

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action you should take you are recommended to seek your own financial advice immediately from an independent financial adviser who specialises in advising on shares or other securities and who is authorised under the Financial Services and Markets Act 2000.

This document comprises a prospectus relating to The Diverse Income Trust plc (the “**Company**”) prepared in accordance with the Prospectus Rules. This document has been approved by the FSA and has been filed with the FSA in accordance with Rule 3.2 of the Prospectus Rules.

Application has been made to the UK Listing Authority and the London Stock Exchange for all of the Ordinary Shares of the Company to be admitted to the premium segment of the Official List and to trading on the London Stock Exchange’s main market for listed securities. It is expected that Admission will become effective and that dealings for normal settlement in the Ordinary Shares will commence on 28 April 2011.

The Company and each of the Directors, whose names appear on page 19 of this Prospectus, accept responsibility for the information contained in this Prospectus. 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 Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Prospective investors should read the entire Prospectus and, in particular, the section headed “Risk Factors” beginning on page 8 when considering an investment in the Company.

THE DIVERSE INCOME TRUST PLC

(Incorporated in England and Wales with company no. 7584303 and registered as an investment company under section 833 of the Companies Act 2006)

PLACING AND OFFER FOR SUBSCRIPTION OF UP TO 120 MILLION* ORDINARY SHARES AT 50 PENCE PER ORDINARY SHARE

Manager

Midas Capital Partners Limited

Sponsor and Placing Agent

Cenkos Securities plc

Cenkos Securities plc, which is authorised and regulated by the FSA, is acting for the Company and for no-one else in connection with the Issue and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Cenkos Securities plc or for affording advice in relation to the contents of this Prospectus or any matters referred to herein. Cenkos Securities plc is not responsible for the contents of this Prospectus.

The Offer and the Placing will remain open until 1.00 p.m. and 3.00 p.m., respectively, on 19 April 2011. Persons wishing to participate in the Offer should complete the Application Form set out in the Appendix to this Prospectus.

To be valid, Application Forms must be completed and returned with the appropriate remittance by post, or by hand (during business hours only), to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible and in any event so as to be received no later than 1.00 p.m. on 19 April 2011.

The Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the “**Securities Act**”) or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be offered or sold within the United States or to, or for the account or benefit of, US Persons (as defined in Regulation S under the Securities Act (“**Regulation S**”). In addition, the Company has not been and will not be registered under the US Investment Company Act of 1940, as amended (the “**US Investment Company Act**”), and the recipient of this Prospectus will not be entitled to the benefits of that Act. This document should not be distributed into the United States or to US Persons.

This document does not constitute an offer to sell, or the solicitation of an offer to acquire or subscribe for, Ordinary Shares in any jurisdiction where such offer or solicitation is unlawful or would impose any unfulfilled registration, qualification, publication or approval requirements on the Company or Cenkos Securities plc. The offer and sale of Ordinary Shares has not been and will not be registered under the applicable securities laws of Australia, Canada or Japan. Subject to certain exemptions, the Ordinary Shares may not be offered to or sold within Australia, Canada or Japan or to any national, resident or citizen of Australia, Canada or Japan.

Dated: 7 April 2011

* The Directors have reserved the right, in consultation with Cenkos Securities, to increase the size of the Issue to up to 200 million Ordinary Shares if overall demand exceeds 120 million Ordinary Shares, with any such increase being announced through a Regulatory Information Service.

TABLE OF CONTENTS

	<i>Page</i>
SUMMARY	3
RISK FACTORS	8
IMPORTANT NOTICES	16
EXPECTED TIMETABLE OF KEY EVENTS	18
ISSUE STATISTICS	18
DIRECTORS, MANAGER AND ADVISERS	19
PART I INFORMATION ON THE COMPANY	21
PART II DIRECTORS AND MANAGEMENT	29
PART III REDEMPTION OF ORDINARY SHARES	33
PART IV ISSUE ARRANGEMENTS	41
PART V TERMS AND CONDITIONS OF APPLICATION UNDER THE OFFER	44
PART VI TAXATION	51
PART VII ADDITIONAL INFORMATION	55
PART VIII DEFINITIONS	76
APPENDIX APPLICATION FORM	80

SUMMARY

This summary section should be read as an introduction to the Prospectus which comprises the whole of this Prospectus. Any decision to acquire Ordinary Shares should be based on a consideration of the Prospectus as a whole. Where a claim relating to the information contained in a prospectus is brought before a court, a plaintiff investor might, under national legislation of the European Economic Area states, have to bear the costs of translating the prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary, including any translation of the summary, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

The Company

The Company is a closed-ended investment company incorporated in England and Wales on 30 March 2011. The Company intends to carry on business as an investment trust within the meaning of Chapter 4 of Part 24 of the Corporation Tax Act 2010.

The Company is proposing to raise up to £60 million, before expenses, through the Placing and Offer of up to 120 million Ordinary Shares at a price of 50 pence per Ordinary Share. In this Prospectus, the Placing and the Offer are together referred to as the Issue. The Directors have reserved the right, in consultation with Cenkos, to increase the size of the Issue to up to 200 million Ordinary Shares if overall demand exceeds 120 million Ordinary Shares.

Application has been made to the UK Listing Authority for all of the Ordinary Shares to be issued pursuant to the Issue to be admitted to the premium segment of the Official List and to the London Stock Exchange for such Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and dealings will commence on 28 April 2011.

Investment objective

The Company's investment objective is to provide Shareholders with an attractive level of dividends coupled with capital growth over the long term.

Summary investment policy

The Company will invest primarily in quoted or traded UK companies with a wide range of market capitalisations but a long-term bias toward small and mid cap equities. The Company may also invest in large cap companies, including FTSE 100 constituents, where it is believed that this may increase shareholder value.

The Manager will adopt a stock specific approach in managing the Company's portfolio and therefore sector weightings will be of secondary consideration. As a result of this approach, the Company's portfolio will not track any benchmark index.

The Company may utilise derivative instruments including index-linked notes, contracts for differences, covered options and other equity-related derivative instruments for efficient portfolio management, gearing and investment purposes. Any use of derivatives for investment purposes will be made on the basis of the same principles of risk spreading and diversification that apply to the Company's direct investments, as described below. The Company will not enter into uncovered short positions.

Portfolio risk will be mitigated by investing in a diversified spread of investments. In compliance with section 1159 Corporation Tax Act 2010, investments in any one company, other than holdings in another investment company, shall not, at the time of acquisition, exceed 15 per cent. of the value of the Company's investment portfolio. The Company's portfolio is expected to be made up of 80 to 120 investments, predominantly most of which will represent no more than 1.5 per cent. of the value of the Company's investment portfolio as at the time of acquisition.

The Company may invest in unquoted companies from time to time subject to prior Board approval. Investments in unquoted companies in aggregate will not exceed 5 per cent. of the value of the Company's investment portfolio as at the time of investment.

The Board considers that long-term capital growth can be enhanced by the use of gearing which may be through bank borrowings and the use of derivative instruments such as contracts for differences. The Company may borrow (through bank facilities and derivative instruments) up to 15 per cent. of NAV (calculated at the time of borrowing).

The Board will oversee the level of gearing in the Company, and will review the position with the Manager on a regular basis.

Dividend policy

The Company intends to pay dividends on a quarterly basis with dividends declared in September, December, March and June and paid in November, February, May and August in each year. In respect of the period to which the first four quarterly dividends will relate, this being from Admission to 31 May 2012, the Company will target an annualised dividend yield of 4 per cent. The Company intends to declare its first interim dividend in September 2011 to be paid in November 2011. The Company will seek to grow the dividend progressively. Investors should note that the targeted annualised dividend is a target only and not a profit forecast.

Interim dividends will not necessarily be of equal amounts.

Directors

The Directors are responsible for the determination of the Company's investment policy and strategy and have overall responsibility for the Company's activities, including the review of investment activity and performance and the control and supervision of the Manager. All of the Directors are non-executive and are independent of the Manager.

Manager

The Company's manager is Midas Capital Partners Limited, a subsidiary company of MAM Funds plc, an AIM-quoted asset management firm. MAM Funds plc is the ultimate parent company of a fund management group trading under the "MAM", "MAM Funds", "Midas Capital Partners" and "Miton Asset Management" brands.

Under the terms of the Management Agreement, the Manager will be entitled to a management fee together with reimbursement of reasonable expenses incurred by it in the performance of its duties. The management fee is payable monthly in arrears and will be at the rate of 1 per cent. per annum of the Company's Market Capitalisation.

The Manager is authorised and regulated by the FSA and as such is subject to the FSA's rules in the conduct of its investment business.

Gervais Williams, the Managing Director of MAM Funds plc, will be the lead manager of the Company's portfolio.

Gervais Williams, Managing Director

Gervais joined the Manager on 1 March 2011. Gervais has been an equity portfolio manager since 1985. His career includes 5 years with Throgmorton Investment Management (later part of the Framlington Group), 3 years with Thornton Investment Management (part of Dresdner Bank) and 17 years with Gartmore Group Ltd where he was head of UK Small Companies investing in UK smaller companies and Irish equities.

He won Investor of the Year as awarded by Grant Thornton at their Quoted Company dinner in both 2009 and 2010. He has sat on two DTI committees on the quoted small cap sector, is a member of the AIM Advisory Council and is joining the Board of the Quoted Companies Alliance.

Redemption of Ordinary Shares

The Company has a redemption facility through which Shareholders will be entitled to request the redemption of all or part of their holding of Ordinary Shares on an annual basis. The first Redemption Point for the Ordinary Shares will be Thursday, 31 May 2012.

Shareholders making valid elections for the redemption of Ordinary Shares will have their Ordinary Shares redeemed at the Redemption Price. The Directors may elect, at their absolute discretion, to calculate the Redemption Price applying on any Redemption Point by reference to the Dealing Value per Ordinary Share or by reference to a separate Redemption Pool. The Board may, in its sole discretion, invite investors to purchase Ordinary Shares which are the subject of Redemption Requests.

Investors should note that the Board may, at their absolute discretion, elect not to operate the annual redemption facility on any given Redemption Point, or to decline in whole or part any Redemption Request, although the Board does not generally expect to exercise this discretion, save in the interests of Shareholders as a whole.

Individuals and certain trustees who are liable to UK income tax should note that redemption of Ordinary Shares could give rise to adverse tax consequences which would not arise if the Ordinary Shares were sold in the market.

The Issue

The Company is proposing to raise up to £60 million, before expenses, through the Placing and Offer of up to 120 million Ordinary Shares at a price of 50 pence per Ordinary Share. In this Prospectus, the Placing and the Offer are together referred to as the Issue. The Issue has not been underwritten.

The aggregate proceeds of the Issue, after deduction of expenses, are expected to be approximately £58.5 million on the assumption that gross proceeds are £60 million.

The Issue is conditional, *inter alia*, on:

- (i) the Placing and Offer Agreement becoming wholly unconditional (save as to Admission) and not having been terminated in accordance with its terms prior to Admission;
- (ii) Admission occurring by 8.00 a.m. on 28 April 2011 (or such later date, not being later than 26 May 2011, as the Company and Cenkos Securities may agree); and
- (iii) the Minimum Net Proceeds (or such lesser amount as the Directors, the Manager and Cenkos Securities may agree) being raised.

If the Minimum Net Proceeds, or such lesser amount as the Directors, Cenkos Securities and the Manager in their absolute discretion may decide, are not raised, the Issue will not proceed.

ISAs/SIPPs/SSASs

Ordinary Shares acquired by a UK resident individual Shareholder in the Offer or on the secondary market (but not the Placing) should be eligible to be held in a stocks and shares ISA, subject to applicable annual subscription limits.

The Directors have been advised that the Ordinary Shares should be eligible for inclusion in a SIPP or a SSAS, subject to the discretion of the trustees of the SIPP or the SSAS, as the case may be.

Report and accounts

The annual report and accounts of the Company will be made up to 31 May in each year with copies expected to be sent to Shareholders within the following four months. The Group's financial statements will be prepared in accordance with IFRS and reported in Sterling.

Material risk factors

Investment in the Company carries a number of risks. A summary of these risks is set out below.

Risks relating to the Company and its investment strategy

- The Company has no operating history.
- The Company has no employees and is reliant on the performance of third party service providers.
- Investor returns will be dependent upon the performance of the portfolio and the Company may experience fluctuations in its operating results.
- There can be no guarantee that the investment objective of the Company will be achieved. There is no guarantee that any dividends will be paid in respect of any financial year or period.
- Changes in laws or regulations governing the Company's operations may adversely affect the Company's business.
- The Company's investment strategy may involve the use of leverage, which exposes the Company to risks associated with borrowings.
- It seems likely that there will be an increase, potentially a material increase, in the Company's governance, administration and custodian expenses as a result of the Alternative Investment Fund Managers Directive.

Risks relating to the Manager

- The departure of some or all of the Manager's investment professionals, in particular, Gervais Williams, could prevent the Company from achieving its investment objective.
- There can be no assurance that the Directors will be able to find a replacement manager if the Manager resigns.
- The Manager and its affiliates may provide services to other clients which could compete directly or indirectly with the activities of the Company and may be subject to conflicts of interest in respect of its activities on behalf of the Company.

Risks relating to the Company's portfolio

- Smaller companies can be expected, in comparison to larger companies, to have less mature businesses, a more restricted depth of management and a higher risk profile.
- The Company may have significant exposure to portfolio companies from certain business sectors from time to time.
- The Company may use derivative instruments. Such financial instruments inherently contain much greater leverage than a non-margined purchase of the underlying security or instrument.
- Investments in unquoted companies, by their nature, involve a higher degree of valuation and performance uncertainties and liquidity risks than investments in listed and quoted securities and they may be more difficult to realise.
- As a consequence of investment in other listed investment companies, the Company may itself be indirectly exposed to gearing through the borrowings from time to time of those other investment companies.
- The portfolio of investments held by the Company will not mirror the stocks and weightings that constitute any particular index or indices, which may lead to the Ordinary Shares failing to follow either the direction or extent of any moves in the financial markets generally.
- Changes in economic conditions in the UK where the Company predominantly invests could substantially and adversely affect the Company's prospects.

Risks relating to taxation

- Any change in the Company's tax status or in taxation legislation or practice generally could affect the value of the investments held by the Company, affect the Company's ability to provide returns to Shareholders, or alter the post-tax returns to Shareholders. Two particular areas where the UK tax legislation is subject to review currently are the conditions for a company to be accepted as an investment trust and the rules for the treatment of individuals receiving payments from share capital/premium reduction reserves.

Risks relating to the Ordinary Shares

- The value of the Ordinary Shares and the income derived from the Ordinary Shares (if any) can fluctuate and may go down as well as up.
- It may be difficult for Shareholders to realise their investment and there may not be a liquid market in the Ordinary Shares.
- Shareholders should be aware that the operation of the redemption facility may lead to a more concentrated and less liquid portfolio which may adversely affect the Company's performance and value. Further, redemptions may also adversely affect the secondary market liquidity of the Ordinary Shares.
- If the Directors decide to issue C Shares on a non-pre-emptive basis the proportions of the voting rights held by Ordinary Shareholders will be diluted on the issue of such C Shares as each C Share carries the right to one vote.

RISK FACTORS

Investment in the Company should not be regarded as short-term in nature and involves a high degree of risk. Accordingly, investors should consider carefully all of the information set out in the Prospectus and the risks attaching to an investment in the Company, including, in particular, the risks described below.

The Directors believe that the risks described below are the principal risks relating to the Ordinary Shares at the date of this Prospectus. Additional risks and uncertainties not currently known to the Directors, or that the Directors deem immaterial at the date of this Prospectus, may also have an adverse effect on the performance of the Company and the value of Ordinary Shares. Investors should review the Prospectus carefully and in its entirety and consult with their professional advisers before making an application to participate in the Issue.

Risks relating to the Company and its investment strategy

The Company may not meet its investment objective

The Company may not achieve its investment objective. Meeting that objective is a target but the existence of such an objective should not be considered as an assurance or guarantee that it can or will be met.

The Company's investment objective includes the aim of providing Shareholders with a dividend income. There is no guarantee that any dividends will be paid in respect of any financial year or period, including the first accounting period following Admission. The ability to pay dividends is dependent on a number of factors including the level of dividends earned from the portfolio and the net revenue profits available for that purpose. Income returns from the portfolio will be dependent, among other things, upon the Company successfully pursuing its investment policy. The success of the Company will depend on the Manager's ability to identify, acquire and realise investments in accordance with the Company's investment policy. This, in turn, will depend on the ability of the Manager to apply its investment processes in a way which is capable of identifying suitable investments for the Company to invest in. There can be no assurance that the Manager will be able to do so.

Further, the redemption of Ordinary Shares pursuant to the redemption facility may reduce distributable reserves to the extent that the Company is unable to achieve its investment objective.

The Company may pay dividends only to the extent that it has distributable revenue profits available for that purpose. Under the Articles, the Company may not pay a dividend out of its capital reserves. As an investment company, the Company may make distributions out of its accumulated, realised revenue profits. If, however, the Company's assets were to fall to a level where they were less than one and a half times the aggregate of its liabilities to creditors then the Company would be unable to rely upon its status as an investment company to continue to pay dividends on the Ordinary Shares. If this were to occur then the Company could only pay dividends to the extent that (i) its accumulated realised profits (so far as not previously utilised by distribution or capitalisation) exceed its accumulated realised losses and (ii) its net assets (both before and after the proposed dividend) exceed the aggregate of its called up share capital and undistributable reserves.

The Company has no operating history

The Company was incorporated on 30 March 2011. The Company has not commenced operations and has no operating history. No historical financial statements or other meaningful operating or financial data upon which prospective investors may base an evaluation of the likely performance of the Company have been made up. An investment in the Company is therefore subject to all the risks and uncertainties associated with a new business, including the risk that the Company will not achieve its investment objective and that the value of an investment in the Company could decline substantially as a consequence.

The Company has no employees and is reliant on the performance of third party service providers

The Company has no employees and the Directors have all been appointed on a non-executive basis. Whilst the Company has taken all reasonable steps to establish and maintain adequate procedures, systems and controls to enable it to comply with its obligations, the Company is reliant upon the performance of

third party service providers for its executive function. In particular, the Manager, the Administrator and the Registrar will be performing services which are integral to the operation of the Company. Failure by any service provider to carry out its obligations to the Company in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Company.

The past performance of other investments managed or advised by the Manager or the Manager's investment professionals cannot be relied upon as an indicator of the future performance of the Company. Investor returns will be dependent upon the Company successfully pursuing its investment policy. The success of the Company will depend *inter alia* on the Manager's ability to identify, acquire and realise investments in accordance with the Company's investment policy. This, in turn, will depend on the ability of the Manager to apply its investment processes in a way which is capable of identifying suitable investments for the Company to invest in. There can be no assurance that the Manager will be able to do so or that the Company will be able to invest its assets on attractive terms or generate any investment returns for Shareholders or indeed avoid investment losses.

An investor may not get back the amount originally invested. The Company can offer no assurance that its investments will generate gains or income or that any gains or income that may be generated on particular investments will be sufficient to offset any losses that may be sustained.

Investor returns will be dependent upon the performance of the portfolio and the Company may experience fluctuations in its operating results

Investors contemplating an investment in the Ordinary Shares should recognise that their market value can fluctuate and may not always reflect their underlying value. Returns achieved are reliant primarily upon the performance of the portfolio. No assurance is given, express or implied, that Shareholders will receive back the amount of their original investment in the Ordinary Shares.

The Company may experience fluctuations in its operating results due to a number of factors, including changes in the values of investments made by the Company, changes in the amount of distributions, dividends or interest paid by companies in the portfolio, changes in the Company's operating expenses and the operating expenses of the Manager, variations in and the timing of the recognition of realised and unrealised gains or losses, the degree to which the Company encounters competition and general economic and market conditions. Such variability may lead to volatility in the trading price of the Ordinary Shares and cause the Company's results for a particular period not to be indicative of its performance in a future period.

Changes in laws or regulations governing the Company's operations may adversely affect the Company's business

The Company is subject to laws and regulations enacted by national and local governments. In particular, the Company is subject to and will be required to comply with certain regulatory requirements that are applicable to listed closed ended investment companies. In addition, the Company is subject to the continuing obligations imposed by the UK Listing Authority on all investment companies whose shares are listed on the Official List.

Any change in the law and regulation affecting the Company may have a material adverse affect on the ability of the Company to carry on its business and successfully pursue its investment policy and on the value of the Company and the Ordinary Shares. In such event, the investment returns of the Company may be materially adversely affected.

The Company's investment strategy may involve the use of leverage, which exposes the Company to risks associated with borrowings

The Company may use borrowings to seek to enhance investment returns. While the use of borrowings should enhance the total return on the Ordinary Shares where the return on the Company's underlying assets is rising and exceeds the cost of borrowing, it will have the opposite effect where the return on the Company's underlying assets is rising at a lower rate than the cost of borrowing or falling, further reducing the total return on the Ordinary Shares. As a result, the use of borrowings by the Company may increase the volatility of the Net Asset Value per Ordinary Share.

Any reduction in the value of the Company's investments may lead to a correspondingly greater percentage reduction in its Net Asset Value (which is likely to adversely affect the price of an Ordinary Share). Any reduction in the number of Ordinary Shares in issue (for example, as a result of buy backs or redemptions) will, in the absence of a corresponding reduction in borrowings, result in an increase in the Company's level of gearing.

To the extent that a fall in the value of the Company's investments causes gearing to rise to a level that is not consistent with the Company's gearing policy or borrowing limits, the Company may have to sell investments in order to reduce borrowings, which may give rise to a significant loss of value compared to the book value of the investments, as well as a reduction in income from investments.

The Company will pay interest on its borrowings. As such, the Company is exposed to interest rate risk due to fluctuations in the prevailing market rates.

There is no guarantee that any borrowings of the Company will be refinanced on their maturity either on terms that are acceptable to the Company or at all.

The Company intends, before or after Admission, to negotiate terms for an overdraft facility. The lender has indicated that it would require the Company to enter into a charge agreement whereby the Company would be obliged to charge its assets in favour of the lender. In the event that the lender was entitled to call on the security it would have, amongst its other remedies, the opportunity to sell assets of the Company to pay off amounts owing to it and this may adversely affect the Net Asset Value.

Alternative Investment Fund Managers Directive

On 11 November 2010, the European Parliament approved the Alternative Investment Fund Managers Directive. This Directive is expected to be brought into force shortly with the provisions to be implemented through secondary legislation to be promulgated in each European Union Member State, within the following two years. Although it is too early to be definitive as to the impact on the Company, it seems likely that there will be an increase, potentially a material increase, in the Company's governance, administration and custodian expenses. The Board and the Company's advisers will continue to monitor the progress and likely implications of the Directive.

Risks relating to the Manager

The departure of some or all of the Manager's investment professionals could prevent the Company from achieving its investment objective

The Company depends on the diligence, skill, judgment and business contacts of the Manager's investment professionals, in particular, Gervais Williams, and the information and deal flow they generate during the normal course of their activities. The Company's future success depends on the continued service of these individuals, who are not obligated to remain employed with the Manager, and the Manager's ability to strategically recruit, retain and motivate new talented personnel. However, the Manager may not be successful in its efforts to recruit, retain and motivate the required personnel as the market for qualified investment professionals is extremely competitive.

There can be no assurance that the Directors will be able to find a replacement manager if the Manager resigns

Under the terms of the Management Agreement, the Manager may resign by giving the Company not less than 12 months' written notice, such notice not to expire prior to the second anniversary of Admission. The Manager shall, from the date such notice takes effect, cease to make investment decisions on behalf of the Company. The Directors would, in these circumstances, have to find a replacement manager for the Company and there can be no assurance that such a replacement with the necessary skills and experience could be appointed on terms acceptable to the Company. In this event, the Directors would have to formulate and put forward to Shareholders proposals for the future of the Company, which may include its merger with another investment company, reconstruction or winding up.

The Manager may allocate some of its resources to activities in which the Company is not engaged, which could have a negative impact on the Company's ability to achieve its investment objective

The Manager is not required to commit all of its resources to Company affairs. Insofar as the Manager devotes resources to its responsibilities to other business interests, its ability to devote resources and attention to the Company's affairs will be limited. This could adversely affect the Company's ability to achieve its investment objective, which could have a material adverse effect on the Company's profitability, Net Asset Value and Ordinary Share price.

The Manager and its affiliates may provide services to other clients which could compete directly or indirectly with the activities of the Company and may be subject to conflicts of interest in respect of its activities on behalf of the Company

The Manager and its affiliates are involved in other financial, investment or professional activities which may on occasion give rise to conflicts of interest with the Company. In particular, the Manager manages funds other than the Company and may provide investment management, investment advisory or other services in relation to these funds or future funds which may have similar investment policies to that of the Company.

The Manager and its affiliates may carry on investment activities for their own accounts and for other accounts in which the Company has no interest. The Manager and its affiliates also provide management services to other clients, including other collective investment vehicles. The Manager and its affiliates may give advice and recommend securities to other managed accounts or investment funds which may differ from advice given to, or investments recommended or bought for, the Company, even though their investment policies may be the same or similar.

Risks relating to the Company's portfolio

Smaller companies

The Company will invest primarily in quoted UK companies with a wide range of market capitalisations but a long-term bias toward small and mid equities. Smaller companies can be expected, in comparison to larger companies, to have less mature businesses, a more restricted depth of management and a higher risk profile.

