

Electra Kingsway VCT 2 Plc

Securities Note

(Including Application Form)

Offers for Subscription

For tax years 2007/08 and 2008/09

Sponsored by

Brewin Dolphin Limited





Electra Kingsway VCT 2 Plc

Securities Note
(including Application Form)

Offers for Subscription
For tax years 2007/08 and 2008/2009

Sponsored by
Brewin Dolphin Limited

This document, the Registration Document and the Summary, which together comprise a prospectus relating to Electra Kingsway VCT 2 Plc, have been prepared in accordance with the Prospectus Rules made under section 84 of the Financial Services and Markets Act 2000 (the “**Prospectus**”) and have been filed with the Financial Services Authority in accordance with Rule 3.2 of the Prospectus Rules.

Application has been made to the UK Listing Authority for the C Shares, which are to be issued pursuant to the Offers, to be admitted to the Official List. Application has also been made to the London Stock Exchange for up to 25 million C Shares to be admitted to trading on its Main Market. It is expected that such admission to listing and trading will become effective, and that dealings in the C Shares will commence, by 25 February 2008.

The Company and its Directors, whose names appear on page 12 of this document, accept responsibility for the information contained in this document and the Registration Document and the Summary, which together comprise a prospectus relating to Electra Kingsway VCT 2 Plc. To the best of the knowledge and belief of the Company and 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.

Brewin Dolphin Limited is acting as sponsor and RAM Capital Partners LLP as promoter of the Company in connection with the Offers, and neither of them is advising any other person or treating any other person as a customer or client in relation to the Offers, or will be responsible to any such person for providing the protections afforded to their respective customers or clients or for providing advice in connection with the Offers.

ELECTRA KINGSWAY VCT 2 PLC

(Incorporated in England and Wales under the Companies Act 1985 with registered number 5210737)

Offers for Subscription of up to 25,000,000 C Shares of 1p each at an issue price of 100p each

Sponsor
Brewin Dolphin Limited

Promoter
RAM Capital Partners LLP

Share capital immediately following the Offers, assuming that they are fully subscribed:

	<i>Authorised</i>		<i>Issued and to be issued fully paid</i>	
	<i>No. of shares</i>	<i>Nominal value</i>	<i>No. of shares</i>	<i>Nominal value</i>
Ordinary Shares of 1p each	33,926,696	339,267	33,926,696	£339,267
C Shares of 1p each	25,000,000	£250,000	25,000,000	£250,000
Deferred Shares of 0.1p each	25,000,000	£25,000	Nil	Nil

A maximum of 25 million C Shares, which are being offered to the public, are being made available under the Offers. The subscription list for both Offers will open on 11 February 2008 and may close at any time thereafter but in any event not later than 5.00 p.m. on 5 April 2008 in the case of the 2007/08 Offer and at 5.00 p.m. on 31 May 2008 in the case of the 2008/09 Offer, unless previously extended by the Company. The terms and conditions of the Offers are set out on pages 34 to 38 of this document, which also contains an Application Form for use in connection with the Offers. There is no minimum/aggregate subscription for the Offers to proceed. The Offers are not underwritten.

The Offers are only being made in the United Kingdom. In particular, neither this document, the Registration Document, the Summary nor the Prospectus constitutes an offer to buy or to subscribe for, or the solicitation of an offer to buy or subscribe for, C Shares in any jurisdiction in which such offer or solicitation is unlawful. The C Shares have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) (the “**Securities Act**”) nor qualify for sale under the laws of any state of the United States or under the applicable laws of Canada, Australia, the Republic of South Africa, the Republic of Ireland and Japan and, subject to certain exceptions, may not be offered or sold in the United States or to, or for the account or benefit of, US persons (as such term is defined in Regulation S under the Securities Act) or to any national, resident or citizen of Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan. Neither this document, the Registration Document nor the Summary nor any copy of any of them may be sent to or taken into the United States, Canada, Australia or Japan or any other jurisdiction where to do so would violate the laws of that jurisdiction, nor may any of them be distributed to any US person (within the meaning of Regulation S under the Securities Act).

Your attention is drawn to the Risk Factors set out on pages 3 to 4 of this document. An investment in the Company is only suitable for investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result from such investment.

CONTENTS

Risk Factors	2
PART I The Company	5
Introduction	5
Reasons for the Offers	6
Objective	6
Investment Strategy	6
Maximising Cash Returns to Shareholders	7
The Manager	8
Track Record of the Manager	9
Tax Benefits for UK Investors	10
Costs	11
Directors	12
Other Information	12
PART II Taxation	15
PART III Investment Portfolio	18
PART IV C Shares and Conversion into Ordinary Shares	20
PART V Definitions and Glossary	25
PART VI Additional Information	29
PART VII Terms and Conditions of Application	34

Application Form

Notes on Application Form

Offer Statistics

Offer Price per C Share	100p
Issue costs per C Share	5.5p
Initial Net Assets per C Share	94.5p
Maximum number of C Shares in issue, following the Offers, at full subscription	25,000,000
Maximum net proceeds of the Offers, after issue costs, at full subscription	£23,625,000
Maximum expenses of the Offers	£1,375,000

Investors will receive three additional C Shares for every 100 C Shares in respect of valid Application Forms which are received and accepted by 7 March 2008 (subject to a maximum of 90,000 additional C Shares).

Financial Calendar

Financial year end	30 September
Preliminary results announcement and posting of annual report	January
Annual general meeting	March
Interim results announcement and posting of interim report	June

RISK FACTORS

The Company's business, financial condition or results could be materially and adversely affected by any of the risks described below. In such cases, the market price of the C Shares may decline due to any of these risks and investors may lose all or part of their investment. Additional risks and uncertainties not presently known to the Directors, or that the Directors currently deem immaterial, may also have an adverse effect on the Company. The Directors consider the following risks to be the most material for potential investors in the Company, but the risks listed do not necessarily comprise all those associated with an investment in the Company and are not set out in any particular order of priority:

- The tax reliefs available to certain Investors under the VCT Rules are dependent on the Company maintaining HMRC approval as a VCT. If this approval is withdrawn, the Company will lose its VCT status and the tax reliefs that certain Investors and the Company benefit from are likely to be cancelled, some with retrospective effect. Although it is intended that the Company will be managed to continue to qualify as a VCT, and retain such status, there is no guarantee that such status will be maintained to enable Shareholders to retain their tax reliefs.
- Most of the Company's investments will be held in Qualifying Companies. Qualifying Companies generally have a higher risk profile than larger companies as their securities are not publicly traded or freely marketable and may, therefore, be difficult to realise. In addition, there is no guarantee that suitable investment opportunities will be identified or that the Company's objective will be met.
- The levels and bases of reliefs from taxation may change. The tax reliefs referred to in the Prospectus (or any part of it) are those currently available under applicable UK legislation and their value depends on the individual circumstances of Shareholders.
- Any loss realised on disposal of C Shares will not be an allowable loss for UK capital gains tax purposes.
- Although the C Shares will be Listed, it is highly unlikely that a liquid market in the C Shares will develop at least for the first five years from the investment in the Shares and there may never be two competitive market makers. It may, therefore, prove difficult for Shareholders to sell their Shares. In addition, there is no guarantee that the market price of shares in VCTs will fully reflect their underlying net asset value or the ability to buy and sell at that price. Shares in VCTs usually trade at a discount to NAV.
- Although the pool of net assets attributable to the Ordinary Shares and the C Shares will be accounted for separately, creditors of the Company can have recourse to all the assets of the Company in satisfaction of their claims and are not limited to recourse against one or other of the asset pools (unless they agree otherwise).
- In certain circumstances the performance of the pool of assets attributable to the Ordinary Shares or the C Shares may affect the ability of the Company to distribute profits, not only in relation to that pool, but also in relation to the other pool because, under company law, the availability of profits for the purposes of making a distribution within the Company has to be determined by reference to the Company as a whole, rather than on a pool-by-pool basis. Thus, for example, capital losses experienced in one pool could affect the ability of the Company to pay dividends on the shares which relate to the other pool.
- The Company's ability to obtain maximum value from its investments (for example, through their sale) may be limited by the requirements imposed in order to maintain the VCT status of the Company (such as the requirement to have at least 70 per cent. by value of its funds in Qualifying Investments).
- The valuation of the portfolio and opportunities for realisation depend on stock market conditions.
- Investors should be aware that the sale of C Shares within five years of their subscription will require the repayment of the 30 per cent. income tax relief obtained on investment to the extent of the amount

received from such sale. Accordingly, investment in the Company is not considered by the Directors to be suitable as a short or medium term investment.

- An Investor's initial income tax relief will be withdrawn if an Investor, or any person associated with the Investor, takes out a loan which would not have been made, or would not have been made on the same terms, save for the acquisition of C Shares.
- The past performance of investments made by the Electra Kingsway VCTs or funds managed by the Manager or Electra Partners should not be regarded as an indication of the performance of investments to be made by the Company.
- Changes in legislation concerning VCTs in general, and Qualifying Investments and qualifying trades in particular, may restrict or adversely affect the ability of the Company to meet its objectives and/or reduce the level of returns which would otherwise have been achievable.
- The value of C Shares may go down as well as up and Investors may not receive back the full amount invested. In addition, there is no certainty as to any level of dividends.
- Although the Company intends to make market purchases of its own Shares each year (up to a maximum number of Shares equivalent to 10 per cent. of the total number of issued Shares from time to time), any such market purchases will be subject to the liquidity of the Company, the Listing Rules, the Act and the VCT Rules.
- If the funds raised under the Offers are less than £5 million, then it may be difficult to achieve a spread of investments and diversification in the C Share pool, which could increase risk.
- A sale of C Shares within five years of subscription will result in the withdrawal of income tax relief granted to Qualifying Shareholders.

PART I

The Company

INTRODUCTION

Electra Kingsway VCT 2 launched its initial £40 million offer for subscription in October 2004 and had raised approximately £34.2 million. As at 30 September 2007 (the date of the Company's most recently published financial information), the Company's NAV was 100.8p per Ordinary Share and total dividends paid were 2.5p per Ordinary Share. The Total Return was, therefore, 103.3p per share, which represents an uplift of 9.3 per cent. on the Company's initial NAV of 94.5p.

As at 30 September 2007, Electra Kingsway VCT 2 had invested £23.1 million in Qualifying Companies and over £6.2 million in smaller company equity fund investments. The Company had approximately £1.9 million in cash, as at 30 September 2007, and had 73.6 per cent. of its assets invested in Qualifying Companies as at 30 September 2007.

The Company is now seeking to raise a further amount of up to £25 million under the Offers, the net proceeds of which it intends to invest primarily in a portfolio of unquoted and AIM quoted companies.

Electra Kingsway VCT 2 provides Investors with the opportunity to gain access to the venture capital market. In addition, Investors should have the opportunity to benefit from up to 30 per cent. income tax relief as well as tax-free capital and income returns.

In addition to managing the Company's investments, the Manager also manages Electra Kingsway VCT and Electra Kingsway VCT 3, which have similar investment policies to that of Electra Kingsway VCT 2.

REASONS FOR THE OFFERS

The Directors believe that the proposed fundraising will benefit Shareholders in a number of ways:

- (i) **Diversity** – A further phase of investment will expand the capital base of the Company and allow its funds to be spread across a larger number of investments and at various stages of the business cycle.
- (ii) **Larger Deals** – The funds raised will enable the Company to continue co-investing with Electra Kingsway VCT and Electra Kingsway VCT 3. Assuming a successful fundraising, the Manager will be in a position to invest up to £5 million from the Electra Kingsway VCTs in each investee company per tax year, which will allow the Company to participate in larger investments than it could do using only its own resources.
- (iii) **Costs** – The fixed running costs of the Company will be spread over a larger asset base, thereby reducing the overall level of the running costs to existing Shareholders as a percentage of the Company's assets.

The C Shares

The existing investments and cash attributable to the Ordinary Shares will be kept separate from the proceeds of the issue of the C Shares. Investments and cash attributable to those proceeds will be administered as a separate investment pool until Conversion of the C Shares into Ordinary Shares in accordance with the Articles, which is expected to occur not earlier than six years from the close of the Offers. Until Conversion, the holders of C Shares will have the right to participate (by way of dividends and return of capital) in those assets attributable to the C Shares but not in those assets attributable to the Ordinary Shares. Conversely, the holders of Ordinary Shares will have the right to participate (by way of dividends and return of capital) in the assets attributable to the Ordinary Shares but not in those assets attributable to the C Shares. At Conversion, each holding of C Shares will be converted into a holding of Ordinary Shares having the same Net Asset Value as the pre-Conversion holding of C Shares. In order to achieve this outcome, the C Shares will convert in accordance with the Articles into an appropriate number of Ordinary Shares at a conversion

ratio which reflects the relative value of the net assets of the Company attributable to the Ordinary Shares and the net assets of the Company attributable to the C Shares. Accordingly, there will be no dilution to holders of Ordinary Shares following Conversion of the C Shares.

