

SC 162841

A copy of this document, which comprises a prospectus relating to Life Offices Opportunities Trust plc prepared in accordance with the listing rules made under section 142 of the Financial Services Act 1986, has been delivered to the Registrar of Companies in Scotland for registration in accordance with section 149 of that Act.

The directors of the Company, whose names appear under "Directors, Managers and Advisers" herein, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Persons receiving this document should note that James Capel & Co. Limited, which is regulated by The Securities and Futures Authority Limited, is acting for Life Offices Opportunities Trust plc in connection with the Issue and for no-one else and will not be responsible to anyone other than Life Offices Opportunities Trust plc for providing the protections afforded to customers of James Capel & Co. Limited or for providing advice in connection with the Issue.

Life Offices Opportunities Trust plc

(Incorporated in Scotland under the Companies Act 1985 with registered number 162841)

Placing and Intermediaries Offer

of up to

25,000,000 ordinary shares of 75p each

at 100p per share,

payable in two instalments of 50p each,

sponsored by

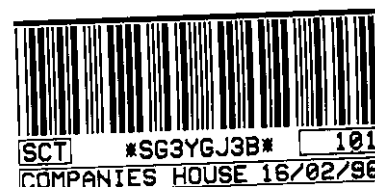
James Capel & Co. Limited

Share Capital

Authorised			Issued and to be issued, fully paid*	
Nominal Value	No. of Shares		Nominal Value	No. of Shares
£18,750,000	25,000,000	ordinary shares of 75p each	£18,750,000	25,000,000

* On the basis that the Issue is fully subscribed and that the Final Instalment has been paid.

Application has been made to the London Stock Exchange for all of the Ordinary Shares, issued and to be issued pursuant to the Issue, to be admitted to the Official List. It is expected that such admission will become effective, and that dealings in the Ordinary Shares, partly paid, will begin, on 12 March 1996.



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ISSUE STATISTICS

Issue price per Ordinary Share	100p
Number of Ordinary Shares in issue following the Issue*	25,000,000
Estimated net proceeds of the Issue†	£24.2 million
Estimated initial net asset value per Ordinary Share following the Issue†	97p

* This figure is based on the assumption that the Issue is fully subscribed.

† These figures are based on the assumptions that the Issue is fully subscribed (in which event the estimated expenses of the Issue will be approximately £0.8 million (including VAT) as described in paragraph 8.8 of Part II) and that the Final Instalment has been paid on the Ordinary Shares.

EXPECTED TIMETABLE

Latest time for receipt of placees' forms of acceptance	3.00 pm on 29 February 1996
Latest time for receipt of completed application forms and funds from intermediaries	12 noon on 1 March 1996
Latest time for receipt of cleared funds from placees	10.00 am on 8 March 1996
Partly paid Ordinary Share certificates despatched by post on	11 March 1996
Dealings commence in the Ordinary Shares, partly paid, on	12 March 1996
Second and final payment on the Ordinary Shares due on	1 November 1996

KEY INFORMATION

The following information should be read in conjunction with the full text of this document, from which it is derived:

- LOOT will focus on investment in with-profits policies which have the potential for achieving enhanced capital returns. LOOT intends principally to acquire policies of life offices whose with-profits policyholders have the potential to benefit from their restructuring, demutualisation or takeover.
- LOOT will have a planned life of approximately 12½ years. The exact winding-up date will be chosen by the Directors, having regard principally to the precise maturities of the policies then held by LOOT and will be within the period 1 March 2008 to 31 December 2008.
- The return from LOOT is intended to be entirely in the form of capital growth, with a single capital repayment on the planned winding-up date in 2008. LOOT intends to employ gearing up to a maximum of 50 per cent. of Shareholders' funds at the time of borrowing with the objective of enhancing capital returns to Shareholders.
- There is an increasing awareness among investors of the benefits of with-profits policies, which have generally provided an attractive rate of capital appreciation with a lower level of risk than equities.
- With-profits policies can be purchased at a price falling between their surrender value and their estimated current value if maintained to maturity. Accordingly, traded policies can generally be bought at a discount to their estimated asset share.
- The traded policy market is not efficiently priced, transparent or liquid and, accordingly, the valuation of policies and the structuring of a suitable portfolio are complex and require specialist expertise allied with detailed research. LOOT has therefore retained the services of SVM and Beale Dobie. In addition, the Company has arranged to purchase appropriate policies on advantageous terms through Beale Dobie.
- The Company's Managers, SVM, managed as at 31 January 1996 a total of more than £330 million for a range of clients including listed investment trusts, pension funds, investment-linked insurance funds and offshore funds.
- The Company's Policy Advisers, Beale Dobie, are one of the leading market makers in traded policies (based on turnover to 31 March 1995). Beale Dobie are a subsidiary of Hambros Insurance Services Group PLC.
- Under the Placing and Intermediaries Offer, up to 25,000,000 Ordinary Shares will be issued at 100p per share on a partly paid basis, with 50p payable on application and 50p expected to be payable on 1 November 1996. The Intermediaries Offer closes at 12 noon on 1 March 1996.

DEFINITIONS

In this document the following words and expressions have the following meanings, except where the context otherwise requires:

"Beale Dobie" or "Policy Advisers"	Beale Dobie & Company Limited
"Company" or "LOOT"	Life Offices Opportunities Trust plc
"Directors" or "Board"	the directors of the Company
"Final Instalment"	the final instalment of 50p per Ordinary Share issued under the Issue which will be payable on a date to be decided by the Board and which will be between 1 November 1996 and 31 December 1996 (inclusive)
"First Instalment"	the first instalment of 50p per Ordinary Share issued under the Issue to be paid on subscription
"Intermediaries Offer"	the offer for subscription to be made to financial intermediaries by James Capel, as agent for LOOT, of up to 5,000,000 Ordinary Shares, as described in this document
"Issue"	the Placing and the Intermediaries Offer
"Issue Price"	100p per Ordinary Share
"James Capel"	James Capel & Co. Limited
"London Stock Exchange"	London Stock Exchange Limited
"Ordinary Shares"	ordinary shares of 75p each in the capital of the Company
"Placing"	the placing by James Capel, as agent of LOOT, of up to 20,000,000 Ordinary Shares, as described in this document
"Shareholders"	holders of Ordinary Shares
"SVM" or "Managers"	Scottish Value Management Limited

GLOSSARY

Expressions used in the context of with-profits policies:

"asset share"	an estimate of the share of the total value of assets held by the issuing life office attributable to a particular policy at any point in time
"free assets"	the assets held by a life office in excess of those required to meet contractual liabilities under existing policies
"life assured"	a person or persons on whose survival to the end of a given term a maturity value is payable, or on whose earlier death a death benefit is payable
"life office"	any organisation which, as part of its business, issues policies
"maturity value"	the final sum paid out by a life office on the maturity of a policy it has issued
"policy" or "with-profits policy"	a with-profits endowment assurance policy or a with-profits whole life assurance policy, being in either case one which participates in the profits of the life office which issued it
"policyholders" or "with-profits policyholders"	holders of policies
"surrender value"	the value offered by a life office for the redemption of a policy it has issued
"term"	the period between the inception of a policy and its maturity date
"traded policy"	a policy which is assigned absolutely to a new owner and remains in force

DIRECTORS, MANAGERS AND ADVISERS

Directors	John Coltman Heron Brumwell (Chairman) John Howard Handley Motion Raymond Macqueen Paul John Bryan Wilson all of 2 Canning Street Lane, Edinburgh EH3 8ER
Secretaries and Registered Office	Scottish Value Management Limited 2 Canning Street Lane Edinburgh EH3 8ER
Managers	Scottish Value Management Limited 2 Canning Street Lane Edinburgh EH3 8ER
Policy Advisers	Beale Dobie & Company Limited Fullbridge Mill Maldon Essex CM9 5FN
Sponsor and Stockbroker	James Capel & Co. Limited Thames Exchange 10 Queen Street Place London EC4R 1BL
Solicitors to the Company and to the Issue	Shepherd & Wedderburn WS Saltire Court 20 Castle Terrace Edinburgh EH1 2ET
Auditors	Ernst & Young Registered Auditors Ten George Street Edinburgh EH2 2DZ
Registrars	The Royal Bank of Scotland plc Security Services - Registrar P.O. Box 435 Owen House 8 Bankhead Crossway North Edinburgh EH11 4BR
Principal Bankers	The Royal Bank of Scotland plc 67 Lombard Street London EC3P 3DL

PART I

Introduction

Life Offices Opportunities Trust plc is a new investment trust which has a planned life of approximately 12½ years. Its objective is to provide Shareholders with capital growth through investment in a diversified portfolio of with-profits life assurance policies which have the potential for achieving enhanced capital returns, particularly through corporate change in the life assurance industry. The Directors believe that the market in with-profits policies offers the Company an opportunity to acquire assets which will achieve an attractive rate of capital appreciation at a lower level of risk than equities.