As smaller companies do not generally have the financial strength, diversity and resources of larger companies, they may find it more difficult to overcome periods of economic slowdown or recession. In addition, the relatively small market capitalisation of such companies can make the market in their shares illiquid. Prices of smaller capitalisation stocks are often more volatile than prices of larger capitalisation stocks and the risk of bankruptcy of many smaller companies (with the attendant losses to investors) is higher.

The Company invests in securities that are not readily tradable or may hold investment positions that represent a significant multiple of the normal trading volumes of an investment, which may make it difficult for the Company to sell its investments and may lead to volatility in the market price of Ordinary Shares. Investors should not expect that the Company will necessarily be able to realise, within a period which they would otherwise regard as reasonable, its investments and any such realisations that may be achieved may be at a considerably lower price than prevailing indicative market prices.

Sectoral diversification

The Company is not constrained from weighting to any sector. This may lead to the Company having significant exposure to portfolio companies from certain business sectors from time to time. Greater concentration of investments in any one sector may result in greater volatility in the value of the Company's investments and consequently its NAV and may materially and adversely affect the performance of the Company and returns to Shareholders.

Unquoted companies

The Company may invest in unquoted companies from time to time. Such investments, by their nature, involve a higher degree of valuation and performance uncertainties and liquidity risks than investments in listed and quoted securities and they may be more difficult to realise.

In comparison with listed and quoted investments, unquoted companies are subject to further particular risks, including that such companies:

- (a) may be subject to a higher risk of default under financing and contractual arrangements, leading to severe adverse consequences for those companies and the value of the Company's investment in them;
- (b) may have limited financial resources and reduced access to financing sources;
- (c) may have shorter operating histories, narrower product lines and smaller market shares, rendering them more vulnerable to competitors' actions and market conditions, as well as general economic downturns;
- (d) are more likely to depend on the management talents and efforts of a founder or small group of persons and, if any such persons were to cease to be involved in the management or support of such companies, this could have a material adverse impact on their business and prospects and the investment in them made by the Company; and
- (e) generally have less predictable operating results and may require significant additional capital to support their operations, expansion or competitive position.

Investments which are unquoted at the time of acquisition may remain unquoted and may therefore be difficult to value and/or realise. Investment in the securities of smaller companies may involve greater risks than is customarily associated with investments in larger, more established companies. In particular, such companies may often have limited product offerings, markets or financial resources and may be dependent on a small number of key individuals.

Investments made by the Company in unquoted securities may rank behind investments made by others, which may mean that more senior ranking investors take actions outside the control of the Company which are adverse to the interests of the Company.

The Company may use derivative instruments

The Company may utilise derivative instruments including index-linked notes, contracts for differences, covered options and other equity-related derivative instruments for efficient portfolio management, gearing and investment purposes.

Leverage may be generated through the use of options, futures, options on futures, swaps and other synthetic or derivative financial instruments. Such financial instruments inherently contain much greater leverage than a non-margined purchase of the underlying security or instrument. This is due to the fact that, generally, only a very small portion (and in some cases none) of the value of the underlying security or instrument is required to be paid in order to make such leveraged investments. As a result of any leverage employed by the Company, small changes in the value of the underlying assets may cause a relatively large change in the Net Asset Value of the Company. Many such financial instruments are subject to variation or other interim margin requirements, which may force premature liquidation of investment positions.

Where the Company utilises derivative instruments the Company is likely to take a credit risk with regard to the parties with whom it trades and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions that generally are backed by clearing organisation guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered into directly between counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. Accordingly, the Company's use of derivative instruments may expose the Company to greater risk and have a materially adverse effect on the Company's performance.

Economic conditions

Changes in economic conditions in the UK where the Company predominantly invests (for example, interest rates and rates of inflation, industry conditions, competition, political and diplomatic events and other factors) could substantially and adversely affect the Company's prospects.

General

The Company is an investment trust which invests mainly in UK equities. However, the Company has a very wide investment policy and may also invest in cash and bonds, unquoted investments, derivative instruments and other investments and securities, as appropriate.

A proportion of the Company's portfolio may be held in cash, depending on the Manager's view on the market, from time to time. This proportion of the Company's assets will not be invested in the market and will not benefit from positive stock market movements.

The Company does not follow any benchmark. Accordingly, the portfolio of investments held by the Company will not mirror the stocks and weightings that constitute any particular index or indices, which may lead to the Ordinary Shares failing to follow either the direction or extent of any moves in the financial markets generally (which may or may not be to the advantage of Shareholders). The Ordinary Shares are an unsuitable investment for those who seek investments in some way correlated to a stock market index.

Risks relating to taxation

Investment trust status

It is the intention of the Directors to conduct the affairs of the Company so as to satisfy the conditions of approval as an investment trust under Chapter 4 of Part 24 of the Corporation Tax Act 2010 and to apply annually to HM Revenue & Customs for such approval which is granted retrospectively. The conditions for approval as an investment trust are currently under review, but the Directors intend to continue to conduct the affairs of the Company so as to satisfy any amended conditions. In any event, change in the Company's tax status or in taxation legislation generally could affect the value of the investments held by the Company, affect the Company's ability to provide returns to Shareholders, lead the Company to lose its exemption from tax on chargeable gains or alter the post-tax returns to Shareholders. It is not possible to guarantee that the Company will remain non-close, which is a requirement to obtain and maintain status as an investment trust, as the Ordinary Shares are freely transferable. The Company, in the unlikely event that it becomes aware that it is a close company, or otherwise fails to meet the criteria for approval as an investment trust company, will, as soon as reasonably practicable, notify Shareholders of this fact.

One particular area where the UK tax legislation is currently subject to review is the rules for the treatment of individuals receiving payments from share capital/premium reduction reserves.

Changes in taxation legislation or practice may adversely affect the Company and the tax treatment for Shareholders investing in the Company.

Investors should consult their tax advisers with respect to their particular tax situations and the tax effects of an investment in the Company. Representations in this document concerning the taxation of investors or prospective investors in Ordinary Shares are based upon current tax law and practice, each of which is in principle subject to change. The value of particular tax reliefs, if available, will depend on each individual Shareholder's circumstances. This document is not a substitute for independent tax advice.

Risks relating to the Ordinary Shares

General risks affecting the Ordinary Shares

The value of an investment in the Company, and the income derived from it, if any, may go down as well as up and an investor may not get back the amount invested.

The market price of the Ordinary Shares, like shares in all investment companies, may fluctuate independently of their underlying net asset value and may trade at a discount or premium at different times, depending on factors such as supply and demand for the Ordinary Shares, market conditions and general investor sentiment. There can be no guarantee that any discount control policy will be successful or capable of being implemented. The market value of an Ordinary Share may therefore vary considerably from its NAV.

It may be difficult for Shareholders to realise their investment and there may not be a liquid market in the Ordinary Shares

The price at which the Ordinary Shares will be traded and the price at which investors may realise their investment will be influenced by a large number of factors, some specific to the Company and its investments and some which may affect companies generally. Admission should not be taken as implying that there will be a liquid market for the Ordinary Shares particularly as, on Admission, the Company will have a limited number of Shareholders. Consequently, the share price may be subject to greater fluctuation on small volumes of trading of Ordinary Shares and the Ordinary Shares may be difficult to sell at a particular price. The market price of the Ordinary Shares may not reflect their underlying Net Asset Value.

While the Directors retain the right to effect redemptions and repurchases of Ordinary Shares in the manner described in this document, they are under no obligation to use such powers or to do so at any time and Shareholders should not place any reliance on the willingness of the Directors so to act. Shareholders wishing to realise their investment in the Company may therefore be required to dispose of their Ordinary Shares on the market. There can be no guarantee that a liquid market in the Ordinary Shares will develop or that the Ordinary Shares will trade at prices close to their underlying Net Asset Value. Accordingly, Shareholders may be unable to realise their investment at such Net Asset Value or at all.

The number of Ordinary Shares to be issued pursuant to the Issue is not yet known, and there may be a limited number of holders of such Ordinary Shares. Limited numbers and/or holders of such Ordinary Shares may mean that there is limited liquidity in such Ordinary Shares which may affect (i) an investor's ability to realise some or all of his investment and/or (ii) the price at which such investor can effect such realisation and/or (iii) the price at which such Ordinary Shares trade in the secondary market.

Notwithstanding the existence of the redemption facility and share buy-back powers, there is no guarantee that the market price of the Ordinary Shares will reflect their underlying Net Asset Value.

Redemption facility

Shareholders should be aware that the operation of the annual redemption facility may lead to a more concentrated and less liquid portfolio which may adversely affect the Company's performance and value. Further, redemptions may also adversely affect the secondary market liquidity of the Ordinary Shares.

Investors should note that the realisation value of the Redemption Pool will only be known once the investments therein have been realised. Accordingly, where Shareholders submit valid elections for the redemption of their Ordinary Shares they will only receive the amount actually realised on the investments in the Redemption Pool irrespective of what the NAV of their Ordinary Shares may have been at the relevant Redemption Point. The value of such investments will be subject to movements in the value of those assets in the period between the Redemption Point and such time as the investments are realised and, consequently, Shareholders submitting valid redemption requests may receive redemption proceeds which are substantially less than the NAV of their Ordinary Shares as at the Redemption Point or the date on which they submit a Redemption Request.

Shareholders holding Ordinary Shares in uncertificated form making valid elections to redeem their Ordinary Shares will be required to transfer their Ordinary Shares being redeemed to escrow in CREST. It will not, therefore, be possible to trade those Ordinary Shares which will be held in escrow pending completion of the relevant redemption and the subsequent cancellation of those Ordinary Shares. Shareholders holding Ordinary Shares in certificated form making valid elections to redeem their Ordinary Shares will be required to deliver their Share certificates to the Company's receiving agent with the relevant Redemption Request. It will not, therefore, be possible to transfer those Ordinary Shares pending completion of the relevant redemption and the subsequent cancellation of such Ordinary Shares.

Investors should note that the operation of the annual redemption facility is entirely at the discretion of the Board, and no expectation or reliance should be placed on the annual redemption facility being operated on any one or more occasions or as to the proportion of Ordinary Shares that may be redeemed.

C Shares

The Directors have been authorised to issue up to 100 million C Shares without the application of pre-emption rights. If the Directors decide to issue C Shares on a non-pre-emptive basis the proportions of the voting rights held by Ordinary Shareholders will be diluted on the issue of such C Shares as each C Share carries the right to one vote. The voting rights may be diluted further on conversion of the C Shares depending on the applicable conversion ratio.

IMPORTANT NOTICES

General

The distribution of this Prospectus in jurisdictions other than the United Kingdom may be restricted by law and persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions.

This document does not constitute, and may not be used for the purposes of, an offer or an invitation to subscribe for any Ordinary Shares by any person in any jurisdiction: (i) in which such offer or invitation is not authorised; or (ii) in which the person making such offer or invitation is not qualified to do so; or (iii) to any person to whom it is unlawful to make such offer or invitation.

Prospective investors should not treat the contents of this Prospectus as advice relating to legal, taxation, investment, or any other matters. Prospective investors should inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer, redemption, or other disposal of Ordinary Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer, redemption or other disposal of Ordinary Shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer, redemption or other disposal of Ordinary Shares. Prospective investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein.

Statements made in this Prospectus are based on the law and practice currently in force in England and Wales and are subject to changes therein.

The Ordinary Shares are being offered and issued outside the United States in reliance on Regulation S. The Ordinary Shares have not been nor will be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States. In addition, the Company has not registered and will not register under the US Investment Company Act. The Ordinary Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering or the issue of the Ordinary Shares or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States and the re-offer or resale of any of the Ordinary Shares in the United States may constitute a violation of US law.

Each applicant for Ordinary Shares will be required to certify that, among other things, the offer of Ordinary Shares was made to it, and at the time its buy order was originated, it was located outside the United States and that it is not a US Person (within the meaning of Regulation S).

Notice to prospective investors in the European Economic Area

In relation to Relevant Member States other than the UK, an offer to the public of the Ordinary Shares may only be made once a prospectus has been passported in accordance with the Prospectus Directive as implemented by the Relevant Member State. This document has not been passported into any Relevant Member State; therefore, an offer of the Ordinary Shares to the public in a Relevant Member State other than the UK may only be made pursuant to the following exemption under the Prospectus Directive, if it has been implemented in that Relevant Member State:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

- (c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) and subject to obtaining the prior consent of Cenkos Securities for any such offer; or
- (d) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Ordinary Shares shall result in a requirement for the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer to the public” in relation to any offer of Ordinary Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Ordinary Shares to be offered so as to enable an investor to decide to purchase or subscribe for Ordinary Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

During the period up to but excluding the date on which the Prospectus Directive is implemented in Member States, this Prospectus may not be used for, or in connection with, and does not constitute, any offer of Ordinary Shares or an invitation to purchase or subscribe for any Ordinary Shares in any Member State in which such offer or invitation would be unlawful.

Notice to potential investors in Ireland

The distribution of this Prospectus and the offering or purchase of Ordinary Shares in the Company is restricted to the individual to whom this Prospectus is addressed. Accordingly, it may not be reproduced in whole or in part, nor may its contents be distributed in writing or orally to any third party, and it may be read solely by the person to whom it is addressed and his/her professional advisers.

This Prospectus may not be distributed and the Ordinary Shares may not be offered or sold otherwise than in circumstances which do not require the publication of a prospectus pursuant to Article 3(2) of the Prospectus Directive and will not be offered or sold otherwise than in a conformity with the provisions of the European Communities (Markets in Financial Instruments) Regulations 2007 (as amended).

Forward-looking statements

This document contains forward-looking statements including, without limitation, statements containing the words “believes”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “will”, or “should” or, in each case, their negative or other variation or similar expressions. Such forward-looking statements involve unknown risk, uncertainties and other factors which may cause the actual results, financial condition, performance or achievement of the Company, or industry results, to be materially different from future results, financial condition, performance or achievements expressed or implied by such forward-looking statements.

Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward-looking statements. These forward-looking statements speak only as at the date of this Prospectus. Subject to its legal and regulatory obligations, the Company expressly disclaims any obligation to update or revise any forward-looking statement contained herein to reflect changes in expectations with regard thereto or any change in events, conditions, or circumstances on which any statement is based, unless required to do so by law or any appropriate regulatory authority, including FSMA, the Listing Rules, the Prospectus Rules and the Disclosure and Transparency Rules.

Nothing in the preceding two paragraphs should be taken as limiting the working capital statement in paragraph 10 of Part VII of this Prospectus.

EXPECTED TIMETABLE OF KEY EVENTS

Latest time and date for applications under the Offer	1.00 p.m. on 19 April
Latest time and dates for commitments under the Placing	3.00 p.m. on 19 April
Publication of results of the Placing and the Offer	21 April
Admission and dealings in Ordinary Shares commence	28 April
CREST accounts credited with uncertificated Ordinary Shares	28 April
Where applicable, definitive share certificates despatched by post in the week commencing	2 May
First Redemption Point for Ordinary Shares	31 May 2012

Any changes to the expected timetable set out above will be notified by the Company through a Regulatory Information Service

All references to times in this Prospectus are to London times

ISSUE STATISTICS

Issue Price	50 pence
Gross Proceeds of the Issue*	£60 million
Estimated net proceeds of the Issue to be received by the Company*	£58.5 million
Expected Net Asset Value per Ordinary Share on Admission	48.75 pence

* assuming that the Issue is subscribed as to 120 million Ordinary Shares

DEALING CODES

The dealing codes for the Ordinary Shares will be as follows:

ISIN	GB00B65TLW28
SEDOL	B65TLW2
Ticker	DIV.L
AIC Sector	UK Growth & Income

DIRECTORS, MANAGER AND ADVISERS

Directors	Michael Wrobel (<i>Non-Executive Chairman</i>)* Paul Craig (<i>Non-Executive Director</i>)* Lucinda Riches (<i>Non-Executive Director</i>)* Jane Tufnell (<i>Non-Executive Director</i>)* all of the registered office below * independent
Registered Office	Beaufort House 51 New North Road Exeter EX4 4EP United Kingdom Telephone: +44 (0)1392 412122
Sponsor and Placing Agent	Cenkos Securities plc 6.7.8 Tokenhouse Yard London EC2R 7AS United Kingdom
Manager	Midas Capital Partners Limited 10-14 Duke Street Reading RG1 4RU United Kingdom Telephone: +44 (0)118 952 8900
Company Secretary and Administrator	Capita Sinclair Henderson Limited Beaufort House 51 New North Road Exeter EX4 4EP United Kingdom
Legal Adviser to the Company	Stephenson Harwood One, St. Paul's Churchyard London EC4M 8SH United Kingdom
Legal Adviser to Cenkos Securities	Norton Rose LLP 3 More London Riverside London SE1 2AQ United Kingdom
Custodian	HSBC Bank plc 8 Canada Square London E14 5HQ United Kingdom
Reporting Accountants and Auditors	Ernst & Young LLP 1 More London Place London SE1 2AF United Kingdom

Receiving Agent

Capita Registrars
Corporate Actions
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
United Kingdom

Registrar

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
United Kingdom

PART I

INFORMATION ON THE COMPANY

Introduction

The Company is a closed-ended investment company incorporated in England and Wales on 30 March 2011. The Company intends to carry on business as an investment trust within the meaning of Chapter 4 of Part 24 of the Corporation Tax Act 2010.

Ordinary Shares are available to investors through the Placing and Offer, in both cases at 50 pence per Ordinary Share.

The Company's manager is Midas Capital Partners Limited, a subsidiary company of MAM Funds Plc, an AIM-quoted asset management firm.

MAM Funds plc is the ultimate parent company of a fund management group trading under the "MAM", "MAM Funds", "Midas Capital Partners" and "Miton Asset Management" brands. As at 31 December 2010, the Manager's group had total funds under management of approximately £1.68 billion, including two investment trusts, Midas Income and Growth Trust plc and Miton Worldwide Growth Investment Trust plc, with combined assets of approximately £95 million.

Application has been made to the UK Listing Authority for all of the Ordinary Shares to be issued pursuant to the Issue to be admitted to the premium segment of the Official List and to the London Stock Exchange for such Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and dealings will commence on 28 April 2011.

Investment objective

The Company's investment objective is to provide Shareholders with an attractive level of dividends coupled with capital growth over the long term.

Investment policy

The Company will invest primarily in quoted or traded UK companies with a wide range of market capitalisations but a long-term bias toward small and mid cap equities. The Company may also invest in large cap companies, including FTSE 100 constituents, where it is believed that this may increase shareholder value.

The Manager will adopt a stock specific approach in managing the Company's portfolio and therefore sector weightings will be of secondary consideration. As a result of this approach, the Company's portfolio will not track any benchmark index.

The Company may utilise derivative instruments including index-linked notes, contracts for differences, covered options and other equity-related derivative instruments for efficient portfolio management, gearing and investment purposes. Any use of derivatives for investment purposes will be made on the basis of the same principles of risk spreading and diversification that apply to the Company's direct investments, as described below. The Company will not enter into uncovered short positions.

Risk diversification

Portfolio risk will be mitigated by investing in a diversified spread of investments. In compliance with section 1159 Corporation Tax Act 2010, investments in any one company, other than holdings in another investment company, shall not, at the time of acquisition, exceed 15 per cent. of the value of the Company's investment portfolio. Typically it is expected that the Company will hold a portfolio of between 80 and 120 securities, predominantly most of which will represent no more than 1.5 per cent. of the value of the Company's investment portfolio as at the time of acquisition.

The Company will not invest more than 10 per cent. of its Gross Assets, at the time of acquisition, in other listed closed-ended investment funds, whether managed by the Manager or not, except that this restriction shall not apply to investments in listed closed-ended investment funds which themselves have stated investment policies to invest no more than 15 per cent. of their gross assets in other listed closed-ended investment funds.

Unquoted investments

The Company may invest in unquoted companies from time to time subject to prior Board approval. Investments in unquoted companies in aggregate will not exceed 5 per cent. of the value of the Company's investment portfolio as at the time of investment.

Borrowing and gearing policy

The Board considers that long-term capital growth can be enhanced by the use of gearing which may be through bank borrowings and the use of derivative instruments such as contracts for differences. The Company may borrow (through bank facilities and derivative instruments) up to 15 per cent. of NAV (calculated at the time of borrowing).

The Board will oversee the level of gearing in the Company, and will review the position with the Manager on a regular basis.

In the event of a breach of the investment policy set out above and the investment and gearing restrictions set out therein, the Manager shall inform the Board upon becoming aware of the same and if the Board considers the breach to be material, notification will be made to a Regulatory Information Service.

No material change will be made to the investment policy without the approval of Shareholders by ordinary resolution.

Dividend policy

The Company intends to pay dividends on a quarterly basis with dividends declared in September, December, March and June and paid in November, February, May and August in each year. In respect of the period to which the first four quarterly dividends will relate, this being from Admission to 31 May 2012, the Company will target an annualised dividend yield of 4 per cent. The Company intends to declare its first interim dividend in September 2011 to be paid in November 2011.

The Company will seek to grow the dividend progressively.

Investors should note that the targeted annualised dividend is a target only and not a profit forecast and there can be no assurance that it will be met or that any growth in the dividend will be achieved.

Interim dividends will not necessarily be of equal amounts because the dividends from the Company's underlying investments are expected to be received by the Company irregularly throughout the relevant period. In particular, it is currently anticipated that any distributions in relation to the targeted yield in respect of the initial period from Admission to 31 May 2012 may be skewed toward the dividends to be declared in March 2012 and June 2012 (relating to the periods ended 29 February 2012 and 31 May 2012).

In accordance with Chapter 4 of Part 24 of the Corporation Tax Act 2010 the Company will not retain more than 15 per cent. of its eligible income.

Investment Strategy

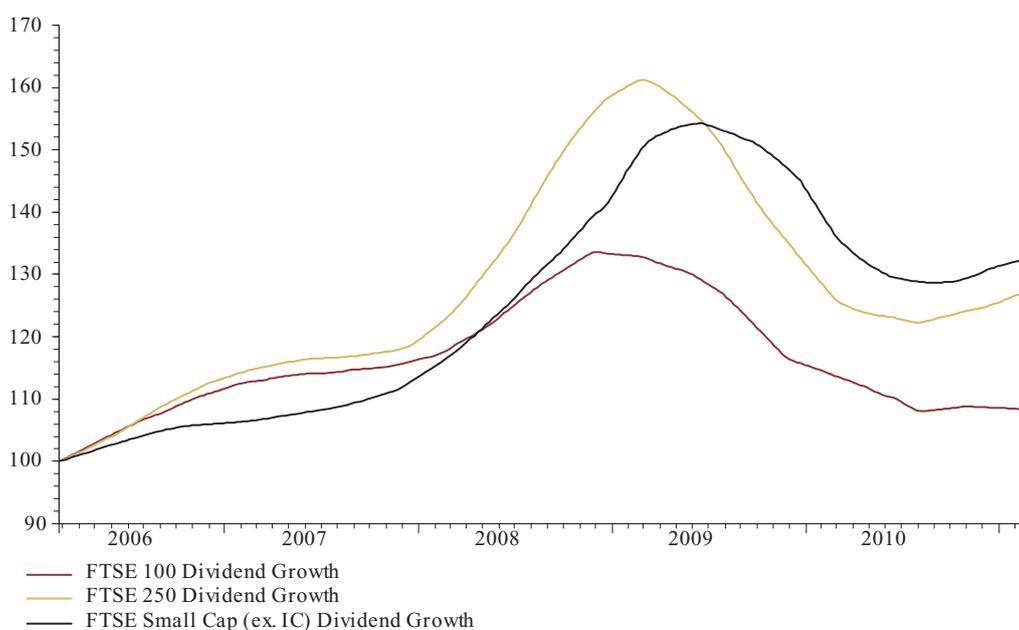
The Manager intends a bottom-up investment approach, with a highly diversified portfolio of stocks of various market capitalisation sizes, but with a bias to smaller companies.

The investment approach can be described as active and universal, as the Company will not seek to replicate any benchmark and will target a significant proportion of smaller company equities within an overall highly diversified portfolio. Potential investments are assessed against the key criteria including, *inter alia*, their growth prospects, market positions, calibre of management and risk and cash resources.

Investment case

Among large stocks in the UK, dividend payments are very concentrated which can represent a stock specific risk for investors. In the year to 31 January 2011, just six companies paid almost 50 per cent. of the FTSE All Share dividend income. Stock concentration risk has been exposed in the past couple of years as, first, many of the large banks were forced by the credit crunch to cut dividends, and then BP cut its pay-out to meet the cost of the Gulf of Mexico oil spill. Most existing funds within the UK Growth & Income investment trust sector have a significant exposure to the heaviest dividend-paying companies.

Following the 2008 financial crisis, dividend payments have been reduced across all parts of the market. However, stocks in the FTSE 250 Index and the FTSE SmallCap (ex Investment Companies) Index have fared relatively better and have already shown faster dividend growth since the 2008 financial crisis.



Source: Thomson Datastream

Whilst the capital returns of an index can be important on an annual basis, the compounding effect of dividends has a very substantial effect on total returns over a longer time period. For example the FTSE All-Share has delivered a capital return over the last 20 years, but the return including the dividends compounded is a number of multiples larger. The Manager believes that dividends are likely to play a larger part in equity market returns in a more subdued, post credit crunch, economic environment and that investor focus will increasingly recognise the powerful compound effect of relatively high and growing dividends on total returns over time.

