise control over the Company.

## 4. MEMORANDUM AND ARTICLES OF ASSOCIATION

(a) The Memorandum of Association of the Company provides that the Company's principal object is to carry on the business of an investment company and to undertake all kinds of trust and agency business. The objects of the Company are set out in full in Clause 4 of the Memorandum of Association, a copy of which is available for inspection at the address specified in paragraph 11 of Part IV of this document.

(b) The Articles of Association of the Company contain, *inter alia*, the provisions which are summarised in Part II of this document.

## 5. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company since its incorporation and are, or may be, material, both of which are conditional (insofar as the Company's obligations are concerned) on the issue of a certificate of entitlement to commence business pursuant to Section 117 of the Act:

(i) A Subscription Agreement dated 3rd. June, 1994 made between the Company, the Directors and DBKL under which DBKL has undertaken to the Company to make the Offer on the terms and conditions set out in the agreement and in this document. Following the closing of the Offer, DBKL has undertaken to use its reasonable endeavours, by way of private placings from time to time, to procure subscribers for any Ordinary shares not subscribed in the Offer, at the best price reasonably obtainable. The Company may accept or reject such subscriptions at its absolute discretion. This arrangement may be terminated by one month's written notice by the Company or DBKL.

The Company will pay to DBKL a fee of 3.0 per cent. (plus value added tax, if any) of the aggregate gross proceeds of the Offer provided that such gross proceeds are not less than £250,000 and a fee of 3.0 per cent. (plus value added tax, if any) of the gross proceeds of any private placing. The Company will also pay all other costs and expenses relating to and incidental to the Offer.

The agreement contains certain warranties and indemnities given by the Company and the Directors in relation, *inter alia*, to the accuracy of the information contained in this document.

(ii) An Investment Management Agreement dated 3rd. June, 1994 between the Company and DBKL under which DBKL has been appointed as Investment Managers of the Company and will provide the investment management services required by the Company. In providing these services DBKL will be subject to the overall direction and control of the Directors.

DBKL will receive from the Company a management fee, paid quarterly in arrears, equal to 0.375 per cent. of the Company's total assets less current liabilities, less an amount equal to 2.0 per cent. of such fee (exclusive of value added tax). The first such fee will be calculated and payable in respect of the quarter ending on the relevant valuation date in September, 1994.

The agreement is subject to termination by not less than three years' written notice by either party. The Company may terminate the agreement without notice or payment of compensation if, *inter alia*, DBKL is in breach of a material obligation under the agreement which it fails to remedy within a specified period.

The Company has agreed to indemnify DBKL against any liability it incurs in performing its obligations under the agreement provided that the liability is not due to DBKL's default or negligence.

## 6. INVESTMENT POLICY

The Directors intend to conduct the affairs of the Company so that it would, if it satisfied the requirements for listing and were in fact listed, be eligible for approval as an investment trust under the provisions of Section 842 of the Income and Corporation Taxes Act 1988. The Company's investment policy is as stated in Part I of this document.

The investment policy set out in this document will be adhered to for at least three years from the date hereof.

## 7. TAXATION

(a) Taxation of dividends on Ordinary shares:

The information below relates to the position of persons who are absolute beneficial owners of Ordinary shares and may not apply to certain classes of persons (including in particular dealers in securities). If any investor is in any doubt regarding the taxation consequences of his acquiring, holding or disposing of Ordinary shares, he should seek advice from his accountant or other taxation adviser.

When paying a dividend to Shareholders, the Company may have to account to the Inland Revenue for an amount of advance corporation tax ("ACT") at a rate which is equal to 20 per cent. of the grossed-up dividend (ie: the sum of the dividend and the ACT payable on it or 1/4 of the dividend paid).

For individual shareholders resident in the United Kingdom for tax purposes, an amount equal to 20 per cent. of the grossed up dividend is available as a lower rate tax credit which individual shareholders who are so resident may set off against their total income tax liability or, in appropriate cases, reclaim in cash.

Corporate shareholders resident in the United Kingdom for tax purposes will not be liable to United Kingdom corporation tax on any dividend received and will be able to treat any dividend received and the related tax credits as franked investment income.

Whether the holders of shares in the Company who are resident in countries other than the United Kingdom are entitled to repayment from the Inland Revenue or the Company of a proportion of, or all of, the tax credit in respect of dividends on such shares depends in general upon the provisions of any double tax convention or agreement which exists between such countries and the United Kingdom. Persons who are not resident in the United Kingdom should consult their own taxation advisers on the possible application of such provisions and what relief or credit may be claimed in the jurisdiction of which they are residents.

(b) Close Company status

The Directors consider that, immediately following the Offer, the Company should not be a close company.