LOOT intends principally to acquire policies of life offices whose with-profits policyholders have the potential to benefit from their restructuring, demutualisation or takeover. In addition, LOOT intends to employ gearing up to a maximum of 50 per cent. of Shareholders' funds at the time of borrowing with the objective of enhancing capital returns to Shareholders. The Company will be managed by SVM and advised by Beale Dobie.

Assuming that the Issue is fully subscribed, the net proceeds will amount to approximately £24.2 million following payment of the Final Instalment. In order to invest these proceeds in accordance with its investment policy, the Company has arranged to purchase appropriate policies on advantageous terms through Beale Dobie, one of the leading market makers in traded policies (based on turnover to 31 March 1995).

The Ordinary Shares will be listed on the London Stock Exchange, thereby enabling LOOT's shares to be bought and sold through the stockmarket.

Background to Life Assurance Industry

The life assurance industry is going through a period of change, partly as a result of new regulation and competition from other financial services companies. A number of life offices are believed to be reviewing their strategy in an attempt to improve their financial strength, and a process of rationalisation and restructuring is currently underway. The Managers believe that this trend will have positive implications for with-profits policyholders. For example:

- weaker life offices may merge or be acquired by stronger partners, with policyholders benefiting from a stronger fund and lower unit costs;
- mutual life offices may convert to proprietary companies, with policyholders receiving shares or enhanced bonuses; and
- by closing with-profits funds to new business, costs may be reduced to the benefit of policyholders.

Under a with-profits policy, the policyholder contracts to pay a regular premium for a period of, typically, between 10 and 30 years. In return, the life office agrees to pay a guaranteed sum assured on the maturity date or the death of the life assured, if earlier, together with any declared bonuses. At regular intervals the life office declares "reversionary bonuses" which, once declared, cannot be taken away. The combination of a guaranteed sum assured and the reversionary bonus system means that there is generally a substantial and increasing guaranteed element to the policyholder's return. In addition, most life offices announce a "terminal bonus" which is payable, together with the guaranteed sum assured and reversionary bonuses, on the maturity date or death of the life assured.

The assets which underlie policies are diversified between UK and overseas equities, property, fixed interest stocks and cash. The approximate average asset mix of with-profits funds at 31 December 1994 is shown in the table on page 8.

Average Asset Mix of With-Profits Funds as at 31 December 1994

Equities	59%
Fixed Interest	24%
Property	13%
Cash/Other	5%

Source: Money Management.

Note: The figures are the average asset mix (rounded to the nearest whole percentage) as at 31 December 1994 for 42 leading life offices. The Directors believe that this is a representative sample of all life offices.

Life offices have been able to achieve relatively stable maturity values, partly through holding diversified, well-balanced portfolios of investments. The Directors believe that many life offices have also used, from time to time, their free assets to smooth payouts to policyholders on maturity, thereby providing some protection to those policyholders against sharp fluctuations in investment markets. In addition, returns to policyholders are often enhanced by surpluses derived from various types of contracts which do not participate in profits.

Whilst life funds are subject to tax (currently at 25 per cent. and reducing to approximately 20 per cent. from 1 April 1996) on income and realised capital gains, the average rates paid by life funds have been much lower. This is a result of life funds being taxed on an "income less expenses" basis. In particular, the ability to defer capital gains reduces taxable income and high policy acquisition costs increases expenses. The Directors believe that the average rate of tax payable on total income (both interest and gains) may be much lower than the basic rate.

Traded Policy Market

There is increasing awareness among investors of the benefits of with-profits policies, which have generally provided an attractive rate of capital appreciation with a lower level of risk than equities.

The market in traded policies exists because policyholders can typically sell their policies in this market at prices higher than those obtainable by surrendering their policies to the issuing life office. This enables policies to be purchased at a price falling between their surrender value and their estimated current value if maintained to maturity. Accordingly, traded policies can generally be bought at a discount to their estimated asset share.

The market in traded policies is increasing. The Policy Advisers have estimated that in 1995 approximately £155 million of policies were traded by policyholders, compared with £35 million in 1991. There is potential for the market to continue to increase as a result of growing public awareness of the existence of a market in traded policies. The Policy Advisers estimate that the value of policies currently traded represents less than one quarter of the total surrender value of policies surrendered. Beale Dobie purchased policies with an aggregate traded value approaching £30 million in its last financial year ended 31 March 1995.

Research by the Policy Advisers suggests that the overwhelming majority of policies sold before maturity were originally taken out to secure and repay mortgages. In the Directors' opinion, the boom in endowment policies issued during the 1980s, mirroring the strong domestic property market during that period, should lead to growing levels of policy sales over the years when LOOT's portfolio is being established.

Although it is possible to invest directly in traded policies, the market is not efficiently priced, transparent or liquid and, accordingly, the valuation of policies and the structuring of a suitable portfolio are complex and require specialist expertise allied with detailed research. Moreover, the mechanics of dealing, settlement and continuing administration of a policy portfolio are time-consuming and, particularly in the case of a portfolio comprising a small number of policies, expensive, with legal title needing to be carefully verified and transferred, regular premium payments made and maturity proceeds checked.

LOOT provides a cost-effective way to gain access to an expertly managed portfolio of policies which will be purchased on advantageous terms.

Investment Policy

LOOT will invest in a diversified portfolio of traded policies issued by a wide range of life offices, with no more than 25 per cent. of the total value of the Company's investments at the time of purchase being issued by any one life office.

LOOT intends principally to acquire policies from their original owners, through the Policy Advisers, thus avoiding the normal dealing mark-ups which can be substantial. The Managers anticipate that the cost of acquisition of such policies should generally be below their estimated asset share and below the prices which would be likely to be paid for them at auction.

LOOT will benefit from research already undertaken by the Policy Advisers. In addition, the Policy Advisers have extensive contacts with financial advisers active in the traded policy market.

When evaluating a policy for purchase for the Company's portfolio, regard will be given to the possibility of corporate change affecting the issuing life office. In addition, account will be taken of bonus rates and the potential for changes in bonus policy, the investment performance and financial strength of the life office and the estimated asset share of the policy, as well as of market conditions.

The planned structure of the portfolio is consistent with the maturity profile of available policies. As there was a boom in the issue of longer term (typically 25 years) mortgage-linked endowment policies in the 1980s, many of the policies which are now available mature from 2005. In addition, many life offices permit the alteration of the maturity dates of policies, providing LOOT with greater flexibility to design an appropriate portfolio of policies. LOOT's investment policy has been structured so as to minimise competition with existing buyers who tend to focus on shorter term policies (typically less than seven years until maturity).

The average cost of policies purchased is expected to be around £10,000, with a wide spread of sizes. The average term of policies acquired is expected to be of the order of 20 years with maturity dates around 2007/8. Policies will have usually been in existence for at least five years when purchased.

After the first 18 months of LOOT's life, premiums on policies and running expenses are intended to be met from borrowings or the proceeds of maturing shorter term policies. This means that all of LOOT's net assets will be available for investment in traded policies, thus maximising the expected returns to Shareholders. In order to limit risk, it is intended that the Company's gearing should not exceed 50 per cent. of Shareholders' funds.

Managers and Policy Advisers

LOOT will be managed by Scottish Value Management and advised by Beale Dobie.

SVM was founded in 1990 by Colin McLean, Margaret Lawson and Donald Robertson to provide investment management services to institutional investors using value management methods. SVM is based in Edinburgh and as at 31 January 1996 managed a total of more than £330 million for a range of clients. These accounts include listed investment trusts, pension funds, investment-linked insurance funds and offshore funds. SVM's team of managers includes three actuaries. These actuaries will be responsible for reviewing traded policies for which Beale Dobie has obtained offers and the terms on which they are purchased for LOOT. They will also be responsible for ensuring that such policies meet the investment criteria referred to below.