During the years of the credit boom many investors encouraged smaller companies to retain their cashflow, so that the underlying business could grow faster. For this reason fewer smaller companies pay dividends than larger companies. However, in the current economic climate, it might be anticipated that investors' attitudes will normalise and smaller companies will once again be encouraged to pay dividends (as was the case prior to 1986). Some 78 per cent. of AIM stocks do not pay dividends. The Manager believes that there is scope for these companies to not only start paying good levels of dividend, but also to grow their dividends.

The Hoare Govett Smaller Companies Index tends to outperform the FTSE All-Share over the longer term. Smaller small companies tend to outperform to an even greater extent, as evidenced by the performance of the Hoare Govett 1000 which has outperformed as a trend in an even larger way since 1955.

The Manager believes that many smaller companies will be able to grow faster in a period of modest economic growth and grow their dividends faster. These companies are currently under-researched and under-valued by the large institutions but the Manager believes that these characteristics will be increasingly appreciated by the market. The impact on stock valuation of relatively small asset allocation shifts from large institutional investors into the smaller end of the equity market could be significant.

The Company will have a stronger focus than is typical within the growth and income sector group on small and very small market capitalisation stocks which the Manager believes offer a better diversification of stock specific risk, better profit and dividend growth prospects, and more attractive valuations.

Share rating management

The Board considers that it would be undesirable for the market price of the Ordinary Shares to diverge significantly from their Net Asset Value. The Board therefore intends to manage the rating at which the Ordinary Shares may trade to within a narrow range of their Net Asset Value through further issues, buy-backs and redemptions of Ordinary Shares, as appropriate.

Premium management

In the event that the Ordinary Shares trade at a premium to NAV, the Company may issue new Ordinary Shares. The Directors will have authority to allot further share capital of the Company following Admission. The Directors have authority to issue Ordinary Shares representing up to 10 per cent. of the Company's issued ordinary share capital immediately following Admission until the first annual general meeting of the Company. Shareholders' pre-emption rights over this unissued share capital have been disapplied so that the Directors will not be obliged to offer any new Ordinary Shares to Shareholders on a *pro rata* basis. The reason for this is to retain flexibility, following Admission, to issue new Ordinary Shares to investors. No Ordinary Shares will be issued at a price less than the Net Asset Value per existing Ordinary Share at the time of their issue.

Ordinary Shares may be issued without the publication of a prospectus in accordance with exemptions set out in the Prospectus Rules, which currently allow for the issue of shares representing, over a period of 12 months, less than 10 per cent. of the number of shares of the same class already admitted to trading on the same regulated market, provided that such issue is not made by way of an offer of the Company's securities to the public.

Investors should note that the issuance of new Ordinary Shares is entirely at the discretion of the Board, and no expectation or reliance should be placed on such discretion being exercised on any one or more occasions or as to the proportion of new Ordinary Shares that may be issued.

Treasury shares

The Act allows companies to hold shares acquired by way of market purchase as treasury shares, rather than having to cancel them. This would give the Company the ability to re-issue Ordinary Shares quickly and cost effectively, thereby improving liquidity and providing the Company with additional flexibility in the management of its capital base. No Ordinary Shares will be sold from treasury at a price less than the Net Asset Value per existing Ordinary Share at the time of their sale.

Discount management

Share buybacks

The Company will seek to address any significant imbalance between the supply of and demand for Ordinary Shares in the secondary market and to manage the discount to the NAV at which its Ordinary Shares may be trading by purchasing its own Ordinary Shares in the market on an *ad hoc* basis.

The Company may purchase Ordinary Shares in the market at prices which represent a discount to the prevailing NAV per Share so as to enhance the NAV per Share for the remaining holders of Ordinary Shares. So as to allow for this, the Company proposes (subject to High Court approval) to cancel its share premium account, thereby creating a reserve which may be treated as capital profits and could be used for purchasing Ordinary Shares.

A special resolution, expressed to take effect on Admission, has been passed granting the Company authority to make market purchases of up to 14.99 per cent. of its own issued Ordinary Shares following the conclusion of the Offer and Placing. The maximum price (exclusive of expenses) which may be paid for an Ordinary Share must not be more than the higher of (i) 5 per cent. above the average of the mid-market values of the Ordinary Shares for the five Business Days before the purchase is made, or (ii) the higher of the price of the last independent trade and the highest current independent bid for the

Ordinary Shares. In addition, Ordinary Shares will be repurchased only at prices below the NAV per Ordinary Share, which should have the effect of increasing the NAV per Ordinary Share for remaining Shareholders.

A renewal of the authority to make market purchases will be sought from Shareholders at each annual general meeting of the Company. No purchases of Ordinary Shares can be made by the Company until the cancellation of the share premium account has been approved by the High Court (and the terms of any undertaking required by the High Court for protection of the creditors of the Company complied with). Purchases of Ordinary Shares will be made within guidelines established from time to time by the Board. Any purchase of Ordinary Shares would be made only out of the available cash resources of the Company. Ordinary Shares purchased by the Company may be held in treasury or cancelled.

Purchases of Ordinary Shares may be made only in accordance with the Act, the Listing Rules and the Disclosure and Transparency Rules.

Redemption facility

The Company has a redemption facility through which Shareholders will be entitled to request the redemption of all or part of their holding of Ordinary Shares on an annual basis. The first Redemption Point for the Ordinary Shares will be Thursday, 31 May 2012.

Shareholders making valid elections for the redemption of Ordinary Shares may have their Ordinary Shares redeemed at the Redemption Price. The Directors may elect, at their absolute discretion, to calculate the Redemption Price applying on any Redemption Point on either of the following bases:

- (i) Redemption Price calculated by reference to Dealing Value per Ordinary Share
The Redemption Price shall be equal to the Dealing Value per Ordinary Share calculated as at the appropriate Valuation Point on the appropriate Redemption Point in accordance with the procedure set out in paragraph 7 of Part III, or
- (ii) Redemption Price calculated by reference to a separate Redemption Pool
The Directors may elect to calculate the Redemption Price by reference to the amount generated upon the realisation of a Redemption Pool created for the purpose of funding the redemption. In these circumstances the Redemption Price shall be calculated in the manner specified in paragraph 8 of Part III.

The Directors intend to use the Redemption Pool method of calculating the Redemption Price whenever they consider it is in the best interests of the continuing Shareholders to do so.

Shareholders wishing to redeem all or any of their Ordinary Shares should follow the procedures outlined in Part III of this document.

Shareholders should note that the final realised value of the *pro rata* share of the portfolio in the Redemption Pool will not equal the published, unaudited NAV per Ordinary Share at the relevant Redemption Point. This is largely because the realised value will be subject to movements in the markets on which the underlying assets of the Company are traded over the period in which the assets are realised. This period is envisaged to be up to three months although it may be longer if the Board considers it to be in the best interests of redeeming Shareholders for the realisation period to be extended. The Board may make interim distributions of the realisation proceeds during this period. Accordingly, Shareholders should note that the final realised value per Ordinary Share for which a valid Redemption Request has been made may be materially different to the published unaudited NAV per Ordinary Share at the relevant Redemption Point or the date on which a Redemption Request is submitted.

Shareholders holding Ordinary Shares in uncertificated form making valid elections to redeem their Ordinary Shares will be required to transfer their Ordinary Shares being redeemed to escrow in CREST as well as submitting a Redemption Request. It will not, therefore, be possible to trade those Ordinary Shares which will be held in escrow pending completion of the relevant redemption and the subsequent cancellation of those Ordinary Shares. Shareholders holding Ordinary Shares in certificated form making valid elections to redeem their Ordinary Shares will be required to deliver their share certificates to the

Company's receiving agent with the relevant Redemption Request. It will not, therefore, be possible to transfer those Ordinary Shares pending completion of the relevant redemption and the subsequent cancellation of such Ordinary Shares.

The Company may, prior to a Redemption Point, in its sole discretion, invite investors to purchase Ordinary Shares which are the subject of Redemption Requests. The price at which such transfers will be made will not be less than the Redemption Price which the Shareholder requesting redemption would have received if the Redemption Price had been determined by reference to the Dealing Value per Ordinary Share applicable on the relevant Redemption Point.

Investors should note that the Board may, at their absolute discretion, elect not to operate the annual redemption facility on any given Redemption Point, or to decline in whole or part any Redemption Request, although the Board does not generally expect to exercise this discretion, save in the interests of Shareholders as a whole. Examples of circumstances where the annual redemption facility might not be operated are described in paragraph 2 of Part III of this document.

Details of the tax treatment of redemptions and share buybacks can be found in Part VI of this document. In particular, individuals and certain trustees who are liable to UK income tax should note that redemption of the Ordinary Shares could give rise to adverse tax consequences which would not arise if the Ordinary Shares were sold in the market.

C Shares

If there is sufficient demand at any time following Admission, the Company may seek to raise further funds through the issue of C Shares. The issue of C Shares is designed to overcome the potential disadvantages for both existing and new investors, which could arise out of a conventional fixed price issue of further Ordinary Shares for cash. In particular:

- the C Shares would not convert into Ordinary Shares until at least 90 per cent. of the net proceeds of the C Share issue (or such other percentage as the Directors and Manager shall agree) have been invested in accordance with the Company's investment policy (or, if earlier, six months after the date of their issue);
- the assets representing the net proceeds of a C Share issue would be accounted for and managed as a distinct pool of assets until their conversion date. By accounting for the net proceeds of a C Share issue separately, Shareholders will not participate in a portfolio containing a substantial amount of uninvested cash before the conversion date;
- the basis on which the C Shares would convert into Ordinary Shares is such that the number of Ordinary Shares to which holders of C Shares would become entitled will reflect the relative net asset values per share of the assets attributable to the C Shares and the Ordinary Shares. As a result, the Net Asset Value per Ordinary Share can be expected to be unchanged by the issue and conversion of any C Shares; and
- the Net Asset Value of the Ordinary Shares would not be diluted by the expenses of the C Share issue, which would be borne by the C Share pool.

The Articles contain the C Share rights, full details of which are set out in paragraph 3.18 of Part VII of this document.

The C Shares would be available for issue by the Company (subject to the listing of such C Shares on the Official List and their trading on the main market for listed securities of the London Stock Exchange) if the Board considers it appropriate to avoid the dilutive effect that the proceeds of the issue might otherwise have on the existing assets of the Company. The Directors have authority to issue up to 100 million C Shares until the first annual general meeting of the Company. Shareholders' pre-emption rights over this unissued share capital have been disapplied so that the Directors will not be obliged to offer any new C Shares to Shareholders on a *pro rata* basis.

A new class of C Shares may be issued by the Company if there are in issue C Shares that have not been converted into Ordinary Shares prior to the date on which the Company issues further C Shares.

Profile of typical investor

The Issue is designed to be suitable for institutional investors and professionally-advised private investors seeking exposure to UK equities. The Ordinary Shares may also be suitable for investors who are financially sophisticated, non-advised private investors who are capable of evaluating the risks and merits of such an investment and who have sufficient resources to bear any loss which may result from such an investment. Such investors may wish to consult an independent financial adviser who specialises in advising on the acquisition of shares and other securities before investing in the Issue.

Net Asset Value publication

The unaudited Net Asset Value per Ordinary Share will be calculated in Sterling by the Administrator on a daily basis, as described below. Such calculations will be notified daily, on a cum-income and ex-income basis, through a Regulatory Information Service and be available through the Company's website.

The Net Asset Value will be the value of all assets of the Company less liabilities to creditors (including provisions for such liabilities) determined in accordance with the Association of Investment Companies' valuation guidelines and in accordance with applicable accounting standards. Publicly traded securities will be valued by reference to their bid prices on the relevant exchange. Where trading in the securities of an investee company is suspended, the investment is valued at the Board's estimate of its net realisable value. Unquoted investments are valued by the Board. In making its valuations, the Board takes into account, where appropriate, latest dealing prices, valuations from reliable sources, asset values and other relevant factors.

If the Directors consider that any of the above bases of valuation are inappropriate in any particular case, or generally, they may adopt such other valuation procedures as they consider reasonable in the circumstances.

The Directors may temporarily suspend the calculation, and publication, of the Net Asset Value during a period when, in the opinion of the Directors:

- there are political, economic, military or monetary events or any circumstances outside the control, responsibility or power of the Board, and disposal or valuation of investments of the Company or other transactions in the ordinary course of the Company's business is not reasonably practicable without this being materially detrimental to the interests of Shareholders or if, in the opinion of the Board, the Net Asset Value cannot be fairly calculated;
- there is a breakdown of the means of communication normally employed in determining the calculation of the Net Asset Value; or
- it is not reasonably practicable to determine the Net Asset Value on an accurate and timely basis.

Any suspension in the calculation of the Net Asset Value, to the extent required under the Articles or by the Listing Rules will be notified through a Regulatory Information Service as soon as practicable after any such suspension occurs.

Meetings, reports and accounts

The Company will hold its first annual general meeting in October 2012 and will then hold an annual general meeting each year thereafter. The annual report and accounts of the Company will be made up to 31 May in each year with copies expected to be sent to Shareholders within the following four months. The Company will also publish unaudited interim reports to 30 November with copies expected to be sent to Shareholders within the following two months. In addition, the Company will publish interim management statements in respect of the other two quarters in accordance with the Disclosure and Transparency Rules.

The first interim report of the Company will cover the period from incorporation to 30 November 2011 and the first full financial period will cover the period from incorporation to 31 May 2012.

The Group's financial statements will be prepared in accordance with IFRS and reported in Sterling.

The Takeover Code

Given the existence of the redemption opportunities and buyback powers as set out in the paragraphs above, there are certain considerations that Shareholders should be aware of with regard to the Takeover Code.

Under Rule 9 of the Takeover Code, any person who acquires shares which, taken together with shares already held by him or shares held or acquired by persons acting in concert with him, carry 30 per cent. or more of the voting rights of a company which is subject to the Takeover Code, is normally required to make a general offer to all the remaining shareholders to acquire their shares. Similarly, when any person or persons acting in concert already hold more than 30 per cent. but not more than 50 per cent. of the voting rights of such company, a general offer will normally be required if any further shares increasing that person's percentage of voting rights are acquired.

Under Rule 37 of the Takeover Code when a company purchases its own voting shares, a resulting increase in the percentage of voting rights carried by the shareholdings of any person or group of persons acting in concert will be treated as an acquisition for the purposes of Rule 9 of the Takeover Code. A Shareholder who is neither a Director nor acting in concert with a Director will not normally incur an obligation to make an offer under Rule 9 of the Takeover Code in these circumstances.

However, under note 2 to Rule 37 of the Takeover Code where a shareholder has acquired shares at a time when he had reason to believe that a purchase by the company of its own voting shares would take place, then an obligation to make a mandatory bid under Rule 9 of the Takeover Code may arise.

The redemption facility and buyback powers could have implications under Rule 9 of the Takeover Code for Shareholders with significant shareholdings. The redemption facility and buyback powers should enable the Company to anticipate the possibility of such a situation arising. Prior to the Board implementing any share buyback or when considering Redemption Requests the Board will identify any Shareholders who they are aware may be deemed to be acting in concert under note 1 of Rule 37 of the Takeover Code and will seek an appropriate waiver in accordance with note 2 of Rule 37. However, neither the Company, nor any of the Directors, nor the Manager will incur any liability to any Shareholder(s) if they fail to identify the possibility of a mandatory offer arising or, if having identified such a possibility, they fail to notify the relevant Shareholder(s) or if the relevant Shareholder(s) fails to take appropriate action.

Taxation

Potential investors are referred to Part VI of this Prospectus for details of the taxation of the Company and of Shareholders in the UK. Investors who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than the UK are strongly advised to consult their own professional advisers immediately.

Details of the tax treatment of redemptions and share buybacks can be found in Part VI of this document. **In particular, individuals and certain trustees who are liable to UK income tax should note that redemption of the Ordinary Shares could give rise to adverse tax consequences which would not arise if the Ordinary Shares were sold on the market.**

Shareholders considering disposing of their Ordinary Shares are advised to consider their investment objectives and their own individual financial and tax circumstances. Shareholders who are in any doubt as to their tax position should seek professional advice from their own independent financial adviser authorised under the Financial Services and Markets Act 2000.

Risk factors

The Company's business is dependent on many factors and potential investors should read the whole of this Prospectus and in particular the section entitled "Risk Factors" on pages 8 to 15.

PART II

DIRECTORS AND MANAGEMENT

Directors

The Directors are responsible for the determination of the Company's investment policy and strategy and have overall responsibility for the Company's activities including the review of investment activity and performance and the control and supervision of the Manager. All of the Directors are non-executive and are independent of the Manager.

The Directors will meet at least four times per annum, and the Audit Committee will meet at least twice per annum.

The Directors are as follows:

Michael Wrobel (Chairman) (aged 55)

Michael Wrobel is Group Advisor Pension Investments at Rio Tinto plc. He is also a director of JPMorgan European Smaller Companies Trust plc. Mr. Wrobel was formerly a director of Gartmore Investment Management plc and was Head of Investment Trusts at F&C Asset Management. He was previously an investment manager at Fidelity and Morgan Grenfell.

Paul Craig (aged 41)

Paul Craig is a Director of Multi-Manager at Henderson Global Investors. Mr. Craig has over 20 years of investment experience, including 10 years at Exeter Investment Group and 6 years at New Star Asset Management, where Mr. Craig was a Director of the asset management subsidiary. During the past 18 years, Mr Craig's focus has been multi-manager products with an emphasis on closed-end funds. Mr Craig is an Associate of the UK Society for Investment Professionals.

Lucinda Riches (aged 49)

Lucinda Riches is a non executive director of UK Financial Investments Limited and a Trustee of Sue Ryder Care. Ms. Riches was formerly an investment banker working at UBS Investment Bank and its predecessor firms for 21 years. At UBS, Ms Riches was a Managing Director, Global Head of Equity Capital Markets and a member of the Board of the Investment Bank.

Jane Tufnell (aged 47)

After graduating from Cambridge, Jane Tufnell worked at County NatWest where she ran the smaller companies funds including the County Smaller Companies Investment Trust and the County Smaller Companies Exempt Fund. She joined Ruffer LLP, a private client investment management company, as one of its founders in 1994.

Manager

The Company's manager is Midas Capital Partners Limited, a subsidiary company of MAM Funds plc, an AIM-quoted asset management firm.

MAM Funds plc is the ultimate parent company of a fund management group trading under the "MAM", "MAM Funds", "Midas Capital Partners" and "Miton Asset Management" brands. MAM Funds plc has offices in Liverpool and Reading.

Originally conceived and founded in 2001 as a private client investment manager, the Manager's group has expanded since both geographically and in the range and scale of activities offered within the financial services industry. In 2004, MAM Funds plc floated on AIM as iimia Investment Group plc. The MAM group has undergone a number of name changes since then that reflect, in part, the development in the group through acquisitions: iimiaMitonOptimalplc (October 2007), Midas Capital plc (March 2008) and MAM Funds plc (July 2010).

Since autumn 2009, the Manager's group has concentrated on the provision of fund management services to institutional and professional clients. The Manager's group currently manages various UK based open ended funds and a small number of segregated accounts.

As at 31 December 2010, the Manager's group had total funds under management of approximately £1.68 billion, including two investment trusts, Midas Income and Growth Trust plc and Miton Worldwide Growth Investment Trust plc, with combined assets of approximately £95 million.

The Manager is authorised and regulated by the FSA and as such is subject to its rules in the conduct of its investment business.

Gervais Williams, the Managing Director of MAM Funds plc, will be the lead manager of the Company's portfolio. Gervais will be assisted by Mark Wright.

Gervais Williams

Gervais joined the Manager on 1 March 2011. Gervais has been an equity portfolio manager since 1985. His career includes 5 years with Throgmorton Investment Management (later part of the Framlington Group), 3 years with Thornton Investment Management (part of Dresdner Bank) and 17 years with Gartmore Group Ltd where he was head of UK Small Companies investing in UK smaller companies and Irish equities. At Gartmore, Gervais managed the Gartmore Growth Opportunities and Gartmore Irish Growth funds, and co-managed the Gartmore Fledgling Trust.

He won Investor of the Year as awarded by Grant Thornton at their Quoted Company dinner in both 2009 and 2010. He has sat on two DTI committees on the quoted small cap sector, is a member of the AIM Advisory Council and is joining the Board of the Quoted Companies Alliance.

Mark Wright

Mark's investment career began at MAM Funds plc in 2006 after graduating from University of York with a BSc degree in Economics. He has since completed his Investment Management Certificate. As a fund manager, Mark works in the Liverpool office with five other investment professionals managing over £750 million in assets across numerous multi-asset portfolios. While his research and analysis covers most asset classes, Mark specialises in alternative investments, structured products and associated derivative based strategies.

Management Agreement

The Company and the Manager have entered into a Management Agreement, a summary of which is set out in paragraph 7.2 of Part VII of this Prospectus, under which the Manager has been given sole responsibility for the discretionary management of the Company's assets (including uninvested cash) in accordance with the Company's investment policy, subject to the overall control and supervision of the Directors.

Details of the fees and expenses payable to the Manager are set out in the section headed "Fees and expenses" below.

Administration of the Company

The Administrator will provide the day to day administration of the Company and general secretarial functions required by the Act. The Administrator will also be responsible for the Company's general administrative functions, such as the calculation and publication of the Net Asset Value and maintenance of the Company's accounting and statutory records.

Fees and expenses

Formation and initial expenses

The formation and initial expenses of the Company are those which are necessary for the incorporation of the Company, Admission and the Issue. These expenses include fees and commissions payable under the Placing and Offer Agreement, Receiving Agent's fees, admission fees, printing, legal and accounting

fees and any other applicable expenses which will be met by the Company and paid on or around Admission out of the gross proceeds of the Issue. The expenses will be written off to capital in the Company's first accounting period.

The costs and expenses of the Issue (including all fees, commissions and expenses payable to Cenkos Securities) will be paid by the Company. Such costs and expenses are not expected to exceed approximately £1.5 million, equivalent to 2.5 per cent. of the gross proceeds of the Issue, assuming gross proceeds of £60 million are received under the Issue.

Ongoing annual expenses

Ongoing annual expenses will include the following:

(i) *Manager*

With effect from Admission, the Manager shall be entitled to receive from the Company or any member of its group in respect of its services provided under the Management Agreement, a management fee payable monthly in arrears calculated at the rate of one-twelfth of 1 per cent. per calendar month of the Market Capitalisation. In addition to the basic management fee, and for so long as a Redemption Pool is in existence, the Manager shall be entitled to receive from the Company a fee calculated at the rate of one-twelfth of 1 per cent. per calendar month of the net asset value of the Redemption Pool on the last Business Day of the relevant calendar month. In accordance with the Directors' policy on the allocation of expenses between income and capital, in each financial year 75 per cent. of the management fee payable is expected to be charged to capital and the remaining 25 per cent. to income.

(ii) *Administration*

Under the terms of the Administration Agreement, the Administrator is entitled to an administration fee of £108,000 per annum (exclusive of VAT).

(iii) *Registrar*

Under the terms of the Registrar Agreement, the Registrar is entitled to an annual maintenance fee of £1.65 per Shareholder account per annum, subject to a minimum fee of £4,250 per annum (exclusive of VAT). The Registrar is also entitled to activity fees under the Registrar Agreement.

(iv) *Custodian*

Under the terms of the Custody Agreement, the Custodian is entitled to be paid a custody charge based on the value of the assets and a transaction charge for transaction settlement subject to a minimum fee of £75,000 per annum (exclusive of VAT).

(v) *Directors*

Each of the Directors is entitled to receive a fee from the Company at such rate as may be determined in accordance with the Articles. Save for the Chairman of the Board, the initial fees will be £25,000 for each Director per annum. The Chairman's initial fee will be £30,000 per annum.

All of the Directors will also be entitled to be paid all reasonable expenses properly incurred by them in attending general meetings, board or committee meetings or otherwise in connection with the performance of their duties. The Board may determine that additional remuneration may be paid, from time to time, to any one or more Directors in the event such Director or Directors are requested by the Board to perform extra or special services on behalf of the Company.

(vi) *Other operational expenses*

Other ongoing operational expenses (excluding fees paid to service providers as detailed above) of the Company will be borne by the Company including travel, accommodation, printing, audit, finance costs, due diligence and legal fees. These expenses will be deducted from the assets of the Company and are estimated to be in the region of £176,000 per annum. All reasonable out of pocket expenses of the Manager, the Administrator, the Registrar, the Custodian and the Directors relating to the Company will be borne by the Company.

Conflicts of interest

The Manager and its officers and employees may from time to time act for other clients or manage other funds, which may have a similar investment objectives and policies to that of the Company. Circumstances may arise where investment opportunities will be available to the Company and which are also suitable for one or more such clients of the Manager or funds. The Directors have satisfied themselves that the Manager has procedures in place to address potential conflicts of interest and that, where a conflict arises, the Manager will allocate the opportunity on a fair basis and in accordance with the contractual provisions described in this Prospectus.

Corporate governance

The Board of the Company has considered the principles and recommendations of the AIC Code by reference to the AIC Guide. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company as an investment company.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to Shareholders. As at the date of this document, the Company complies with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code.

