

This document comprises a prospectus relating to Henderson Diversified Income Trust plc (the “Company”) prepared in accordance with the prospectus rules and listing rules of the UK Listing Authority made under section 73A of the Financial Services and Markets Act 2000. This document has been approved by the Financial Conduct Authority in accordance with Rule 3.2 of the Prospectus Rules. This document will be made available to the public in accordance with the Prospectus Rules by being made available at www.hendersondiversifiedincome.com.

The Directors of the Company, whose names appear on page 24 of this document, and the Company each accept responsibility for the information contained in this document. The Directors and the Company, having taken all reasonable care to ensure that such is the case, believe that the information contained in this document is, to the best of the knowledge of the Directors and the Company, in accordance with the facts and does not omit anything likely to affect the import of such information.

Applications will be made to the UK Listing Authority for the Ordinary Shares to be admitted to the Official List and to the London Stock Exchange for the Ordinary Shares to be admitted to trading on the London Stock Exchange’s Main Market for listed securities. It is expected that admissions will become effective, and dealings in the New Shares issued pursuant to the Scheme will commence at 8.00 a.m. on 27 April 2017. It is expected that admissions will become effective and dealings in the New Shares issued pursuant to the Share Issuance Programme will commence during the period from 27 April 2017 to 2 March 2018.

HENDERSON DIVERSIFIED INCOME TRUST PLC

*(incorporated and registered in England and Wales with registered number 10635799
and registered as an investment company under section 833 of the Companies Act 2006)*

Issue of New Shares in connection with the recommended proposals for the redomicile of the investment business and summary winding up of Henderson Diversified Income Limited

and

Issue of New Shares pursuant to the Share Issuance Programme

Sponsor and Solicitor

Dickson Minto W.S.

Dickson Minto W.S., which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is the sponsor and solicitor to the Company. Dickson Minto W.S. is not acting for any other person in connection with the Issues. Apart from the responsibilities and liabilities, if any, which may be imposed on Dickson Minto W.S. by FSMA or the regulatory regime established thereunder, Dickson Minto W.S. will not be responsible to anyone other than the Company for providing the protections afforded to clients of Dickson Minto W.S. and is not advising any other person in relation to any transaction contemplated in or by this document.

This Prospectus does not constitute, and may not be used for the purposes of, an offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. The distribution of this Prospectus and the offering of New Shares in certain jurisdictions may be restricted and, accordingly, persons into whose possession this document comes are required to inform themselves about and to observe such restrictions. The Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) or under any of the relevant securities laws of Canada, Australia or Japan. Accordingly, the Ordinary Shares may not (unless an exemption from such Act or such laws is available) be offered, sold or delivered, directly or indirectly, in or into the USA, Canada, Australia or Japan. The Company will not be registered under the United States Investment Company Act of 1940 (as amended) and investors will not be entitled to the benefits of such Act.

If you are in any doubt about the contents of this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser before investing in the Company. Potential investors should also consider the risk factors relating to the Company set out on pages 13 to 19 of this document.

3 March 2017

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SUMMARY

Summaries are made up of disclosure requirements known as 'Elements'. These Elements are numbered in Sections A-E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of security and issuer. Because some Elements are not required to be addressed there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted into the summary because of the type of security and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of 'not applicable'.

Section A – Introduction and warnings

A.1	<p>Warning</p> <p>This summary should be read as an introduction to this document.</p> <p>Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the EEA States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who have tabled the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.</p>
A.2	<p>Financial Intermediaries</p> <p>Not applicable. No consent has been given by the Company or any person responsible for drawing up the Prospectus to the use of the Prospectus for subsequent resale or final placement of securities by financial intermediaries.</p>