Beale Dobie, one of the leading market makers in traded policies (based on turnover to 31 March 1995), was founded in 1989 and is a subsidiary of Hambros Insurance Services Group PLC, which is listed on the London Stock Exchange.

SVM will have overall responsibility for managing the Company's affairs in accordance with its investment policy and any instructions from the Directors. In particular, SVM will manage the Company's uninvested cash and will provide administrative and secretarial services to the Company. Beale Dobie will be responsible for advising on portfolio composition, for obtaining offers of traded policies and for valuing them having regard to investment criteria laid down by the Directors and SVM. Where policies meet the investment criteria, Beale Dobie will then be responsible for negotiating, under SVM's supervision, their purchase on behalf of LOOT on the best available terms. Where appropriate, Beale Dobie will arrange an alteration in the terms of a policy by agreement with the life office concerned in order to maximise returns over the life of LOOT.

The Company has agreed that, subject to certain supply targets being met, it will acquire through Beale Dobie longer term policies which meet the investment criteria laid down by the Directors and SVM. However, if these targets are not met, LOOT will be free to buy such policies through persons other than Beale Dobie.

SVM and Beale Dobie will monitor LOOT's portfolio of policies. Beale Dobie will also carry out regular valuations of the Company's policies under the supervision of the Board and SVM. These valuations will be used to determine the Company's net asset value. A regular survey of market prices will be undertaken by Beale Dobie to support the valuation of LOOT's portfolio.

Details of the agreements between LOOT and each of SVM and Beale Dobie are set out in paragraph 6 of Part II.

Costs

SVM will receive, for its services as Managers and Company Secretaries of LOOT, a fee, payable quarterly in arrears, equivalent to 0.75 per cent. per annum of the Company's total assets less current liabilities. Beale Dobie will provide services to LOOT in connection with portfolio composition, policy acquisition and valuation for a fee, payable quarterly in arrears, equivalent to 0.5 per cent. per annum of the Company's total assets less current liabilities and a commission of 5 per cent. of the purchase cost of all policies acquired. In addition, Beale Dobie will receive a policy administration fee of £150 per policy purchased.

Illustrative Return Projections

In order to prepare illustrative projected gross returns to an investor in the Company, a portfolio of policies meeting the maturity profile and investment criteria of LOOT and an expected rate of investment have been modelled. The table below shows the illustrative projected gross returns per annum to an investor in the Company based on that model using various bonus rate assumptions.

The principal bases and assumptions used to derive the projections are consistent with recent market conditions, including policy purchase terms and volumes, although market conditions can change. A detailed analysis of the principal bases and assumptions is set out below.

It should be noted that no account has been taken of special bonus allocations, which were used by a number of life offices during the 1980s to distribute abnormally high surpluses arising in years of exceptional investment performance. Moreover, no account has been taken of the enhancement to returns which should arise, in the case of some policies, from claims upon the death of the original policyholder before maturity.

Illustrative Projected Gross Returns (Per Annum)

		Percentage change to reversionary bonus rates			
		+10%	0%	-10%	-20%
Percentage change to terminal bonus rates	+10%	12.9%	12.2%	11.5%	10.8%
	0%	12.1%	11.4%	10.7%	10.0%
	-10%	11.3%	10.6%	9.8%	9.0%
	-20%	10.4%	9.6%	8.8%	8.0%

Note: The above calculations are based on terminal bonus rates prevailing as at 31 January 1996.

It is emphasised that the figures in the above table do not represent forecasts and it should not be inferred that bonus rates will necessarily remain within the ranges shown.

Both reversionary and terminal bonus rates have been cut significantly in recent years to reflect reduced investment returns on the assets underlying policies and lower inflation. Some further cuts are possible in the coming years, although the Directors believe that the financial positions of many life offices are improving. In the long term, movements in bonus rates can be expected to depend mainly on the performance of investment markets.

The principal bases used in calculating the illustrative projected gross returns set out above were:

- the average compound growth rate and premiums payable for a model portfolio of policies chosen to meet the maturity profile and investment criteria of the Company; and
- bonus rates prevailing at 31 January 1996 (that is, those applicable to similar policies of the same original term) with the calculations being repeated for a number of different bonus rate assumptions, which were assumed to apply with immediate and permanent effect.

The illustrative projected gross returns assume that:

- the net proceeds of the Issue will be £24.2 million and that all of the Ordinary Shares being issued will be fully paid up on 1 November 1996;
- additional finance of £12.5 million is borrowed 18 months after the First Instalment is paid with interest accumulating thereon at 8.5 per cent. per annum;
- the proceeds received from the First and Final Instalments and the borrowed finance will be invested evenly over the 30 months after the First Instalment is paid;
- the Company will be wound up and its net assets distributed to Shareholders exactly 12½ years after the First Instalment is paid;
- policies acquired will have a term of between 20 and 25 years;
- LOOT will invest in policies, 80 per cent. of which will have maturity dates falling in the two years to 30 June 2008 and 20 per cent. of which will have maturity dates ending in the five years to 30 June 2006;
- all policies will be held by LOOT to their maturity date;
- the annual cost of premiums payable by the Company on policies will be 8 per cent. of the net average cost of the traded policies purchased;
- premiums payable on policies and the on-going expenses of the Company, including interest, will be paid by bank borrowings;

- the administrative costs of the Company will be constant throughout the life of the Company;
- base rates will be constant at 6.5 per cent. throughout the life of the Company and any interest earned on cash awaiting investment will be applied in purchasing policies;
- LOOT will acquire all policies on the basis of the terms of its agreement with Beale Dobie;
- no tax liabilities will arise throughout the life of the Company; and
- no benefit will arise from early claims on the death of any life assured nor from any special bonus declarations.

Directors

The Directors are responsible for the overall investment policy of the Company. Details of the Directors, all of whom are non-executive, are set out below:

John Brumwell (chairman), aged 61, retired last May as a fund manager and company secretary of Prudential Portfolio Managers Limited. He is a Fellow of the Institute of Actuaries and is currently a director of Fairbairn European Smaller Companies Index Trust plc, is company secretary of FT-SE International Limited and serves on the Statistics Committee of the Association of Investment Trust Companies.

John Motion, aged 60, worked for over 25 years as a stockbroker and has recently retired from Merrill Lynch, formerly Smith New Court. He specialised in the investment trust sector, joining Kitcat & Aitken in 1969 and was joint head of investment trusts there for 15 years. In 1986, he became director of investment trusts at Kitcat & Aitken Limited, a division of RBC Dominion Securities International Limited. He has been a member of the London Stock Exchange for over 20 years.

Raymond Paul, aged 53, is a Fellow of the Faculty of Actuaries. He has spent 34 years in the life assurance industry and was formerly Appointed Actuary at the Life Association of Scotland Limited. He is an independent consulting actuary and is the author of a paper presented to the Faculty of Actuaries in February 1996 on the subject of merging and reconstructing life funds.

John Wilson, aged 53, joined James Capel in 1960 and retired in 1995. He was a partner of James Capel & Co. for eight years until James Capel became part of the HSBC Group in 1986. He worked in a variety of roles at James Capel and is a trustee of James Capel's in-house pension schemes. He has been a member of the London Stock Exchange for over 25 years.

All directors were appointed on 8 February 1996.

Capital Structure

LOOT will have a simple structure consisting of Ordinary Shares which will assist transparency of performance.

Duration of the Company

LOOT's Articles of Association contain provisions designed to effect a winding-up after a planned life of approximately 12½ years. The exact date will be chosen by the Directors, having regard principally to the precise maturities of the policies then held by LOOT and will be within the period 1 March 2008 to 31 December 2008. There are also provisions in the Articles of Association designed to facilitate a reconstruction of LOOT, enabling deferral of any capital gains tax liabilities otherwise arising on a winding-up. Under any reconstruction proposed by the Directors, each Shareholder would still be able to choose to receive his full entitlement in cash.

Further details relating to the duration and winding-up of LOOT are set out in paragraph 3.10 of Part II.