The holders of C Shares will be entitled in respect of those shares:

- to vote at meetings of the Company in the same way as holders of Ordinary Shares - holders of C Shares must approve separately any change to the Articles which affect the rights attaching to the C Shares;
- prior to Conversion, to receive dividends declared on income received from and realised profits arising on investments funded from the proceeds of the C Share issue and after Conversion to receive dividends in the same way as existing Shareholders on income received and realised profits arising after the date of Conversion; and
- in the event that the Company is wound up before the date of Conversion, to receive those assets attributable to the C Shares.

The Board believes that by raising additional capital for the Company through an issue of C Shares, some of the potential disadvantages otherwise associated with raising additional share capital will be overcome. In particular, the use of C Shares avoids the need to vary the offer price if the Net Asset Value of the Company was to fluctuate during the course of the Offers. Furthermore, any dilution of the Net Asset Value attributable to existing Shareholders as a direct result of the costs of the Offers will be avoided. It will also ensure that the number of Ordinary Shares to which holders of C Shares will in due course become entitled can accurately reflect the relative contribution of the net proceeds of the Offers to the enlarged Net Asset Value of the Company. Details of the conversion process and the rights attaching to the C Shares are set out in Part IV of this document.

OBJECTIVE

The Company's objective is to maximise UK tax-free income to Shareholders from dividends and capital distributions. It is intended that this objective will be achieved by continuing to invest the Company's funds in a portfolio of Qualifying Investments and in listed smaller company equity investments, as described under "Investment Strategy" below. The Company also has an innovative incentive structure designed to incentivise the Manager to perform, distribute and return capital. It is intended that the majority of the Company's investments will have been sold and the proceeds distributed to Shareholders within 8 years of inception.

INVESTMENT STRATEGY

The investment focus of the Manager is to seek out established companies, most of which are cash positive, rather than early stage opportunities. This investment focus, combined with a well diversified sector strategy will, in the opinion of the Directors, reduce the risk associated with investing in smaller companies.

The table below summarises the intended approximate split of the Company's investments (at cost) attributable to the C Shares both initially and after three years.

Investment Split

<i>Type of Investment</i>	<i>Percentage of Net Assets</i>	
	<i>Initially</i>	<i>After 3 Years</i>
Qualifying Investments	0%	80%
Equity Investments	30%	20%
	(within 12 months)	
Cash deposits	70%	0%
Total	100%	100%

The Directors intend that approximately 70 per cent. of the net proceeds of the Offers will be held as cash deposits. It is intended that this cash will be used over a two to three year period in order to fund investments in Qualifying Companies. By 30 September 2010, the Directors intend that approximately 80 per cent. of the funds raised by the Offers will have been invested in approximately 10 Qualifying Investments.

It is also intended that, subject to market conditions, approximately 30 per cent. of the net proceeds of the Offers be invested in Electra Private Equity and Electra Active Management (see Non-Qualifying Investments below). The Company will apply the same investment strategy and policies to the proceeds of the Offers as to the existing funds raised by the Company.

Qualifying Investments

The Company intends to continue to invest in companies that it believes have a high growth potential. In the Directors' opinion, each of these companies should, generally, reflect the following criteria:

- a well defined business plan and ability to demonstrate strong demand for its products or services;
- products or services that can be supplied at sustainable high margins and be cash generative;
- objectives of management and shareholders, which are similarly aligned;
- adequate capital resources or access to further resources to achieve the targets set out in its business plan; and
- high calibre management teams.

The Company will seek to invest in a diversified portfolio of unquoted, PLUS traded and AIM quoted companies and will not specialise in any particular industry sector. A key advantage of this flexible approach is that the Company will be able to focus increasingly its investment policy towards unquoted investments if it believes that the AIM market is overvalued. Unquoted investments will typically be in companies where the Company believes that there are reasonable prospects of an exit either through a trade sale or flotation in the medium term. There are no criteria set by the Directors regarding the size of the target companies, however, an investee company's gross assets must not exceed £7 million immediately prior to the investment by the Company in order for the investment to be a Qualifying Investment. Additionally, it must have fewer than 50 employees at the time of the investment and must have raised no more than £2 million through tax incentivised investment funds in the year in which the investment is made. Investments in start-up companies where, in the opinion of the Company, levels of risk are unacceptably high, in particular the technology sector, will generally be avoided. Investments are expected to range in size from £500,000 to £2 million, with an average investment size of over £750,000.

Non-Qualifying Investments

Equity Investments

Subject to market conditions, it is intended that, of the net proceeds of the Offers, up to 15 per cent. will be invested in Electra Private Equity (formerly Electra Investment Trust plc) and up to 15 per cent. in Electra Active Management, over the twelve month period from the close of the Offers. In order to fund investments in Qualifying Companies, it is expected that the funds will be progressively reduced to approximately 20 per cent. of the Company's total funds by 30 September 2010.

Cash Management

It is intended that, in the first instance, 70 per cent. of the net proceeds of the Offers will be held as cash deposits pending suitable Qualifying Investments being identified.

MAXIMISING CASH RETURNS TO SHAREHOLDERS

The Directors intend to maximise cash returns to Shareholders through a combination of operating a share buyback policy and paying regular dividends.

Share Buyback Policy

Subject to maintaining a level of liquidity in the C Shares which the Directors consider appropriate and complying with applicable laws and regulations, it is intended that each year the Company will make market purchases of Shares, up to a maximum number of Shares of the relevant class equivalent to up to 10 per cent. of the total number of issued Shares from time to time. The Board intends to operate a policy of purchasing Shares in the market at a price equivalent to the Company's most recently published NAV for that class of share, at the time of purchase, less a discount of up to 10 per cent. Purchases of Shares may only be made out of distributable profits of the Company or from the proceeds of a fresh issue of Shares made for the purpose of the purchase. Subject to HMRC confirmation that such proposals will not adversely affect its VCT status, the Company intends to apply to the High Court to cancel the share premium account created on the issue of C Shares pursuant to the Offers and to establish a new reserve which may be treated as distributable out of which purchases of Shares may be funded by the Company.

Dividend Policy

The Directors intend to maximise tax-free dividend distributions. It is envisaged that the Company will distribute most of its net income each year by way of dividend, subject to the Company retaining sufficient cash resources for its activities, and to ensure compliance with the Listing Rules and the Act. Income dividends will be supplemented by capital distributions from profitable realisations of investments, where available. Capital distributions will include the return of the original capital and the profit on investment.

It is intended that dividends will continue to be paid once a year, the first dividend payable to C Shareholders being payable in 2008.

THE MANAGER

The Company's investments are managed by Electra Quoted Management Limited, which also manages Electra Kingsway VCT and Electra Kingsway VCT 3. The Manager was established in 1981 and is authorised and regulated by the Financial Services Authority. The Manager is entered into the FSA register, with registration number 121887. The Manager is a subsidiary of Electra Partners Group Limited. Electra Partners was acquired by its management in 1999, although the group has been active in the private equity market since 1976.

Electra Quoted Management Limited was incorporated and registered in England and Wales on 28 August 1981 under the Act with registered number 1583260. The registered office and principal place of business of Electra Quoted Management is at Paternoster House, 65 St Paul's Churchyard, London EC4M 8AB (telephone number 020 7214 4200).

In 2007, the Company's investment management team established a limited liability partnership, Acuity Capital LLP ("Acuity Capital"), which is owned by members of the Company's management team. The team is in negotiations to acquire a majority interest in the Manager from the Electra Partners group. The Board believes that this will be beneficial to shareholders as it will assist the Manager to incentivise existing employees and recruit high calibre individuals to the team. Acuity Capital will maintain close ties with the Electra Partners group, which will have a minority shareholding in Acuity Capital.

Deal Flow

The Manager has a well developed deal flow from which the Company benefits, comprising unquoted company proposals that come through its own contacts and network, pre-float finance opportunities and broker-led AIM flotations.

Investment Team

The investment team is the same team as that responsible for managing the investments of the other Electra Kingsway VCTs and comprises the following individuals:

Nicholas Ross is an investment director of the Manager, having joined Electra Partners in 1993 after several years in investment analysis and fund management. Over the last five years, he has been responsible for the

launch of the Electra Kingsway VCTs and Electra Active Management. He is a director of each of the Electra Kingsway VCTs and Electra Active Management and also sits on a number of investee company boards. He is a graduate of Economics from Nottingham University and holds associate examinations from the Institute of Investment Management and Research.

Mark Speeks joined the Manager in early 2004 after several years in the United States as director of acquisitions for a Fortune 500 company. Previously, he worked in corporate finance and mergers and acquisitions in London, Paris and New York with Panmure Gordon, Credit Commercial de France and Charterhouse Bank. He holds a BA Hons degree from Exeter University and Masters degrees from both Oxford University and Yale University.

Antony Fraser joined the Manager in 2006 from Ingenious Ventures where he was managing director and responsible for managing a £25 million media private equity fund. Previously he was a partner at UBS Capital and prior to that an investment director at 3i Group. He holds a BA Hons degree from Kings College, London.

Michael Kennedy joined the Manager in 2006 from YFM Venture Finance, where he spent four years. At YFM, he was investment manager of The Capital Fund (London), a £50 million fund. Prior to that he was an investment executive at 3i Group. He holds a BA Hons degree from Wye College, London.

Judith MacKenzie joined the company in March 2007. Previously she worked with Aberdeen Asset Management as a Senior Investment Manager and had key responsibility within the Growth Capital division for AIM and technology investments in the four core Aberdeen Venture Capital Trusts. She developed her experience from positions at Bell Lawrie Brewin Dolphin, Stirling Hendry and Allied Provincial.

Investment Committee

The Manager has an established investment committee for Electra Kingsway VCT 2, which comprises experienced Electra Partners executives. The investment committee is required to approve all investments and disposals and is chaired by Hugh Mumford, whose details are set out below.

Hugh Mumford joined Electra Partners in 1981 and has been its managing director since 1991. Following the management buy-out of Electra Partners from Electra Private Equity in November 1999, he became the chief executive officer of Electra Partners. He has represented Electra Partners on the board of a number of private equity investments and has chaired the Electra Partners' investment committee since 1989. He is responsible for overseeing all Electra Partners' investment activities, which include both venture capital and listed investments.

TRACK RECORD OF THE MANAGER

A summary of Electra Kingsway VCT 2's track record up to 30 September 2007, the date of the most recently published financial information, is set out below.

Historical Summary of Electra Kingsway VCT 2

Electra Kingsway VCT 2's initial offers closed on 27 June 2005 having raised approximately £34.2 million. At 30 September 2007 (being the date of the most recently published financial information of that company) the net assets value of the Company was 100.8p and dividends paid to that date totalled 2.5p per share. Its Total Return is, therefore, 103.3p per share representing a 9.3 per cent. increase on the initial net asset value of 94.5p per share.

Summary of Electra Kingsway VCT 2's Investments and Performance

<i>At 30 September 2007</i>	<i>Cost</i> <i>£'000</i>	<i>Value</i> <i>£'000</i>	<i>Percentage of</i> <i>net assets</i>
Qualifying Investments	23,051	24,121	71.0%
Non-qualifying investments	6,230	8,346	24.4%
Cash and other net assets/liabilities		1,738	5.1%
		<hr/>	
		34,205	
		<hr/>	
Net assets value per share		100.8p	100%

Disposals of Electra Kingsway VCT 2's Qualifying Investments

<i>Company</i>	<i>Cost</i>	<i>Proceeds</i>	<i>Profit</i>
Worthington Nicholls	£113,000	£353,000	£240,000

INVESTORS SHOULD NOTE THAT THE PAST PERFORMANCE OF THE MANAGER AND THE ELECTRA KINGSWAY VCTS IS NOT A GUIDE TO THE FUTURE PERFORMANCE OF THE COMPANY OR THE MANAGER AND NO PROJECTION IS IMPLIED OR SHOULD BE INFERRED

Electra Kingsway VCT

The Company raised £18.6 million in the period 2001 to 2003 and its total return per share was 90.8p as at 30 September 2007, representing a 4.6 per cent. decrease on the initial NAV per share of 95p.