Section B – Issuer

B.1	<p>Legal and commercial name</p> <p>Henderson Diversified Income Trust plc</p>
B.2	<p>Domicile and legal form</p> <p>The Company was incorporated and registered in England and Wales on 23 February 2017 as a public company limited by shares under the Companies Act 2006 ("Companies Act") with registered number 10635799. The Company operates under the Companies Act and regulations made under the Companies Act.</p>
B.5	<p>Group description</p> <p>Not applicable. The Company is not part of a group. If the Scheme becomes effective the Company will acquire a wholly owned subsidiary undertaking, Henderson Diversified Income (Luxembourg) S.á.r.l. The beneficial title to the assets and liabilities held within the Luxembourg Subsidiary will be assigned to the Company immediately. The legal title to the assets held within the Luxembourg Subsidiary will then be transferred to the Company as soon as practicable thereafter and following the completion of this process the Luxembourg Subsidiary will be wound up.</p>

B.6	<p>Major shareholders</p> <p>As at 1 March 2017 (being the latest practicable date prior to publication of this Prospectus), the Company was aware of the following person who, following Admission, will have a notifiable interest in the issued share capital of the Company:</p> <table data-bbox="338 324 1388 504"> <thead> <tr> <th data-bbox="338 436 598 465"><i>Registered shareholder</i></th> <th data-bbox="1007 347 1165 465"><i>No. of Shares to be acquired pursuant to the Scheme</i></th> <th data-bbox="1238 324 1388 465"><i>Percentage of issued share capital following Admission</i></th> </tr> </thead> <tbody> <tr> <td data-bbox="338 474 614 504">Brewin Dolphin Limited</td> <td data-bbox="1023 474 1157 504">24,573,351</td> <td data-bbox="1310 474 1380 504">13.7%</td> </tr> </tbody> </table> <p>The Directors are not aware of any person or persons who, following the Issues, will or could, directly or indirectly, jointly or severally, exercise control over the Company. There are no different voting rights for any Shareholder.</p>	<i>Registered shareholder</i>	<i>No. of Shares to be acquired pursuant to the Scheme</i>	<i>Percentage of issued share capital following Admission</i>	Brewin Dolphin Limited	24,573,351	13.7%																																						
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B.7	<p>Key financial information</p> <p>Not applicable. The Company has not commenced operations since its incorporation on 23 February 2017 and no financial statements of the Company have been made as at the date of this document. Given that the Company will acquire the assets and liabilities of the Existing Company key financial information in respect of the Existing Company has been included within this document.</p> <p>Selected audited historical financial information relating to the Existing Company which has been prepared in accordance with Jersey law and IFRS as adopted by the European Union and has been extracted without material adjustment from the audited annual report and accounts of the Existing Company for each of the three financial years up to 31 October 2016 is set out in the table below:</p> <table data-bbox="338 1052 1388 1500"> <thead> <tr> <th data-bbox="338 1052 790 1131"></th> <th data-bbox="810 1052 944 1131"><i>Year ended 31 October 2014*</i></th> <th data-bbox="1034 1052 1168 1131"><i>Year ended 31 October 2015</i></th> <th data-bbox="1268 1052 1402 1131"><i>Year ended 31 October 2016</i></th> </tr> </thead> <tbody> <tr> <td colspan="4" data-bbox="338 1146 539 1176">Net asset value</td> </tr> <tr> <td data-bbox="338 1178 790 1207">Net assets (£'000)</td> <td data-bbox="836 1178 935 1207">124,604</td> <td data-bbox="1061 1178 1160 1207">145,369</td> <td data-bbox="1294 1178 1393 1207">157,767</td> </tr> <tr> <td data-bbox="338 1209 790 1238">Net asset value per share (p)</td> <td data-bbox="879 1209 935 1238">88.8</td> <td data-bbox="1104 1209 1160 1238">88.4</td> <td data-bbox="1337 1209 1393 1238">89.7</td> </tr> <tr> <td data-bbox="338 1240 790 1270">Share price (p)</td> <td data-bbox="879 1240 935 1270">91.3</td> <td data-bbox="1104 1240 1160 1270">90.5</td> <td data-bbox="1337 1240 1393 1270">92.0</td> </tr> <tr> <td colspan="4" data-bbox="338 1285 592 1314">Income for the year</td> </tr> <tr> <td data-bbox="338 1317 790 1346">Total income (£'000)</td> <td data-bbox="863 1317 935 1346">8,919</td> <td data-bbox="1088 1317 1160 1346">8,840</td> <td data-bbox="1305 1317 1393 1346">13,272</td> </tr> <tr> <td data-bbox="338 1348 790 1377">Earnings/(loss) per share (p)</td> <td data-bbox="879 1348 935 1377">5.47</td> <td data-bbox="1104 1348 1160 1377">4.23</td> <td data-bbox="1337 1348 1393 1377">6.27</td> </tr> <tr> <td colspan="4" data-bbox="338 1393 767 1422">NAV and share price total returns</td> </tr> <tr> <td data-bbox="338 1424 790 1453">Net asset value total return</td> <td data-bbox="871 1424 935 1453">7.0%</td> <td data-bbox="1096 1424 1160 1453">5.0%</td> <td data-bbox="1329 1424 1393 1453">7.6%</td> </tr> <tr> <td data-bbox="338 1456 790 1485">Share price total return</td> <td data-bbox="871 1456 935 1485">5.4%</td> <td data-bbox="1096 1456 1160 1485">4.8%</td> <td data-bbox="1329 1456 1393 1485">7.6%</td> </tr> </tbody> </table> <p>* The Existing Company prepared consolidated accounts for the financial year ended 31 October 2014, the information in the table above refers to the consolidated accounts. Following changes to the accounting standards the Existing Company prepared "company only" accounts for the financial years ended 31 October 2015 and 31 October 2016.</p> <p>There has been no significant change in the financial condition and operating results of the Existing Company during the period covered by the historical financial information and no significant change in the financial condition and operating results of the Existing Company subsequent to the period covered by the historical financial information.</p>		<i>Year ended 31 October 2014*</i>	<i>Year ended 31 October 2015</i>	<i>Year ended 31 October 2016</i>	Net asset value				Net assets (£'000)	124,604	145,369	157,767	Net asset value per share (p)	88.8	88.4	89.7	Share price (p)	91.3	90.5	92.0	Income for the year				Total income (£'000)	8,919	8,840	13,272	Earnings/(loss) per share (p)	5.47	4.23	6.27	NAV and share price total returns				Net asset value total return	7.0%	5.0%	7.6%	Share price total return	5.4%	4.8%	7.6%
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B.8	<p>Key pro forma financial information</p> <p>Not applicable. No pro forma financial information is included in this document.</p>																																												
B.9	<p>Profit forecast</p> <p>Not applicable. No profit forecasts or estimates are made in this document.</p>																																												