Reporting to Shareholders

The Company's year end will be 31 December. The first annual report and accounts will be prepared for the period to 31 December 1996. Copies of the annual report will be sent to Shareholders in the following February. Shareholders will also receive an unaudited interim report covering the six months to 30 June each year, commencing in 1996. Once LOOT is fully invested, the unaudited net asset value per Ordinary Share (on the basis of bonus rates in force at that time) will be published quarterly.

Dividend Policy

As policies do not produce any income, it is not expected that any dividends will be paid to Shareholders.

Tax

LOOT will conduct its affairs so that it will be eligible for approval as an investment trust under the provisions of section 842 of the Income and Corporation Taxes Act 1988. As such, LOOT will be free from any tax on capital gains made on policies acquired, even where an individual would be liable to income tax on the gain.

Whilst a gain made by an individual on shares in an investment trust will be subject to capital gains tax (after the annual exemption—currently £6,000—and indexation relief), investing through an investment trust should facilitate capital gains tax planning.

Under current legislation, the Ordinary Shares will not qualify for inclusion in a PEP.

Further information concerning the tax status of the Company as an investment trust and the taxation of Shareholders is contained in paragraph 7 of Part II. **If a potential investor is in any doubt about the taxation consequences of his acquiring, holding or disposing of Ordinary Shares he should seek advice from his own professional adviser.**

Placing and Intermediaries Offer

James Capel is sponsoring the placing and intermediaries offer of up to 25,000,000 Ordinary Shares at 100p each, with 50p payable on application and 50p expected to be payable on 1 November 1996. The Issue is conditional upon, *inter alia*, not less than 20,000,000 Ordinary Shares being issued pursuant to the Issue.

20,000,000 Ordinary Shares are the subject of the Placing. James Capel has agreed to use its reasonable endeavours to procure subscribers for all such shares but the Placing has not been underwritten. Investors who have expressed an intention to participate in the Placing will receive placing letters, with forms of acceptance attached, from James Capel. Forms of acceptance must be returned to James Capel by not later than 3.00 pm on 29 February 1996 and placing moneys must be remitted to James Capel for value in accordance with the placing letters by not later than 10.00 a.m. on 8 March 1996.

5,000,000 Ordinary Shares are being made available by way of the Intermediaries Offer, which has not been underwritten. Under the Intermediaries Offer authorised financial intermediaries will be able to make aggregated applications for Ordinary Shares on behalf of their clients and/or applications on their own account. The minimum application under the Intermediaries Offer is for 1,000 Ordinary Shares. Any intermediary who wishes to participate in the Intermediaries Offer may obtain further copies of this document, and forms of application to be used by intermediaries, from James Capel at the address set out on page 6. Intermediaries who wish to participate in the

Intermediaries Offer must submit applications and make funds available by 12 noon on 1 March 1996.

A commission of 1.5 per cent. of the value, at the Issue Price, of Ordinary Shares acquired under the Issue will be paid to placees and intermediaries.

It is estimated that the expenses of the Issue, which will be borne by the Company, will amount to 3 per cent. of the gross proceeds of the Issue following payment of the Final Instalment (based on the maximum subscription level of 25,000,000 Ordinary Shares).

Listing and Dealings

Application has been made to the London Stock Exchange for the admission to the Official List of the Ordinary Shares. It is expected that definitive share certificates will be despatched by post on 11 March 1996 and that dealings in the Ordinary Shares, partly paid, will commence on 12 March 1996.

Final Instalment

Shareholders will be given at least 14 days' notice of the date for payment of the Final Instalment, which is expected to be 1 November 1996. The Directors reserve the right to delay payment of the Final Instalment by Shareholders to a later date (being, in any event, not later than 31 December 1996) if the Company has not, by 1 November 1996, invested a substantial part of the initial net proceeds of the Issue raised on payment of the First Instalment.

If the Final Instalment due in respect of any Ordinary Shares is not paid up in full on 1 November 1996, or such later date as the Directors may determine, the Directors may suspend the rights attaching to such shares and, in addition to any other rights which the Company may have in relation to any Ordinary Shares in respect of which the Final Instalment is not paid, the Directors may at their sole discretion refuse to register a transfer of such Ordinary Shares and/or by resolution of the Directors forfeit such shares for the benefit of the Company.

Risk Factors

Investors contemplating an investment in LOOT should recognise that, as for all investment trusts, the value of its shares can fluctuate, and that their market price will not always reflect their underlying net asset value. The past is not necessarily a guide to future performance. There are certain other risk factors which could result in lower returns to investors in LOOT. These include the following:

- sufficient policies consistent with LOOT's investment policy may not be available for purchase;
- life offices may reduce bonus rates to below those referred to under "Illustrative Return Projections" above;
- if market conditions were to change, projected gross returns may not be as high as illustrated; and
- there is no guarantee that suitable borrowing facilities to allow gearing will be available to the Company when desired, nor that any such gearing will enhance the projected gross returns to Shareholders if implemented.

PART II

General Information

1. History

The Company was incorporated and registered in Scotland on 17 January 1996 as a public limited company under the Companies Act 1985 (the "Act") with registered number 162841. On 15 February 1996, the Company was granted a certificate of entitlement to do business and to borrow under section 117 of the Act. The Directors state that, since its incorporation, the Company has not traded and no accounts of the Company have been made up.

2. Share Capital

2.1 The authorised share capital of the Company upon incorporation was £50,000 divided into 200,000 ordinary shares of 25p each, of which two ordinary shares of 25p each were issued, nil paid, to the subscribers of the Memorandum of Association.

2.2 Pursuant to a special resolution passed on 15 February 1996:

- (i) the authorised share capital of the Company was increased from £50,000 to £18,750,000 by the creation of an additional 74,800,000 ordinary shares of 25p each;
- (ii) the Directors were generally and unconditionally authorised, pursuant to section 80 of the Act, to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal amount of £18,749,999.50, such authority to expire on 14 February 2001, unless previously revoked, varied or extended by the Company in general meeting, save that the Company may at any time prior to the expiry of such authority make an offer or enter into an agreement which would or might require relevant securities to be allotted after the expiry of such authority and the Directors may allot relevant securities in pursuance of such an offer or agreement as if such authority had not expired; and
- (iii) 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) for cash, pursuant to the authority referred to in sub-paragraph (ii) of this paragraph 2.2 as if section 89(1) of the Act did not apply to any such allotment, up to an aggregate nominal amount of £18,749,999.50, such power to expire on 14 May 1997, unless previously revoked, varied or extended by the Company in general meeting, provided that such power is limited to:
 - (a) the allotment of up to £18,749,999.50 in nominal amount of the share capital of the Company in connection with the Issue (including, for this purpose, the allotment of 199,998 Ordinary Shares to SVM referred to in paragraph 2.3 below); and
 - (b) (otherwise than pursuant to (a) above) up to an aggregate nominal amount of five per cent. of the issued equity share capital of the Company immediately following completion of the Issue;

and the Company may at any time prior to the expiry of such power make an offer or enter into an agreement which would or might require equity securities to be allotted after the expiry of such power and the Directors may allot equity securities in pursuance of such an offer or agreement as if such power had not expired.

2.3 On 15 February 1996, SVM and Donald Robertson (SVM's nominee) were allotted 199,997 and 2 (respectively) ordinary shares of 25p each against an irrevocable undertaking by SVM to pay, or procure the payment of, the First Instalment in respect of

each such share (and in respect of each of the ordinary shares of 25p each transferred to SVM and its nominee referred to below) on or before the date of their admission to the Official List of the London Stock Exchange, unless such admission does not become effective by 30 April 1996 whereupon SVM shall pay 75p in cash for each such ordinary share on or before 31 May 1996. These ordinary shares of 25p each and the two ordinary shares of 25p each issued, nil paid, to the subscribers of the Memorandum of Association (which shares were transferred to SVM and Donald Robertson (a nominee of SVM) on 8 February 1996) will be transferred to satisfy obligations of places to subscribe for Ordinary Shares in terms of the Placing.