Electra Kingsway VCT 3

Electra Kingsway VCT 3's offers closed on 5 April 2006 having raised £35 million and its total return per share was 102.5p as at 30 September 2007 (being the date of the most recently published financial information of that company), representing a 8.5 per cent. increase on the initial net asset value of 94.5p per share.

Prospective Investors should note that the past performance of Electra Partners and the Electra Kingsway VCTs is not a guide to the future performance of the Company and no projection or forecast is implied or should be inferred from the above.

Track Record of Non-Qualifying Equity Investments

Electra Private Equity is one of the UK's largest investment trusts specialising in investing in small and medium sized unquoted companies. The fund had a successful year ending 30 September 2007, with the net asset value increasing by 29.5 per cent. By way of comparison, the FTSE All Share Index which increased by 8.7 per cent. in the year ended 30 September 2007.

Electra Active Management is an authorised open ended investment company which invests in special situations in quoted UK smaller companies. Its objective is to invest in undervalued companies where corporate initiatives can create value for shareholders. It was launched on 30 March 2000 with £30 million raised from institutions. In the year to 30 September 2007, the fund fell by 4.3 per cent. compared to the FTSE Small Cap Index, which was up 9.6 per cent. The fund had taken a conservative position in anticipation of declining stock markets.

TAX BENEFITS FOR UK INVESTORS

The principal tax reliefs, which are available to individual UK taxpayers on a maximum investment of £200,000 per individual (across all VCT investments) in the 2007/08 tax year, are set out below:

- **Income tax relief of up to 30 per cent.** of the amount subscribed provided the Company maintains VCT qualifying status and the VCT shares are held for at least five years.

- **Tax-free dividends** on VCT shares.
- **Capital Gains tax exemption** on the disposal of shares in a VCT.

The above is only a very brief summary of the tax position of UK Investors in VCTs and is based on the Company's understanding of current law and practice. Further details of the general tax treatment of Shareholders are set out in Part II of this document and details of the general tax treatment of the Company are set out in Part II of the Registration Document. Potential Investors are recommended to consult their own professional advisers as to the taxation consequences of their investing in a VCT.

COSTS

Capital Raising Fees

The Manager has agreed to underwrite all the costs of the Offers in return for an initial fee of 5.5 per cent. of the gross proceeds of the Offers (i.e. 5.5p per C Share), together with an annual commission of 0.25 per cent. (rising to 0.5 per cent. on the fifth anniversary of the opening of the Offers) per annum of the Net Assets of the Company for up to 8 years, up to a maximum amount of 4.5 per cent. of the gross proceeds of the Offer. Out of these fees, the Manager will be responsible for paying initial commission to authorised financial advisers (while the Company will be responsible for paying annual trail commission to authorised financial advisers) and any fees payable to RAM Capital Partners as the promoter of the Offers, which will be paid at no extra cost to the Company. The Directors believe that the trail commission arrangements will benefit the Company by enhancing the profile of the Offers to financial advisers.

Annual Fees

The Annual Running Costs of the Company (including irrecoverable VAT) are capped at 3.6 per cent. of its Net Assets; any excess will either be paid by the Manager or refunded by way of a reduction to the Manager's fee. Annual Running Costs include, *inter alia*, Directors' fees, fees for audit and taxation advice, registrar's fees, costs of communicating with Shareholders and all the annual fees payable to the Manager (including the annual commission described above), but do not include any incentive payments to the Manager's executives (as described more fully below).

The Manager receives a quarterly management fee (exclusive of VAT) in respect of the pool of assets attributable to the Ordinary Shares equal to 2.5 per cent. per annum of the Net Assets of the Company attributable to the Ordinary Shares. In respect of the pool of assets attributable to the C Shares, the Manager will receive a quarterly management fee of 2.5 per cent. per annum of the Net Assets of the Company attributable to the C Shares, the last such payment being made on 31 March 2012. In addition, the Manager receives administration fees in respect of both pools of assets. The Manager receives a fee of £60,000 per annum in respect of the administration of the pool of assets attributable to the Ordinary Shares. In respect of the administration of the pool of assets attributable to the C Shares, the Manager will receive a minimum annual fee of £30,000 per annum, this sum increasing by £10,000 for each amount of £5 million raised over and above £10 million under the Offers, up to a maximum annual fee of £60,000. The administration fees relating to the Ordinary Shares and the C Shares are increased annually in accordance with RPI.

All arrangement, syndication, monitoring and directors' fees payable in respect of an investment shall be retained by the Manager for its own benefit. To the extent an investment is made in funds managed by Electra Partners, fees payable by the Company to Electra Partners in respect of such investment will reduce the amount of management fee payable to the Manager. Where the Manager receives an additional management fee in relation to investments made by the Company in other funds managed by Electra Partners then that fee will be rebated to the Company. It is intended that the investment management fees payable by the Company to the Manager will be allocated at least 25 per cent. to revenue and up to 75 per cent. to capital, because this is in line with the Board's expectations of the long term returns to Shareholders.

Performance Incentive – Ordinary Shares

As is customary in the venture capital industry, certain employees of, and persons engaged in, the business of the Manager, will be entitled to receive a performance related incentive based upon returns to Shareholders. The incentives are designed to encourage significant dividend payments to Shareholders and an NAV performance that would equate to a historic top decile industry ranking, before any performance fee payment is made. Therefore, if by the end of a financial year, distributions of 30p per Ordinary Share have been declared and if the Performance Value at that date exceeds 130 per Ordinary Share, then the beneficiaries will be entitled to an incentive equal to 20 per cent. of the excess of such Performance Value over 100p per Ordinary Share. If, on a subsequent financial year end, the performance of the Company falls short of the performance of the Company on the previous financial year end, the beneficiaries will not be entitled to any incentive. If, on a subsequent financial year end, the performance of the Company exceeds the previous performance of the Company, the beneficiaries will be entitled to 20 per cent. of such excess. To give effect to this performance related incentive, Loan Notes have been issued by the Company to certain employees of, and persons engaged in, the business of the Manager. No Loan Notes are being issued directly to the Manager itself. Further details of the terms of the Loan Notes are set out in paragraph 6 of Part V of the Registration Document.

Performance Incentive – C Shares

Certain employees of, and persons engaged in the business of, the Manager will be entitled to receive a performance-related incentive based upon returns to holders of C Shares in similar terms to those applicable to the Ordinary Shares. The incentives are designed to encourage total return and dividend payments to Shareholders. Therefore, if by the end of a financial year the Performance Value at that date exceeds 100p per C Share, then the beneficiaries will be entitled to an incentive equal to 30 per cent. of the aggregate value of all distributions declared in respect of such financial year. If, at a subsequent financial year end, the performance of the Company falls short of the performance of the Company on the previous financial year end, the beneficiaries will not be entitled to any incentive. If the performance of the Company falls short of the target in any period, such shortfall must be made up before the beneficiaries are entitled to any incentive in respect of subsequent periods. The Performance Value is adjusted at the beginning of each financial year by the amount of any distributions made by the Company and any payments made to the Manager during the previous financial year. To give effect to this performance-related incentive, Loan Notes have been issued by the Company to certain employees of, and persons engaged in the business of, the Manager. No Loan Notes have been issued directly to the Manager itself. Further details of the terms of the Loan Notes are set out in paragraph 6 of Part V of the Registration Document. Upon or prior to Conversion of the C Shares, proposals will be submitted to existing Shareholders in relation to the amalgamation of the performance fee relating to the Ordinary Shares and the Loan Notes issued in relation to the issue of C Shares. The Directors intend that the Company will make dividend payments as and when a revenue or capital surplus arises.

DIRECTORS

The Company currently has five Directors, all of whom are non-executive and four of whom are independent of the Manager. Nicholas Ross, who is also an investment director of the Manager, does not vote on any matter at a Company board meeting or at a committee of the Manager where there is a conflict of interest with any of the other Electra Partners' funds.

Rupert Pennant-Rea (Chairman) is a former Deputy Governor of the Bank of England and editor of the Economist. He is currently chairman of Henderson Plc and a director of Go-Ahead Group plc and a number of other companies.

Michael Broke is currently executive chairman of Stockley Park Consortium and was, until recently, a non-executive director of Chelsfield. He was chief executive of Stockley plc from January 1984 to June 1987 and prior to that a director of J Rothschild & Co.

David Donnelly is chief executive of FF&P Private Equity and chairman of Caithness Petroleum. Previously he was chairman of Gordon House Asset Management. Previous directorships have also included Highland

Participants Plc and R&W Hawthorn Leslie & Co. He was formerly a member of the London Stock Exchange.

Nicholas Ross is an investment director of the Manager. Further information is provided in the section headed "Investment Team" above.

David Sebire is a chartered accountant with extensive industrial and corporate finance experience. Until 1999 he was chairman of Bridport plc and of PTS Group plc and Clearspeed Technology plc. He is chairman of PegasusBridge Fund Management and a number of private companies.

The Directors have invested approximately £260,000 in the Company.

OTHER INFORMATION

Taxation and HM Revenue & Customs Approval

The Directors intend to conduct the affairs of the Company so that it continues to satisfy the conditions for approval as a VCT and that such approval will be maintained. HMRC granted the Company approval under section 842AA ICTA as a VCT. The Company intends to continue to comply with Part 6 ITA to maintain its VCT status and has retained PricewaterhouseCoopers LLP to advise it on VCT taxation matters.

The Offers and Minimum and Maximum Subscription

The C Shares are offered at 100p each payable in cash. A maximum of 25 million C Shares, which are being offered to the UK public, are being made available under the two Offers in order to enable investment in two different tax years. The Offers are not conditional on a minimum level of subscriptions. If applications are received in excess of the maximum subscription under the Offers, the Directors reserve the right to use their absolute discretion in the allocation of successful applications. In exercising its discretion in this manner, the Directors will take into consideration the dates on which correctly completed applications are received. Applicants are encouraged to submit their Application Forms early in order to be confident that their applications will be successful.

The minimum investment per Applicant is £5,000. There is no maximum investment although tax reliefs are available on a maximum investment of £200,000 per individual in all VCTs in the tax years 2007/08 and 2008/09. A husband and wife can each invest up to £200,000 in the tax years 2007/08 and 2008/09. The subscription list for both Offers will open on 11 February 2008 and may close at any time thereafter but in any event not later than 5.00 p.m. on 5 April 2008 in the case of the 2007/08 Offer, and not later than 5.00 p.m. on 31 May 2008, unless previously extended by the Directors, in the case of the 2008/09 Offer.

Application has been made to the UK Listing Authority for the admission of the C Shares to the Official List and to the London Stock Exchange for the C Shares to be admitted to trading on its main market for listed securities. The C Shares will be issued in registered form and be transferable in both certificated and uncertificated form. The C Shares will rank for all dividends and other distributions declared, paid or made by the Company thereafter. It is anticipated that dealings in the C Shares will commence by 25 February 2008. The Company has applied for the C Shares to be admitted to CREST and it is expected that the C Shares will be so admitted, and accordingly enabled for settlement in CREST, as soon as practicable after Admission. Accordingly, settlement of transactions in the C Shares following Admission may take place within the CREST system if Shareholders wish. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so. Applicants who wish to receive C Shares in uncertificated form and who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with the Offers.

Share certificates (where applicable) and certificates to enable a claim for income tax relief to be made in respect of C Shares will be posted to Shareholders within 30 days of each allotment. No notification will be made to successful applicants prior to despatch of definitive share certificates or crediting of CREST accounts. Prior to despatch of definitive share certificates (where applicable), transfers (if any) will be certified against the register. No temporary documents of title will be issued. CREST accounts will first be credited on the same day on which dealings in the C Shares first commence.

The Offers are not underwritten. The result of the Offers will be announced through a Regulatory Information Service provider authorised by the Financial Services Authority.