The UK Corporate Governance Code includes provisions relating to:

- the role of the chief executive;
- the appointment of a senior independent director;
- executive directors' remuneration; and
- the need for an internal audit function.

For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company, and the Company does not therefore comply with them.

The Company's Audit Committee will be chaired by Jane Tufnell and consists of all the Directors and will meet at least twice a year. The Board considers that the members of the Audit Committee have the requisite skills and experience to fulfil the responsibilities of the Audit Committee. The Audit Committee examines the effectiveness of the Company's control systems. It will review the half-yearly and annual reports and also receives information from the Manager. It will review the scope, results, cost effectiveness, independence and objectivity of the external auditor.

In accordance with the AIC Code the Company has established a Management Engagement Committee which will be chaired by Lucinda Riches and consists of all the Directors. The Management Engagement Committee will meet at least once a year or more often if required. Its principal duties will be to consider the terms of appointment of the Manager and it will annually review that appointment and the terms of the Management Agreement.

PART III

REDEMPTION OF ORDINARY SHARES

The rights and restrictions attaching to the Ordinary Shares are set out in the Articles of the Company. The provisions of the Articles relating to the redemption of Ordinary Shares are detailed below.

1. Redemption procedure

The Directors shall be entitled at their absolute discretion to determine the procedures for the redemption of the Ordinary Shares (subject to the facilities and requirements of CREST and the Act). Without prejudice to the Directors' discretion, it is intended that the procedure described below shall apply.

Redemptions may take place on any Redemption Point. Upon redemption all Ordinary Shares so redeemed shall be cancelled.

Shareholders may request the redemption of all or any of their Ordinary Shares on any Redemption Point.

The right of Shareholders to request the redemption of all or any of their Ordinary Shares on any Redemption Point shall be exercised by the Shareholder delivering to the Receiving Agent (or to such other person as the Directors may designate for this purpose) a duly completed Redemption Request.

Redemption Request forms will be available upon request from the Receiving Agent.

Redemption Requests must contain, *inter alia*, the following:

- (a) the number of Ordinary Shares which the Shareholder wishes to redeem; and
- (b) a representation and warranty to the Directors that the Ordinary Shares which are the subject of the Redemption Request are free from and clear of all liens, charges and other encumbrances whatsoever.

Shareholders holding Ordinary Shares in certificated form shall also be required to deliver with their Redemption Request the certificate(s) in respect of the Ordinary Shares which are the subject of the Redemption Request and such other evidence or information as the Directors may request and the due execution by him of the Redemption Request or, if the Redemption Request is executed by some other person on his behalf, the authority of that other person to do so.

Shareholders holding Ordinary Shares in uncertificated form (that is, in CREST) shall also be required to deliver with their Redemption Request such other evidence or information as the Directors may request, and the due execution by him of the Redemption Request or, if the Redemption Request is executed by some other person on his behalf, the authority of that other person to do so. In addition, such Shareholders must also send a properly authenticated Transfer to Escrow ("TTE") instruction to effect the transfer of the number of Ordinary Shares which the Shareholder wishes to redeem from his CREST account to the Receiving Agent's specified CREST account. The transfer to the Receiving Agent's CREST stock account must be effected no later than 3.00 p.m. on the day falling 20 Business Days before the relevant Redemption Point. Such transfers of Ordinary Shares shall be at the risk and the expense of the relevant Shareholder. Following the transfer to the Receiving Agent's CREST stock account and pending redemption of all or part of the Ordinary Shares, Shareholders shall not be entitled to dispose of, encumber, charge or deal in any way whatsoever with the Ordinary Shares which have been so transferred except in the circumstances described below. In order for a TTE instruction to be valid, it will need to comply with the requirements set out in paragraph 6 of this Part III.

Redemption Requests for Ordinary Shares held in certificated or uncertificated form shall not be valid (unless the Company otherwise agrees) unless they are received by the Receiving Agent not later than 20 Business Days before the relevant Redemption Point.

Other than during any period of suspension of trading of the Ordinary Shares or during any period when the calculation of the NAV of the Company's Ordinary Shares is suspended, a Redemption Request once given may not be withdrawn otherwise than with the prior consent of the Company (which the Directors

shall be entitled in their absolute discretion to withhold), but shall only be deemed to have effect in relation to the next Redemption Point following its valid delivery and receipt and not in relation to any subsequent Redemption Point.

During any period of suspension of trading of the Ordinary Shares or during any period when the calculation of the NAV of the Company's Ordinary Shares is suspended an applicant may, by notice in writing, withdraw his Redemption Request. If the request is not withdrawn it shall have effect, subject to the Directors' discretion, on the Redemption Point immediately following the date on which trading of the Ordinary Shares or calculation of the NAV of the Company's Ordinary Shares as appropriate, ceases to be suspended.

The Directors reserve the right to treat as valid Redemption Requests which are not entirely in order and which are not accompanied (in the case of Ordinary Shares held in certificated form) by the relevant Share certificate(s) and/or other document(s) of title or a satisfactory indemnity in lieu thereof and shall be entitled (in their sole discretion) to accept late Redemption Requests.

2. Directors' discretion

Investors should note that the Directors have absolute discretion to operate the annual redemption facility on any given Redemption Point and to accept or decline in whole or part any Redemption Request. Examples of circumstances where this may be the case include: large redemption requests (including requests such that the Directors may instead propose an alternative future for the Company rather than allowing it to continue at a size that is uneconomic to run); a suspension of trading or volatility in the markets in which the Company's assets are invested; corporate actions, including those to which the Takeover Code applies; or where obligations to comply with regulatory requirements so necessitate. Accordingly, whilst the Board does not generally expect to exercise this discretion, existing and prospective Shareholders should place no reliance on the Directors exercising their discretion to permit a Redemption Request in any particular case. The Directors' determination as to whether to permit or decline a Redemption Request (in whole or in part), together with their reasoning for their decision, will be documented. In the event that the Directors decline Redemption Requests for a particular Redemption Point, the Directors shall be permitted to propose an additional Redemption Point at their absolute discretion.

The Ordinary Shares may only be redeemed or purchased by the Company out of distributable reserves or the proceeds of a fresh issue of shares made for that purpose. In order to maintain its status as an investment trust in accordance with Chapter 4 of Part 24 of the Corporation Tax Act 2010, the Company must retain not more than 15 per cent. of the income it receives from shares and securities by way of dividend and accordingly to the extent such income is required to be distributed by way of dividend it will not be available to fund redemptions or repurchases of the Ordinary Shares.

3. Redemption Price

The Directors may elect, at their absolute discretion, to calculate the Redemption Price applying on any Redemption Point on either of the following bases:

(i) ***Redemption Price calculated by reference to Dealing Value per Ordinary Share***

The Redemption Price shall be equal to the Dealing Value per Ordinary Share calculated as at the appropriate Valuation Point on the appropriate Redemption Point in accordance with the procedure set out in paragraph 7 of this Part III, or

(ii) ***Redemption Price calculated by reference to a separate Redemption Pool***

The Directors may elect to calculate the Redemption Price by reference to the amount generated upon the realisation of a Redemption Pool created for the purpose of funding the redemption. In these circumstances the Redemption Price shall be calculated in the manner specified in paragraph 8 of this Part III.

The Directors intend to use the Redemption Pool method of calculating the Redemption Price whenever they consider it is in the best interests of the continuing Shareholders to do so.

4. Settlement of Redemption Requests

If the Redemption Price is calculated by reference to the Dealing Value, within 10 Business Days after the relevant Redemption Point the Company shall notify relevant Shareholders of the number of Ordinary Shares redeemed in respect of such holdings and the price at which such shares have been redeemed, and shall dispatch redemption monies to those Shareholders whose Ordinary Shares have been redeemed.

If the Redemption Price is determined by reference to a Redemption Pool, within 10 Business Days after the relevant Redemption Point the Company shall notify relevant Shareholders of the number of Ordinary Shares redeemed in respect of such holdings. As soon as practicable after the realisation of the assets comprised in the Redemption Pool, the Company shall notify the relevant Shareholders of the Redemption Price per Share and shall dispatch the net redemption monies to those Shareholders whose Ordinary Shares have been redeemed. The Company may make interim distributions in respect of the Redemption Price in the event that there is a delay in realising all the assets comprising the Redemption Pool.

The Company shall not be liable for any loss or damage suffered or incurred by any Shareholder or other person as a result of or arising out of late settlement, howsoever such loss or damage may arise.

Payment of the Redemption Price in respect of any Ordinary Shares in certificated form will be made by cheque or warrant made payable to the relevant Shareholder, or in the case of joint holders, to the joint holder first named in the register of members, and shall be sent to the address specified by that Shareholder, or in the case of joint holders, to the joint holder first named in the register of members, (or, if none is specified, to the address (being an address outside the United States, Canada, Australia or Japan) of the Shareholder as entered in the register of members in respect of such Ordinary Shares). Due payment of the cheques or warrants shall be in satisfaction of the Redemption Price represented thereby. Every such cheque or warrant which is sent through the post shall be sent by first class post (at the risk of the relevant Shareholders).

The Company shall procure that in relation to any Ordinary Shares held in certificated form which have not been redeemed, a balance certificate in respect of such number of unredeemed Ordinary Shares shall be sent (at the risk of the Shareholder) to the address specified by that Shareholder, or in the case of joint holders, to the joint holder first named in the register of members, (or, if none is specified, to the address (being an address outside the United States, Canada, Australia or Japan) of the Shareholder(s) as entered in the register of members) within 20 Business Days after the relevant Redemption Point.

Each payment in respect of Ordinary Shares held in uncertificated form will take place through CREST by means of a CREST payment in favour of the relevant Shareholder's payment bank in respect of the redemption monies due, in accordance with the CREST payment arrangements.

If the Directors exercise their discretion not to redeem all or any of the Ordinary Shares which are the subject of a Redemption Request, the Company shall procure that in relation to Ordinary Shares held in uncertificated form which have not been redeemed the Registrar will, as soon as reasonably practicable after the relevant Redemption Point, transfer by means of a TFE Instruction such Ordinary Shares to the original available balance from which those Ordinary Shares came.

All documents, instructions and remittances sent by, to or from a Shareholder or their appointed agents will be sent at their own risk.

5. Matched bargains

The Company may, prior to a Redemption Point, in its sole discretion, invite investors to purchase Ordinary Shares which are the subject of Redemption Requests.

The price at which such transfers will be made will not be less than the Redemption Price which the Shareholder requesting redemption would have received if the Redemption Price had been determined by reference to the Dealing Value per Ordinary Share applicable on the relevant Redemption Point.

In circumstances where there are investors willing to acquire Ordinary Shares, all or some of the Ordinary Shares which are the subject of Redemption Requests will not be redeemed by the Company but instead shall be transferred to the incoming investor(s), as appropriate, with effect from the relevant Redemption Point.

Shareholders submitting Redemption Requests are deemed to have agreed that the Company may sell all or any of their Ordinary Shares that are the subject of the Redemption Request to an incoming investor at a Redemption Point. Under the terms of a Redemption Request, a redeeming Shareholder shall be deemed to authorise the Company to sell the Ordinary Shares that are the subject of the Redemption Request to an incoming investor as the Directors may determine.

If there is sufficient demand from incoming investors to acquire all of the Ordinary Shares that are the subject of Redemption Requests as at a Redemption Point, the Company may sell all of the Ordinary Shares to incoming investors.

If there is demand from incoming investors to acquire some of the Ordinary Shares that are the subject of Redemption Requests as at a Redemption Point, the Company may select holdings of Ordinary Shares that are the subject of Redemption Requests from Shareholders as at the Valuation Point to satisfy incoming investor demand. Selection of such holdings of Ordinary Shares may be *pro rata* to redeeming Shareholders holdings or such other equitable means as the Directors determine in their discretion such as first come/first served basis or by random ballot. Shareholders who are selected shall have all of their Ordinary Shares that are the subject of the Redemption Requests sold to incoming investors, except for the final Shareholder that is selected who will have such proportion of his or her Ordinary Shares sold to incoming investors and/or purchased by the Company, as appropriate, to satisfy the remaining demand. The remainder of the Ordinary Shares that are the subject of the Redemption Requests may be redeemed by the Company pursuant to the redemption facility.

Following the relevant Redemption Point, Shareholders will be notified in writing whether their Ordinary Shares have been redeemed by the Company under the redemption facility at the Redemption Price or sold to incoming investors under the matched bargain facility.

Shareholders should note that certain Shareholders may experience a different tax treatment depending on whether they have their Ordinary Shares redeemed by the Company or purchased by incoming investors under the matched bargain facility. Shareholders who are in any doubt as to their tax position should refer to Part VI of this document and seek professional advice from their own independent financial adviser authorised under the Financial Services and Markets Act 2000.

6. Redemption of Ordinary Shares held in uncertificated form: additional information

6.1 Shareholders who wish to redeem Ordinary Shares held in CREST will, in addition to a Redemption Request, need to send a properly authenticated TTE instruction. A valid TTE instruction will need to include the following particulars:

6.1.1 the ISIN number for the Ordinary Shares. This is GB00B65TLW28;

6.1.2 the number of Ordinary Shares being tendered for redemption;

6.1.3 the participant ID of the holder of the Ordinary Shares;

6.1.4 the member account ID of the holder of the Ordinary Shares, being the account from which the Ordinary Shares are to be debited;

6.1.5 the participant account ID of the Receiving Agent (RA10);

6.1.6 the member account ID of the Receiving Agent. This is DIVERSE;

6.1.7 the corporate action number allocated by Euroclear;

6.1.8 the intended settlement date which must be on or before 3.00 p.m. on the day falling 20 Business Days before the relevant Redemption Point;

6.1.9 a delivery priority of 80; and

6.1.10 a contact number in the shared note field.

Details of the particulars referred to in 6.1.7 and 6.1.8 above can be obtained by viewing CREST prior to submission of the TTE instruction.

CREST members and (where applicable) CREST sponsors should note that Euroclear does not make available special procedures in CREST, for any particular corporate action. Normal system timing and limitations will therefore apply in relation to the input of a TTE instruction and its settlement in connection with the exercise of the rights attaching to the Ordinary Shares held in CREST. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST sponsor takes) such action as shall be necessary to ensure that a TTE instruction is effected and settled by 3.00 p.m. on the day falling 20 Business Days before the relevant Redemption Point. In this connection, CREST members and (where applicable) their CREST sponsors, are referred in particular to those sections of the CREST Manual concerning the practical limitation of the CREST system and timings.

6.2 The Company in its sole discretion may:

6.2.1 accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor in substitution for or in addition to a TTE instruction and subject to such further terms and conditions as the Company may determine;

6.2.2 treat a properly authenticated instruction (in this paragraph 6.2.2, the “first instruction”) as not constituting a valid TTE instruction if, at the time at which the Registrar receives a properly authenticated dematerialised instruction giving details of the first instruction, either the Company or the Registrar has received actual notice from Euroclear of any matters referred to in Regulation 35(5)(a) of the CREST Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and

6.2.3 accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for settlement of a TTE instruction or notification, in the event that, for reasons or due to circumstances outside the control of the CREST member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable to validly request the redemption of his Ordinary Shares by means of the procedures described above. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by the Registrar in connection with CREST.

6.3 Shareholders holding their Ordinary Shares in any other uncertificated form (e.g. through Euroclear) should consult with their nominee and follow the procedures and timetables they specify.

7. Calculation of Dealing Value

The Dealing Value of the Company and the Dealing Value per Ordinary Share shall be expressed in pounds sterling and shall be determined in accordance with the valuation principles and procedures from time to time adopted by the Board and notified to Shareholders, and in the absence of such adoption as aforesaid the following valuation principles and procedures shall apply.

7.1 The Dealing Value of the Company shall be calculated as at the Valuation Point applicable to each Redemption Point and such other time and/or day as the Directors may determine. The Dealing Value will be calculated as the value of all the assets of the Company (excluding any assets attributable to any C Shares prior to their conversion) less its liabilities (excluding any liabilities of the Company attributable to any C Shares prior to their conversion).

The value of the assets of the Company shall be calculated on the following bases:

- (a) securities trading on a stock exchange are to be valued generally at the latest available bid-market price quoted on such exchange or, in the absence of such bid-market price, the last known price quoted on such exchange;
- (b) unlisted securities (other than equities) for which there is an ascertainable market value are to be valued generally at the last known bid price quoted on the principal market on which the securities are traded;
- (c) unlisted securities (other than equities) for which there is no ascertainable market value will be valued at cost plus interest (if any) accrued from purchase to (but excluding) the Redemption Point plus or minus the premium or discount (if any) from par value written off over the life of the security;
- (d) any other unlisted securities will be valued initially at cost and thereafter with any reduction or increase in value (as the case may be) as the Directors shall in their absolute discretion deem appropriate in the light of the circumstances;
- (e) any value otherwise than in pounds sterling shall be converted into pounds sterling at the rate (whether official or otherwise) which the Directors shall in their absolute discretion deem appropriate to the circumstances having regard, *inter alia*, to any premium or discount which they consider may be relevant and to the costs of exchange;
- (f) the value of any cash in hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash dividends and interest accrued and not yet received shall be deemed to be the full amount thereof, unless it is unlikely to be paid or received in full, in which case the value thereof shall be arrived at after making such discount as the Directors may consider appropriate to reflect the true value thereof;
- (g) the value of units in any unit trust shall be derived from the last prices published by the managers thereof;
- (h) if in any case a particular value is not ascertainable as above provided, or if the Directors shall consider that some other method of valuation better reflects the fair value of the relevant investments, then in such case the method of valuation of the relevant investment shall be such as the Directors shall determine;
- (i) where any investments do not fall to be valued in accordance with any of the foregoing provisions, they shall be valued by such method as the Directors shall determine; and
- (j) for the purposes of ascertaining or obtaining any price, quotation, rate or other value referred to in the preceding paragraphs for use in determining the value of any asset, the Investment Manager shall be entitled to use the services of any reputable information or pricing service but only to the extent designated by the Directors.

In respect of calculating the Dealing Value of the Company by reference to which Redemption Requests may be satisfied there will be deducted all liabilities of the Company and such provisions and allowances for contingencies and accrued costs and expenses payable by the Company, including a provision for the costs that would be incurred in disposing of the Company's investments. In addition, the Shareholder whose Ordinary Shares are acquired by an incoming investor will bear any applicable dealing costs.

Where the current price of an investment held by the Company is quoted 'ex' any dividend (including stock dividend), interest or other rights to which the Company is entitled but such dividend, interest or the property to which such rights relate has not been received and is not taken into account under any other provisions of the Articles, the amount of such dividend, interest, property or cash shall be taken into account.

- 7.2. The Dealing Value per Ordinary Share shall be the Dealing Value of the Company at the relevant Valuation Point applicable to the relevant Redemption Point divided by the number of Ordinary Shares in issue or deemed to be in issue at the Valuation Point. For this purpose:
- (a) Ordinary Shares which have been allotted shall be deemed to be in issue from the close of business on the Redemption Point on which they are allotted;
 - (b) Ordinary Shares which have been repurchased (whether or not held in treasury) or redeemed shall be deemed to cease to be in issue at the close of business on the Redemption Point on which they are repurchased or redeemed;
 - (c) monies paid or payable to the Company in respect of the allotment of Ordinary Shares shall be deemed to be an asset of the Company as of the time at which such Ordinary Shares are deemed to be in issue; and
 - (d) monies payable by the Company on the repurchase or redemption by the Company of Ordinary Shares pursuant to repurchases or Redemption Requests shall be deemed to be a liability of the Company from the time at which such Ordinary Shares are deemed to cease to be in issue.
- 7.3. The Directors may temporarily suspend the determination of the Dealing Value of the Company during the whole or any part of any period when:
- (a) any principal market or stock exchange on which not less than 10 per cent. of the investments of the Company from time to time are quoted or traded is closed other than for ordinary holidays or during which dealings therein are restricted or suspended generally;
 - (b) as a result of political, economic, military or monetary events or any circumstances outside the control, responsibility or power of the Board, disposal or valuation of investments of the Company or other transactions in the ordinary course of the Company's business is not reasonably practicable without this being materially detrimental to the interests of Shareholders or if, in the opinion of the Board, the Dealing Value of the Company cannot fairly be calculated;
 - (c) there is a breakdown of the means of communication normally employed in determining the Dealing Value of the Company;
 - (d) to a material extent the Company is unable to repatriate funds for the purpose of making payments on the repurchase or redemption of Ordinary Shares or during which the realisation of investments involved in the repurchase or redemption of Ordinary Shares cannot in the opinion of the Board be effected at normal prices or normal rates of exchange; or
 - (e) it is not reasonably practicable to determine the Dealing Value of the Company on an accurate and timely basis.

8. Calculation of Redemption Price by reference to separate Redemption Pool

- 8.1. Where the Board has decided to fund redemptions through the use of a Redemption Pool, in accordance with the Articles, the Company will notionally divide its assets and liabilities into two pools (in addition to any pool of assets and liabilities attributable to any C Shares for the time being in issue):
- (a) the Redemption Pool, which will consist of cash, assets and liabilities attributable to the Ordinary Shares which are the subject of valid Redemption Requests and which the Directors have exercised their discretion to redeem on the relevant Redemption Point; and
 - (b) the Continuing Pool, which will contain all the other cash, assets and liabilities of the Company other than those attributable to any C Shares for the time being in issue.

- 8.2. The Redemption Pool and the Continuing Pool will include a proportionate share of each investment held by the Company (excluding any investment attributable to any C Shares for the time being in issue). The Manager will be entitled to transfer assets between the pools at fair market value.
- 8.3. The investment portfolios of the Continuing Pool and the Redemption Pool will be reorganised in the period leading up to the date on which the Redemption Price is settled as follows:
- (a) the assets of the Redemption Pool shall be liquidated and the proceeds retained solely as cash in Sterling; and
 - (b) the assets of the Continuing Pool shall be adjusted so that the Continuing Pool complies with the investment policy of the Company.
- 8.4. The liabilities attributable to the Redemption Pool, to the extent that they cannot be satisfied prior to the date on which the Redemption Price is to be settled, will be transferred to the Continuing Pool together with an equivalent amount in cash. In calculating such liabilities any debt liability that the Company may have from time to time will be valued on a pre-payment basis, including any early repayment costs.
- 8.5. The costs of the portfolio reorganisations (including costs relating to the sale of the assets and tax liabilities that may arise, or be deemed to arise, as a result of the sale of those assets) will be borne by the relevant pool, together with a *pro rata* share of costs and expenses of the Company not attributable to a particular pool. Such costs, as determined by the Board in its sole discretion, will be deducted before payments are made to the relevant Shareholders whose Ordinary Shares are being redeemed.
- 8.6. The Redemption Price per Ordinary Share when calculated by reference to the Redemption Pool shall be equal to the aggregate cash received by the Company upon the realisation of the Redemption Pool (less the costs) in accordance with paragraph 8.3(a) less the costs and liabilities referred to in paragraphs 8.4 and 8.5 above divided by the number of Ordinary Shares to be redeemed on the relevant Redemption Point.

9. Liability

Any determination of the Dealing Value of the Company or Dealing Value per Ordinary Share made in accordance with the valuation guidelines from time to time adopted by the Board shall be binding on all parties. Neither the Directors nor the Manager shall be responsible to any Shareholder or any other person in respect of all or any acts done in carrying out their duties in relation thereto in the absence of fraud, negligence or wilful default.

PART IV

ISSUE ARRANGEMENTS

Introduction

The Company is proposing to raise up to £60 million, before expenses, through the Placing and Offer of up to 120 million Ordinary Shares at a price of 50 pence per Ordinary Share. In this Prospectus, the Placing and the Offer are together referred to as the Issue. The Directors have reserved the right, in consultation with Cenkos, to increase the size of the Issue to up to 200 million Ordinary Shares if overall demand exceeds 120 million Ordinary Shares. The Issue has not been underwritten.

The aggregate proceeds of the Issue, after deduction of expenses, are expected to be approximately £58.5 million on the assumption that gross proceeds are £60 million.

Cenkos Securities has agreed to use its reasonable endeavours to procure subscribers pursuant to the Placing for the Placing Shares on the terms and subject to the conditions set out in the Placing and Offer Agreement. Details of the Placing and Offer Agreement are set out in paragraph 7.1 of Part VII of this Prospectus.

The Ordinary Shares are being made available under the Offer at the Issue Price, subject to the terms and conditions of application under the Offer set out in Part V of this Prospectus. These terms and conditions, and the Application Form attached as the Appendix to this Prospectus, should be read carefully before an application is made. The Offer will close at 1.00 p.m. on 19 April 2011 (or such later date, not being later than 17 May 2011, as the Company and Cenkos Securities may agree). If the Placing and Offer are extended, the revised timetable will be notified through a Regulatory Information Service.

Applications under the Offer must be for Ordinary Shares with a minimum subscription amount of £1,000 and thereafter in multiples of £10.

Completed Application Forms accompanied by a cheque or banker's draft in relation to the Offer must be posted or delivered by hand (during normal business hours) to the Receiving Agent, Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to be received as soon as possible and, in any event, no later than 1.00 p.m. on 19 April 2011. It is expected that the results of the Issue will be notified through a Regulatory Information Service on 21 April 2011.