- 2.4 Pursuant to an ordinary resolution passed on 15 February 1996, the Company's share capital was consolidated and divided into ordinary shares of 75p each.
- 2.5 Save as disclosed in this document, since the date of incorporation of the Company, no share or loan capital of the Company has been issued or agreed to be issued, or is now proposed to be issued, for cash or any other consideration and no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any such capital.
- 2.6 The Company's authorised share capital at the date of this document is £18,750,000 divided into 25,000,000 Ordinary Shares and, on the assumption that the Issue is fully subscribed, the Company's issued share capital following the Issue will be £18,750,000 divided into 25,000,000 Ordinary Shares, each of which will be partly paid to the extent of 25p each of its nominal value of 75p and fully paid as to the premium of 25p relating thereto.
- 2.7 The provisions of section 89(1) of the Act (which, to the extent not disapplied by section 95 of the Act, confer on Shareholders rights of pre-emption in respect of the allotment of equity securities which are or are to be paid up in cash) apply to the authorised but unissued share capital of the Company except to the extent disapplied as mentioned in paragraph 2.2 above.

3. Memorandum and Articles of Association

The Memorandum of Association of the Company provides that the Company's principal object is to carry on the business of an investment trust company or investment company in all its branches and in any part of the world. The objects of the Company are set out in clause 4 of the Memorandum of Association which is available for inspection at the addresses set out in paragraph 9 below.

The Articles of Association (the "Articles") of the Company contain provisions, *inter alia*, to the following effect:-

3.1 Voting

Subject to any special rights or restrictions as to voting attached by or in accordance with the Articles to any class of shares, to the restrictions mentioned in paragraph 3.2 below and as mentioned in paragraph 3.10 below, on a show of hands every member present in person and entitled to vote shall have one vote and on a poll every member present in person or by proxy and entitled to vote shall have one vote for every share held by him.

3.2 Restrictions on Voting and Non-disclosure of Interests

- (i) A member of the Company shall not, unless the Directors otherwise determine, be entitled, in respect of any share held by him, to attend or vote at a general meeting of the Company either in person or by proxy or to exercise any other right conferred by membership in relation to general meetings of the Company if any call or other

sum presently payable by him to the Company in respect of shares in the Company remains unpaid.

- (ii) The Directors may, by notice (a "default notice") to a member, direct that that member shall not be entitled to attend or vote (either in person or by proxy) at any general meeting of the Company if that member, or any other person appearing to be interested in shares held by that member, has been duly served with a notice under section 212 of the Act and is in default for a period of 14 days after the date of such service in supplying the information thereby required. Where the relevant shares held by such member represent 0.25 per cent. or more in nominal value of the issued shares of their class then, in addition, if the relevant default notice so directs, any sums payable (whether in respect of capital or dividend or otherwise) in respect of such shares, or any part thereof, shall, except on a winding-up of the Company, be withheld by the Company until such time as the relevant default notice ceases to have effect and the Company shall not have any obligation to pay interest on any such sums when they are finally paid to the member concerned and no transfer of such shares shall be registered, save in certain circumstances.

3.3 *Variation of Rights*

- (i) Subject to sub-paragraph (iv)(b) of paragraph 3.10 below, whenever the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class may, subject to the provisions of the Act and of every other statute for the time being in force concerning companies and affecting the Company (the "Statutes") and unless otherwise expressly provided by the rights attached to the shares of that class, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class (but not otherwise) and may be so varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding-up. All the provisions of the Statutes and of the Articles relating to general meetings of the Company and the proceedings thereat shall, so far as applicable, apply to any such separate general meeting except that the necessary quorum at such meeting shall be two persons together holding or representing by proxy at least one-third in nominal value of the issued shares of that class (and at an adjourned meeting shall be one person holding shares of that class or his proxy), any holder of shares of that class present in person or by proxy may demand a poll and every such holder shall, on a poll, have one vote for every share of that class held by him.
- (ii) Unless otherwise provided, the rights attached to any class of shares shall be deemed not to be varied or abrogated by the creation or issue of further shares ranking *pari passu* with, or subsequent to, them or by the purchase by the Company of its own shares.

3.4 *Alteration of Capital*

The Company may by ordinary resolution:

- (i) increase its share capital by such sum, to be divided into shares of such amount, as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- (iii) cancel any shares which, at the date of the passing of the resolution, have not been

taken, or agreed to be taken, by any person and diminish the amount of its share capital by the amount of the shares so cancelled; and

- (iv) subject to the provisions of the Statutes, subdivide its shares, or any of them, into shares of smaller amount.

The Company may, subject to the provisions of the Statutes and any rights attached to any shares, by special resolution reduce its share capital or any capital redemption reserve, share premium account or other undistributable reserve in any manner.

3.5 *Transfers of Shares*

Unless otherwise permitted by regulations made under the Statutes or the rules of the London Stock Exchange, all transfers of shares must be effected by written instrument of transfer in any usual or common form or in any other form acceptable to the Directors. The instrument of transfer must be executed by, or on behalf of, the transferor and (except in the case of fully paid shares) by, or on behalf of, the transferee. The Directors may, in their absolute discretion and without assigning any reason therefor, refuse to register a transfer of any share which is not fully paid unless such share is listed on the London Stock Exchange. They may also refuse to register a transfer of any share unless the instrument of transfer:

- (i) is in respect of only one class of share;
- (ii) is lodged duly stamped, or adjudged or certified as not chargeable to stamp duty, at the transfer office or at such other place as the Directors may from time to time determine accompanied by the relevant share certificate(s) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer; and
- (iii) is in favour of not more than four transferees jointly.

The registration of transfers may be suspended by the Directors for any period not exceeding 30 days in any year.

3.6 *Directors*

- (i) Unless otherwise determined by the Company by ordinary resolution, the number of Directors shall not be less than two nor more than seven.
- (ii) The provisions of section 293 of the Act (which regulate the appointment and continuation in office as directors of persons who have attained the age of 70) shall apply to the Company.
- (iii) At each annual general meeting of the Company one-third of the Directors (or, if their number is not three or an integral multiple of three, the number nearest to, but (except where there are less than three Directors) not greater than, one-third) shall retire from office by rotation.
- (iv) The fees paid to, and benefits in kind received by, the Directors for their services in the office of director shall not exceed in aggregate £50,000 per annum (the said sum of £50,000 being increased in respect of each financial year of the Company ending after 31 December 1996 in line with the percentage increase (if any) in the all items index figure of the United Kingdom Index of Retail Prices during the immediately preceding financial year of the Company) or such higher amount as may be determined by ordinary resolution of the Company. Subject thereto, each such Director shall be paid a fee (which shall be deemed to accrue from day to day) at such rate, and shall receive such benefits in kind, as may from time to time be determined by the Directors. Any such fee shall be distinct from any salary, remuneration or other amounts payable to the Director pursuant to any other provision of the Articles or any contract or arrangement between the Company and

the relevant Director. The Directors may also pay or reimburse to any Director all proper and reasonable travelling, hotel and other expenses incurred by him in connection with the business of the Company. Any Director who holds any executive office or who serves on any committee of the Directors, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, commission, participation in profits or otherwise as the Directors may determine.

- (v) Subject to the provisions of the Statutes and provided that he has disclosed to the Directors the nature and extent of his interest, a Director may be a party to, or in any way interested, whether directly or indirectly, in any contract, arrangement or transaction to which the Company is a party or in which the Company is in any way interested, whether directly or indirectly. Subject to any agreement to the contrary between the Company and the Director, a Director:
 - (a) may be or become a director or other officer of, or otherwise interested in, any undertaking promoted by the Company or in which the Company may be interested; and
 - (b) may retain any remuneration, profits or other benefit received by him as a director or officer of, or from his interest in, such other undertaking.
- (vi) A Director shall not vote at a meeting of the Directors on any resolution concerning any contract or arrangement or any other proposal whatsoever in which he has an interest which (together with any interest of any person connected with him within the meaning of section 346 of the Act) is a material interest otherwise than by virtue of his interests in shares, debentures or other securities of, or otherwise in or through, the Company, provided that the foregoing prohibition shall not apply to a resolution:
 - (a) relating to the giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of, or for the benefit of, the Company or any of its subsidiary undertakings;
 - (b) relating to the giving of any security, guarantee or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of a security;
 - (c) relating to an offer of securities of or by the Company or any of its subsidiary undertakings in which offer the Director is or may be entitled to participate as a holder of securities or interested as a participant in the underwriting or sub-underwriting thereof;
 - (d) relating to another company in which he and any persons connected with him do not to his knowledge hold an interest in shares (as that term is used in sections 198 to 211 (inclusive) of the Act) representing one per cent. or more of either any class of the equity share capital or the voting rights in such company;
 - (e) relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award to him any privilege or benefit not awarded to the employees to whom such arrangement relates; or
 - (f) concerning insurance which the Company proposes to maintain or purchase for the benefit of any Directors or for the benefit of persons including Directors.