Commission

The Manager will be responsible for paying all the costs of the Offers including commissions payable to authorised financial advisers on successful applications bearing their stamp, and listing expenses. Authorised financial advisers will be paid by the Manager, out of its capital raising fees, commission at the applicable rate in respect of all accepted applications which bear the stamp of the relevant authorised financial adviser. Authorised financial advisers will be offered a choice of two alternative commission structures. Under the first commission structure, the adviser will receive a one-off up-front commission at a rate equal to 3 per cent. of the gross amount subscribed for C Shares allotted under the Offers and RAM Capital (as the promoter of the Offers) will receive the commission that the financial adviser would have received had that adviser opted to receive commission under the second commission structure. Under the second commission structure, advisers will receive an initial commission at a rate equal to 2.5 per cent. of the gross amounts subscribed for C Shares allotted under the Offers and, provided they continue to act for their client and their client continues to hold C Shares, an annual trail commission at a rate equal to 0.25 per cent. (rising to 0.5 per cent. on the fifth anniversary of the opening of the Offers) of the Net Assets of the Company per C Shares application to such applications until the earlier of 8 years and the total trail commission, taken together with commission paid under the first commission structure (including commission paid to RAM Capital), equals 4.5 per cent. of the amounts subscribed under the Offers. In respect of the C Shares, this annual trail commission will first be paid in 31 March 2009 in respect of the financial period ending 30 September 2008 and annually thereafter. In respect of either commission structure, authorised financial advisers may agree to waive part or all of their initial commission. In such circumstances, additional C Shares will be allotted to the relevant Investor and the waived commission will be used to satisfy the subscription price of such C Shares. An amount equal to the amount of commission so waived will be promptly reimbursed by the Manager to the Company. As the initial costs of the Offers are fixed at 5.5 per cent. of the gross proceeds, the net proceeds of the Offers will be 94.5p per C Share and £23,625,000 at the maximum subscription.

In respect of valid applications which are received by 7 March 2008, three additional C Shares will be allotted to the relevant Investor for every 100 C Shares in respect of which a valid application is received by that date (subject to a maximum of 90,000 additional C Shares and with fractional entitlements to additional C Shares being rounded down).

Availability of the Prospectus and any Supplemental Prospectus

Copies of this document, the Summary and the Registration Document (which, together, comprise the Prospectus) relating to the Company and any supplemental prospectus published by the Company are available for inspection during normal business hours on any weekday (public holidays excepted) at the UK Listing Authority's Document Viewing Facility at 25 The North Colonnade, London E14 5HS and may be obtained, free of charge, for so long as the Offers remain open, by collection from the Company's registered office and from:

RAM Capital Partners LLP
Bracton House
34-36 High Holborn
London WC1V 6AE
Telephone: 020 3006 7530

Brewin Dolphin Limited
PO Box 512, National House
36 St Ann Street
Manchester
M60 3EP

www.investmentbanking.brewin.co.uk
Telephone: 0845 270 8600

PART II

Taxation

This summary is based on current law but is not exhaustive. The summary is based upon existing UK tax law and what is understood to be current HMRC practice, both of which are subject to change, possibly with retrospective effect. The summary is intended as a general guide and only relates to certain limited aspects of the UK taxation position for persons who are resident and ordinarily resident in the UK for UK tax purposes (except where stated otherwise), who are beneficial owners of the C Shares and who hold their C Shares as an investment other than as trading stock. It may not apply to certain Investors, such as dealers in securities, insurance companies, collective investment schemes or Investors who have (or are deemed to have) acquired their shares by virtue of an office or employment, who may be subject to special rules and this summary does not apply to such Investors. Any person considering subscribing for C Shares is strongly recommended to consult their professional adviser immediately. Please refer to Part II of the Registration Document for a summary of the tax treatment of the Company.

GENERAL TAX TREATMENT OF SHAREHOLDERS

The tax benefits that may be available to Investors from the date of investment in C Shares are summarised below, together with the UK tax consequences if these tax reliefs are not available.

Tax on Income

Under the VCT Rules, two income tax reliefs may be available to individuals who subscribe for C Shares.

The first is a relief from UK income tax at a 30 per cent. rate on money used by individuals to invest in VCT shares. Investments in VCT shares are only eligible for this relief to the extent that those investments do not (when taken together with other investments in VCTs) exceed £200,000 in any one tax year (the “**Permitted Maximum**”). Relief cannot, however, exceed such amount as reduces the individual’s income tax liability to nil. To obtain relief an individual must subscribe in his own name and not through a nominee although the shares may subsequently be transferred into the name of a nominee. Relief may not be available if there is a loan linked with the investment. The shares acquired must not have any preferential rights. Relief ceases to be available in whole or in part if there is any disposal (except between spouses or on death) of shares (or of an interest in them or right over them) before the fifth anniversary of the date on which those shares were issued to that shareholder.

The second relief is from UK income tax on dividends paid out to individuals by VCTs. This relief is available for dividends paid in respect of VCT shares that were not acquired in excess of the Permitted Maximum for a tax year. The relief will not be available for dividends paid in respect of shares acquired in excess of the Permitted Maximum. In order for the relief to be available the VCT must have maintained HMRC approval throughout the accounting period in which the relevant profits and gains out of which the dividend was paid were earned. To the extent that this relief is not available then any dividends paid may be subject to UK income tax as follows.

Under UK tax legislation the Company is not required to withhold tax at source from dividend payments it makes. Individual Investors resident for tax purposes in the UK should generally be entitled to a tax credit in respect of any dividend received equal to one-ninth of the amount of the dividend. An individual Investor will be liable to income tax on the sum of the dividend and the tax credit (the “**gross dividend**”) which will be regarded as the top slice of the individual’s income and which will be subject to UK income tax at the rates of tax as described below.

The tax credit equals 10 per cent. of the gross dividend. The tax credit will be available to set against an Investor’s liability (if any) to income tax on the gross dividend. Individual Investors liable to income tax at the starting, lower or basic rate will be liable to income tax on dividend income received at the rate of 10 per

cent. of the gross dividend. This means that the tax credit will satisfy the income tax liability of a UK resident individual Investor liable to pay income tax at the starting, lower or basic rate.

The rate of income tax applied to dividends received by a UK resident individual liable to income tax at the higher rate will be 32.5 per cent. After taking into account the 10 per cent. tax credit, a higher rate taxpayer will be liable to additional income tax of 22.5 per cent. of the gross dividend, equal to 25 per cent. of the net dividend.

Individual Investors who are resident in the UK cannot claim payment of the tax credit from HMRC. Trustees who are liable to income tax at the rate applicable to trusts (currently 40 per cent.) will pay tax on the gross dividend at the trust rate of 32.5 per cent. against which they can set the tax credit. To the extent that the tax credit exceeds the trustees' liability to account for income tax the trustees will have no right to claim repayment of the tax credit.

A corporate Investor resident for tax purposes in the UK will not normally be liable to corporation tax on any dividends received, but cannot claim payment of the tax credit from HMRC. United Kingdom pension funds, and charities are generally exempt from tax on dividends which they receive but they are not entitled to claim repayment of the tax credit.

Individual Investors who are resident for tax purposes in countries other than the UK but who are Commonwealth citizens, nationals of states which are part of the European Economic Area, residents of the Isle of Man or the Channel Islands or certain other persons are entitled to a tax credit as if they were resident for tax purposes in the UK which they may set off against their total UK income tax liability. Such Investors will generally not be able to claim payment of the tax credit from HMRC.

Other Investors who are not resident in the UK for tax purposes should consult their own advisers concerning their tax liabilities on dividends received. They should note that following the reduction in the rate of UK tax credits on UK company dividends to 10 per cent. from 6 April 1999, they will not generally be entitled to claim payment of any part of their tax credit from HMRC under any double taxation treaty or otherwise or such claim may be negligible.

Chargeable Gains

Under the VCT Rules, a gain or loss accruing to an individual on the disposal of shares in a VCT that were not acquired in excess of the Permitted Maximum for a tax year is not treated as a chargeable gain or, as the case may be, an allowable loss. For this relief to be available the VCT must continue to be approved by HMRC at the time of the disposal.

To the extent that the relief from chargeable gains tax is not available a subsequent disposal of shares may result in a liability to taxation of chargeable gains, depending upon individual circumstances.

Stamp Duty

No stamp duty or stamp duty reserve tax ("SDRT") will be payable on the issue of the C Shares issued under the Offers. The subsequent transfer on sale of any C Shares will be liable to *ad valorem* stamp duty normally at the rate of 0.5 per cent. of the amount or value of the consideration (rounded up to the nearest £5). An unconditional agreement to transfer Shares also gives rise to an obligation to account for SDRT, which is payable on or before the seventh date of the month following that in which the agreement was entered into. However, HMRC's practice is not to pursue SDRT if an instrument of transfer is executed pursuant to the agreement provided that it does not experience difficulty in securing the stamping of the instrument. The payment of stamp duty within six years of the date of the agreement (or, if the agreement was conditional, the date the agreement became unconditional) gives rise to a cancellation of any liability to SDRT and a repayment of any SDRT paid.

There will be no stamp duty or SDRT on a transfer of C Shares into CREST unless such transfer is made for a consideration in money or money's worth, in which case a liability to SDRT will arise usually at a rate of 0.5 per cent. A transfer of Shares effected on a paperless basis through CREST will generally be subject to SDRT at a rate of 0.5 per cent. of the value of the consideration.

Consequences of loss of VCT status

If VCT approval is treated as never having been given, or if it is withdrawn before the shares have been held for five years, the relief will be withdrawn by the making of an assessment for the year of assessment for which the relief was originally given. Interest on overdue tax may arise.

Dividend income will not be exempt from tax if the dividend is paid in respect of profits or gains arising or accruing in any accounting period ending at a time when VCT status has been lost.

If VCT approval is treated as never having been given, gains and losses on shares in the VCT will be taxable and allowable in the ordinary way. If VCT approval is withdrawn, the individual is deemed to have disposed of his shares immediately before the status is lost, for market value at that time, and is deemed to have re-acquired them at that value immediately after the status is lost. Thus any capital gains realised up to that date will be exempt from tax, but gains arising after that date will be taxable in the ordinary way.

Consequences of an Investor Dying or a Transfer of Shares Between Spouses or Civil Partners

(i) ***Initial UK income tax***

If an investor dies after making an investment in a VCT, the transfer of shares on death is not treated as a disposal and, therefore, the initial UK income tax relief is not withdrawn. However, the shares will become part of the deceased's estate for UK inheritance tax purposes.

(ii) ***UK Tax implications for the beneficiary***

Provided a number of conditions are met, the beneficiary of any VCT shares will be entitled to tax-free dividends and will not pay capital gains tax on any disposal, but will not be entitled to any initial income tax relief.

(iii) ***Transfer of shares between spouses or Civil Partners***

Transfers of shares in a VCT between spouses or Civil Partners who are living together at the time of the transfer are not deemed to be disposals and therefore all tax reliefs will be retained.

PART III

Investment Portfolio

A summary of the Company's investment portfolio is set out below. Further details of the Company's investments are set out in Part III of the Registration Document.

Summary of the Company's Investment Portfolio

The investment portfolio of the Company as at 30 September 2007 (being the date of the Company's latest audited annual accounts) is as follows:

	<i>Cost at 30 September 2007 £'000</i>	<i>Valuation at 30 September 2007 £'000</i>	<i>Performance in year ended 30 September 2007 £'000</i>	<i>% of Portfolio by Value %</i>
Top Qualifying Investments				
Gyro International	1,375	3,508	1,163	10.8
Defaqto Group	2,150	2,926	(1,349)	9.0
Munro Global	1,615	2,083	468	6.4
Factory Media	1,925	1,925	–	5.9
Acrobat	1,000	1,000	–	3.1
Target Group	1,000	1,000	–	3.1
Kingsway Software	1,000	1,000	–	3.1
Kingsway Retail	1,000	1,000	–	3.1
Kingsway Media	1,000	1,000	–	3.1
Kingsway Generalist	1,000	1,000	–	3.1
Kingsway Business Services	1,000	1,000	–	3.1
Kingsway Publishing	1,000	1,000	–	3.1
Other qualifying investments	7,236	5,679	(2,733)	17.4
	23,051	24,121	(2,451)	74.3
Non-Qualifying Investments				
Electra Private Equity	3,089	5,628	1,106	17.1
Electra Active Management	3,141	2,718	(168)	8.2
	6,230	8,346	938	25.3
	28,181	32,467	(1,513)	100.0
Other Assets				
Liquidity Funds		345		
Cash		1,548		
		1,893		
Total		34,360		

Source: the Company's audited annual accounts for the year ended 30 September 2007.

Between 30 September 2007 and 22 January 2008, the value of the quoted investments in the portfolio has fallen by £1.1 million, which equates to a decline in the NAV of 3.2 pence. The table below sets out a breakdown of the movements in value of the quoted investments since 30 September 2007:

Qualifying Investments

Hill Station	-118,039
Jelf	-23,603
Worthington Nicholls	-279,571
Zamano	179,688
Mount Engineering	0
Interactive World	-153,333

Non Qualifying Investments

Electra Active Management	-260,599
Electra Private Equity (EIT)	-456,400
	<u>-1,111,857</u>

Since 30 September 2007, there has been no significant change in the value of the unquoted investments in the portfolio.