The Issue is conditional, *inter alia*, on:

- (i) the Placing and Offer Agreement becoming wholly unconditional (save as to Admission) and not having been terminated in accordance with its terms prior to Admission;
- (ii) Admission occurring by 8.00 a.m. on 28 April 2011 (or such later date, not being later than 26 May 2011, as the Company and Cenkos Securities may agree); and
- (iii) the Minimum Net Proceeds (or such lesser amount as the Directors, the Manager and Cenkos Securities may agree) being raised.

If the Minimum Net Proceeds, or such lesser amount as the Directors, Cenkos Securities and the Manager in their absolute discretion may decide, are not raised, the Issue will not proceed and application monies received under the Placing and Offer will be returned to applicants without interest at the applicants' risk.

If the Minimum Net Proceeds are not raised, the Issue may only proceed where a supplementary prospectus (including a working capital statement based on a revised minimum net proceeds figure and a revised statement as to the initial target dividend rate) has been prepared in relation to the Company and approved by the UKLA.

There will be no priority given to applications under the Placing or applications under the Offer pursuant to the Issue.

Scaling back

The Directors have reserved the right, in consultation with Cenkos, to increase the size of the Issue to up to 200 million Ordinary Shares if overall demand exceeds 120 million Ordinary Shares. In the event that commitments under the Placing and valid applications under the Offer for Subscription exceed the maximum number of Ordinary Shares available, applications under the Placing and Offer will be scaled back *pro rata* at the Directors' discretion (in consultation with Cenkos Securities and the Manager) and thereafter no further commitments or applications will be accepted and the Placing and Offer will be closed.

The Placing and Offer Agreement

The Placing and Offer Agreement contains provisions entitling Cenkos Securities to terminate the Placing and the Offer (and the arrangements associated with them) at any time prior to Admission in certain circumstances. If this right is exercised, the Issue and these arrangements will lapse and any monies received in respect of the Issue will be returned to applicants without interest at the applicant's risk.

The Placing and Offer Agreement provides for Cenkos Securities to be paid commission by the Company in respect of the Ordinary Shares to be allotted pursuant to the Issue. Any commissions received by Cenkos Securities may be retained, and any Ordinary Shares subscribed for by Cenkos Securities may be retained or dealt in by them for their own benefit.

Under the Placing and Offer Agreement, Cenkos Securities is entitled at its discretion and out of its own resources at any time to rebate to some or all investors, or to other parties, part or all of its fees relating to the Placing. Cenkos Securities is also entitled under the Placing and Offer Agreement to retain agents and may pay commission in respect of the Placing to any or all of those agents out of its own resources.

Further details of the terms of the Placing and Offer Agreement are set out in paragraph 7.1 of Part VII of this Prospectus.

Admission

Admission is expected to take place at 8.00 a.m. on 28 April 2011. Where applicable, definitive share certificates in respect of the Ordinary Shares are expected to be despatched, by post at the risk of the recipients, to the relevant holders, in the week beginning 2 May 2011. The Ordinary Shares are in registered form and can also be held in uncertificated form. Prior to the despatch of definitive share certificates in respect of any Ordinary Shares which are held in certificated form, transfers of those Ordinary Shares will be certified against the Register. No temporary documents of title will be issued.

CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. The Articles permit the holding of Ordinary Shares under the CREST system. The Company has applied for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if any Shareholder so wishes.

CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so. An investor applying for Ordinary Shares in the Issue may elect to receive Ordinary Shares in uncertificated form if such investor is a system-member (as defined in the CREST Regulations) in relation to CREST.

Use of proceeds

The Directors intend to use the net proceeds of the Issue, after costs and after providing for the Company's operational expenses, to acquire investments in accordance with the Company's investment objective and policy. The Issue is being made in order to provide investors with the opportunity to invest in a diversified portfolio (as described in such investment objective and policy) through the medium of an investment trust.

Overseas Persons

The attention of potential investors who are not resident in, or who are not citizens of, the UK is drawn to the paragraphs below.

The offer of Ordinary Shares under the Issue to Overseas Persons may be affected by the laws of the relevant jurisdictions. Such persons should consult their professional advisers as to whether they require any government or other consents or need to observe any applicable legal requirements to enable them to obtain Ordinary Shares under the Issue. It is the responsibility of all Overseas Persons receiving this Prospectus and/or wishing to subscribe for Ordinary Shares under the Issue to satisfy themselves as to full observance of the laws of the relevant territory in connection therewith, including obtaining all necessary governmental or other consents that may be required and observing all other formalities needing to be observed and paying any issue, transfer or other taxes due in such territory.

No person receiving a copy of this Prospectus in any territory other than the UK may treat the same as constituting an offer or invitation to him/her, unless in the relevant territory such an offer can lawfully be made to him/her without compliance with any further registration or other legal requirements.

Persons (including, without limitation, nominees and trustees) receiving this Prospectus should not distribute or send it to any US Person or in or into the United States or any other jurisdiction where to do so would or might contravene local securities laws or regulations. In particular, investors should note that the Company has not, and will not be, registered under the US Investment Company Act and the offer, issue and sale of the Ordinary Shares have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any State or other jurisdiction of the United States.

Accordingly, the Ordinary Shares are only being offered and sold outside the United States to non-US Persons in reliance on the exemption from registration provided by Regulation S. The Ordinary Shares may not be offered, sold, pledged or otherwise transferred or delivered, directly or indirectly, within the United States or to, or for the account or benefit of, any US Person. Any representation to the contrary is a criminal offence in the United States and the re-offer or resale of any Ordinary Shares in the United States may constitute a violation of US law.

Investors should additionally consider the provisions set out under the heading Important Notices on page 16 of this Prospectus.

The Company reserves the right to treat as invalid any agreement to subscribe for Ordinary Shares under the Issue if it appears to the Company or its agents to have been entered into in a manner that may involve a breach of the securities legislation of any jurisdiction.

PART V

TERMS AND CONDITIONS OF APPLICATION UNDER THE OFFER

1. Introduction

Ordinary Shares are available under the Offer at a price of 50 pence per Ordinary Share. The Ordinary Shares will, when issued and fully paid, include the right to receive all dividends or other distributions made, paid or declared, if any, by reference to a record date after the date of their issue.

Applications to acquire Ordinary Shares must be made on the Application Form attached as the Appendix to this Prospectus or otherwise published by the Company.

2. Effect of application

2.1 *Offer to acquire shares*

By completing and delivering an Application Form, you, as the applicant, and, if you sign the Application Form on behalf of another person or a corporation, that person or corporation:

- (a) offer to subscribe for such number of Ordinary Shares specified in Box 1 on your Application Form, or any smaller number for which such application is accepted, at the Issue Price on the terms, and subject to the conditions, set out in the Prospectus, including these Terms and Conditions of Application and the Articles;
- (b) agree that, in consideration for the Company agreeing that it will not offer any Ordinary Shares to any person other than by means of the procedures referred to in this Prospectus, your application may not be revoked, subject to your statutory right of withdrawal in the event of publication of a supplementary prospectus by the Company, and that this paragraph shall constitute a collateral contract between you and the Company which will become binding upon despatch by post to or, in the case of delivery by hand, on receipt by the Receiving Agent of your Application Form;
- (c) undertake to pay the subscription amount specified in Box 1 on your Application Form in full on application and warrant that the remittance accompanying your Application Form 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 Ordinary Shares applied for in certificated form or be entitled to commence dealing in Ordinary Shares applied for in uncertificated form or to enjoy or receive any rights in respect of such Ordinary Shares unless and until you make payment in cleared funds for such Ordinary Shares and such payment is accepted by the Receiving Agent (which acceptance shall be in its absolute discretion and on the basis that you indemnify the Receiving Agent, the Company and Cenkos Securities 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 the Company may (without prejudice to any other rights it may have) avoid the agreement to allot the Ordinary Shares and may allot them to some other person, in which case you will not be entitled to any refund or payment in respect thereof (other than the refund by a cheque drawn on a branch of a UK clearing bank to the bank account name from which they were first received at your risk of any proceeds of the remittance which accompanied your Application Form, without interest);
- (d) agree that, where on your Application Form a request is made for Ordinary Shares to be deposited into a CREST account (i) the Receiving Agent may in its absolute discretion amend the form so that such Ordinary Shares may be issued in certificated form registered in the name(s) of the holder(s) specified in your Application Form (and recognise that the Receiving Agent will so amend the form if there is any delay in satisfying the identity of the applicant or the owner of the CREST account or in receiving your remittance in cleared funds) and (ii) the Receiving Agent, the Company or Cenkos Securities may authorise your financial adviser or whoever he or she may direct to send a document of title for or credit

your CREST account in respect of, the number of Ordinary Shares for which your application is accepted, and/or a crossed cheque for any monies returnable, by post at your risk to your address set out on your Application Form;

- (e) agree, in respect of applications for Ordinary Shares in certificated form (or where the Receiving Agent exercises its discretion pursuant to paragraph (d) of this paragraph 2.1 to issue Ordinary Shares in certificated form), that any share certificate to which you or, in the case of joint applicants, any of the persons specified by you in your Application Form may become entitled (and any monies returnable to you) may be retained by the Receiving Agent:
 - (i) pending clearance of your remittance;
 - (ii) pending investigation of any suspected breach of the warranties contained in paragraphs 2.5 (a), (b), (f), (h), (m), (o) or (p) below or any other suspected breach of these Terms and Conditions of Application; or
 - (iii) pending any verification of identity which is, or which the Receiving Agent considers may be, required for the purpose of the Money Laundering Regulations and any other regulations applicable thereto, and any interest accruing on such retained monies shall accrue to and for the benefit of the Company;
- (f) agree, on the request of the Receiving Agent, to disclose promptly in writing to it such information as the Receiving Agent may request in connection with your application and authorise the Receiving Agent to disclose any information relating to your application which it may consider appropriate;
- (g) agree that if evidence of identity satisfactory to the Receiving Agent is not provided to the Receiving Agent within a reasonable time (in the opinion of the Receiving Agent) following a request therefor, the Receiving Agent or the Company may terminate the agreement with you to allot Ordinary Shares and, in such case, the Ordinary Shares which would otherwise have been allotted to you may be re-allotted or sold to some other party and the lesser of your application monies or such proceeds of sale (as the case may be, with the proceeds of any gain derived from a sale accruing to the Company) will be returned by a cheque drawn on a branch of a UK clearing bank to the bank account name on which the payment accompanying the application was first drawn without interest and at your risk;
- (h) agree that you are not applying on behalf of a person engaged in money laundering;
- (i) undertake to ensure that, in the case of an Application Form signed by someone else on your behalf, the original of the relevant power of attorney (or a complete copy certified by a solicitor or notary) is enclosed with your Application Form together with full identity documents for the person so signing;
- (j) undertake to pay interest at the rate described in paragraph 2.2 below if the remittance accompanying your Application Form is not honoured on first presentation;
- (k) authorise the Receiving Agent to procure that there be sent to you definitive certificates in respect of the number of Ordinary Shares for which your application is accepted or if you have completed section 5 on your Application Form, but subject to paragraph 2.1(d) above, to deliver the number of Ordinary Shares for which your application is accepted into CREST, and/or to return any monies returnable by a cheque drawn on a branch of a UK clearing bank to the bank account name from which such monies were first received without interest and at your risk;
- (l) confirm that you have read and complied with paragraph 2.7 below;
- (m) agree that all subscription cheques and payments will be processed through a bank account (the "Acceptance Account") in the name of Capita Registrars Limited re The Diverse Income Trust plc Offer for Subscription opened by the Receiving Agent;
- (n) agree that your Application Form is addressed to the Company and the Receiving Agent; and

- (o) agree that any application may be rejected in whole or in part at the sole discretion of the Company.

2.2 *Acceptance of your offer*

The Receiving Agent may, on behalf of the Company, accept your offer to subscribe (if your application is received, valid (or treated as valid), processed and not rejected) by notifying the UK Listing Authority through a Regulatory Information Service of the basis of allocation (in which case the acceptance will be on that basis).

The basis of allocation will be determined by Cenkos Securities in consultation with the Company and the Receiving Agent. The right is reserved, notwithstanding the basis as so determined, to reject in whole or in part and/or scale back any application. The right is reserved to treat as valid any application not complying fully with these terms and conditions of application or not in all respects completed or delivered in accordance with the instructions accompanying the Application Form. In particular, but without limitation, the Company may accept an application made otherwise than by completion of an Application Form where you have agreed with the Company in some other manner to apply in accordance with these terms and conditions of application.

The Receiving Agent will present all cheques and bankers' drafts for payment on receipt and will retain documents of title and surplus monies pending clearance of successful applicants' payment.

The Receiving Agent may, as agent of the Company, require you to pay interest or its other resulting costs (or both) if the payment accompanying your application is not honoured on first presentation. If you are required to pay interest you will be obliged to pay the amount determined by the Receiving Agent to be the interest on the amount of the payment from the date on which all payments in cleared funds are due to be received until the date of receipt of cleared funds. The rate of interest will be the then published bank base rate of a clearing bank selected by the Receiving Agent plus 4 per cent. per annum. The right is also reserved to reject in whole or in part, or to scale down or limit, any application.

Payments must be made by cheque or banker's draft in pounds sterling drawn on a branch in the United Kingdom of a bank or building society that is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or that has arranged for its cheques or bankers' drafts to be cleared through the facilities provided for members of either of those companies. Such cheques or bankers' drafts must bear the appropriate sort code in the top right hand corner. Cheques, which must be drawn on the personal account of an individual Applicant where they have sole or joint title to the funds, should be made payable to Capita Registrars Limited re The Diverse Income Trust plc Offer for Subscription and crossed "A/C payee only". Third party cheques will not be accepted with the exception of building society cheques or bankers' drafts where the building society or bank has confirmed the name of the account holder by stamping/endorsing the cheque or banker's draft to that effect. The account name should be the same as that shown on the Application Form.

2.3 *Conditions*

The contracts created by the acceptance of applications (in whole or in part) under the Offer will be conditional upon:

- (a) Admission occurring by 8.00 a.m. on 28 April 2011 (or such later time or date as the Company and Cenkos Securities and may agree (not being later than 26 May 2011)); and
- (b) the Placing and Offer Agreement becoming otherwise unconditional in all respects, and not being terminated in accordance with its terms before Admission.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation (including pre-contractual representations) at any time after acceptance. This does not affect any other right you may have.

2.4 ***Return of Application Monies***

Where application monies have been banked and/or received, if any application is not accepted in whole, or is accepted in part only, or if any contract created by acceptance does not become unconditional, the application monies or, as the case may be, the balance of the amount paid on application will be returned without interest by returning your cheque, or by crossed cheque in your favour, by post at the risk of the person(s) entitled thereto, without interest. In the meantime, application monies will be retained by the Receiving Agent in a separate account.

2.5 ***Warranties***

By completing an Application Form, you:

- (a) undertake and warrant that, if you sign the Application Form on behalf of somebody else or on behalf of a corporation, you have due authority to do so on behalf of that other person and that such other person will 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 to enclose your power of attorney or other authority or a complete copy thereof duly certified by a solicitor or notary;
- (b) warrant, if the laws of any territory or jurisdiction outside the UK are applicable to your application, that you have complied with all such laws, obtained all governmental and other consents which may be required, 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 or omitted to take any action which will result in the Company or the Receiving Agent or any of their respective officers, agents or employees acting in breach of the regulatory or legal requirements, directly or indirectly, of any territory or jurisdiction outside of the UK in connection with the Offer in respect of your application;
- (c) confirm that (save for advice received from your financial adviser (if any)) in making an application you are not relying on any information or representations in relation to the Company other than those contained in the Prospectus (on the basis of which alone your application is made) and accordingly you agree that no person responsible solely or jointly for the Prospectus or any part thereof shall have any liability for any such other information or representation;
- (d) agree that, having had the opportunity to read the Prospectus, you shall be deemed to have had notice of all information and representations contained therein;
- (e) acknowledge that no person is authorised in connection with the Offer to give any information or make any representation other than as contained in the Prospectus and, if given or made, any information or representation must not be relied upon as having been authorised by the Company, Cenkos Securities or the Receiving Agent;
- (f) warrant that you are not under the age of 18 on the date of your application;
- (g) agree that all documents and monies sent by post to, by or on behalf of the Company or the Receiving Agent, will be sent at your risk and, in the case of documents and returned application cheques and payments to be sent to you, may be sent to you at your address (or, in the case of joint holders, the address of the first-named holder) as set out in your Application Form;
- (h) confirm that you have reviewed the restrictions contained in paragraph 2.7 below and warrant, to the extent relevant, that you (and any person on whose behalf you apply) comply or complied with the provisions therein;
- (i) agree that, in respect of those Ordinary Shares for which your Application Form has been received and processed and not rejected, acceptance of your Application Form shall be constituted by the Company instructing the Registrar to enter your name on the Register;

- (j) agree that all applications, acceptances of applications and contracts resulting therefrom under the Offer shall be governed by and construed in accordance with the laws of England and Wales 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;
- (k) irrevocably authorise the Company, Cenkos Securities or the Receiving Agent or any other person authorised by any of them, as your agent, to do all things necessary to effect registration of any Ordinary Shares subscribed by or issued to you into your name and authorise any representatives of the Company and/or Cenkos Securities and/or the Receiving Agent to execute any documents required therefor and to enter your name on the Register;
- (l) agree to provide the Company with any information which it, Cenkos Securities or the Receiving Agent may request in connection with your application or to comply with any 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 Money Laundering Regulations;
- (m) 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, Cenkos Securities or the Receiving Agent acting in breach of the regulatory or legal requirements of any territory in connection with the Offer or your application;
- (n) agree that Cenkos Securities and the Receiving Agent are acting for the Company in connection with the Offer 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 the Ordinary Shares or concerning the suitability of the Ordinary Shares for you or be responsible to you for the protections afforded to their customers;
- (o) warrant that the information contained in the Application Form is true and accurate; and
- (p) agree that if you request that Ordinary Shares are issued to you on a date other than Admission and such Ordinary Shares are not issued on such date that the Company and its agents and Directors will have not liability to you arising from the issue of such Ordinary Shares on a different date.

2.6 ***Money Laundering***

You agree that, in order to ensure compliance with the Money Laundering Regulations, the Receiving Agent may at its absolute discretion require verification of identity of you as the applicant lodging an Application Form and further may request from you and you will assist in providing identification of:

- (a) the owner(s) and/or controller(s) (the “payor”) of any bank account not in the name of the holder(s) on which is drawn a payment by way of banker’s draft or cheque; or
- (b) where it appears to the Receiving Agent that a holder or the payor is acting on behalf of some other person or persons, such person or persons.

Failure to provide the necessary evidence of identity may result in your application being rejected or delays in the despatch of documents.

Without prejudice to the generality of this paragraph 2.6, verification of the identity of holders and payors will be required if the value of the Ordinary Shares applied for, whether in one or more applications considered to be connected, exceeds €15,000 (approximately £13,000). If, in such circumstances, you use a building society cheque or banker’s draft you should ensure that the bank or building society issuing the payment enters the name, address and account number of the person

whose account is being debited on the reverse of the cheque or banker's draft and adds its stamp. If, in such circumstances, the person whose account is being debited is not a holder you will be required to provide for both the holder and payor an original or copy of that person's passport or driving licence certified by a solicitor and an original or certified copy of two of the following documents, no more than 3 months old, a gas, electricity, water or telephone (not mobile) bill, a recent bank statement or a council tax bill, in their name and showing their current address (which originals will be returned by post at the addressee's risk) together with a signed declaration as to the relationship between the payor and you, the applicant.

For the purpose of the UK's Money Laundering Regulations, a person making an application for Ordinary Shares will not be considered as forming a business relationship with either the Company or with the Receiving Agent but will be considered as effecting a one-off transaction with either the Company or with the Receiving Agent.

The person(s) submitting an application for Ordinary Shares will ordinarily be considered to be acting as principal in the transaction unless the Receiving Agent determines otherwise, whereupon you may be required to provide the necessary evidence of identity of the underlying beneficial owner(s).

If the amount being subscribed exceeds €15,000 (approximately £13,000) you should endeavour to have the declaration contained in section 7 of the Application Form signed by an appropriate firm as described in that section.

2.7 *Non United Kingdom investors*

If you receive a copy of the Prospectus or an Application Form in any territory other than the UK you may not treat it as constituting an invitation or offer to you, nor should you, in any event, use an Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to you or an Application Form could lawfully be used without contravention of any registration or other legal requirements. It is your responsibility, if you are outside the UK and wish to make an application for Ordinary Shares under the Offer, to satisfy yourself as to full observance of the laws of any relevant territory or jurisdiction in connection with your application, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.

None of the Ordinary Shares have been or will be registered under the laws of Canada, Japan, Australia or under the Securities Act or with any securities regulatory authority of any state or other political subdivision of the United States, Canada, Japan or Australia. Accordingly, unless an exemption under such act or laws is applicable, the Ordinary Shares may not be offered, sold or delivered, directly or indirectly, within Canada, Japan, Australia or the United States (as the case may be). If you subscribe for Ordinary Shares you will, unless the Company and the Registrar agree otherwise in writing, be deemed to represent and warrant to the Company that you are not a US Person or a resident of Canada, Japan, Australia or a corporation, partnership or other entity organised under the laws of the US or Canada (or any political subdivision of either) or Japan, or Australia and that you are not subscribing for such Ordinary Shares for the account of any US Person or resident of Canada, Japan, or Australia and will not offer, sell, renounce, transfer or deliver, directly or indirectly, any of the Ordinary Shares in or into the United States, Canada, Japan, or Australia or to any US Person or resident in Canada, Japan or Australia. No application will be accepted if it shows the applicant or a payor having an address in the United States, Canada, Japan, or Australia.

2.8 *The Data Protection Act*

Pursuant to The Data Protection Act 1998 (the "**DP Act**") the Company and/or the Registrar, may hold personal data (as defined in the DP Act) relating to past and present shareholders.

Such personal data held is used by the Registrar to maintain the Register and mailing lists and this may include sharing such data with third parties in one or more of the countries mentioned below when (a) effecting the payment of dividends and other distributions to Shareholders and (b) filing

returns of Shareholders and their respective transactions in Ordinary Shares with statutory bodies and regulatory authorities. Personal data may be retained on record for a period exceeding six years after it is no longer used.

By becoming registered as a holder of Ordinary Shares a person becomes a data subject (as defined in the DP Act) and is deemed to have consented to the processing by the Company or its Registrar of any personal data relating to them in the manner described above.

2.9 *Miscellaneous*

To the extent permitted by law, all representations, warranties and conditions, express or implied and whether statutory or otherwise (including, without limitation, pre-contractual representations but excluding any fraudulent representations), are expressly excluded in relation to the Ordinary Shares and the Offer.

The rights and remedies of the Company, Cenkos Securities and the Receiving Agent under these Terms and Conditions of Application are in addition to any rights and remedies which would otherwise be available to any of them and the exercise or partial exercise of one will not prevent the exercise of others.

The Company reserves the right to extend the closing time and/or date of the Offer from 1.00 p.m. on 19 April 2011. In that event, the new closing time and/or date will be notified through a Regulatory Information Service.

The Company may terminate the Offer in its absolute discretion at any time prior to Admission. If such right is exercised, the Offer will lapse and any monies will be returned as indicated without interest.

You agree that Cenkos Securities and the Receiving Agent are acting for the Company in connection with the Issue and no-one else and that none of Cenkos Securities and the Receiving Agent will treat you as its customer by virtue of such application being accepted or owe you any duties concerning the price of the Ordinary Shares or concerning the suitability of the Ordinary Shares for you or otherwise in relation to the Issue or for providing the protections afforded to their customers.

Save where the context requires otherwise, terms used in these Terms and Conditions of Application bear the same meaning as where used elsewhere in the Prospectus.

PART VI

TAXATION

UK Taxation

Introduction

The following statements are based upon current UK tax law and what is understood to be the current practice of HMRC, both of which are subject to change, possibly with retrospective effect. The statements are intended only as a general guide and may not apply to certain Shareholders, such as dealers in securities, insurance companies, collective investment schemes or Shareholders who have (or are deemed to have) acquired their Ordinary Shares by virtue of an office or employment, who may be subject to special rules. They apply only to Shareholders resident and ordinarily resident for UK tax purposes in the UK (except in so far as express reference is made to the treatment of non-UK residents), who hold Ordinary Shares and/or C Shares as an investment rather than trading stock and who are the absolute beneficial owners of those Ordinary Shares and/or C Shares.

All potential investors, and in particular those who are in any doubt about their tax position, or who are resident or otherwise subject to taxation in a jurisdiction outside the UK, should consult their own professional advisers on the potential tax consequences of subscribing for, purchasing, holding or disposing of Ordinary Shares under the laws of their country and/or state of citizenship, domicile or residence.

The Company

It is the intention of the Directors to conduct the affairs of the Company so that it satisfies and continues to satisfy the conditions necessary for it to be approved by HMRC as an investment trust (including any amended conditions that result from the current review of the investment trust rules). However, neither the Manager nor the Directors can guarantee that this approval will be maintained. In respect of each accounting period for which the Company continues to be approved by HMRC as an investment trust the Company will be exempt from UK taxation on its chargeable gains. The Company will, however, (subject to what follows) be liable to UK corporation tax on its income in the normal way.

Approved investment trusts, or companies intending to seek approval as investment trusts, are able to elect to take advantage of modified UK tax treatment in respect of its “qualifying interest income” for an accounting period (referred to here as the “streaming” regime). Under such treatment, the Company may designate as an “interest distribution” all or part of the amount it distributes to Shareholders as dividends, to the extent that it has “qualifying interest income” for the accounting period. Were the Company to designate any dividend it pays in this manner, it would be able to deduct such interest distributions from its income in calculating its taxable profit for the relevant accounting period.