B.10	<p>Description of the nature of any qualifications in the audit report on the historical financial information</p> <p>Not applicable. The audit reports on the historical financial information contained within the document are not qualified.</p>
B.11	<p>Insufficient working capital</p> <p>Not applicable. The Company is of the opinion that the working capital available to the Company is sufficient for the Company's present requirements (that is, for at least the next 12 months from the date of this document).</p>
B.34	<p>Investment policy</p> <p>The Company's investment objective is to seek income and capital growth such that the total return on the net asset value of the Company exceeds the average return on a rolling annual basis of three month sterling LIBOR plus 2 per cent.</p> <p>The Company aims to deliver this outcome by investing in a diversified portfolio of global fixed and floating rate income asset classes including secured loans, government bonds, high yield (sub-investment grade) corporate bonds, unrated corporate bonds, investment grade corporate bonds and asset backed securities. The Company may also invest in high yielding equities and derivatives.</p> <p>The Company uses a dynamic approach to portfolio allocation across asset classes and is permitted to invest in a single asset class if required. The Company seeks a sensible spread of risk at all times. It can invest in assets of any size, sector, currency or issued from any country.</p> <p>The Company has adopted the following allocation limits:</p> <ul style="list-style-type: none"> • secured loans 0 to 100 per cent. of gross assets • government bonds 0 to 100 per cent. of gross assets • investment grade bonds 0 to 100 per cent. of gross assets • high yield corporate bonds 0 to 100 per cent. of gross assets • unrated corporate bonds 0 to 10 per cent. of gross assets • asset backed securities 0 to 40 per cent. of gross assets • high yielding equities 0 to 10 per cent. of gross assets <p>As a matter of policy, the Company will not invest more than 10 per cent. in aggregate of its net assets in a single issue or issuer.</p> <p>The Company may use financial instruments known as derivatives to enhance returns. They may also be used to reduce risk or to manage the Company's assets more efficiently. The use of derivatives may include credit derivatives (including credit default swaps) in addition to interest rate futures, interest rate swaps and forward currency contracts. The credit derivatives, interest rate futures and swaps are used to take a synthetic exposure to, or to hedge, an investment position where the derivative contract is more efficient or cost effective than a position in the underlying physical asset. The Company's exposure to derivatives is capped at a maximum net long or net short position of 40 per cent. of net assets. The Company may also employ financial gearing for efficient portfolio management purposes and to enhance investment returns but total gearing (both financial gearing and synthetic gearing combined) may not exceed 40 per cent. of net assets. Forward currency contracts are used to hedge other currencies back to sterling.</p> <p>Any material change to the investment policy of the Company will only be made with the approval of shareholders.</p>