Investors should note that the net proceeds of the Offers will be invested in accordance with the Company's investment policy, as set out on pages 5 and 6 of this document. As general economic circumstances and prospects may vary over time there can be no guarantee that future investments will be made in the same sectors or types of companies as the present portfolio.

PART IV

C Shares and Conversion into Ordinary Shares

The Articles, which were adopted at the EGM, contain provisions, *inter alia*, to the following effect.

Definitions

Definitions of the terms used can be found in Part V of this document. In addition, the following definitions apply for the purposes of this Part of the document only.

“**Calculation Date**” means the earliest of the:

- (a) close of business on 1 April 2013;
- (b) such later date as the Directors may determine; and
- (c) close of business on the day on which the Directors resolve that Force Majeure Circumstances have arisen or are imminent

“**Conversion Date**” means the close of business on such business day as may be selected by the Directors and falling not more than 30 days after the Calculation Date

“**Conversion Ratio**” is the ratio of the net asset value (“NAV”) per C Share to the NAV per Ordinary Share, which is calculated as:

$$\frac{A}{B} \text{ where } A = \frac{C - D}{E} \text{ and } B = \frac{(F - C) - (G - D)}{H}$$

and where “C” is the aggregate of:

- (a) the value of the investments of the Company attributable to the C Shares (other than investments which are subject to restrictions on transfer or a suspension of dealings, which are in each case to be valued in accordance with (b) immediately below) which are traded on or dealt in on a stock exchange or market calculated by reference to the middle-market price quotations at close of business on the Calculation Date, or, if appropriate, the daily average of the prices marked, for those investments on the Calculation Date on the principal stock exchange or market where the relevant investment is traded on or dealt in as derived from the relevant exchange’s or market’s recognised method of publication of prices for such investments where such published prices are available;
- (b) the value of all investments of the Company attributable to the C Shares (other than investments included in (a) above) on the Calculation Date, having regard to the then current IPEVC guidelines, calculated by reference to the Directors’ belief as to a fair current value for those investments after taking into account any other price publication services reasonably available to the Directors; and
- (c) the amount which, in the Directors’ opinion, fairly reflects, on the Calculation Date, the value of the current assets of the Company attributable to the C Shares, including cash and deposits with or balances at a bank and including any accrued income less accrued expenses and other items of a revenue nature.

“D” is the amount (to the extent not otherwise deducted in the calculation of C) which, in the Directors’ opinion, fairly reflects the amount of the liabilities of the Company attributable to the C Shares on the Calculation Date, plus the costs attributable to Conversion;

“E” is the number of C Shares in issue on the Calculation Date (excluding any C Shares held as treasury shares);

“F” is the aggregate of:

- (a) the value of all the investments of the Company (other than investments which are subject to restrictions on transfer or a suspension of dealings, which are in each case to be valued in accordance with (b) immediately below) which are traded on or dealt in on a stock exchange or market calculated by reference to the middle-market price quotations at close of business of, or, if appropriate, the daily average of the prices marked for, those investments on the Calculation Date on the principal stock exchange or market where the relevant investment traded on or dealt in as derived from the relevant exchange's or market's into Ordinary Shares recognised method of publication of prices for such investments where such published prices are available;
- (b) the value of all investments of the Company (other than investments included in (a) above) on the Calculation Date, having regard to the then IPEVC guidelines, calculated by reference to the Directors' belief as to a fair current value for those investments after taking into account any other price publication services reasonably available to the Directors; and
- (c) the amount which, in the Directors' opinion, fairly reflects, on the Calculation Date, the value of the current assets of the Company, including cash and deposits with or balances at a bank and including any accrued income less accrued expenses and other items of a revenue nature;

"G" is the amount (to the extent not otherwise deducted in the calculation of F) which, in the Directors' opinion, fairly reflects the amount of the liabilities of the Company on the Calculation Date; and

"H" is the number of Ordinary Shares. in issue on the Calculation Date (excluding any Ordinary Shares held as treasury shares),

provided that the Directors shall make such adjustments to the value or amount of A and B as the Company's auditors shall report to be appropriate;

"Force Majeure Circumstances" means any political and/or economic and/or market circumstances and/or actual or anticipated changes in fiscal or other legislation which, in the reasonable opinion of the Directors, renders it necessary or desirable to bring forward the Conversion Date and/or the Calculation Date;

"Issue Date" means the day on which the Company receives the net proceeds of the first issue of the C Shares offered pursuant to the Offers;

"Net Proceeds" means the net cash proceeds of the issue of the C Shares (after deduction of those commissions and expenses relating thereto and payable by the Company).

Rights to be paid dividends

The holders of the Ordinary Shares, the C Shares and the Deferred Shares shall, subject to the provisions of the new Articles, have the following rights to be paid dividends:

- (a) the Deferred Shares (to the extent that any are, in issue and extant) shall entitle the holders thereof to a non-cumulative dividend at the fixed rate of one penny per Deferred Share (the **"Deferred Dividend"**) on the date six months after the Conversion Date payable to the holders thereof on the register of members on that date as holders of Deferred Shares but shall confer no other right, save as provided herein, on the holders thereof to share in the profits of the Company. The Deferred Dividend shall not accrue or become payable in any way until the date six months after the Conversion Date and shall only then be payable to those holders of Deferred Shares registered in the register of members of the Company as holders of Deferred Shares on that date. It should be noted that given the possible purchase of the Deferred Shares described below, it is not expected that any dividends will accrue or be paid on such shares;
- (b) the holders of C Shares shall be entitled to receive in that capacity such dividends as the Directors may resolve to pay out of net assets attributable to the C Shares and from income received and accrued which is attributable to the C Shares;
- (c) the existing Ordinary Shares shall confer the right to dividends declared in accordance with the new Articles;

- (d) the new Ordinary Shares shall rank *pari passu* with the existing Ordinary Shares for dividends and other distributions declared by reference to a record date falling after the Calculation Date; and
- (e) no dividend or other distribution shall be made or paid by the Company on any of its shares between the Calculation Date and the Conversion Date (both dates inclusive) and no dividend shall be declared with a record date falling between the Calculation Date and the Conversion Date (both dates inclusive).

Rights as to capital

The holders of the Ordinary Shares, the C Shares and the Deferred Shares shall, subject to the provisions of the new Articles, have the following rights as to capital:

- (a) the surplus capital and assets of the Company shall on a winding-up or on a return of capital (otherwise than on a purchase by the Company of any of its shares) prior to Conversion be applied amongst the holders of Ordinary Shares *pro rata* according to the nominal capital paid up on their holdings of ordinary shares after having deducted them from an amount equivalent to the sum of C minus D using the methods of calculation of C and D given in the definition of Conversion Ratio, which amount shall, to the extent it is available for distribution, be applied amongst the holders of C Shares *pro rata* according to the nominal capital paid up on their holdings of C Shares, and for the purposes of this paragraph the Calculation Date shall be such date as the liquidator may determine; and
- (b) the surplus capital and assets of the Company shall on a winding-up or on a return of capital (otherwise than on a purchase by the Company of any of its shares) after Conversion be applied as follows:
 - (i) first, if there are Deferred Shares in issue, in paying to the holders of Deferred Shares 1 penny in respect of every 1,000,000 Deferred Shares (or part thereof) of which they are respectively the holders; and
 - (ii) secondly, the surplus shall be divided amongst the holders of Ordinary Shares *pro rata* according to the nominal capital paid up on their holdings of Ordinary Shares.

General Meetings

The C Shares shall carry the right to receive notice of and to attend and vote at any general meeting of the Company. The voting rights of holders of C Shares will be the same as those applying to holders of Ordinary Shares as set out in the new Articles as if the C Shares and existing ordinary shares were a single class. The Deferred Shares shall not carry any right to receive notice of or to attend or vote at any general meeting of the Company. The voting rights of the existing Ordinary Shares are not affected.

Deferred Shares

The following shall apply to the Deferred Shares:

- (a) the C Shares are issued on such terms that the Deferred Shares (but not the new Ordinary Shares arising on Conversion) may be redeemed by the Company in accordance with the terms set out herein;
- (b) immediately upon Conversion, the Company shall redeem all of the Deferred Shares which arise as a result of the Conversion for an aggregate, consideration of 1 penny for every 1,000,000 Deferred Shares; and
- (c) the Company shall not be obliged to:
 - (i) issue share certificates to the holders of Deferred Shares in respect of the Deferred Shares; or
 - (ii) account to any holder of Deferred Shares for the redemption monies in respect of such shares.

Special rights

Without prejudice to the generality of the new Articles, until conversion it shall be a special right attaching both in the existing Ordinary Shares as a class and to the C Shares as a class that, save with the sanction or consent of each class of holders given in accordance with the new Articles:

- (a) no alteration shall be made to the Memorandum of Association or new Articles of the Company;
- (b) there shall be no allotment or issue of any security convertible into or carrying a right to subscribe for any share capital of the Company; and
- (c) no resolution of the Company shall be passed to wind-up the Company.

Pre-Conversion obligations

Until Conversion and without prejudice to its obligations under applicable laws, the Company shall:

- (a) procure that the Company's records and bank and custody accounts shall be operated so that the assets attributable to the C Shares can, at all times, be separately identified and, in particular but without prejudice to the generality of the foregoing, the Company shall, without prejudice to any obligations pursuant to applicable laws, procure that separate cash accounts, broker settlement accounts and investment ledger accounts shall be created and maintained in the books of the Company for the assets attributable to the C Shares;
- (b) allocate to the assets attributable to the C Shares such proportion of the income, expenses and liabilities of the Company incurred or accrued between the Issue Date and Calculation Date (both dates inclusive) as the Directors fairly consider to be attributable to the C Shares; and
- (c) give appropriate instructions to the Manager to manage the Company's assets so that such undertakings can be complied with by the Company.

Conversion

The C Shares shall be sub-divided and converted into new Ordinary Shares and Deferred Shares on the Conversion Date in accordance with the following provisions of this paragraph:

- (a) within 30 days of the Calculation Date, the Directors:
 - (i) shall procure that the Conversion Ratio as at the Calculation Date and the numbers of new Ordinary Shares to which each holder of C Shares shall be entitled on Conversion shall be calculated; and
 - (ii) may request that the auditors of the Company, or such other accountants as the Directors may decide, confirm that such calculations as have been made by the Company have, in their opinion, been performed in accordance with the new Articles and are arithmetically accurate;whereupon such calculations shall become final and binding on the Company and all holders of Ordinary Shares and C Shares, subject to the provision immediately after the definition of H in the definition of Conversion Ratio above;
- (b) the Directors shall procure that, as soon as practicable following such confirmation and in any event within 30 days of the Calculation Date, a notice is sent to each holder of C Shares advising such holder of C Shares of the Conversion Date, the Conversion Ratio and the numbers of new Ordinary Shares to which the holders of C Shares will be entitled on Conversion;
- (c) on Conversion, each C Share shall convert into such number of new Ordinary Shares and Deferred Shares as shall be necessary to ensure that, upon such Conversion being completed:
 - (i) the aggregate number of new Ordinary Shares into which the C Shares are converted equals the number of C Shares in issue on the Calculation Date multiplied by the Conversion Ratio (rounded down to the nearest whole new Ordinary Share); and

- (ii) each C Share which does not convert into a new Ordinary Share shall convert into one Deferred Share;
- (d) the new Ordinary Shares and Deferred Shares arising upon Conversion shall be divided amongst the holders of the former C Shares *pro rata* according to their respective former holdings of C Shares (provided always that the Directors may deal in such manner as they think fit with fractional entitlements to new Ordinary Shares and Deferred Shares arising upon Conversion including, without prejudice to the generality of the foregoing, selling any such shares representing such fractional entitlements and retaining the proceeds for the benefit of the Company);
- (e) forthwith upon Conversion, the share certificates relating to the C Shares shall be cancelled and the Company shall issue to each former holder of C Shares new certificates in respect of the new Ordinary Shares which have arisen upon Conversion to which he or she is entitled. Share certificates in respect of the Deferred Shares will not be issued;
- (f) forthwith upon Conversion, the rights attaching to the C Shares as set out herein shall lapse and those attaching to the Deferred Shares shall lapse upon the purchase of the Deferred Shares whereupon each Deferred Share comprised in the authorised but unissued capital of the Company shall be redesignated as an Ordinary Share without further resolution or consent; and
- (g) the Directors may make such adjustments to the terms and timing of Conversion as they in their discretion consider are fair and reasonable having regard to the interests of all shareholders.