In principle, the Company will be liable to UK corporation tax on its dividend income. However, there are broad-ranging exemptions from this charge which would be expected to cover most dividends it receives.

Shareholders

Taxation of dividends

(A) Distributions other than “interest distributions”

The following statements summarise the expected UK tax treatment for individual Shareholders who receive dividends not subject to the streaming regime.

The Company will not be required to withhold tax at source when paying a dividend.

An individual Shareholder who is resident in the UK for tax purposes and who receives a dividend from the Company should generally be entitled to a notional tax credit which may be set off against the Shareholder’s total income tax liability on the dividend. An individual UK resident shareholder will be liable to income tax on the sum of the tax credit and the dividend (the “gross dividend”)

which will be treated as the top slice of the individual's income for UK income tax purposes. The tax credit equals 10 per cent. of the gross dividend. The tax credit therefore also equals one-ninth of the cash dividend received.

A UK resident individual Shareholder who is liable to income tax at the current basic rate will be subject to tax on the dividend at the rate of 10 per cent. of the gross dividend. This means that the tax credit will satisfy in full such a Shareholder's liability to income tax on the dividend.

The rate of income tax applied to dividends received by a UK resident individual liable to income tax at the current higher rate will be 32.5 per cent. to the extent that such dividends, when treated as the top slice of the Shareholder's income, fall above the threshold for current higher rate income tax and below the threshold for current additional rate income tax. To that extent, the tax credit will be set against, but will not fully match, their tax liability on the gross dividend. After taking account of the 10 per cent. tax credit, such Shareholder will have to account for additional tax equal to 22.5 per cent. of the gross dividend (which equals 25 per cent. of the cash dividend received).

A dividend tax rate of 42.5 per cent. applies to the extent that dividends, when treated as the top slice of the Shareholder's income, fall above the threshold for additional rate income tax. After taking into account the 10 per cent. tax credit, such Shareholders will have an effective dividend tax rate of 36.11 per cent. of the cash dividend received.

There will be no repayment of all or part of the tax credit to an individual Shareholder whose liability to income tax on all or part of the gross dividend is less than the amount of the tax credit.

(B) "Interest distributions"

Should the Directors elect to apply the streaming regime to any dividends paid by the Company, a UK resident Shareholder in receipt of such a dividend would be treated as though they had received a payment of interest. Such a Shareholder would be subject to UK income tax at the current rates of 20 per cent., 40 per cent. or 50 per cent., depending on the level of the Shareholder's income. Such distributions would be paid to the individual Shareholder after the deduction of 20 per cent. income tax.

(C) Other Shareholders

UK resident corporate Shareholders will not generally in practice be subject to corporation tax on dividends paid by the Company but will not be able to claim a repayment of the tax credit attaching to the dividends. If, however, the Directors did elect for the new streaming rules to apply, and such corporate Shareholders were to receive dividends designated by the Company as interest distributions, they would be subject to corporation tax on any such amounts received.

It is particularly important that prospective investors who are not resident in the UK for tax purposes obtain their own tax advice concerning tax liabilities on dividends received from the Company.

Disposals of Ordinary Shares

Individuals and trustees

(A) Redemption

If the Company redeems Ordinary Shares held by an individual Shareholder (or a Shareholder who is a trustee who is subject to income tax at the dividend trust rate) who is resident or ordinarily resident in the UK and who does not hold his Ordinary Shares in an ISA, this may have both income tax and capital gains tax consequences for the Shareholder. Any excess of the redemption proceeds over the amount of paid in capital attributable to the Ordinary Shares will be taxed as if it were a dividend, i.e. it will be subject to income tax. Investors should note that the amount of paid in capital attributable to shares might be less than they originally paid for the shares, resulting in a higher level of distribution than expected.

Unless the Shareholder is only liable to income tax at the basic rate, after taking into account the proceeds of redemption of the Ordinary Shares, this income tax liability would be materially greater than the capital gains tax liability which would arise on a sale of the Ordinary Shares in the market.

Please see above for details of dividend taxation.

A redemption of Ordinary Shares will also be a disposal for capital gains tax purposes by individuals and trustees resident or ordinarily resident in the UK (or individuals who are not so resident but who carry on a trade, profession or vocation in the UK through a branch or agency with which their Ordinary Shares are connected). Any amount taxed as a dividend would be left out of account in the capital gains tax computation. The rates for individuals are 18 per cent. for gains within the basic rate band and 28 per cent. for gains above that amount.

Note that the UK taxation of individuals receiving payments from share capital/premium reduction reserves is currently under review. Investors who have any doubt about the tax consequences of a redemption of Ordinary Shares should consult their own professional advisers.

(B) On-market sale

Individual Shareholders who are resident or ordinarily resident in the UK, or who are temporarily non-resident in the UK, for tax purposes will generally, subject to any available exemption or relief and according to their circumstances, be subject to capital gains tax in respect of any gain arising on a disposal of their Ordinary Shares to a third party, including on an on-market buy back of Ordinary Shares by the Company via an intermediary acting as principal. Capital gains tax would be payable on the difference between the amount that the Shareholder paid for the Ordinary Shares, and the amount that the Shareholder receives as consideration for the sale. This tax treatment also applies to other disposals of Ordinary Shares in the market and also to disposals of Ordinary Shares to incoming shareholders under the matched bargain facility set out at paragraph 5 of Part III.

Corporate Shareholders

A UK resident corporate Shareholder which holds Ordinary Shares otherwise than as trading stock will normally be exempt from corporation tax on income in respect of the distribution element of a redemption or buy back of Ordinary Shares.

A redemption or buy-back of Ordinary Shares will be a disposal for the purposes of corporation tax on chargeable gains. The amount of the distribution element of the disposal is included in the proceeds for the purposes of calculating the charge to corporation tax on chargeable gains. The indexation allowance may reduce the amount of chargeable gain that is subject to corporation tax but may not create or increase any allowable loss.

Corporate Shareholders selling their Ordinary Shares to third parties (including by way of an on-market disposal of Ordinary Shares to the Company through an intermediary acting as principal) may be liable to corporation tax on chargeable gains if they make a gain on the sale of the Ordinary Shares. The indexation allowance may reduce the amount of chargeable gain that is subject to corporation tax but may not create or increase any allowable loss.

Conversion of C Shares

The conversion of C Shares into Ordinary Shares should not, for the purposes of the UK taxation of chargeable gains, constitute disposal and acquisition. Instead, the Ordinary Shares received on conversion should be treated as having been acquired at the same time and for the same base cost as the C Shares converted.

Stamp duty and stamp duty reserve tax

Transfers on sale of Ordinary Shares will generally be subject to UK stamp duty at the rate of 0.5 per cent. of the consideration given for the transfer. The purchaser normally pays the stamp duty.

An agreement to transfer Ordinary Shares will normally give rise to a charge to stamp duty reserve tax (“SDRT”) at the rate of 0.5 per cent. of the amount or value of the consideration payable for the transfer. If a duly stamped transfer in respect of the agreement is produced within six years of the date on which the agreement is made (or, if the agreement is conditional, the date on which the agreement becomes unconditional) any SDRT paid is repayable, generally with interest, and otherwise the SDRT charge is cancelled. SDRT is, in general, payable by the purchaser.

Paperless transfers of Ordinary Shares within the CREST system will generally be liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the CREST system. Deposits of Ordinary Shares into CREST will not generally be subject to SDRT, unless the transfer into CREST is itself for consideration.

ISAs, SIPPs and SSASs

Ordinary Shares acquired by a UK resident individual Shareholder in the Offer or on the secondary market (but not the Placing) should be eligible to be held in a stocks and shares ISA, subject to applicable annual subscription limits.

Investments held in ISAs will be free of UK tax on both capital gains and income. Sums received by a Shareholder on a disposal of Ordinary Shares would not count towards the Shareholder's annual limit; but a disposal of Ordinary Shares held in an ISA will not serve to make available again any part of the annual subscription limit that has already been used by the Shareholder in that tax year.

Individuals wishing to invest in Ordinary Shares through an ISA should contact their professional advisers regarding their eligibility.

The Directors have been advised that the Ordinary Shares should be eligible for inclusion in a SIPP or a SSAS, subject to the discretion of the trustees of the SIPP or the SSAS, as the case may be.

PART VII

ADDITIONAL INFORMATION

1. The Company and the Manager

- 1.1 The Company was incorporated in England and Wales as a public limited company on 30 March 2011. The Company is registered as an investment company under section 833 of the Act with registered number 7584303. The Company has received a certificate under section 761 of the Act entitling it to commence business and to exercise its borrowing powers. Since its incorporation the Company has not commenced operations (other than entry into of the material contracts referred to at paragraph 7 of this Part VII), has not declared any dividend, and no financial statements have been made up. The Company is domiciled in England and Wales and currently has no employees.
- 1.2 The Company is the holding company of a group consisting of the Company and DIT Income Services Limited, which was incorporated in England and Wales as a private limited company on 2 March 2011 with registered number 7548790. This subsidiary has the same registered office and directors as the Company and since its incorporation has not commenced operations, has not paid any dividends, and no financial statements have been made up in respect of it. All of its issued share capital, which is fully paid, is held by the Company. The Company has no reserves. The principal activity of the Company and the Group is to invest primarily in quoted or traded UK companies with a wide range of market capitalisations but a long-term bias toward small and mid-cap equities with a view to achieving the Company's investment objective.
- 1.3 The Company operates under the Act and is not regulated as a collective investment scheme by the FSA. Its registered office and principal place of business is at Beaufort House, 51 New North Road, Exeter EX4 4EP, United Kingdom. The Company's telephone number is +44 (0)1392 412122.
- 1.4 The Company intends at all times to conduct its affairs so as to enable it to qualify as an investment trust for the purposes of section 1158 of the Corporation Tax Act 2010. In summary, the conditions that must be met for approval by HMRC for any given accounting period as an investment trust are that:
- the Company is not a close company at any time during the accounting period for which approval is sought;
 - the Company is resident in the UK throughout that accounting period;
 - the Company's income for the accounting period is derived "wholly or mainly" from shares or securities;
 - the Company does not at any time during the accounting period have a holding in another company that represents more than 15 per cent. by value of the Company's investments (with the exception of holdings in other companies which are themselves investment trusts, or would be but for not meeting the listing condition referred to below, or would be but for not meeting the UK residence condition);
 - each class of the Company's ordinary share capital is included in the Official List throughout the accounting period;
 - the Articles prohibit the distribution as dividend of surpluses arising from the realisation of investments; and
 - the Company must not retain in respect of the accounting period an amount greater than 15 per cent. of its income derived from shares and securities.

These conditions are currently under review. In particular, there is a proposal under discussion for the amendment of the third and seventh of these conditions so that investment trusts may not retain more than 10 per cent. of their total net income for any accounting period.

- 1.5 The Manager is a private limited company incorporated in England and Wales with registered number 04325961. The Manager is authorised and regulated by the FSA. The address of the registered office of the Manager is 10-14 Duke Street, Reading RG1 4RU and its telephone number is +44 (0)118 952 8900.

2. Share Capital

- 2.1 On incorporation, the issued share capital of the Company was £50,000 represented by 50,000 Management Shares of nominal value of £1 each, which were taken by MAM Funds plc, the parent company of the Manager.

- 2.2 Set out below is the issued share capital of the Company as at the date of this Prospectus:

	<i>Nominal Value (£)</i>	<i>Number</i>
Management Shares	50,000	50,000

The Management Shares are paid up as to one quarter of their nominal value.

- 2.3 Set out below is the issued share capital of the Company as it will be following the Offer for Subscription and Placing (assuming that all of the Ordinary Shares available under the Offer for Subscription and Placing are allotted):

	<i>Nominal Value (£)</i>	<i>Number</i>
Ordinary Shares	120,000	120,000,000
Management Shares	50,000	50,000

All Ordinary Shares will be fully paid. The Management Shares are paid up as to one quarter of their nominal value.

- 2.4 By special resolutions passed on 6 April 2011:

- (A) the Directors were generally and unconditionally authorised in accordance with section 551 of the Act to exercise all the powers of the Company to allot Ordinary Shares up to an aggregate nominal amount of £300,000 in connection with the Offer and Placing, such authority to expire at the conclusion of the first annual general meeting of the Company, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the allotment of shares in pursuance of such an offer or agreement as if such authority had not expired;
- (B) the Directors were generally empowered (pursuant to section 570 of the Act) to allot Ordinary Shares for cash pursuant to the authority referred to in paragraph 2.4(A) above as if section 561 of the Act did not apply to any such allotment, such power to expire at the conclusion of the first annual general meeting of the Company, save that the Company may before such expiry make an offer or agreement which would or might require Ordinary Shares to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power had not expired;
- (C) the Directors were generally and unconditionally authorised in accordance with section 551 of the Act to exercise all the powers of the Company to allot Ordinary Shares up to an aggregate nominal amount of £12,000 or, if different, 10 per cent. of the aggregate nominal amount of the issued Ordinary Share capital of the Company immediately following the completion of the Offer and Placing, such authority to expire at the conclusion of the first annual general meeting of the Company, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the allotment of shares in pursuance of such an offer or agreement as if such authority had not expired;
- (D) the Directors were empowered (pursuant to sections 570 and 573 of the Act) to allot Ordinary Shares and to sell Ordinary Shares from treasury for cash pursuant to the authority referred to in paragraph 2.4(C) above as if section 561 of the Act did not apply to any such

allotment or sale, such power to expire at the conclusion of the first annual general meeting of the Company, save that the Company may, at any time prior to the expiry of such power, make an offer or enter into an agreement which would or might require equity securities to be allotted or sold from treasury after the expiry of such power, and the Directors may allot or sell from treasury equity securities in pursuance of such an offer or an agreement as if such power had not expired;

- (E) the Directors were generally and unconditionally authorised in accordance with section 551 of the Act to exercise all the powers of the Company to allot 100 million C Shares, such authority to expire at the conclusion of the first annual general meeting of the Company, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the allotment of shares in pursuance of such an offer or agreement as if such authority had not expired;
 - (F) the Directors were empowered (pursuant to section 570 of the Act) to allot C Shares pursuant to the authority referred to in paragraph 2.4(E) above as if section 561 of the Act did not apply to any such allotment, such power to expire at the conclusion of the first annual general meeting of the Company, save that the Company may, at any time prior to the expiry of such power, make an offer or enter into an agreement which would or might require equity securities to be allotted after the expiry of such power, and the Directors may allot equity securities in pursuance of such an offer or an agreement as if such power had not expired;
 - (G) conditionally upon the issue of Ordinary Shares by the Company pursuant to the Offer and Placing and the payment up in full thereof, it was resolved that all of the amount standing to the credit of the share premium account of the Company immediately following the Offer and Placing be cancelled; and
 - (H) the Company was authorised in accordance with section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of Ordinary Shares, provided that the maximum number of Ordinary Shares authorised to be purchased is 14.99 per cent. of the issued Ordinary Shares following the conclusion of the Offer and Placing. The minimum price which may be paid for a Share is 0.1p. The maximum price which may be paid for an Ordinary Share must not be more than the higher of (i) 5% above the average of the mid-market values of the Ordinary Shares for the five Business Days before the purchase is made or (ii) the higher of the price of the last independent trade and the highest current independent bid for the Ordinary Shares. Such authority will expire on the earlier of the conclusion of the first annual general meeting of the Company and the date 18 months after the date on which the resolution was passed save that the Company may contract to purchase its Ordinary Shares under the authority hereby conferred prior to the expiry of such authority, which contract will or may be executed wholly or partly after the expiry of such authority and may purchase its Ordinary Shares in pursuance of such contract.
- 2.5 In accordance with the authority referred to in paragraph 2.4(A) above, it is expected that the Ordinary Shares in respect of the Offer and Placing will be allotted pursuant to a resolution of the Board to be passed on or around 21 April 2011, conditional upon Admission.
- 2.6 The provisions of section 561 of the Act (which, to the extent not disapplied pursuant to section 570 of the Act, confer on Shareholders rights of pre-emption in respect of the allotment or sale of equity securities for cash) shall apply to any unissued share capital of the Company, except to the extent disapplied by the resolution referred to in paragraphs 2.4(B), 2.4(D) and 2.4(F) above.
- 2.7 Save as disclosed in this paragraph 2, since the date of its incorporation (i) there has been no alteration in the share capital of the Company, (ii) no share or loan capital of the Company has been issued or agreed to be issued, or is now proposed to be issued for cash or any other consideration and (iii) 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 and no share or loan capital of the Company is under option or agreed, conditionally or unconditionally, to be put under option.

- 2.8 The Ordinary Shares, expected to be issued on 28 April 2011, will be in registered form. Temporary documents of title will not be issued. The ISIN of the Ordinary Shares is GB00B65TLW28.
- 2.9 Applicants who have signed and returned Application Forms in respect of the Offer may not withdraw their applications for Ordinary Shares subject to their statutory right of withdrawal in the event of the publication of a supplementary prospectus.

3. Articles of Association

A summary of the main provisions of the Articles are set out below. In addition to the provisions summarised below, the Articles also contain details of the rights attaching to the Management Shares:

3.1 *Objects*

The Articles do not provide for any objects of the Company and accordingly the Company's objects are unrestricted.

3.2 *Variation of rights*

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"), if at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class may be varied either with the consent in writing of the holders of three-quarters in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the shares of that class (but not otherwise) and may be so varied 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 in question (but at any adjourned meeting any holder of shares of the class present in person or by proxy shall be a quorum), any holder of shares of the class present in person or by proxy may demand a poll and every such holder shall on a poll have one vote for every share of the class held by him. Where the rights of some only of the shares of any class are to be varied, the foregoing provisions apply as if each group of shares of the class differently treated formed a separate class whose rights are to be varied.

3.3 *Alteration of share capital*

The Company may by Ordinary Resolution:

- (a) consolidate and divide all or any of its share capital into shares of larger nominal value than its existing shares;
- (b) sub-divide its shares, or any of them, into shares of smaller nominal value than its existing shares; and
- (c) determine that, as between the shares resulting from such a sub-division, one or more shares may, as compared with the others, have any such preferred, deferred or other rights or be subject to any such restrictions, as the Company has power to attach to unissued or new shares.

3.4 *Issue of shares*

Subject to the provisions of the Act and without prejudice to any rights attaching to any existing shares, any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine (or if the Company has not so determined, as the Directors may determine).

3.5 *Dividends*

Subject to the provisions of the Act, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the shareholders but no dividends shall exceed the amount recommended by the Directors. Subject to the provisions of the Act, the Directors may pay interim dividends, or dividends payable at a fixed rate, if it appears to them that they are justified by the

profits of the Company available for distribution. If the Directors act in good faith they shall not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on any shares having deferred or non-preferred rights.

Subject to the rights of persons (if any) entitled to shares with special rights as to dividend, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid. If any share is issued on terms that it ranks for dividend as from a particular date, it shall rank for dividend accordingly. In any other case, dividends shall be apportioned and paid proportionately to the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid.

3.6 *Voting rights*

Subject to any rights or restrictions attached to any shares, on a show of hands every shareholder present in person has one vote and every proxy present who has been duly appointed by a shareholder entitled to vote has one vote, and on a poll every shareholder (whether present in person or by proxy) has one vote for every share of which he is the holder. A shareholder entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses the same way. In the case of joint holders, the vote of the senior who tenders a vote shall be accepted to the exclusion of the vote of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the Register.

No shareholder shall have any right to vote at any general meeting or at any separate meeting of the holders of any class of shares, either in person or by proxy, in respect of any share held by him unless all amounts presently payable by him in respect of that share have been paid.

3.7 *Transfer of shares*

A share in certificated form may be transferred by an instrument of transfer, which may be in any usual form or in any other form approved by the Directors, executed by or on behalf of the transferor and, where the share is not fully paid, by or on behalf of the transferee. A share in uncertificated form may be transferred by means of the relevant electronic system concerned.

In their absolute discretion, the Directors may refuse to register the transfer of a share in certificated form which is not fully paid provided that if the share is listed on the Official List such refusal does not prevent dealings in the shares from taking place on an open and proper basis. The Directors may also refuse to register a transfer of a share in certificated form unless the instrument of transfer:

- is lodged, duly stamped, at the registered office of the Company or such other place as the Directors may appoint and is accompanied by the certificate for the share 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;
- is in respect of only one class of share; and
- is not in favour of more than four transferees.

The Directors may refuse to register a transfer of a share in uncertificated form in any case where the Company is entitled to refuse to register the transfer under the CREST Regulations provided that such refusal does not prevent dealings in the shares from taking place on an open and proper basis.

If the Directors refuse to register a transfer of a share, they shall within two months after the date on which the transfer was lodged with the Company or, in the case of an uncertificated share, the date on which the appropriate instruction was received by or on behalf of the Company in accordance with the CREST Regulations send to the transferee notice of refusal.

No fee shall be charged for the registration of any instrument of transfer or other document or instruction relating to or affecting the title to any share.

3.8 ***Distribution of assets on a winding-up***

If the Company is wound up, with the sanction of a special resolution and any other sanction required by law and subject to the Act, the liquidator may divide among the shareholders in specie the whole or any part of the assets of the Company and for that purpose may value any assets and determine how the division shall be carried out as between the shareholders or different classes of shareholders. With the like sanction, the liquidator may vest the whole or any part of the assets in trustees upon such trusts for the benefit of the shareholders as he may with the like sanction determine, but no shareholder shall be compelled to accept any shares or other securities upon which there is a liability.

3.9 ***Restrictions on rights: failure to respond to a section 793 notice***

If a shareholder, or any other person appearing to be interested in shares held by that shareholder, fails to provide the information requested in a notice given to him under section 793 of the Act by the Company in relation his interest in shares (the “default shares”) within 28 days of the notice (or, where the default shares represent at least 0.25 per cent. of their class, 14 days of the notice), sanctions shall apply unless the Directors determine otherwise. The sanctions available are the suspension of the right to attend or vote (whether in person or by representative or proxy) at any general meeting or any separate meeting of the holders of any class or on any poll and, where the default shares represent at least 0.25 per cent. of their class (excluding treasury shares), the withholding of any dividend payable in respect of those shares and the restriction of the transfer of any shares (subject to certain exceptions).

3.10 ***Untraced shareholders***

Subject to various notice requirements, the Company may sell any of a shareholder’s shares if, during a period of 12 years, at least three dividends (either interim or final) on such shares have become payable and no cheque for amounts payable in respect of such shares has been presented and no warrant or other method of payment has been effected and no communication has been received by the Company from the shareholder or person concerned.

3.11 ***Appointment of Directors***

Unless the Company determines otherwise by ordinary resolution, the number of Directors (other than alternate Directors) shall not be subject to any maximum but shall not be less than two.

Subject to the Articles, the Company may by ordinary resolution appoint a person who is willing to act as, and is permitted by law to do so, to be a Director either to fill a vacancy or as an additional Director. The Directors may appoint a person who is willing to act, and is permitted by law to do so, to be a Director, either to fill a vacancy or as an additional Director. A person appointed as a Director by the other Directors is required to retire at the Company’s next annual general meeting and shall then be eligible for reappointment.

3.12 ***Powers of Directors***

The business of the Company shall be managed by the Directors who, subject to the provisions of the Articles and to any directions given by special resolution to take, or refrain from taking, specified action, may exercise all the powers of the Company.

Any Director may appoint any other Director, or any other person approved by resolution of the Directors and willing to act and permitted by law to do so, to be an alternate Director.

3.13 ***Voting at board meetings***

No business shall be transacted in any meeting of the Directors unless a quorum is present and the quorum may be fixed by the Directors; unless so fixed at any other number the quorum shall be two. A Director shall not be counted in the quorum present in relation to a matter or resolution on which he is not entitled to vote but shall be counted in the quorum present in relation to all other matters or resolutions considered or voted on at the meeting. An alternate Director who is not himself a Director shall, if his appointor is not present, be counted in the quorum.

Questions arising at a meeting of the Directors shall be decided by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

3.14 ***Restrictions on voting***

Subject to any other provision of the Articles, a Director shall not vote at a meeting of the Directors on any resolution concerning a matter in which he has, directly or indirectly, a material interest (other than an interest in shares, debentures or other securities of, or otherwise in or through, the Company) unless his interest arises only because the case falls within certain limited categories specified in the Articles.

3.15 ***Directors' interests***

Subject to the provisions of the Act and provided that the Director has disclosed to the other Directors the nature and extent of any material interest of his, a Director, notwithstanding his office, may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise interested and may be a Director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate in which the Company is interested.

3.16 ***Indemnity***

Subject to the provisions of the Act, the Company may indemnify any person who is a Director, secretary or other officer of the Company, against (a) any liability whether in connection with any negligence, default, breach of duty or breach of trust by him in relation to the Company or any associated company or (b) any other liability incurred by or attaching to him in the actual or purported execution and/or discharge of his duties and/or the exercise or purported exercise of his powers and/or otherwise in relation to or in connection with his duties, powers or office; and purchase and maintain insurance for any person who is a Director, secretary, or other officer or auditor of the Company in relation to anything done or omitted to be done or alleged to have been done or omitted to be done as Director, secretary, officer or auditor.