A Director shall not be counted in the quorum present at a meeting in relation to a resolution on which he is not entitled to vote.

3.7 *Borrowing Powers*

Subject to the provisions of the Articles, the Directors may exercise all the powers of the Company to borrow money and to mortgage, pledge, charge or grant any security over all or any part of its undertaking, property and assets (present and future) and uncalled capital and, subject to the Statutes, to issue debentures, debenture stock and other securities whether terminable, redeemable or perpetual and whether outright or as collateral security for any guarantee, debt, liability or obligation of the Company or of any third party.

The Directors shall restrict the moneys borrowed by the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure (so far, as regards subsidiary undertakings, as by such exercise they can secure) that the aggregate principal amount (including any fixed or minimum premium payable on final redemption or repayment) outstanding in respect of all moneys borrowed (whether secured or not) by the Group (which expression means and includes the Company and all its subsidiary undertakings (if any)) (other than intra-Group borrowing) shall not, without the previous sanction of an ordinary resolution of the Company, exceed, at the time of borrowing, an amount equal to the Adjusted Capital and Reserves (provided that, prior to publication of the first audited balance sheet of the Company, the aggregate principal amount of such moneys borrowed shall not exceed £25,000,000). For this purpose, "Adjusted Capital and Reserves" means the aggregate of (i) the amount for the time being paid up or credited as paid up on the issued share capital of the Company and (ii) the total of the amounts standing to the credit of the capital and revenue reserves of the Group (including any share premium account, capital reserve, capital redemption reserve, revaluation or other reserve and after adding any credit balance or deducting any debit balance on the revenue account), all based on the latest published audited consolidated balance sheet of the Group but subject to the deductions and adjustments set out in the Articles.

3.8 *Reserves*

The Directors may, before recommending any dividend, from time to time set aside out of the profits of the Company and carry to reserves such sums as they think proper which shall, at the discretion of the Directors, be applicable for any purpose to which the profits of the Company may be properly applied and, pending such application, may, at the like discretion, either be employed in the business of the Company or be invested in such investments as the Directors think fit.

All capital profits or appreciations arising on the sale, transposition, payment off or revaluation of any investment or other capital asset of the Company in excess of the book value thereof shall, at the discretion of the Directors, either be carried to the credit of the capital reserve or be applied in providing for depreciation or contingencies. For the avoidance of doubt, accrued but unpaid interest or any sum received in respect of accrued but unpaid interest shall not be treated as capital profits or appreciations arising on the sale, transposition, payment off or revaluation of any investment or other capital asset. Any losses realised on the sale, transposition, payment off or revaluation of any investment or other capital asset and any other expenses, loss or liability (or provision therefor) considered by the Directors to be of a capital nature may be carried to the debit of the capital reserve. Subject to the Statutes, the Directors may also debit the capital reserve with the whole or such part of any management fees and any interest payable by the Company in respect of its borrowings (if any) incurred by the Company as may be deemed appropriate by the Directors. All sums carried and standing to the credit of the

capital reserve may be applied for any of the purposes to which sums standing to any revenue reserve are applicable except and provided that no part of the capital reserve or any other moneys in the nature of accretion to capital shall in any event be transferred to the revenue account or be regarded or treated as profits of the Company available for distribution or be applied in paying dividends on any shares in the Company's capital.

3.9 Dividends

- (i) The Company may, by ordinary resolution, declare dividends but no such dividend shall exceed the amount recommended by the Directors. Subject to the provisions of the Statutes, the Directors may pay interim dividends if it appears to them that they are justified by the profits of the Company available for distribution. All dividends shall (as regards any shares not fully paid up throughout the period in respect of which the dividend is paid) be apportioned and paid *pro rata* according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. No dividend payable in respect of any share shall bear interest. Dividends in respect of a share on which the Company has a lien may be retained and applied in or towards satisfaction of the debts, liabilities or other obligations in respect of which the lien exists.
- (ii) No dividend shall be payable except out of the profits of the Company available for distribution under the provisions of the Statutes.
- (iii) Any dividend unclaimed after a period of 12 years from the date of payment of such dividend shall be forfeited and shall revert to the Company.

3.10 Winding-up

- (i) Subject to sub-paragraph (iii) of this paragraph 3.10, the Directors shall convene an extraordinary general meeting of the Company to be held on any day (other than a Saturday, Sunday or bank holiday) between 1 March 2008 and 31 December 2008 (both dates inclusive) at which a special resolution (the "Liquidation Resolution") will be proposed requiring the Company to be wound up voluntarily pursuant to section 84(1)(b) of the Insolvency Act 1986 not later than 31 December 2008.
- (ii) On any vote on the Liquidation Resolution each member present in person or by proxy and entitled to vote and who votes in favour of such resolution shall, on a poll, have such number of votes in respect of each share held by him (including fractions of a vote) so that the aggregate number of votes cast in favour of the resolution is four times the aggregate number of such shares in respect of which votes are cast against the resolution and each member present in person or by proxy and entitled to vote and who votes against such resolution shall, on a poll, have one vote for each share held by him.
- (iii) Notwithstanding the provisions referred to above:
 - (a) in the event that an offer is made to all holders of Ordinary Shares (other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with the offeror) which becomes, or is declared, unconditional in all respects after 1 March 2008 but before 31 December 2008, which offer entitles holders of Ordinary Shares to receive not later than 21 January 2009 an amount in cash estimated by the Directors to be not less than that to which the Directors estimate that such holders would respectively otherwise have been entitled on a winding-up of the Company as a result of the passing of the Liquidation Resolution in accordance with sub-paragraphs (i) and (ii) of this paragraph 3.10, if the same were passed not more than two months prior to the date on which such cash would have been received pursuant to such offer (ignoring any option any of them may be given to elect

to receive an alternative consideration pursuant to the offer), and such offer is recommended by the Directors, and is stated to be, in the opinion of a financial adviser appointed by the Directors, fair and reasonable and in the interests of shareholders as a whole, then sub-paragraphs (i) and (ii) shall not apply and, at any general meeting of the Company or separate general meeting of the holders of the Ordinary Shares between the date of the making of such recommendation by the Directors and the date of the winding-up of the Company, sub-paragraph (v) of this paragraph 3.10 shall apply in respect of any resolution or resolutions (the "Recommended Resolution") recommended by the Directors and stated to be, in the opinion of a financial adviser appointed by the Directors, fair and reasonable and in the interests of shareholders as a whole; and

- (b) in the event that at any general meeting(s) held on the day on which the Liquidation Resolution would otherwise be or be required to be proposed (or within 14 days prior thereto), there is proposed any resolution or resolutions (the "Reconstruction Resolution") to wind up the Company voluntarily and to sanction any arrangement under section 110 of the Insolvency Act 1986 (or which would be capable of being an arrangement under such section if the transferee of all or any of the Company's assets pursuant to the arrangement were a body corporate within the meaning of such section), or any other arrangement which the Directors consider to be of substantially similar effect, and as long as this provides for the holders of Ordinary Shares to receive not later than 21 January 2009 an amount in cash estimated by the Directors to be not less than that to which the Directors estimate that such holders would respectively otherwise have been entitled on a winding-up of the Company as a result of the passing of the Liquidation Resolution in accordance with sub-paragraphs (i) and (ii) of this paragraph 3.10, if the same were passed not more than two months prior to the date on which such cash would have been received pursuant to such arrangement (ignoring any option any of them may be given to elect to receive their entitlement otherwise than in cash pursuant to the arrangement) and is recommended by the Directors, then sub-paragraphs (i) and (ii) of this paragraph 3.10 shall not apply and sub-paragraph (v) of this paragraph 3.10 shall apply in respect of any Reconstruction Resolution. Where section 111 of the Insolvency Act 1986 shall apply in relation to any arrangement to be effected or approved by any Reconstruction Resolution (the "Arrangement") the Directors may, if they shall in their absolute discretion think fit, appoint one or more persons, on behalf of any one or more holders of Ordinary Shares (collectively the "Relevant Holders") who would be entitled to exercise all or any of the rights conferred by the said section in connection with or as a result of the Arrangement, to exercise such rights on behalf of the Relevant Holders with a view to enabling the Relevant Holders to receive all or any of the amount in cash previously referred to in this sub-paragraph (iii)(b) wholly or partly as a result of the exercise of such rights and generally may make all arrangements and take all steps which appear to the Directors necessary or appropriate for such purpose and in connection therewith.