Prospective Investors should consult their independent professional advisers on their position regarding the Conversion of C Shares.

PART V

Definitions and Glossary

Where used in this document the following words and expressions will, unless the context otherwise requires, have the following meanings:

“2007/08 Offer”	Offer for subscription of C Shares in respect of the 2007/08 tax year on the terms and conditions set out in this document and the Application Form
“2008/09 Offer”	Offer for subscription of C Shares in respect of the 2008/09 tax year on the terms and conditions set out in this document and the Application Form
“Act”	Companies Act 1985 (as amended or replaced)
“Admission”	admission of the C Shares to the Official List and to trading on the London Stock Exchange’s main market for listed securities becoming effective in accordance with paragraph 3.2.7 of the Listing Rules and paragraph 2.1 of the admission and disclosure standards published by the London Stock Exchange
“AIM”	AIM, a market operated by the London Stock Exchange
“Annual Running Costs”	annual costs and expenses incurred by the Company in carrying on its business (including irrecoverable value added tax but excluding any amount payable in respect of the Loan Notes)
“Applicant”	Investor who applies for C Shares under the Offers
“Application Form”	form of application for C Shares under the Offers forming part of this document
“Articles”	articles of association of the Company
“BVCA”	British Venture Capital Association
“Combined Code”	Combined Code on Corporate Governance issued by the Financial Reporting Council
“Company” or “Electra Kingsway VCT 2”	Electra Kingsway VCT 2 Plc
“Compound Return”	internal rate of return as more fully described in paragraph 9 of Part VI of this document
“C Shares”	C shares of 1p each in the capital of the Company (ISIN: GB00B2NJD973)
“Conversion”	conversion of the C Shares in accordance with the articles of association of the Company
“CREST”	the relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)) for the paperless settlement of transfers and the holding of shares in uncertificated form of which Euroclear UK and Ireland Limited is the operator
“Deferred Shares”	deferred shares of 0.1 pence each in the capital of the Company

“Directors”	directors of the Company, whose names appear on page 12 of this document
“Disclosure Rules”	rules relating to the disclosure of information in respect of securities which have been admitted to trading on a regulated market made by the Financial Services Authority
“EGM” or “Extraordinary General Meeting”	extraordinary general meeting of the Company held on 18 October 2007 at which resolutions approving the Offers were passed
“Electra Active Management”	Electra Active Management Plc
“Electra Kingsway VCT”	Electra Kingsway VCT Plc
“Electra Kingsway VCT 3”	Electra Kingsway VCT 3 Plc
“Electra Kingsway VCTs”	the Company, Electra Kingsway VCT and Electra Kingsway VCT 3
“Electra Partners”	Electra Partners Group Limited and/or its subsidiaries for the time being
“Electra Private Equity”	Electra Private Equity Plc
“HMRC”	HM Revenue & Customs
“Holders”	persons who hold Loan Notes
“ICTA”	Income and Corporation Taxes Act 1988 (as amended)
“Investor”	an investor in the Company pursuant to the Offers
“IPEVC”	International Private Equity and Venture Capital
“ITA”	Income Tax Act 2007
“Loan Notes”	up to £125,000 in nominal value 4.5 per cent. unsecured redeemable loan notes issued by the Company pursuant to the Loan Note Instrument
“Loan Note Instrument”	loan note instrument dated 8 February 2008 constituting the Loan Notes, the terms of which are summarised in paragraph 6 of Part V of the Registration Document
“Listed”	admitted to the Official List and admitted to trading on the London Stock Exchange’s Main Market
“Listing Rules”	Listing Rules made by the Financial Services Authority under Part IV of the Financial Services and Markets Act 2000
“London Stock Exchange”	London Stock Exchange plc
“Management and Administration Agreement”	agreement dated 8 February 2008 between the Company and the Manager which is summarised in Part I of the Registration Document
“Manager”	Electra Quoted Management Limited or its successor
“ML Regulations”	Money Laundering Regulations 2003 (SI 2003/3075)
“NAV” or “Net Asset Value”	net asset value per Ordinary Share or C Share (as appropriate)

“Net Assets”	the net asset value of the Company’s entire assets and undertaking as determined by reference to its latest annual audited accounts or, as applicable, unaudited interim accounts
“Offer Price”	100p per C Share
“Offers”	together the 2007/08 Offer and the 2008/09 Offer being offers for subscription of up to in aggregate 25 million C Shares
“Official List”	Official List of the UK Listing Authority
“Ordinary Shares”	ordinary shares of 1p each in the capital of the Company (ISIN: GB00B031G676)
“Performance Value”	for the relevant financial year end, the sum of (i) the Company’s NAV per C Share as at that date and (ii) the aggregate of all the amounts calculated by dividing each dividend declared in respect of the C Shares since the date of the Loan Note Instrument by the number of C Shares in respect of which that dividend was declared
“PLUS”	Plus-quoted (Ofex) trading facility operated by PLUS Markets Group plc
“Prospectus Rules”	Prospectus Rules made by the Financial Services Authority under Part IV of the Financial Services and Markets Act 2000
“Qualifying Company”	unquoted company carrying on a qualifying trade wholly or mainly in the United Kingdom and which satisfies certain other conditions as defined in Part 6 ITA
“Qualifying Investment”	investment in a Qualifying Company, which comprises a qualifying holding for a VCT as defined in Part 6 ITA
“Qualifying Shareholder”	a qualifying investor for the purpose of ICTA
“RAM Capital Partners”	RAM Capital Partners LLP, which is authorised and regulated by the Financial Services Authority
“RPI”	Retail Prices Index
“Registration Document”	Registration Document containing further information regarding the Company, the C Shares and the Offers prepared in accordance with the Prospectus Rules
“Securities Note”	this document
“Shareholders”	holders of Shares
“Shares”	Ordinary Shares and/or C Shares, as applicable
“Sponsor”	Brewin Dolphin Limited, which is authorised and regulated by the Financial Services Authority
“Summary”	summary of certain information relating to the Company and the C Shares prepared in accordance with the Prospectus Rules
“The City Partnership”	The City Partnership (UK) Limited, the receiving agent of the Company under the Offer
“Total Return”	sum of net assets per share and the cumulative dividends per share paid to Shareholders

“UK Listing Authority”	Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
“VCT”	company approved as a venture capital trust under section 259 ITA by HMRC
“VCT Rules”	ITA, and every other statute (including any orders, regulations or other subordinate legislation made under them) for the time being in force concerning VCTs and affecting the Company

PART VI

Additional Information

1. Share Capital

- (a) The Company was incorporated and registered in England and Wales on 20 August 2004 with limited liability as a private limited company under the Act with the name *De Facto* 1151 and with registered number 5210737. The Company was re-registered as a private limited company on 5 October 2004 with the name Electra Kingsway VCT 2 Plc;
- (b) At the date of this document, the authorised share capital of the Company (as enlarged pursuant to the resolutions passed at the EGM) is £1,125,000, divided into 85 million Ordinary Shares, 25 million C Shares and 25 million Deferred Shares of which 33,926,696 Ordinary Shares are in issue credited as fully paid.
- (c) Except for the Loan Notes referred to in this document and more fully described in paragraph 6 of Part V of the Registration Document, since the date of its incorporation, no share or loan capital of the Company has been issued or agreed to be issued or (except pursuant to the Offers) 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 except as disclosed herein. The Company has no contingent liabilities.
- (d) No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option. Other than pursuant to the Offers and the authorities referred to above in this paragraph 1, no material issue of shares (other than where offered to Shareholders *pro rata* to existing holdings) will be made within one year without the prior approval of Shareholders in general meeting.
- (e) The Shares will be in registered form. The Company's share register will be kept by Capita Registrars, 34 Beckenham Road, Beckenham Kent BR3 4TU. Evidence of title to Shares will be through possession of a share certificate in the Shareholder's name; alternatively, Shares may be held in an account through the CREST system.
- (f) The Company is subject to the continuing obligations of the Listing Rules with regard to the issue of securities for cash and the provisions of section 89 of the Act (which confers on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) will apply to the balance of the authorised but unissued share capital of the Company which is not subject to the disapplication approved at the EGM.

2. Articles of Association

Part IV of this document contains information about Conversion and rights and restrictions attaching to the C Shares. In addition, the Articles of Association of the Company contain the following provisions related to the Company's share capital:

(a) *Variation of Rights*

Whenever the share capital of the Company is divided into different classes of shares, the special rights attached to any class may, subject to the provisions of the Act (as amended) and every other statute for the time being in force concerning companies and affecting the Company (the "**Statutes**"), be varied or abrogated in respect of the whole or any part of that class either (a) in such manner as may be provided by such rights or (b) in the absence of any such provision (i) with the consent in writing of the holders of three quarters in nominal value of the issued shares of the class or (ii) with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class (but not otherwise). The special rights may be so varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding up. At every such separate

general meeting the necessary quorum shall be at least two persons holding or representing by proxy at least one third in nominal value of the issued shares of the class (but so that at any adjourned meeting any holder of shares of the class present in person or by proxy shall be a quorum).

(b) ***Alteration of Share Capital***

The Company may from time to time by ordinary resolution:

- (i) increase its share capital by such sum to be divided into shares of such amounts and carrying such rights as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its share capital into shares of a 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 capital by the nominal amount of the shares so cancelled; and
- (iv) sub-divide its shares or any of them into shares of a smaller amount than is fixed by the Memorandum of Association of the Company (subject, nevertheless, to the provisions of the Statutes) and by the same resolution may confer special rights on any of the shares resulting from the sub-division.

Subject to the provisions of the Statutes, the Company may by special resolution:

- (i) purchase any of its own shares (including any redeemable shares); or
- (ii) reduce its share capital or any capital redemption reserve, share premium account or other undistributable reserve in any manner.

(c) ***Issue of Shares***

The provisions of section 89(1) of the Act (which, to the extent not disapplied pursuant to section 95 of the Act, confer on Shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) apply to the authorised but unissued share capital of the Company except to the extent disapplied by the Company in general meeting. Subject to the provisions of the Statutes relating to authority, pre-emption rights and otherwise and of any resolution of the Company in general meeting passed pursuant thereto, all unissued shares shall be at the disposal of the Directors and they may allot (with or without conferring a right of renunciation), grant options over or otherwise dispose of them to such persons, at such times and on such terms as they think proper.

(d) ***Transfer of Shares***

Any member may transfer all or any of his certificated shares by instrument of transfer in the usual or common form or in any other form acceptable to the Directors and may be under hand only (save as provided below in relation to uncertificated shares). The instrument of transfer of a certificated share shall be signed by or on behalf of the transferor and, (except in the case of fully paid shares) by or on behalf of the transferee. Any member may transfer all or any of his uncertificated shares by means of a relevant system in the manner provided for by the Uncertificated Securities Regulations 2001. The registration of transfers either generally or in respect of any class of shares may be suspended by the Directors at any time, provided that the register of members may not be closed for more than 30 days in any year. The Directors may, in their absolute discretion and without assigning any reason thereunder, refuse to register a transfer of any share which is not fully paid up or in respect of which the Company has a lien. The Directors may decline to recognise any instrument of transfer unless the instrument of transfer:

- (i) is in respect of only one class of share;

- (ii) is deposited at the registered office for the time being of the Company or such other place as the Directors may appoint, accompanied by the certificates for the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer provided that, in the case of a transfer by stock exchange nominee, the lodgement of a share certificate will only be necessary if a certificate has been issued in respect of the shares in question;
- (iii) is in favour of not more than four transferees; and
- (iv) relates to a share in respect of which all sums presently payable to the Company have been paid.

The Directors may decline to register a transfer if a member or any other person appearing to be interested in shares held by him in the Company shall have been served with a notice under section 793 of the Companies Act 2006 and he is in default for the prescribed period from such service in supplying the information thereby required provided those shares represent at least 0.25 per cent. in nominal value of the issued shares of any class and subject to the exceptions specified in the Articles relating to disclosure of interests.

3. Overseas Investors

- (a) No person receiving a copy of this document or an Application Form in any territory other than the UK may treat the same as constituting an offer or invitation to him to subscribe for or purchase C Shares unless, in such territory, such offer or invitation could lawfully be made.
- (b) No action has been taken to permit the distribution of this document in any jurisdiction outside the UK where such action is required to be taken. All Applicants will be required to warrant that they are not a US person as defined in paragraph 5(w) of Part VII of this document or a resident of Canada.