3.17 ***General meetings***

In the case of the annual general meeting, twenty-one clear days' notice at the least shall be given to all the members and to the auditors. All other general meetings shall also be convened by not less than twenty-one clear days' notice to all those members and to the auditors unless the Company offers members an electronic voting facility and a special resolution reducing the period of notice to not less than fourteen clear days has been passed (such a resolution has been passed) in which case a general meeting may be convened by not less than fourteen clear days' notice in writing.

No business shall be transacted at any meeting unless a quorum is present. Two persons entitled to vote upon the business to be transacted, each being a shareholder or a proxy for a shareholder or a duly authorised representative of a corporation which is a shareholder (including for this purpose two persons who are proxies or corporate representatives of the same shareholder), shall be a quorum.

A shareholder is entitled to appoint another person as his proxy to exercise all or any of his rights to attend and to speak and vote at a meeting of the Company. A shareholder may appoint more than one proxy in relation to a meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him. Subject to the provisions of the Act, any corporation (other than the Company itself) which is a shareholder may, by resolution of its directors or other governing body, authorise such person(s) to act as its representative(s) at any meeting of the Company, or at any separate meeting of the holders of any class of shares.

Delivery of an appointment of proxy shall not preclude a shareholder from attending and voting at the meeting or at any adjournment of it.

Directors may attend and speak at general meetings and at any separate meeting of the holders of any class of shares, whether or not they are shareholders.

A poll on a resolution may be demanded at a general meeting either before a vote on a show of hands on that resolution or immediately after the result of a show of hands on that resolution is declared. A poll may be demanded by the Chairman or by: (a) not less than two members having the right to vote at the meeting; or (b) a member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or (c) a member or members holding shares conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

3.18 *C Shares and Deferred Shares*

The rights and restrictions attaching to the C Shares and the Deferred Shares arising on their conversion are summarised below.

(I) The following definitions apply for the purposes of this paragraph 3.18 only:

Calculation Date means the earliest of the:

- (i) close of business on the date to be determined by the Directors occurring not more than 10 Business Days after the day on which the Manager shall have given notice to the Directors that at least 90 per cent. of the Net Proceeds (or such other percentage as the Directors and Manager shall agree) shall have been invested; or
- (ii) close of business on the date falling six calendar months after the allotment of the C Shares or if such a date is not a Business Day the next following Business Day; or
- (iii) close of business on the day on which the Directors resolve that Force Majeure Circumstances have arisen or are imminent;

Conversion means conversion of the C Shares into Ordinary Shares and Deferred Shares in accordance with paragraph (VIII) below;

Conversion Date means the close of business on such Business Day as may be selected by the Directors falling not more than 10 Business Days after the Calculation Date;

Conversion Ratio is the ratio of the net asset value per C Share to the net asset value per Ordinary Share, which is calculated as:

$$\begin{aligned} \text{Conversion Ratio} &= \frac{A}{B} \\ A &= \frac{C - D}{E} \\ B &= \frac{F - C - G + D}{H} \end{aligned}$$

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) below) which are listed or dealt in on a stock exchange calculated by reference to the bid-market 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 is listed or dealt in or traded, 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 other investments of the Company attributable to the C Shares (other than investments included in (a) above) calculated by reference to the Directors' belief as to a fair current value for those investments on the Calculation Date 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 (excluding the investments valued under (a) and (b) above but 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 from the assets attributable to the C Shares) which, in the Directors' opinion, fairly reflects the amount of the liabilities of the Company attributable to the C Shares on the Calculation Date;

E is the number of C Shares in issue on the Calculation Date;

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) below) which are listed or dealt in or traded on a stock exchange calculated by reference to the bid-market 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 is listed or dealt in or traded 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; and
- (b) the value of all other investments of the Company (other than investments included in (a) above) calculated by reference to the Directors' belief as to a fair current value for those investments on the Calculation Date 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 (excluding the investments valued under (a) and (b) above but 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 in treasury),

provided that the Directors shall make such adjustments to the value or amount of A and B as the Auditors shall report to be appropriate having regard among other things, to the assets of the Company immediately prior to the date on which the Company first receives the Net Proceeds relating to the C Shares and/or to the reasons for the issue of the C Shares;

Deferred Shares means deferred shares of 0.1 pence each in the capital of the Company arising on Conversion;

Existing Ordinary Shares means the Ordinary Shares in issue immediately prior to Conversion;

Force Majeure Circumstances means (i) any political and/or economic circumstances and/or actual or anticipated changes in fiscal or other legislation which, in the reasonable opinion of the Directors, renders Conversion necessary or desirable; (ii) the issue of any proceedings challenging, or seeking to challenge, the power of the Company and/or its

Directors to issue the C Shares with the rights proposed to be attached to them and/or to the persons to whom they are, and/or the terms upon which they are proposed to be issued; or (iii) the giving of notice of any general meeting of the Company at which a resolution is to be proposed to wind up the Company, whichever shall happen earliest; and

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).

References to the Auditors confirming any matter should be construed to mean confirmation of their opinion as to such matter whether qualified or not.

References to ordinary shareholders, C shareholders and deferred shareholders should be construed as references to holders for the time being of Ordinary Shares, C Shares and Deferred Shares respectively.

- (II) The holders of the Ordinary Shares, the C Shares and the Deferred Shares shall, subject to the provisions of the 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 a fixed rate of one per cent. of the nominal amount thereof (the “Deferred Dividend”) on the date six months after the Conversion Date on which such Deferred Shares were created in accordance with paragraph (VIII) (the “Relevant Conversion Date”) and on each anniversary of such 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 then only 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 proposed repurchase of the Deferred Shares as described below, it is not expected that any dividends will accrue or be paid on such shares;
 - (b) the C Shareholders 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 Articles;
 - (d) the Ordinary Shares into which C Shares shall convert shall rank *pari passu* with the Existing Ordinary Shares for dividends and other distributions made or 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 (other than any Deferred Shares for the time being in issue) between the Calculation Date and the Conversion Date relating (both dates inclusive) and no such dividend shall be declared with a record date falling between the Calculation Date and the Conversion Date (both dates inclusive).
- (III) The holders of the Ordinary Shares, the C Shares and the Deferred Shares shall, subject to the provisions of the 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) at a time when any C Shares are for the time being in issue and prior to the Conversion Date be applied amongst the holders of the Existing Ordinary Shares *pro rata* according to the nominal capital paid up on their holdings of Existing Ordinary Shares, after having deducted therefrom an amount equivalent to (C-D) using the methods of calculation of C and D given in the definition of Conversion Ratio, which amount shall be applied

amongst the C shareholders *pro rata* according to the nominal capital paid up on their holdings of C Shares. For the purposes of this paragraph (III)(a) 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) at a time when no C Shares are for the time being in issue be applied as follows:
 - (i) first, if there are Deferred Shares in issue, in paying to the deferred shareholders one pence in aggregate in respect of every one million Deferred Shares (or part thereof) of which they are respectively the holders; and
 - (ii) secondly, the surplus shall be divided amongst the ordinary shareholders *pro rata* according to the nominal capital paid up on their holdings of Ordinary Shares.

(IV) As regards voting:

- (a) 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 that applying to holders of Existing Ordinary Shares as set out in the Articles as if the C Shares and Existing Ordinary Shares were a single class; and
- (b) the Deferred Shares shall not carry any right to receive notice of nor to attend or vote at any general meeting of the Company.

(V) The following shall apply to the Deferred Shares:

- (a) the C Shares shall be issued on such terms that the Deferred Shares arising upon Conversion (but not the Ordinary Shares arising on Conversion) may be repurchased by the Company in accordance with the terms set out herein;
- (b) immediately upon Conversion, the Company shall repurchase all of the Deferred Shares which arise as a result of Conversion for an aggregate consideration of one pence for every 1,000,000 Deferred Shares and the notice referred to in paragraph (VIII)(b) below shall be deemed to constitute notice to each C Shareholder (and any person or persons having rights to acquire or acquiring C Shares on or after the Calculation Date) that the Deferred Shares shall be repurchased immediately upon Conversion for an aggregate consideration of one pence for each holding of 1,000,000 Deferred Shares. On repurchase, each Deferred Share shall be treated as cancelled in accordance with section 706 of the Companies Act 2006 without further resolution or consent; and
- (c) the Company shall not be obliged to: (i) issue share certificates to the deferred shareholders in respect of the Deferred Shares; or (ii) account to any deferred shareholder for the repurchase moneys in respect of such Deferred Shares.

(VI) Without prejudice to the generality of the Articles, for so long as any C Shares are for the time being in issue it shall be a special right attaching to the Existing Ordinary Shares as a class and to the C Shares as a separate class that without the sanction or consent of such holders given in accordance with the Company's Articles:

- (a) no alteration shall be made to the Articles of the Company;
- (b) no allotment or issue will be made of any security convertible into or carrying a right to subscribe for any share capital of the Company other than the allotment or issue of further C Shares; and
- (c) no resolution of the Company shall be passed to wind-up the Company.

For the avoidance of doubt but subject to the rights or privileges attached to any other class of shares, the previous sanction of a special resolution of the holders of Existing Ordinary Shares and C Shares, as described above, shall not be required in respect of:

- (i) the issue of further Ordinary Shares ranking *pari passu* in all respects with the Existing Ordinary Shares (otherwise than in respect of any dividend or other distribution declared, paid or made on the Existing Ordinary Shares by the issue of such further Ordinary Shares); or
 - (ii) the sale of any shares held as treasury shares (as such term is defined in section 724 of the Companies Act 2006) in accordance with sections 727 and 731 of the Companies Act 2006 or the purchase or redemption of any shares by the Company (whether or not such shares are to be held in treasury).
- (VII) For so long as any C Shares are for the time being in issue, until Conversion of such C Shares 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 date on which the Company first receives the Net Proceeds and the Calculation Date relating to such C Shares (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.
- (VIII) The C Shares for the time being in issue shall be sub-divided and converted into Ordinary Shares and Deferred Shares on the Conversion Date in accordance with the following provisions of this paragraph (VIII):
- (a) the Directors shall procure that within 10 Business Days of the Calculation Date:
 - (i) the Conversion Ratio as at the Calculation Date and the numbers of Ordinary Shares and Deferred Shares to which each C Shareholder shall be entitled on Conversion shall be calculated; and
 - (ii) the Auditors shall be requested to confirm that such calculations as have been made by the Company have, in their opinion, been performed in accordance with the Articles and are arithmetically accurate whereupon such calculations shall become final and binding on the Company and all holders of the Company's shares and any other securities issued by the Company which are convertible into the Company's shares, subject to the proviso immediately after the definition of H in paragraph (I) above.
 - (b) The Directors shall procure that, as soon as practicable following such confirmation and in any event within 10 Business Days of the Calculation Date, a notice is sent to each C shareholder advising such ordinary shareholder of the Conversion Date, the Conversion Ratio and the numbers of Ordinary Shares and Deferred Shares to which such C shareholder will be entitled on Conversion.

- (c) On conversion each C Share shall automatically subdivide into 10 conversion shares of 0.1p each and such conversion shares of 0.1p each shall automatically convert into such number of Ordinary Shares and Deferred Shares as shall be necessary to ensure that, upon such Conversion being completed:
 - (i) the aggregate number of Ordinary Shares into which the same number of conversion shares of 0.1p each 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 Ordinary Share); and
 - (ii) each conversion share of 0.1p which does not so convert into an Ordinary Share shall convert into one Deferred Share.
- (d) The Ordinary Shares and Deferred Shares arising upon Conversion shall be divided amongst the former C shareholders *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 Ordinary Shares and Deferred Shares arising upon Conversion including, without prejudice to the generality of the foregoing, selling any Ordinary 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 C Shareholder new certificates in respect of the 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) 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.

4. City Code on Takeovers and Mergers

4.1 *Mandatory bid*

The Takeover Code applies to the Company. Under Rule 9 of the Takeover Code, if:

- (i) a person acquires an interest in Ordinary Shares which, when taken together with Ordinary Shares already held by him or persons acting in concert with him, carry 30 per cent. or more of the voting rights in the Company; or
- (ii) a person who, together with persons acting in concert with him, is interested in not less than 30 per cent. and not more than 50 per cent. of the voting rights in the Company acquires additional interests in Ordinary Shares which increase the percentage of Ordinary Shares carrying voting rights in which that person is interested, the acquirer and, depending on the circumstances, its concert parties, would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding Ordinary Shares at a price not less than the highest price paid for any interests in the Ordinary Shares by the acquirer or its concert parties during the previous 12 months.

4.2 *Compulsory Acquisition*

Under sections 974 to 991 of the Act, if an offeror acquires or contracts to acquire (pursuant to a takeover offer) not less than 90 per cent. of the shares (in value and by voting rights) to which such offer relates it may then compulsorily acquire the outstanding shares not assented to the offer. It would do so by sending a notice to holders of outstanding shares telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for the holders of outstanding shares. The consideration offered to the holders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the takeover offer.

In addition, pursuant to section 983 of the Act, if an offeror acquires or agrees to acquire not less than 90 per cent. of the shares (in value and by voting rights) to which the offer relates, any holder of shares to which the offer relates who has not accepted the offer may require the offeror to acquire his shares on the same terms as the takeover offer.

The offeror would be required to give any holder of outstanding shares notice of his right to be bought out within one month of that right arising. Such sell-out rights cannot be exercised after the end of the period of three months from the last date on which the offer can be accepted or, if later, three months from the date on which the notice is served on the holder of outstanding shares notifying them of their sell-out rights. If a holder of shares exercises their rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

5. Interests of Directors, major shareholders and related party transactions

5.1 The Directors intend to subscribe for Ordinary Shares pursuant to the Issue in the amounts set out below:

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>% of issued Ordinary Share capital*</i>
Michael Wrobel	21,360	0.02
Paul Craig	12,018,000	10.02
Lucinda Riches	0	0
Jane Tufnell	100,000	0.08

* Assuming that the Issue is subscribed as to 120 million Ordinary Shares

** Paul Craig's interests in the Ordinary Share capital include 11,988,000 Ordinary Shares which Henderson Global Investors Limited intends to subscribe under the Placing. Please see paragraph 5.12 of this Part VII for further details.

Save as disclosed in this paragraph, immediately following Admission, no Director will have any interest, whether beneficial or non-beneficial, in the share or loan capital of the Company.

5.2 No Director has a service contract with the Company, nor are any such contracts proposed, each Director having been appointed pursuant to a letter of appointment entered into with the Company. The Directors' appointments can be terminated in accordance with the Articles and without compensation. The Directors are subject to retirement by rotation in accordance with the Articles.

There is no notice period specified in the letters of appointment or Articles for the removal of Directors. The Articles provide that the office of Director shall be terminated by, among other things: (i) written resignation; (ii) unauthorised absences from board meetings for six consecutive months or more; or (iii) written request of all of the other Directors.

5.3 The Directors' current level of remuneration is £25,000 per annum for each Director other than the Chairman, who receives £30,000 per annum.

5.4 The Company has not made any loans to the Directors which are outstanding, nor has it ever provided any guarantees for the benefit of any Director or the Directors collectively.

5.5 Over the five years preceding the date of this Prospectus, the Directors hold or have held the following directorships (apart from their directorships of the Company and its subsidiary) or memberships and administrative, management or supervisory bodies and/or partnerships:

<i>Name</i>	<i>Current</i>	<i>Previous</i>
Michael Wrobel	JPMorgan European Smaller Companies Trust plc	None
Paul Craig	None	New Star Asset Management Limited
Lucinda Riches	UK Financial Investments Limited Sue Ryder Care The Mill Street Partnership No. 2 LLP Ingenious Film Partners 2 LLP Inside Track 1 LLP Inside Track 2 LLP	None
Jane Tufnell	Ruffer LLP Ruffer Asia Limited Ruffer Management Limited	None

5.6 The Directors in the five years before the date of this Prospectus:

- do not have any convictions in relation to fraudulent offences;
- have not been associated with any bankruptcies, receiverships or liquidations of any partnership or company through acting in the capacity as a member of the administrative, management or supervisory body or as a partner, founder or senior manager of such partnership or company; and
- do not have any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) and have not been disqualified by a court from acting as a member of the administration, management or supervisory bodies of any issuer or from acting in the management or conduct of the affairs of any issuer.

5.7 As at 6 April 2011 (being the latest practicable date before publication of this Prospectus) insofar as known to the Company, there are no parties known to have a notifiable interest under English law in the Company's capital or voting rights.

5.8 All Shareholders have the same voting rights in respect of the share capital of the Company.

5.9 Pending the allotment of Ordinary Shares pursuant to the Issue, the Company is controlled by MAM Funds plc, the parent company of the Manager, as described in paragraph 2.1 of this Part VII above. The Company and the Directors are not aware of any other person who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

5.10 The Company and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Company.

5.11 Save for the entry into of the Management Agreement, the Company has not entered into any related party transaction at any time during the period from incorporation to 6 April 2011 (being the latest practicable date before publication of this Prospectus).

5.12 Paul Craig is an employee of Henderson Global Investors Limited ("HGI"). The Company has been informed that HGI intends to subscribe for Ordinary Shares pursuant to the Placing on behalf of clients to which HGI acts as discretionary investment manager. The Company has been informed that such subscription will be limited to the lower of (i) 9.99 per cent. of the Ordinary Share capital following completion of the Issue; and (ii) 20 million Ordinary Shares.

Save as disclosed above, none of the Directors has any conflict of interest or potential conflicts of interest between any duties to the Company and his private interests and any other duties. The Manager, any of its directors, officers, employees, agents and affiliates and the Directors and any person or company with whom they are affiliated or by whom they are employed (each an "Interested Party") may be involved in other financial, investment or other professional activities which may cause conflicts of interest with the Company. In particular, Interested Parties may provide services similar to those provided to the Company to other entities and shall not be liable to account for any profit from any such services. For example, an Interested Party may acquire on behalf of a client an investment in which the Company may invest.

6. Investment restrictions

The Company will at all times invest and manage its assets with the objective of spreading risk and in accordance with its published investment policy as set out in Part I of this Prospectus.

In order to comply with the current Listing Rules, the Company will not invest more than 10 per cent. of its Gross Assets in other listed closed-ended investment funds, whether managed by the Manager or not, except that this restriction shall not apply to investments in listed closed-ended investment funds which themselves have stated investment policies to invest no more than 15 per cent. of their gross assets in other listed closed-ended investment funds.

In the event of a breach of the investment policy set out in Part I of this Prospectus and the investment restrictions set out therein, the Manager shall inform the Board upon becoming aware of the same and if the Board considers the breach to be material, notification will be made to a Regulatory Information Service.

The Company intends to conduct its affairs so as to qualify as an investment trust for the purposes of section 1158 of the Corporation Tax Act 2010, and its investment activities will therefore be subject to the restrictions set out under “Principal activities of the Company” in paragraph 1.4 above.

The Company must not conduct any trading activity which is significant in the context of its group as a whole.

7. Material contracts

Save as described below, the Company has not (i) entered into any material contracts (other than contracts in the ordinary course of business) within the two years immediately preceding the publication of this Prospectus; or (ii) entered into any contracts that contain provisions under which the Company has any obligation or entitlement that is material to the Company as at the date of this Prospectus.

7.1 *Placing and Offer Agreement*

The Placing and Offer Agreement dated 7 April 2011 between the Company, the Manager and Cenkos Securities, pursuant to which, subject to certain conditions, Cenkos Securities has agreed to use all reasonable endeavours to procure subscribers for Ordinary Shares at the Issue Price.

The Placing and Offer Agreement may be terminated by Cenkos Securities in certain customary circumstances prior to Admission. The Company has appointed Cenkos Securities as UKLA sponsor and placing agent to the Company in connection with the Issue.

The obligation of the Company to issue the Ordinary Shares and the obligation of Cenkos Securities to use its reasonable endeavours to procure subscribers for Ordinary Shares is conditional upon certain conditions that are typical for an agreement of this nature. These conditions include, among others: (i) Admission occurring and becoming effective by 8.00 a.m. London time on or prior to 28 April 2011 (or such later time and/or date, not being later than 26 May 2011, as the Company and Cenkos Securities may agree); and (ii) the Placing and Offer Agreement not having been terminated in accordance with its terms.

In consideration for its services in relation to the Issue and conditional upon completion of the Issue, Cenkos Securities will be paid (i) a corporate finance fee of £250,000; and (ii) a commission equal to 1.75 per cent. of the Gross Issue Proceeds (as defined below) receivable from Placees and subscribers for Ordinary Shares under the Offer for Subscription (together with applicable VAT). In the event that the initial issue expenses exceed 2.5 per cent. of the Gross Issue Proceeds, the corporate finance fee payable to Cenkos Securities shall be reduced by £1 for every £1 by which the initial issue expenses exceed 2.5 per cent. of the Gross Issue Proceeds (subject to a maximum reduction of £250,000). “Gross Issue Proceeds” means an amount in Sterling equal to the aggregate, before any deductions or payments of fees or commissions, of the total gross proceeds raised under the Issue equal to the number of Ordinary Shares issued at the Issue Price pursuant to the Issue.

The Company and the Manager have given warranties to Cenkos Securities concerning, *inter alia*, the accuracy of the information contained in this Prospectus. The Company and the Manager have also given indemnities to Cenkos Securities. The warranties and indemnities given by the Company and the Manager are standard for an agreement of this nature.

The Placing and Offer Agreement is governed by the laws of England and Wales.

7.2 *Management Agreement*

The Management Agreement dated 7 April 2011 between the Company and the Manager, whereby the Manager is appointed to act as investment manager of the Company with responsibility to manage the assets of the Company and to advise the Company on a day to day basis in accordance

with the investment policy of the Company and subject to the overall control and supervision of the Board. Under the terms of the Management Agreement, the Manager has discretion to buy, sell, retain, exchange or otherwise deal in investment assets for the account of the Company.

Under the terms of the Management Agreement, the Manager will be entitled to a management fee together with reimbursement of all reasonable costs and expenses incurred by it in the performance of its duties.

With effect from Admission, the Manager shall be entitled to receive from the Company or any member of its group in respect of its services provided under the Management Agreement, a management fee payable monthly in arrears calculated at the rate of one-twelfth of 1 per cent. per calendar month of the Market Capitalisation. In addition to the basic management fee, and for so long as a Redemption Pool is in existence, the Manager shall be entitled to receive from the Company a fee calculated at the rate of one-twelfth of 1 per cent. per calendar month of the net asset value of the Redemption Pool on the last Business Day of the relevant calendar month. All sums are exclusive of VAT and where appropriate VAT will be added and payable at the then applicable rate. In accordance with the Directors' policy on the allocation of expenses between income and capital, in each financial year 75 per cent. of the management fee payable is expected to be charged to capital and the remaining 25 per cent. to income.

The Management Agreement is terminable by either the Manager or the Company giving to the other not less than 12 months' written notice, such notice not to expire earlier than the second anniversary of Admission. The Management Agreement may be terminated earlier by the Company with immediate effect on the occurrence of certain events, including: (i) if the Manager goes into liquidation (other than a voluntary liquidation for the purposes of reconstruction or amalgamation previously approved in writing by the Company such approval not to be unreasonably withheld or delayed) or if a receiver or administrative receiver is appointed over the whole or any substantial part of the assets or undertaking of the Manager or an administrator is appointed of the Manager; or (ii) if the Manager shall commit any material breach of its obligations under the Management Agreement and (if such breach shall be capable of remedy) shall fail within thirty days of receipt of notice served by the Company requiring it so to do to make good such breach; (iii) if Gervais Williams ceases to be an employee of the Manager's group and within three months of his departure is not replaced by a person whom the Company considers, in its absolute discretion (but acting reasonably), to be of equal or satisfactory standing; or (iv) upon the Manager ceasing to be authorised for the purposes of FSMA or no longer having any permissions required of it for the purposes of carrying out its obligations under the Management Agreement.

The Company has given certain market standard indemnities in favour of the Manager in respect of the Manager's potential losses in carrying on its responsibilities under the Management Agreement.

The Management Agreement is governed by the laws of England and Wales.

7.3 Administration and Company Secretarial Agreement

The Administration and Company Secretarial Agreement between the Company and Capita Sinclair Henderson Limited dated 7 April 2011, pursuant to which the Administrator has agreed to provide certain administrative and secretarial services to the Group.

Under the agreement, the Administrator shall provide general fund administration services (including calculation of the daily NAV), bookkeeping and accounts preparation services.

Under the terms of the Administration and Company Secretarial Agreement, the Administrator is entitled to an annual fee of £108,000 (exclusive of VAT) payable monthly in advance. The Administrator will also be entitled to reimbursement of all reasonable out of pocket expenses incurred by it in connection with its duties.

The Administrator is entitled to increase the fees on the one year anniversary of the agreement, and annually thereafter in January of each year at the rate of the Retail Prices Index prevailing at that time. In addition, the Administrator may increase the fees at any time by an amount exceeding the Retail Prices Index as a result of a change in applicable requirements which affect the

obligations of the Administrator or for any other reason. In such event, the Administrator shall give thirty days' written notice to the Company and the revised fees shall apply from the expiry of such notice. In the event that the Company objects to such increase within the 30 day period, it will have the right to terminate this Agreement as more particularly described below.