- (iv) Notwithstanding anything in the Articles to the contrary:

- (a) any vote on any Liquidation Resolution, Reconstruction Resolution or Recommended Resolution shall be by means of a poll; and
- (b) one of the rights attaching to the Ordinary Shares shall be that the passing and implementation of any Liquidation Resolution, Reconstruction Resolution and Recommended Resolution shall be in accordance with the rights attached to such class, with the result that neither the passing nor the implementation

of any such resolution shall be treated as varying, modifying or abrogating any of such rights of holders of Ordinary Shares and so that, if at any time the share capital of the Company is divided into different classes, the consent or sanction of holders of Ordinary Shares as a separate class shall not be required thereto.

- (v) Where this sub-paragraph (v) applies in respect of any resolution, each holder of Ordinary Shares present in person or by proxy and entitled to vote shall, on a poll, have the number of votes in respect of each share held by him (including fractions of a vote) such that the aggregate number of votes cast in favour of the resolution is four times the aggregate number of such shares in respect of which votes are cast against the resolution and each member present in person or by proxy and entitled to vote and who votes against such resolution shall, on a poll, have one vote for each share held by him; provided that, if any term of any offer referred to in sub-paragraph (iii) (a) above or any arrangement referred to in sub-paragraph (iii) (b) above (as the case may be) shall (as regards any one or more holders of Ordinary Shares) have been breached in any material respect of which the chairman of the relevant meeting has written notice prior to the commencement of such meeting then, notwithstanding anything in the Articles to the contrary, each holder of Ordinary Shares shall, at any such meeting at which such holder is present in person or by proxy, and entitled to vote, on a poll have one vote for each such share held by him.
- (vi) On a return of capital on a winding-up or other return of assets, the assets of the Company available for distribution to members shall be distributed rateably amongst the holders of the Ordinary Shares according to the nominal value of their respective holdings of such shares.

4. Directors' Interests

- 4.1 The Directors, including persons connected with them (within the meaning of section 346 of the Act), intend to subscribe under the Placing for the numbers of Ordinary Shares set out against their respective names in the table below:

<i>Name</i>	<i>Number of Ordinary Shares</i>
J C H Brumwell	2,000
J H H Motion	5,000
R M Paul	2,000
J B Wilson	5,000

Save as disclosed in this paragraph 4.1, immediately following the Issue, none of the Directors will have any interest in the share capital of the Company or any interest which will require to be notified to the Company pursuant to sections 324 or 328 of the Act or will require, pursuant to section 325 of the Act, to be entered in the register referred to therein, nor, so far as is known to the Directors or could with reasonable diligence be ascertained by the Directors, will any person connected with the Directors (within the meaning of section 346 of the Act) have any interest in the share capital of the Company.

- 4.2 There are no service contracts in existence between the Company and any of its Directors, nor are any such contracts proposed.
- 4.3 No Director has, or has had, any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company which has been effected by the Company since its incorporation.

- 4.4. It is estimated that the total aggregate of the remuneration to be paid and benefits in kind to be granted to the Directors for the period ending 31 December 1996 will be approximately £24,300.

5. Substantial Interests

No person was known to the Company who, immediately following the Issue, will be interested (within the meaning of Part VI of the Act), directly or indirectly, in three per cent. or more of the issued share capital of the Company or could, directly or indirectly, jointly or severally, exercise control over the Company.

6. 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:

6.1 *The Placing and Intermediaries Offer Agreement*

A placing and intermediaries offer agreement (the "Placing Agreement") dated 15 February 1996 made among (i) the Company, (ii) the Directors, (iii) SVM and (iv) James Capel, pursuant to which James Capel has agreed, subject, *inter alia* to admission of the Ordinary Shares, issued and to be issued pursuant to the Issue, to the Official List of the London Stock Exchange ("Admission") becoming effective by 8.30 am on 12 March 1996 (or such later date as the Company and James Capel may agree, being in any event not later than 26 March 1996), (a) to act as sponsor to the Issue, (b) as agent for the Company, to use its reasonable endeavours to procure subscribers for 20,000,000 Ordinary Shares and (c) to act as agent for the Company in connection with the Intermediaries Offer but so that James Capel shall not be under any obligation itself to subscribe for any Ordinary Shares in connection with the Issue.

If the Placing Agreement becomes unconditional in all respects, the Company will pay to James Capel:

- (i) a fee of £100,000;
- (ii) a commission of 1.5 per cent. of a sum equal to the aggregate value at the Issue Price of the total number (if any) of Ordinary Shares allotted pursuant to the Issue and out of which James Capel will pay commissions to placees and intermediaries; and
- (iii) a commission of one per cent. of a sum equal to the aggregate value at the Issue Price of the total number (if any) of Ordinary Shares allotted pursuant to the Issue.

The Company will also pay all other costs and expenses incurred in connection with the Issue and the application for Admission including James Capel's out-of-pocket expenses and legal fees.

Under the Placing Agreement, which may be terminated by James Capel in certain circumstances prior to Admission, the Company, the Directors and SVM have given certain warranties, and the Company and SVM have given certain indemnities, to James Capel concerning, *inter alia*, the accuracy of the information contained in this document.

6.2 *Management and Secretarial Agreement*

A management and secretarial agreement (the "Management Agreement") dated 15 February 1996 between (i) the Company and (ii) SVM whereby SVM have agreed to manage the investments and other assets of the Company, to act as secretary of the Company and to administer the business and affairs of the Company.

The Company will pay to SVM, in respect of SVM's services as Managers and Secretaries, a quarterly fee (exclusive of VAT) payable in arrears equal to 0.1875 per cent. of the total assets less current liabilities of the Company at the end of the quarter in respect of which the fee is payable. The fee in respect of the period from Admission to 31 March 1996 will be pro-rated.

The appointment of SVM as Managers and Secretaries is subject to termination by either party giving to the other not less than one year's notice of such termination. The appointment may be terminated by a lesser period of notice although (save in the exceptional circumstances referred to below) there shall be payable to SVM by the Company compensation of an amount equal to the management fee which SVM would have been entitled to receive if it had continued to supply management and secretarial services for the unexpired notice period based on the value of the Company's assets less current liabilities at the end of the immediately preceding quarter. The appointment of SVM as Managers and Secretaries may be terminated without compensation at any time if SVM, *inter alia*, is unable to pay its debts or goes into liquidation, receivership or administration or is guilty of any serious misconduct, wilful default, negligence or fraud in the performance of its duties as managers and/or secretaries or there is a change of control of SVM. The Management Agreement will terminate automatically, without compensation, upon the passing of the Liquidation Resolution or a Recommended Resolution or a Reconstruction Resolution as mentioned in paragraph 3.10 above.

The Management Agreement contains provisions indemnifying SVM against any liability not due to its wilful default, negligence or fraud.

6.3 *Advisory Agreement*

An advisory agreement (the "Advisory Agreement") dated 15 February 1996 between (i) Beale Dobie and (ii) the Company whereby Beale Dobie have agreed, subject to the Placing Agreement becoming unconditional in all respects, to assist the Company to invest the net proceeds of the Issue (including the Final Instalment) and any long term borrowings drawn down by the Company on or prior to 30 September 1998 in traded policies meeting the Company's investment criteria and to provide other services. Beale Dobie have undertaken to give the Company right of first refusal for the purchase of all policies maturing between 1 August 2002 and 31 December 2008 offered to Beale Dobie before such time as the Company is fully invested. The Company has agreed that, subject to certain supply targets being met, it will not acquire, prior to investment of an amount equal to the net proceeds of the Issue and LOOT's initial gearing, policies in such maturity range other than pursuant to the Advisory Agreement.