(c) Stamp Duty and Stamp Duty Reserve Tax

The Directors have been advised that any transfer (including sale) or agreement for transfer (for money's worth) of Ordinary shares will generally be subject to ad valorem stamp duty on the instrument of transfer (or, if an unconditional agreement to transfer such shares is not completed by duly stamped transfer within two months, stamp duty reserve tax) at the rate of 50p per £100 (or part thereof) on the value of the consideration for the relevant transfer.

## 8. CONSENT

W.H. Payne & Co. have given and not withdrawn their written consent to the issue of this Prospectus with the inclusion herein of their letter and references to them in the form and context in which they appear.

## 9. MINIMUM SUBSCRIPTION

(a) In the opinion of the Directors, the minumum amount which must be raised by the issue of Ordinary shares in the Company pursuant to this Prospectus to provide for the matters specified in paragraph 2 of Schedule 3 to the Act is £250,000, made up as follows:

| | £ |
|---|---|
| Purchase of property | nil |
| Preliminary expenses and commission (based on the minimum subscription) | 19,800 |
| Repayment of borrowed monies | nil |
| Working capital for present requirements | 230,200 |
| | 250,000 |

No Ordinary shares will be allotted pursuant to the Offer unless the minimum subscription of £250,000 is reached. The Company reserves the right to allot to applicants the same or any such smaller number of Ordinary shares which in their absolute discretion they think fit for which such application may have been made.

## 10. GENERAL

(a) The Company is not engaged in any litigation nor, so far as the Directors are aware, is any litigation or claim of material importance pending or threatened against the Company.

(b) The Company has no subsidiaries.

(c) The promoter of the Company is DBKL.

(d) Other than as disclosed in this Prospectus, no cash securities or benefits have been paid or are now proposed to be paid or given to the promoter.

(e) Subject to the achievement of the minimum subscription, if the Offer is not taken up in full the amount of the capital of the Company subscribed for thereunder may be allotted in any event.

(f) The amount payable on application and allotment of each Ordinary share is 50p including a premium of 25p.

(g) The preliminary expenses of the incorporation of the Company amount to approximately £300 (including VAT), in aggregate and have been paid by DBKL.

(h) The proceeds subscribed to the Offer will be not less than £250,000 and up to £5,000,000. The costs and expenses of, and incidental to, the Offer payable by the Company on the basis that the Offer is fully subscribed are estimated to be not more than £163,150 (inclusive of irrecoverable VAT). The estimated net proceeds of the Offer will, therefore, be not less than approximately £4,836,850 on this basis. If only the minimum level of subscription is achieved, the total costs payable by the Company are estimated to be not more than £19,800 (inclusive of irrecoverable VAT). The estimated net proceeds of the Offer on this basis will, therefore , be not less than approximately £230,200. The proceeds of the Offer will be applied as described in the section headed "Investment policy" in Part I of this document.

(i) Mr R. J. Ellert is a director of Ling Group PLC, a construction and property development company. An administrative receiver was appointed over the assets of Ling Group PLC on 10th. September 1992.

(j) Duplicate copies of this document have been delivered to the Registrar of Companies in England and Wales for registration, each copy having attached to it a copy of the application form set out at the end of this document, the consent referred to in paragraph 8 above, together with copies of the material contracts referred to in paragraph 5 above.

## 11. DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected during usual business hours on weekdays (except Saturdays and public holidays) until close of the subscription lists at the offices of Stringer Saul, Marcol House, 293 Regent Street, London W1R 7PD and at the offices of DBKL, Gun House, 1/4 Artillery Passage, London E1 7LJ:

(a) The Memorandum and Articles of Association of the Company;

(b) The Accountants' report dated 3rd. June, 1994;

(c) The material contracts referred to in paragraph 5 above; and

(d) The written consent referred to in paragraph 8 above.

3rd. June, 1994

# PROCEDURE FOR APPLICATION

## 1. GENERAL CONDITIONS

* Applications (which should be for a minimum of 2,000 Ordinary shares) must be made on the Application Form below at the subscription price payable in full on application and forwarded by post or hand to **Dunbar Boyle & Kingsley Limited, Gun House, 1/4 Artillery Passage, London E1 7LJ.** Applications will only be accepted on the terms and conditions set out in this Prospectus and on the reverse of the Application Form

* A separate cheque or bankers' draft must accompany each Application Form

* Cheques should be made payable to: **"Dunbar Boyle & Kingsley Limited"**

* The basis of allotment will be determined by the Sponsors in their absolute discretion. Rejected applications will be returned to Investors without interest.

* All cheques, certificates and other documents will be despatched by the Sponsors by post at the risk of the person entitled thereto.

## 2. INITIAL CLOSING DATE

* Applicants are reminded that the subscription list for the Offer will close as soon as relevant Ordinary shares have been applied for in full and in any event no later than 3.00 p.m. on Monday, 27th. June, 1994 unless extended by the Directors.

* Any applicant requiring assistance in completing the Application Form should telephone 071-247 8898 and ask for "Athelney Trust Offer Enquiries".