The agreement shall terminate automatically, *inter alia*, if the other party commits a material breach of its obligations under the agreement which that party has failed to remedy within sixty days of receipt of a written notice to do so from the first party or if a party goes into liquidation or an order shall be made or a resolution shall be passed to put a party into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation). Either party may terminate the agreement by notice to the other party expiring three months from the date of the original notification by the Administrator of the proposed fee increase under the agreement, should the parties not reach an agreement regarding any fee increase or by giving not less than twelve months' prior written notice to the other party.

The aggregate liability of the Administrator for any losses arising out of or in connection with the agreement are limited to the lesser of £500,000 or an amount equal to five times the annual fee payable to the Administrator under the agreement. The Company has agreed to indemnify and hold harmless the Administrator from and against any and all losses incurred by the Administrator resulting or arising from the Company's negligence, wilful default, fraud, fraudulent misrepresentation or breach of the agreement except to the extent such losses have resulted from the negligence, fraud, fraudulent misrepresentation or wilful default of the Administrator.

The Administration and Company Secretarial Agreement is governed by the laws of England and Wales.

7.4 Receiving Agent Agreement

The Receiving Agent Agreement between the Company and Capita Registrars dated 7 April 2011, pursuant to which the Receiving Agent has agreed to provide receiving agent duties and services to the Company in respect of the Issue.

Under the terms of the Receiving Agent Agreement, the Receiving Agent is entitled to a fee at a rate of £175 per hour (subject to a minimum fee of £1,750), plus a processing fee of £6.50 per application. The Receiving Agent will also be entitled to reimbursement of all out of pocket expenses reasonably and properly incurred by it in connection with its duties. These fees will be for the account of the Company.

The Receiving Agent Agreement also contains a provision whereby the Company indemnifies the Receiving Agent against any loss, liability or expense save where due to fraud, wilful default or negligence on the Receiving Agent's part arising out of or in connection with the Receiving Agent's activities pursuant to the Receiving Agent Agreement.

The Receiving Agent Agreement is governed by the laws of England and Wales.

7.5 Registrar Agreement

The Registrar Agreement between the Company and Capita Registrars dated 7 April 2011, pursuant to which the Registrar has been appointed as registrar to the Company. The Registrar shall be entitled to receive an annual registration fee from the Company based on activity and subject to an annual minimum charge of £4,250 (exclusive of any VAT). The Registrar shall also be entitled to reimbursement of all out of pocket costs, expenses and charges properly incurred on behalf of the Company.

Any party may terminate the Registrar Agreement on not less than six months' notice in writing to the other party, provided that such termination shall not be effective prior to the third anniversary of Admission. Any party may terminate the Registrar Agreement:

- (i) by service of 3 months' written notice should the parties not reach an agreement regarding any increase of the fees payable under the Registrar Agreement; or

- (ii) upon service of written notice if the other party commits a material breach of its obligations under the Registrar Agreement (including any payment default) which that party has failed to remedy within 45 days of receipt of a written notice to do so from the first party; or
- (iii) upon service of written notice if a resolution is passed or an order made for the winding-up, dissolution or administration of the other party, or if the other party is declared insolvent or if an administrator, administrative receiver, manager or provisional liquidator (or similar officer to any of the foregoing in the relevant jurisdiction) is appointed over the whole of or a substantial part of the other party or its assets or undertakings.

The Registrar Agreement limits the Registrar's liability thereunder to the lesser of £500,000 or an amount equal to 5 times the annual fee payable to the Registrar pursuant to the Receiving Agent Agreement. The Company indemnifies the Registrar against all claims arising out of or connected to the Registrar Agreement, save in the case of fraud, wilful default or negligence on the part of the Registrar.

The Registrar Agreement is governed by the laws of England and Wales.

7.6 *Custody Agreement*

The Custody Agreement dated 7 April 2011, between the Company and the Custodian, pursuant to which the Custodian is appointed to provide custody services to the Company, including setting up and maintaining securities records and cash accounts, keeping safe custody of the Company's investments, processing corporate actions and shareholder votes and collecting and processing the Company's income.

Under the terms of the Custody Agreement, the Custodian is entitled to be paid a custody charge based on the value of the assets and a transaction charge for transaction settlement.

In addition to these fees, the Custodian is entitled to certain other payments including the reimbursement of out-of-pocket expenses and also to re-registration fees, certification and splitting fees.

Under the Custody Agreement, all cash held by the Custodian in the cash account(s) maintained for the Company will be held by the Custodian in its capacity as a banker, not as a trustee. As a result, such cash will not be held in accordance with the FSA's client money rules.

The Custody Agreement also contains terms including the right for the Custodian to be indemnified by the Company against all liabilities to which the Custodian or a nominee company controlled by the Custodian may be or become subject or which may be incurred by it in discharge or purported discharge of any of its functions under the Custody Agreement or in respect of any other matter or thing done or omitted in any way relating to the Custody Agreement (including all liabilities incurred in disputing or defending any of the above) other than any Liability caused by the negligence, fraud or wilful default of the Custodian or such nominee company.

The Custodian is entitled to delegate from time to time any of its duties under the Custody Agreement.

The Custody Agreement is terminable by either the Company or the Custodian giving to the other not less than 30 days' notice. The Custody Agreement may be terminated earlier by either the Company or the Custodian on the occurrence of certain events, including: (i) if the other party has committed a material breach or is in persistent breach of the terms of the Custody Agreement; or (ii) in the case of insolvency of a party.

The Custody Agreement is governed by the laws of England and Wales.

The Company intends, before or after Admission, to negotiate terms for a multi-currency overdraft facility. The indicative terms of the facility call for advances thereunder to be repayable on demand by the lender and interest would be charged monthly in arrears on amounts outstanding. In connection with that potential facility the lender has indicated it would require the Company to enter into a charge agreement whereby the Company would be obliged to charge its assets in favour of the lender.

In the event that a lender was entitled to call on the security it would have, amongst its other remedies, the opportunity to sell assets of the Company to pay off amounts owing to it together with all costs and other liabilities.

7.7 Broker Agreement

The Broker Agreement dated 7 April 2011 between the Company and Cenkos Securities pursuant to which Cenkos Securities will act as broker to the Company. As part of the engagement, Cenkos Securities has agreed, amongst other things, to provide a written market activity report to the Board every six months, to maintain a regular dialogue with core shareholders and ensure that any significant developments in the Company are communicated to them appropriately, to advise on and co-ordinate an investor liaison programme for the Company, to monitor and report to the Board where appropriate on the trading of the Ordinary Shares and significant movements in its share price and to use its reasonable endeavours to match buyers and sellers of the Ordinary Shares.

Cenkos Securities shall be entitled to a fee of £35,000 per annum, payable semi annually in arrears. In addition, Cenkos Securities shall be entitled to a commission charge of 0.2 per cent. of the purchase price for executing share buybacks for the Company and a fee of 1 per cent. of the gross issue proceeds for share issuance which is part of an issue within the annual exemption to issue shares for up to 10 per cent. of the share capital without the need for a prospectus (and selling of shares from treasury). Cenkos Securities may also be awarded a discretionary service bonus, payable annually in arrears, in the event that the Board considers that Cenkos Securities has performed above expectations in relation to its appointment. All commissions, fees and other expenses are exclusive of VAT, if any.

The Broker Agreement shall be terminated: (a) by either party, at any time, giving written notice to the other party if there is or has been a material breach by the other party of its obligations under this agreement and such breach (where capable of remedy) remains unremedied to the reasonable satisfaction of the party seeking to exercise its right of termination within 5 business days of a written request therefor; (b) by either party at any time giving to the other not less than 30 days' prior written notice; or (c) forthwith upon the Company's shares ceasing to be admitted to trading on the Official List. Any excess over the Basic Annual Fee accrued under the terms of the Placing and Offer Agreement as set out above shall be payable in full within 5 business days after termination of this agreement.

The Company has agreed to indemnify Cenkos Securities against all losses which Cenkos Securities may suffer or incur by reason of or arising directly or indirectly out of or in connection with its engagement under the Broker Agreement save where the same arise from the judicially determined fraud, regulatory breach, negligence or wilful default of Cenkos Securities or from a material breach by Cenkos Securities of the Broker Agreement.

The Broker Agreement is governed by and construed in accordance with the laws of England and Wales.

8. Litigation

There have been no governmental, legal or arbitration proceedings, and the Company is not aware of any governmental, legal or arbitration proceedings pending or threatened involving it or any member of the Group, nor of any such proceedings having been pending or threatened at any time preceding the date of this Prospectus which may have, or have had in the recent past, a significant effect on the financial position or profitability of the Company or the Group.

9. Significant change

As at the date of this Prospectus, there has been no significant change in the financial or trading position of the Company or the Group since its incorporation.

10. Working capital

The Company is of the opinion that, taking into account the Minimum Net Proceeds, the working capital available to the Group is sufficient for its present requirements, that is for at least 12 months from the date of this document.

If the Minimum Net Proceeds, or such lesser amount as the Directors, Cenkos Securities and the Manager in their absolute discretion may decide, are not raised, the Issue will not proceed and application monies received under the Placing and Offer will be returned to applicants without interest at the applicants' risk.

If the Minimum Net Proceeds are not raised, the Issue may only proceed where a supplementary prospectus (including a working capital statement based on a revised minimum net proceeds figure and a revised statement as to the initial target dividend rate) has been prepared in relation to the Company and approved by the UKLA.

11. Capitalisation and Indebtedness

As at the date of this Prospectus, the Company has no guaranteed, secured, unguaranteed or unsecured debt and no indirect or contingent indebtedness and there have been no material changes to the Company's capitalisation from the date of incorporation to the date of this Prospectus.

12. General

Where information has been sourced from third parties, the Company confirms that this information has been accurately reproduced and that, so far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Cenkos Securities has given and not withdrawn its written consent to the inclusion in this Prospectus of references to its name in the form and context in which they appear.

Midas Capital Partners Limited has given and not withdrawn its written consent to the inclusion in this Prospectus of references to its name in the form and context in which they appear.

Midas Capital Partners Limited accepts responsibility for the information contained in Part I of this document under the heading "Investment case". Midas Capital Partners Limited has taken all reasonable care to ensure that the information contained in Part I of this document under the heading "Investment case" is, to the best of its knowledge, in accordance with the facts and contains no omissions likely to affect its import.

The effect of the Issue will be to increase the net assets of the Group. On the assumption that the Issue is subscribed as to 120 million Ordinary Shares, the fundraising is expected to increase the net assets of the Group by approximately £58.5 million. The Issue is expected to be earnings enhancing.

13. Auditors

The auditors to the Company are Ernst & Young LLP of 1 More London Place, London SE1 2AF. Ernst & Young LLP is registered to carry on audit work by The Institute of Chartered Accountants in England and Wales (ICAEW). The firm is a member of the ICAEW Practice Assurance scheme and is subject to the jurisdiction of The Accountancy and Actuarial Discipline Board.

14. Documents on display

The following documents will be available for inspection during usual business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of Stephenson Harwood, One, St. Paul's Churchyard, London EC4M 8SH until the date of Admission:

- this Prospectus; and
- the Articles.

Dated: 7 April 2011

PART VIII
DEFINITIONS

“Act”	the Companies Act 2006, as amended from time to time
“Administration and Company Secretarial Agreement”	the administration and company secretarial agreement dated 7 April 2011, between the Company and the Administrator summarised in paragraph 7.3 of Part VII of this Prospectus
“Administrator”	Capita Sinclair Henderson Limited
“Admission”	the admission of the Ordinary Shares: (i) to the premium segment of the Official List; and (ii) to trading on the London Stock Exchange’s main market for listed securities, becoming effective in accordance with the Listing Rules and the admission and disclosure standards of the London Stock Exchange
“AIC Code”	the Association of Investment Companies Code of Corporate Governance, as amended from time to time
“AIC Guide”	the Association of Investment Companies Corporate Governance Guide for Investment Companies, as amended from time to time
“Application Forms” and each an “Application Form”	the application forms on which applicants may apply for Ordinary Shares under the Offer attached as an Appendix to this Prospectus
“Articles”	the articles of association of the Company as at the date of this Prospectus
“Auditors”	Ernst & Young LLP or such other auditor as the Company may appoint from time to time
“Broker Agreement”	the broker agreement dated 7 April 2011, between the Company and Cenkos Securities summarised in paragraph 7.7 of Part VII of this Prospectus
“Business Day”	a day (excluding Saturdays and Sundays or public holidays in England and Wales) on which banks generally are open for business in London for the transaction of normal business
“Capita Registrars”	a trading name of Capita Registrars Limited
“C Shares”	C shares of 1 pence each in the capital of the Company having the rights and restrictions set out in paragraph 3.18 of Part VII of this Prospectus
“Cenkos Securities”	Cenkos Securities plc
“certified” or “in certificated form”	not in uncertificated form
“Company”	The Diverse Income Trust plc
“Continuing Pool”	the cash, assets and liabilities of the Company other than those constituting the Redemption Pool, as more particularly described in Part III of this document
“CREST”	the relevant system as defined in the CREST Regulations in respect of which Euroclear UK and Ireland Limited is operator (as defined in the CREST Regulations) in accordance with which securities may be held in uncertificated form

“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 2001/3755), as amended
“Custodian”	HSBC Bank plc
“Custody Agreement”	the custody agreement dated 7 April 2011, between the Company and the Custodian summarised in paragraph 7.6 of Part VII of this Prospectus
“Dealing Value of the Company”	the value of the Company calculated in accordance with paragraph 7 of Part III of this Prospectus
“Dealing Value per Ordinary Share”	the value by reference to which Ordinary Shares may be redeemed on a Redemption Point calculated in accordance with paragraph 7 of Part III of this Prospectus
“Directors” or “Board”	the board of directors of the Company
“Disclosure and Transparency Rules”	the disclosure and transparency rules made by the FSA under Part VI of the FSMA
“FSA”	the Financial Services Authority, being the single regulatory authority for the UK financial services industry
“FSMA”	the UK Financial Services and Markets Act 2000, as amended
“Gross Assets”	the gross assets of the Company as determined in accordance with the accounting principles adopted by the Company from time to time
“Group”	the Company and its subsidiary undertaking(s)
“HMRC”	HM Revenue & Customs
“IFRS”	International Financial Reporting Standards
“ISA”	an individual savings account maintained in accordance with the UK Individual Savings Account Regulations 1998 (as amended from time to time)
“Issue”	the Placing and the Offer
“Issue Price”	50 pence per Ordinary Share
“Listing Rules”	the listing rules made by the UK Listing Authority under section 73A of FSMA
“London Stock Exchange”	London Stock Exchange plc
“Management Agreement”	the management agreement dated 7 April 2011, between the Manager and the Company summarised in paragraph 7.2 of Part VII of this Prospectus
“Management Shares”	non-redeemable shares of 100 pence each in the capital of the Company to be subscribed for and held by MAM Funds plc, the parent company of the Manager
“Manager”	Midas Capital Partners Limited
“Market Capitalisation”	the average of the mid market prices for an Ordinary Share and a C Share, respectively, as derived from the Daily Official List of the London Stock Exchange on each Business Day in the relevant calendar month multiplied by the number of Ordinary Shares and

	C Shares, respectively, in issue on the last Business Day of the relevant calendar month excluding any Ordinary Shares or C Shares held by the Company in treasury
“Member State”	any member state of the European Economic Area
“Minimum Net Proceeds”	the minimum net proceeds of the Issue, being £45 million
“Money Laundering Regulations”	the Money Laundering Regulations 2007
“NAV” or “Net Asset Value”	the value of the assets of the Company less its liabilities, determined in accordance with the accounting principles adopted by the Company from time to time and the Articles
“Offer” or “Offer for Subscription”	the offer for subscription of Ordinary Shares at the Issue Price, as described in this Prospectus
“Offer Shares”	the Ordinary Shares to be issued under the Offer
“Official List”	the official list maintained by the UK Listing Authority
“Ordinary Shares”	ordinary redeemable shares of nominal value 0.1 pence each in the capital of the Company
“Overseas Persons”	persons who are resident in, or who are citizens of, or who have registered addresses in, territories other than the UK
“Placing”	the conditional placing of Placing Shares by Cenkos Securities at the Issue Price pursuant to the Placing and Offer Agreement
“Placing and Offer Agreement”	the conditional agreement between the Company, the Manager and Cenkos Securities summarised in paragraph 7.1 of Part VII of this Prospectus
“Placing Shares”	the Ordinary Shares to be issued under the Placing
“Prospectus”	this Prospectus
“Prospectus Directive”	Directive 2003/71/EC of the European Parliament and of the Council of the European Union and any relevant implementing measure in each Relevant Member State
“Prospectus Rules”	the rules and regulations made by the FSA under Part VI of the FSMA
“Receiving Agent”	Capita Registrars
“Redemption Point”	5.00 p.m. on the last Business Day in May each year on which date holders of Ordinary Shares which have submitted valid Redemption Requests to have their Ordinary Shares redeemed will be considered for redemption at the discretion of the Board
“Redemption Pool”	the pool of cash, assets and liabilities to be created in respect of a particular Redemption Point and allocated to the Ordinary Shares which are the subject of Redemption Requests for that Redemption Point, as more particularly described in Part III of this Prospectus
“Redemption Price”	the price for which Ordinary Shares are redeemed on a Redemption Point as determined by reference to the Dealing Value per Ordinary Share or a Redemption Pool, as more particularly described in Part III of this Prospectus

“Redemption Request”	a written notice in the form from time to time prescribed by the Company and available upon request from the Administrator
“Register”	the register of members of the Company
“Registrar”	Capita Registrars
“Regulation S”	Regulation S under the Securities Act
“Regulatory Information Service” or “RIS”	a service authorised by the UK Listing Authority to release regulatory announcements to the London Stock Exchange
“Relevant Member State”	each Member State which has implemented the Prospectus Directive or where the Prospectus Directive is applied by the regulator
“Securities Act”	the United States Securities Act of 1933, as amended
“Shareholder”	a holder of Ordinary Shares
“Shares”	Ordinary Shares and/or C Shares and/or Management Shares, as the context requires or permits
“SIPP”	a self-invested personal pension as defined in Regulation 3 of the Retirement Benefits Schemes (Restriction on Discretion to Approve) (Permitted Investments) Regulations 2001 of the UK
“SSAS”	a small self administered scheme as defined in Regulation 2 of the Retirement Benefits Schemes (Restriction on Discretion to Approve) (Small Self-Administered Schemes) Regulations 1991 of the UK
“Sterling” or “£”	pounds sterling, the lawful currency of the UK
“Takeover Code”	The City Code on Takeovers and Mergers
“UK”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	the FSA acting in its capacity as the competent authority for the purposes of admissions to the Official List
“uncertificated” or in “uncertificated form”	a Share recorded on the Register as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“United States” or “US”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
“US Investment Company Act”	the United States Investment Company Act of 1940, as amended
“US Person”	a US Person as defined for the purposes of Regulation S
“Valuation Point”	close of business on the Business Day immediately preceding the relevant Redemption Point

APPENDIX
APPLICATION FORM

For official use only:	
------------------------	--

The Diverse Income Trust plc

Before completing this Application Form you should read the Prospectus, including the terms and conditions set out in Part V (*Terms and Conditions of Application under the Offer*)

Please make your cheque or banker's draft payable to **Capita Registrars Limited re: The Diverse Income Trust plc Offer for Subscription** (crossed A/C payee only) and return it together with this form by post or by hand (during normal business hours only) to **Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU** so as to arrive no later than **1.00 p.m. on 19 April 2011**.

PLEASE COMPLETE IN BLOCK CAPITALS ONLY and in BLACK INK

Box 1 – Application and Amount Payable

Applications must be for a **minimum of 1,000 Ordinary Shares** and thereafter in **multiples of 10 Ordinary Shares**.

Number of Ordinary Shares		at 50 pence per Ordinary Share. I have attached a cheque/banker's draft for:	£
---------------------------	--	--	---

Box 2 – Applicant Details (Individuals)

TITLE		Surname												
First Names														
Home Address														
Postcode					Daytime Telephone Number									

Box 3 – Joint Applicants

You may apply with up to 3 joint applicants

TITLE		Surname												
First Names														

TITLE		Surname												
First Names														

TITLE		Surname												
First Names														

BOX 7 MUST BE COMPLETED BY AUTHORISED FINANCIAL INTERMEDIARIES ONLY

Box 7 – Authorised Financial Intermediaries Details

By completing and stamping Box 7 below you are deemed to have read the Prospectus and agreed to the terms and conditions in Part V (Terms and Conditions of Application under the Offer) and to have given the warranty and undertaking set out therein and in Note 7 of the accompanying Notes on Completion of the Application Form.

AUTHORISED FINANCIAL INTERMEDIARIES STAMP	Name of Firm	
	FSA Number	
	Signature	
	Name	
	Position	
	Date	
	Telephone No	
	Email Address	

PLEASE AFFIX YOUR CHEQUE OR BANKER'S DRAFT HERE

Notes on Completion of the Application Form

It is essential that you complete all parts of the Application Form in accordance with the following instructions.

Authorised Financial Intermediaries MUST read Note 7 of these notes.

1. Application and Amount Payable

Insert in Box 1 the number of Ordinary Shares you wish to apply for in The Diverse Income Trust plc. You must also insert your total payment. Your cheque or banker's draft should be for an amount that represents 50 pence multiplied by the number of Ordinary Shares for which you are applying.

Your application must be for a minimum of 1,000 Ordinary Shares and thereafter in multiples of 10 Ordinary Shares.

Payment

Payments must be made by cheque or banker's draft in Sterling drawn on a branch in the United Kingdom of a bank or building society. Cheques, which must be drawn on the personal account of the individual investor where they have sole or joint title to the funds, should be made payable to "**Capita Registrars Limited re: The Diverse Income Trust plc Offer for Subscription**". Third party cheques will not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the building society cheque/banker's draft to such effect.

The account name should be the same as that shown on the application.

Money Laundering Regulations

Under the Money Laundering Regulations 2007, Capita Registrars Limited (Capita) may be required to check the identity of persons who subscribe for in excess of the Sterling equivalent of €15,000 of Ordinary Shares.

Capita may therefore undertake electronic searches for the purposes of verifying identity. To do so Capita may verify the details against the applicant's identity, but also may request further proof of identity. Capita reserve the right to withhold any entitlement (including any refund cheque) until such verification of identity is completed to its satisfaction.

2. Applicant Details

Insert your title, full name, address and daytime telephone number in BLOCK CAPITALS and black ink in Box 2.

Applications can only be made by persons over the age of 18.

3. Joint Applicants

You may apply with up to three joint applicants. Joint applicants should insert their title and full name in Box 3.

4. Corporate Details

A corporate body wishing to apply for Ordinary Shares should insert the company name, address and daytime telephone number in BLOCK CAPITALS and black ink in Box 4.

5. CREST

If you would like to receive your new Ordinary Shares in uncertificated form please insert your Participant ID and Member Account number in Box 5. The CREST Account must be in same name(s) as the Applicant(s) Details provided in Box(es) 2, 3 or 4 above. If you are not a CREST Participant or CREST Sponsored Member you should leave Box 5 blank and you will automatically receive a share certificate for your new Ordinary Shares.

6. Signature

By signing the Application Form you are deemed to have read the Prospectus and agreed to the terms and conditions in Part V of the Prospectus (*Terms and Conditions of Application under the Offer*) and to have given the warranties and undertakings set out therein.

Execution by Individuals:

Please sign and date Box 6. All applicants must sign.

The Application Form may only be signed by someone other than the Applicant(s) named in Box(es) 2, 3 or 4 if duly authorised to do so. In such cases the original Power of Attorney (or other relevant legal document) or duly certified copy thereof must be enclosed for inspection.

Execution by a Company:

A corporation should sign under the hand of a duly authorised official whose representative capacity should be stated and a copy of a notice issued by the corporation authorising such person to sign should accompany the Application Form.

PLEASE AFFIX YOUR CHEQUE OR BANKER'S DRAFT TO THE BOTTOM LEFT CORNER OF THE APPLICATION FORM

NOTES FOR AUTHORISED FINANCIAL INTERMEDIARIES ONLY

7. Authorised Financial Intermediaries Details

Authorised financial intermediaries must complete and stamp (giving their full name and address) Box 7 in BLOCK CAPITALS, giving a contact name, telephone number, email address and details of their authorisation under the Financial Services and Markets Act 2000.

Money Laundering Regulations

If you complete and stamp Box 7 of the Application Form you are warranting that the applicant is known to you and that you have completed all the verification procedures as required by the relevant rules and guidance of the FSA, the Joint Money Laundering Steering Group Guidance Notes and other anti-money laundering laws and regulations as may be considered appropriate.

You also confirm that this information can be relied upon by the Company and the Receiving Agent and will, subject to reasonable notice, be made available to the Company or the Receiving Agent for inspection upon request.

In the event of delay or failure to produce such information, the Company may refuse to accept an application for the Offer.

If you have any queries regarding the procedure for application and payment please call the

Capita Registrars Helpline on 0871 664 0321 (within the UK) or +44 208 639 3399 (outside the UK)

Calls to the 0871 664 0321 number cost 10 pence per minute from a BT landline. Calls to the helpline from outside the UK will be charged at the applicable international rate. Other network providers' costs may vary. Lines are open 9.00 a.m. to 5.00 p.m. (London time) Monday to Friday (except UK public holidays). Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Offer nor give any financial, legal or tax advice.

Return this form by post or by hand (during normal business hours only) to

**Capita Registrars, Corporate Actions,
The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU**
to arrive no later than 1.00 pm on 19 April 2011