The Company will pay to Beale Dobie, in respect of their services pursuant to the Advisory Agreement, a quarterly fee (exclusive of VAT) payable in arrears equal to 0.125 per cent. of the total assets less current liabilities of the Company at the end of the quarter in respect of which the fee is payable. In addition, the Company will pay Beale Dobie commission equal to five per cent. of the acquisition cost of each policy acquired for the Company by Beale Dobie. LOOT will also pay Beale Dobie a policy administration fee of £150 in respect of each policy purchased by the Company during the continuance of the Advisory Agreement. The quarterly fee in respect of the period from Admission to 31 March 1996 will be pro-rated.

The Advisory Agreement will terminate automatically, without compensation, upon the passing of the Liquidation Resolution or a Recommended Resolution or a Reconstruction Resolution as mentioned in paragraph 3.10 above. However, either party may terminate the Advisory Agreement at any time without compensation if the other party, *inter alia*, is unable to pay its debts or goes into liquidation, receivership or administration or is guilty of any serious misconduct, wilful default, gross negligence or fraud in the performance of its duties under the Advisory Agreement.

7. Taxation

7.1 *The Company*

It is the intention of the Directors to conduct the affairs of the Company so as to satisfy the conditions for approval as an investment trust under section 842 of the Income and Corporation Taxes Act 1988 and to apply annually to the Inland Revenue for such approval which is granted retrospectively. One of the requirements for approval as an investment trust is that the Company is not a close company. The Directors consider the Company will not be a close company immediately following the Issue. In respect of each accounting period for which approval is granted, the Company will be exempt from United Kingdom taxation on its capital gains. The Company will, however, be liable to United Kingdom corporation tax on its income in the normal way.

7.2 *Shareholders*

(i) Taxation of Capital Gains

Depending on their personal circumstances, United Kingdom resident Shareholders may be subject to capital gains tax (or, in the case of corporate Shareholders, corporation tax on capital gains) in respect of any gain arising on a disposal, including a disposal on winding-up the Company, of their Ordinary Shares unless the Shareholder is taxed as a dealer in securities, in which case the Directors have been advised that any gain will be treated as income and taxed as such. The capital gains tax indexation allowance may apply to enhance the base cost of a holding of Ordinary Shares. The indexation allowance attributable to both the First Instalment and the Final Instalment will fall to be calculated by reference to the date of payment of the First Instalment.

Non-United Kingdom resident Shareholders (other than dealers in securities) will not normally be liable to United Kingdom taxation of capital gains in respect of any such disposals.

(ii) Taxation on Dividends and Distributions

Under current United Kingdom tax legislation, no withholding tax will be deducted from any dividends paid by the Company. The Company will, however, be required to account to the Inland Revenue for advance corporation tax ("ACT") if a dividend is paid. To the extent that the Company itself receives dividends in respect of which ACT has been accounted for and to which an equivalent tax credit is attached, the Company will be entitled to set that tax credit against its own liability to account for ACT in respect of dividends paid. ACT paid by the Company may be set against its corporation tax liabilities subject to certain restrictions.

The ACT rate is $\frac{20}{80}$ ths of the dividend paid, with the ACT relating to any dividend being 20 per cent. of the total of the cash dividend together with the ACT.

For a company resident in the United Kingdom for tax purposes, the dividend received and the related tax credit will constitute franked investment income.

An individual resident in the United Kingdom for tax purposes who receives a dividend will be entitled to a tax credit in respect of, but not always equal to, the related ACT. The value of the tax credit is 20 per cent. of the total of the cash dividend together with the tax credit. An individual so resident who is not liable to income tax on a dividend will be able to claim repayment of the tax credit from the Inland Revenue. An individual so resident who is liable to income tax at a rate other than the higher rate will be taxable on the total of the dividend received and the tax credit, but the tax credit will discharge the individual's liability to income tax. An individual so resident who is liable to income tax at the higher rate (currently 40

per cent.) will be taxable on the total of the dividend received and the tax credit but will be able to use the tax credit to discharge that liability to the extent of the tax credit.

Shareholders who are not resident in the United Kingdom may be entitled to a payment from the Inland Revenue of a proportion of the tax credit relating to their dividends but such entitlement will depend, in general, upon the provision of any double taxation agreement or convention which exists between the United Kingdom and their country of residence. Non-United Kingdom resident Shareholders may also be subject to foreign taxation on dividend income in their country of residence. Any person who is not resident in the United Kingdom should consult his own tax adviser on the question of the double taxation position applying between his country of residence and the United Kingdom.

(iii) Stamp Duty and Stamp Duty Reserve Tax

No stamp duty or stamp duty reserve tax will be payable on the issue of definitive share certificates unless they are issued to persons to whom the depository receipt or clearance service charge to stamp duty reserve tax may apply at the rate of £1.50 per £100 or part thereof of the Issue Price of the Ordinary Shares.

Any transfer of Ordinary Shares will be liable to *ad valorem* stamp duty or (if an unconditional agreement to transfer the Ordinary Shares is not completed by a duly stamped transfer within two months) stamp duty reserve tax, in each case at the rate of 50p per £100 or part thereof of the actual consideration paid.

The information contained in this document relating to taxation matters is a summary of the taxation matters which the Directors consider should be brought to the attention of prospective investors and is based upon the law and practice currently in force and is subject to changes therein. Prospective investors should consult their professional advisers on the potential tax consequences of acquiring, holding and disposing of Ordinary Shares.

8. General

- 8.1 The Company does not have, nor has it had since its incorporation, any employees. The Company has no subsidiaries or associated companies.
- 8.2 The Company is not, and has not since its incorporation been, engaged in any litigation or arbitration proceedings and no litigation or arbitration proceedings are known to the Company to be pending or threatened against the Company.
- 8.3 SVM and James Capel are or may be promoters of the Company. SVM may participate in the Placing up to a maximum of 100,000 Ordinary Shares. If SVM participates in the Placing it will receive from James Capel a commission of 1.5 per cent. of the sum equal to the aggregate value at the Issue Price of the number of Ordinary Shares included in its participation. Save as disclosed in this paragraph 8.3 and in paragraph 6 above, no other amount or benefit has been paid or given to SVM and James Capel and none is intended to be paid or given.
- 8.4 There has been no significant change in the trading or financial position of the Company since its incorporation.
- 8.5 The Company will derive its income (if any) wholly or mainly from shares or other securities.
- 8.6 The Ordinary Shares will be issued in registered form. No temporary documents of title will be issued.

- 8.7 Five per cent. of the 20,000,000 Ordinary Shares available under the Placing are being offered to market makers at the Issue Price.
- 8.8 On the basis of the maximum subscription level of 25,000,000 Ordinary Shares, the expenses (including VAT) of and incidental to the Issue are estimated to amount to approximately £765,000 (including the fee and commissions referred to in paragraph 6.1 above) and are payable by the Company. On the basis of the minimum subscription level of 20,000,000 Ordinary Shares, such expenses (including VAT) are estimated to amount to approximately £640,000.
- 8.9 The Directors intend that all of the management fees payable to SVM pursuant to the Management Agreement referred to in paragraph 6 above be charged to LOOT's capital reserve, subject to consultation and agreement with the Company's auditors.
- 8.10 The principal investment policies referred to in Part I of this document will, in the absence of unforeseen circumstances, be adhered to for at least three years following the date on which the Ordinary Shares issued pursuant to the Issue are admitted to the Official List of the London Stock Exchange. Any material change in such policies within that period will only be made if approved by Shareholders in general meeting.
- 8.11 Beale Dobie has given, and has not withdrawn, its written consent to the issue of this document with the references herein to its name in the form and context in which they appear and has authorised those parts of this document for the purposes of section 152(1)(e) of the Financial Services Act 1986.

9. Documents Available for Inspection

Copies of the following documents will be available for inspection at the Company's registered office at 2 Canning Street Lane, Edinburgh EH3 8ER and at the offices of James Capel, Thames Exchange, 10 Queen Street Place, London EC4R 1BL during normal business hours on any weekday (Saturdays and bank holidays excepted) until 1 March 1996:

- (i) the Memorandum and Articles of Association of the Company;
- (ii) the material contracts referred to in paragraph 6 above; and
- (iii) the consent letter referred to in paragraph 8.11 above.

16 February 1996