4. General

- (a) The Offers are sponsored by the Sponsor, which is authorised and regulated by the Financial Services Authority, and whose principal place of business is 12 Smithfield Street London EC1A 9BD. The promoter of the Offers is RAM Capital Partners, which is authorised and regulated by the Financial Services Authority and whose principal place of business is Bracton House, 34-36 High Holborn, London WC1V 6AE. The receiving agent of the Company is The City Partnership (UK) Limited, whose principal place of business is at Thistle House, 21 Thistle Street, Edinburgh EH2 1DF.
- (b) Whilst there are no squeeze-out and sell out rules relating to the Shares in the Articles, Shareholders will be subject to the compulsory acquisition provisions of the Companies Act 2006.

5. Working Capital of the Company

The Company is of the opinion that it has sufficient working capital for its present requirements, that is for at least 12 months from the date of this document.

6. Capitalisation and Indebtedness

The table set out below shows the capitalisation as at 30 September 2007, the last day in respect of which audited financial information on the Company has been published.

	<i>Ordinary Shares</i> £'000
Shareholder's equity	
Share capital	340
Share premium	0
Other reserves	33,865
	<u>34,205</u>

There has been no material change in the capitalisation of the Company since 30 September 2007.

The following table shows the Company's net indebtedness as at 30 September 2007:

	<i>Ordinary Shares</i> £'000
A Cash	1,893
B Cash equivalents	–
C Trading securities	32,467
D Liquidity (A+B+C)	<u>34,360</u>
E Current financial receivable	672
F Current bank debt	0
G Current position of non-current debt	0
H Other current financial debt	0
I Current financial debt (F+G+H)	<u>0</u>
J Net current financial indebtedness (I-E-D)	<u>35,032</u>
K Non-current bank loans	0
L Bonds issued	0
M Other non-current loans	0
N Non-current financial indebtedness (K+L+M)	<u>0</u>
O Net financial indebtedness (J+N)	<u>35,032</u>

There is no indirect nor contingent indebtedness.

The above information has been extracted from the audited accounts of the Company for the year ended 30 September 2007.

7. Material Contracts & Communication

All material contracts of the Company will be in English and the Company and/or the Manager will communicate with Investors and/or Shareholders in English.

8. Internal Rate of Return

The following BVCA definition of Internal Rate of Return (“**IRR**”) is applied in this document: “An investment's IRR is defined as the per annum rate of return which, if applied to the calculation of the investment's Net Present Value (“**NPV**”), results in an NPV of zero”. IRR calculations are based on monthly cash flows (gross of taxation, fees and carried interests) from 1 June 1995 to 30 September 2007, unless otherwise stated. These monthly IRRs are then annualised. The composite IRR calculation is based on the total gross aggregated cash flows as they actually arise, as though these investments had been managed as a fund.

9. Assumptions for IRR

The underlying assumptions for IRR calculations are as follows:

- (i) Capital invested includes initial investments and subsequent financing but excluding acquisition costs.
- (ii) Realisation proceeds include all dividends (including tax credits) and interest income as well as capital realisations. Any deferred consideration or clawback provision which remains contingent on future performance has been ignored as have expenses associated with the realisation of investments.
- (iii) Valuation - unrealised investments have been included at each fund's valuation, which complies with IPEVC Valuation guidelines, as at 30 September 2007 for both quoted and unquoted investments. This valuation has been applied in the calculations of IRRs at 30 September 2007.
- (iv) Investments realised by way of a flotation on a recognised stock exchange have been valued according to the market price of the shares on the first dealing day after the flotation when the shares were freely traded.
- (v) All cash flows are deemed to arise on the last day of the month in which they occur.

10. Complaints

Complaints about the Company or the Manager should be referred to the Chairman of the board of directors of the Company or the Manager's compliance officer, in each case at Paternoster House, 65 St Paul's Churchyard, London EC4M 8AB. Any such complaint may subsequently be referred to the Financial Ombudsman Service. Compensation will not be available from the Financial Services Compensation Scheme in the event of default by the Manager.

PART VII

Terms and Conditions of Application

1. In these Terms and Conditions of Application, the expression “**Prospectus**” means this document, the Registration Document and the Summary, each dated 8 February 2008. The expression “**Application Form**” means the application form for use in accordance with these Terms and Conditions of Application which is contained at the end of this document. Save where the content requires otherwise, the terms used in the Application Form bear the same meaning as in the Prospectus.
2. The right is reserved to reject any application or to accept any application in part only. Multiple applications are permitted. If any application is not accepted, or if any contract created by acceptance does not become unconditional, or if any application is accepted for fewer C Shares than the number applied for, the application monies or the balance of the amount paid on application will be returned without interest by post at the risk of the Applicant. In the meantime application monies will be retained in a separate account with Bank of Scotland.
3. You may pay for your application for C Shares by cheque or bankers’ draft submitted with the Application Form.
4. The contract created by the acceptance of applications in respect of the first allotment of C Shares under the Offers in the manner set out herein will be conditional on Admission (subject to such first allotment of the C Shares) being granted not later than 5.00 p.m. on 10 April 2008.
5. By completing and delivering an Application Form, you:
 - (a) offer to subscribe for the number of C Shares specified on your Application Form or any smaller number for which such application is accepted at the Offer Price, subject to the terms and conditions set out in the Prospectus, these Terms and Conditions of Application, the Application Form the Memorandum of Association of the Company and the Articles;
 - (b) authorise your financial adviser or whoever he or she may direct, Capita Registrars or the Company to send a document of title for, or credit your CREST account in respect of, the number of C Shares for which your application is accepted, and/or a crossed cheque for any monies returnable, by post at your risk to your address as set out on your Application Form;
 - (c) in consideration of the Company agreeing that it will not prior to the Offers closing, offer any C Shares for subscription to any persons other than as set out in the Prospectus, agree that your application may not be revoked and that this paragraph constitutes a collateral contract between you and the Company which will become binding upon despatch by post or delivery of your duly completed Application Form to the Company or to your financial adviser;
 - (d) warrant that remittance will be honoured on first presentation and agree that, if such remittance is not so honoured, you will not be entitled to receive a share certificate for the C Shares applied for or to enjoy or receive any rights or distributions in respect of such C Shares unless and until you make payment in cleared funds for such C Shares and such payment is accepted by the Company (which acceptance shall be in its absolute discretion and may be on the basis that you indemnify it against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and that at any time prior to unconditional acceptance by the Company of such late payment in respect of such C Shares, the Company may (without prejudice to its other rights) treat the agreement to allot such C Shares as void and may allot such C Shares to some other person, in which case you will not be entitled to any refund or payment in respect of such C Shares (other than return of such late payment at your risk and without interest);
 - (e) agree that all cheques and bankers’ drafts may be presented for payment on the due dates and any definitive document of title and any monies returnable to you may be retained pending

clearance of your remittance and the completion of any verification of identity required by the ML Regulations and that such monies will not bear interest;

- (f) undertake to provide satisfactory evidence of identity within such reasonable time (in each case to be determined in the absolute discretion of the Company and the Sponsor) to ensure compliance with the ML Regulations;
- (g) agree that, in respect of those C Shares for which your application has been received and processed and not rejected, acceptance of your application shall be constituted by the Company instructing Capita Registrars to enter your name on the share registry;
- (h) agree that all documents in connection with the Offers and any returned monies will be sent at your risk and may be sent to you at your address as set out in the Application Form;
- (i) agree that, having had the opportunity to read the Prospectus, you shall be deemed to have had notice of all information and representations including the risk factors and investment considerations contained therein;
- (j) confirm that (save for advice received from your financial adviser) in making such application you are not relying on any information and representation other than those contained in the Prospectus and you accordingly agree that no person responsible solely or jointly for the Prospectus or any part thereof or involved in the preparation thereof will have any liability for any such other information or representation;
- (k) agree that all applications, acceptances of applications and contracts resulting therefrom under the Offers shall be governed by and construed in accordance with English Law and that you submit to the jurisdiction of the English Courts and agree that nothing shall limit the right of the Company to bring any action, suit or proceedings arising out of or in connection with any such applications, acceptances of applications and contracts in any other manner permitted by law or in any court of competent jurisdiction;
- (l) irrevocably authorise the Company, Capita Registrars or The City Partnership or any other person authorised by any of them, as your agent, to do all things necessary to effect registration of any C Shares subscribed by or issued to you into your name and authorise any representatives of the Company, Capita Registrars or The City Partnership to execute any documents required therefore and to enter your name on the register of members of the Company;
- (m) agree to provide the Company with any information which it may request in connection with your application or to comply with the VCT Rules or other relevant legislation (as the same may be amended from time to time) including without limitation satisfactory evidence of identity to ensure compliance with the ML Regulations;
- (n) warrant that, in connection with your application, you have observed the laws of all requisite territories, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your application in any territory and that you have not taken any action which will or may result in the Company, The City Partnership or the Sponsor acting in breach of the regulatory or legal requirements of any territory in connection with the Offers or your application;
- (o) confirm that you have read and complied with paragraph 6 below;
- (p) confirm that you have reviewed the restrictions contained in paragraph 7 below;
- (q) warrant that you are not under the age of 18 years;
- (r) if the laws of any territory or jurisdiction outside the UK are applicable to your application, warrant that you have complied with all such laws and none of the Company, RAM Capital Partners, The City Partnership or the Sponsor or any of their respective agents will infringe any

- laws of any such territory or jurisdiction directly or indirectly as a result or in consequence of any acceptance of your application;
- (s) agree that RAM Capital Partners, The City Partnership and the Sponsor are acting for the Company in connection with the Offers and for no-one else and that they will not treat you as their customer by virtue of such application being accepted or owe you any duties or responsibilities concerning the price of C Shares or concerning the suitability of C Shares for you or be responsible to you for the protections afforded to their customers;
 - (t) warrant that if you sign the Application Form on behalf of somebody else or yourself and another or others jointly or a corporation you have the requisite power to make such investments as well as the authority to do so and such person will also be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in these terms and conditions of application and undertake (save in the case of signature by an authorised financial adviser on behalf of the Investor) to enclose a power of attorney or a copy thereof duly certified by a solicitor with the Application Form;
 - (u) warrant that you are not subscribing for the C Shares using a loan which would not have been given to you or any associate or not given to you on such favourable terms, if you had not been proposing to subscribe for the C Shares;
 - (v) warrant that the C Shares are being acquired to you for a *bona fide* investment purpose and not as part of a scheme or arrangement the main purpose of which, or one of the main purpose of which, is the avoidance of tax. Obtaining tax reliefs given under the applicable VCT legislation is not of itself tax avoidance;
 - (w) warrant that you are not a “US person” as defined in the United States Securities Act of 1933 (as amended) nor a resident of Canada and that you are not applying for any C Shares on behalf of or with a view to their offer, sale or delivery, directly or indirectly, to or for the benefit of any US person or resident of Canada;
 - (x) warrant that the information contained in the Application Form is accurate; and
 - (y) agree that if you request that C Shares are issued to you on a date other than 5 April 2008 or 31 May 2008 and such C Shares are not issued on such date that the Company and its agents and Directors will have no liability to you arising from the issue of such C Shares on a different date.
6. No person receiving a copy of the Prospectus or an Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him or her, nor should he or she in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or her or such Application Form could lawfully be used without contravention of any registration or other legal requirements. It is the responsibility of any person outside the UK wishing to make an application hereunder to satisfy himself or herself as to the full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any of the formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
7. The C Shares have not been and will not be registered under the United States Securities Act 1933, as amended, or under the securities laws of any state or other political subdivision of the United States, and may not be offered or sold in the United States of America, its territories or possessions or other areas subject to its jurisdiction (the “USA”). In addition, the Company has not been and will not be registered under the United States Investment Company Act of 1940, as amended. The Manager will not be registered under the United States Investment Adviser Act of 1940 (as amended). No application will be accepted if it bears an address in the USA.
8. The application is addressed to the Company and the Sponsor. The rights and remedies of the Company and the Sponsor under these Terms and Conditions of Application are in addition to any

rights and remedies which would otherwise be available to either of them, and the exercise or partial exercise of one will not prevent the exercise of others.

9. The dates and times referred to in these Terms and Conditions of Application may be altered by the Company with the agreement of the Sponsor. In particular, the Directors may close, at their sole discretion, the 2007/08 Offer and/or the 2008/09 Offer at any time.
10. Authorised financial advisers who, acting on behalf of their clients, return valid Application Forms bearing their stamp and Financial Services Authority number will be entitled to commission on the amount payable in respect of the C Shares allocated for each such Application Form at the rates specified in the paragraph headed "Commission" in Part I of this document. Authorised financial advisers may agree to waive part or all of their initial commission in respect of an application. If this is the case, then such application will be treated as an application to apply for the number of C Shares stated in box number 2 of the Application Form together with a number of additional C Shares (as set out in the box located at the bottom right hand corner of the Application Form) equivalent to the amount of commission waived at £1.00 per C Share, which waived commission will be applied in paying for such C Shares. The Company, The City Partnership and Capita Registrars is each authorised to amend such box number 2 to include any such additional C Shares. Financial advisers should keep a record of Application Forms submitted bearing their stamp to substantiate any claim for their commission.
11. The section headed Notes on Application Form forms part of these Terms and Conditions of Application.
12. It is a condition of the Offers to ensure compliance with the ML Regulations. The City Partnership is therefore entitled to require, at its absolute discretion, verification of identity from any Applicant including, without limitation, any person who either (i) tenders payment by way of a cheque or banker's draft drawn on an account in the name of a person or persons other than the Applicant or (ii) appears to The City Partnership to be acting on behalf of some other person. Pending the provision of evidence satisfactory to The City Partnership as to the identity of the Applicant and/or any person on whose behalf the Applicant appears to be acting, The City Partnership may, in its absolute discretion, retain an Application Form lodged by an Applicant and/or the cheque or other remittance relating thereto and/or Capita Registrars may not enter the Applicant on the register of members or, issue any share certificates in respect of such application. If verification of identity is required, this may result in delay in dealing with an application and in rejection of the application. The Company reserves the right, in its absolute discretion, for it or The City Partnership to reject any application in respect of which The City Partnership considers that, having requested verification of identity, it has not received evidence of such identity satisfactory to it by such time as was specified in the request for verification of identity or in any event within a reasonable period. In the event of an application being rejected in any such circumstances, the Company reserves the right in its absolute discretion, but shall have no obligation, to terminate any contract of allotment relating to, or constituted by such Application Form (in which event the money payable or paid in respect of the application will be returned (without interest) to the account of the drawee bank from which such sums were originally debited) and/or to endeavour to procure other subscribers, for the C Shares in question (but in each case without prejudice to any rights the Company may have to take proceedings to recover in respect of loss or damage suffered or incurred by it as a result of the failure to produce satisfactory evidence as aforesaid). The submission of an Application Form will constitute an undertaking by the Applicant to provide promptly to The City Partnership such information as may be specified by it as being required for the purpose of the ML Regulations. Financial intermediaries and other authorised advisers may be required to undertake their own ML procedures in relation to their clients in addition to any procedures set out herein.
13. The right is also reserved to treat as valid and binding any application not complying fully with these Terms and Conditions of Application or not in all respects complying with the Notes on Application Form. In particular, but without limitation, the Company may accept applications made otherwise than by completion of an Application Form where the Applicant has agreed in some other manner

acceptable to the Company to apply in accordance with these Terms and Conditions of Application. There are no specific additional costs to Investors for making an application under any of the Offers without meeting a representative of the Company and/or the Manager. As noted in paragraph 5(c) above, your application, once made, may not be revoked. Neither will you have any rights of cancellation under the rules of the Financial Services Authority or otherwise.

14. If you wish to exercise statutory withdrawal rights after publication by the Company of a prospectus supplementing this document, you must do so by lodging a written notice of withdrawal (which may include a notice sent by facsimile to: +44 (0) 131 777 8066 or any other form of electronic communication to: robin.smeaton@thecitypartnershipuk.com), which must include the full name and address of the person wishing to exercise statutory withdrawal rights and, if such a person is a CREST member, the participant ID and the member account ID of such CREST member, with The City Partnership, so as to be received no later than two business days after the date on which the supplementary prospectus is published. Notice of withdrawal given by any other means or which is deposited with or received by The City Partnership after expiry of such period will not constitute a valid withdrawal, provided that the Company will not permit the exercise of withdrawal rights after payment of your subscription in full and the allotment of C Shares to you becoming unconditional. In such event, you are advised to seek independent legal advice.

Please pin or staple your cheque here

ELECTRA KINGSWAY VCT 2 PLC

Application Form

Reservation Number (if applicable)

Make your cheque or bankers' draft out to "Electra Kingsway VCT 2 Plc - C Share" and crossed "A/C Payee only" and return this form as soon as possible to The City Partnership (UK) Limited, PO Box 41, 196 Rose Street, Edinburgh EH2 4AT.

1	Title and Name in Full						
	Permanent Address						
	Postcode						Daytime Tel.
Email Address							
Date of Birth / /19 (day/month/year)		National Insurance No.					

2	I am subscribing for:	2007/08 Offer (income tax year 2007/08)	<input type="text"/>	A
		2008/09 Offer (income tax year 2008/09)	<input type="text"/>	B
		TOTAL	<input type="text"/>	C

3	The total amount I am paying for the Shares is (at £1 per C Share)	£	<input type="text"/>	Min £5,000
----------	--	----------	----------------------	------------

Or such lesser sum for which this application may be accepted on the terms and conditions set out in Part VII of the Securities Note dated 8 February 2008. Please send me a certificate(s) confirming my entitlement to venture capital trust tax reliefs.

BY SIGNING THIS FORM I HEREBY DECLARE THAT: (i) I have had an opportunity to receive the Prospectus dated 8 February 2008 and to read the terms and conditions of application therein; (ii) I will be the beneficial owner of the C Shares in Electra Kingsway VCT 2 Plc issued to me pursuant to the Offers; and (iii) to the best of my knowledge and belief, the particulars I have given to Electra Kingsway VCT 2 Plc are correct.

The HMRC may inspect this application form. It is a serious offence to make a false declaration.

4	Signature	<input type="text"/>	Date	<input type="text"/>
----------	-----------	----------------------	------	----------------------

YOU MUST COMPLETE ALL THE WHITE BOXES ABOVE

For Official Use Only	
Less than £9,000	<input type="text"/>
Personal Cheque	<input type="text"/>
Letter of Introduction	<input type="text"/>
List A <input type="text"/>	List B <input type="text"/>
Money Laundering Officer	<input type="text"/>
DATA PROTECTION ACT	
The Company and/or The City Partnership may use the information you give for administration, research and/or statistical purposes. Your details may be used by the Company and/or The City Partnership to send you information on other potential investment opportunities in new venture capital trusts, whether or not managed by Electra Partners. If you would prefer not to receive such information, please tick this box. <input type="checkbox"/>	

Authorised financial advisers should stamp and complete this box	
Firm Name	<input type="text"/>
Contact Name	<input type="text"/>
FSA No.	<input type="text"/>
Address	<input type="text"/>
Postcode	<input type="text"/>
Tel	Fax <input type="text"/>
Email Address <input type="text"/>	
Initial commission waived as extra shares (number of shares) <input type="text"/>	
Due completion of the agent's box indicates that the agent is duly authorised to transact investments of this type under the Financial Services and Markets Act 2000. Commission rates are usually 2.5% of the gross amount subscribed through the agent and an annual fund-based trail of 0.25% for 8 years or, if earlier, until the total trail commission equals 4.5% of the amount subscribed for so long as they continue to act for their client and their client continues to hold Shares.	
Advisers who wish to waive their trail commission in order to enhance the upfront commission to 3% should tick this box. <input type="checkbox"/>	



NOTES ON APPLICATION FORM

Before making an application to acquire C Shares you are strongly recommended to consult an appropriate financial adviser authorised under the Financial Services and Markets Act 2000. It is essential that you complete all parts of the Application Form in accordance with the instructions in these notes. Please send the completed Application Form, together with your cheque or bankers' draft by post, or deliver it by hand, to The City Partnership (UK) Limited, PO Box 41, 196 Rose Street, Edinburgh EH2 4AT. If you have any questions on how to complete the Application Form, please contact The City Partnership (UK) Limited, on 0131 220 8226 or your financial adviser.

The following notes should be read in conjunction with the Application Form and the Terms and Conditions of Application.

1

Insert in Box 1 in BLOCK CAPITALS your full name, permanent address, daytime telephone number, date of birth, National Insurance Number and, if you have one, your email address. Joint applications are not permitted.

2

Insert (in figures) the number of C Shares you are applying for in the 2007/08 Offer in Box A (state nil if appropriate). Insert (in figures) the number of C Shares you are applying for in the 2008/09 Offer in Box B (state nil if appropriate). You may post-date your cheque to 6 April 2008 in respect of the sum in Box B.

Insert (in figures) the total of Boxes A and B in Box C. Your application must be for a minimum of 5,000 C Shares.

3

Insert (in figures) in Box 3 the total amount you are paying. This is the same number as in Box C above (which is equivalent to the same number of shares at £1 per C Share).

Please note that the minimum investment is £5,000. The maximum investment, on which tax reliefs on investments in VCTs are available, is £200,000 in the tax year 2007/08 and £200,000 in the tax year 2008/09.

Attach your cheque or bankers' draft to the Application Form for the exact amount shown in Box 3. Your cheque or bankers' draft must be made payable to "Electra Kingsway VCT 2 Plc – C Share" and crossed "A/C Payee only". Your payment must relate solely to this application. No receipt will be issued.

Money Laundering Regulations 2003 – Important note for applications of £9,000 or more

If the value of the C Shares applied for is £9,000 or more (or is one of a series of linked applications, the value of which exceeds that amount) payment should be made by means of a cheque drawn on an account in the name of the Applicant. If this is not practicable and you use a cheque drawn by a third party or a building society cheque or banker's draft, you should write the name, address and date of birth of the Applicant on the back of the cheque or banker's draft and:

- (a) if a building society cheque or banker's draft is used, the building society or bank must also endorse on the cheque or draft the name and account number of the person whose account is being debited; or
- (b) if a cheque is drawn by a third party, you must ensure that one item from each of List A and List B (see below) are enclosed with the form.

Alternatively, verification of the Applicant's identity may be provided by means of a "Letter of Introduction" in the prescribed form from a UK or European Economic Area financial institution (such as a bank or stockbroker) or other regulated person (such as a solicitor, accountant or appropriate financial adviser) who is required to comply with the ML Regulations. The relevant financial institution or regulated person will be familiar with the requirements and the relevant form.

For Applications of £9,000 or more and subscription by way of a cheque drawn by a third party

(one item from List A AND one item from List B)

List A (Verification of Identity)

Certified* copy of current signed passport
 Certified* copy of current UK Driving Licence
 Original HMRC Tax Notification
 Original Firearms Certificate

List B (Verification of Address)

Original recent** utility bill (but not a mobile telephone bill)
 Original recent** local authority tax bill
 Original recent** bank or building society statement
 Original recent** mortgage statement from a recognised lender

* Certified as a true copy of the original by a UK lawyer, banker, authorised financial intermediary (e.g. an appropriate financial adviser or an FSA authorised mortgage broker), accountant, teacher, doctor, minister of religion, postmaster or sub-postmaster. The person certifying the document should state that the copy is a true copy of the original, print their name, address, telephone number and profession and sign and date the copy.

** "Recent" means within the last three months.

No Money Laundering verification is required to be enclosed if the application is for less than £9,000 or if payment is by means of a cheque drawn on an account in the name of the Applicant (provided that (a) the cheque includes details of the Applicant's bank account or building society account (as applicable) and (b) the cheque is drawn on a UK or European Union authorised bank or credit institution). Please note, however, that City Partnership may, in its absolute discretion, require ML verification and that ML verification will be required by introducing financial advisers.

4

Read the declaration and sign and date the Application Form in Box 4. If someone other than the Applicant named in Box 1 signs on such Applicant's behalf, such signatory must ensure that the declaration given on behalf of such other Applicant is correct.

Agents who are entitled to receive commission should stamp and complete the agent's box, giving their full name and address, telephone number and details of their authorisation under the Financial Services and Markets Act 2000. The right is reserved to withhold payment of commission if the Company is not, in its sole discretion, satisfied that the agent is so authorised.



Fund manager:

electraquoted

Electra Quoted Management Ltd
Paternoster House
65 St Paul's Churchyard
London EC4M 8AB

Tel: 020 7214 4200

www.electraquoted.com

Sales agent:



RAM Capital Partners LLP
Bracton House
34-36 High Holborn
London WC1V 6AE

Tel: 020 3006 7530

www.ramcapital.co.uk