B.35	<p><i>Borrowing limits</i></p> <p>Borrowing is limited to a maximum of 40 per cent. of net assets (both financial gearing and synthetic gearing combined).</p>
B.36	<p><i>Regulatory status</i></p> <p>Save for its compliance with the Companies Act, the Listing Rules, the Disclosure Guidance and Transparency Rules, the Prospectus Rules and the Market Abuse Regulation, the Company is not a regulated entity.</p>
B.37	<p><i>Typical investor</i></p> <p>The Directors believe that typical investors in the Company are expected to be institutional investors, private client fund managers and clients of private client brokers, as well as retail investors who are seeking income and capital growth over the longer term who are prepared to tolerate a degree of risk or potential for loss.</p>
B.38	<p><i>Investment of 20 per cent. or more in single underlying asset or investment company.</i></p> <p>Not applicable. The Company has not invested more than 10 per cent. of total assets in a single issue or issuer.</p>
B.39	<p><i>Investment of 40 per cent. or more in single underlying asset or investment company.</i></p> <p>Not applicable. The Company has not invested more than 10 per cent. of total assets in a single issue or issuer.</p>
B.40	<p><i>Applicant's service providers</i></p> <p><i>Investment management arrangements</i></p> <p>Henderson Investment Funds Limited (“HIFL”) has been appointed as the alternative investment fund manager of the Company. The Investment Manager has been appointed to be responsible for the management of the Company’s assets, including the exercise of any voting rights in the Company’s assets, subject to the overall supervision of the Directors. HIFL will delegate certain portfolio management services to Henderson Global Investors Limited pursuant to the Sub-Investment Management Agreement.</p> <p>The Investment Manager is entitled to a management fee payable quarterly in arrears calculated at the rate of 0.60 per cent. per annum of the Company’s Net Assets.</p> <p>The Investment Manager is also entitled to a performance fee, calculated at the end of the Company’s financial year (and payable once the Board has approved the Company’s annual report and accounts) if the Company’s total return in that year exceeds the hurdle return for the year at a rate of 15 per cent. of such excess. The Company’s performance hurdle rate is three month sterling LIBOR plus 2.00 per cent. There is a cap on total fees payable, including base and performance fees, of 1.2 per cent. per annum of the monthly average of the net assets in the calculation period.</p> <p>For the purposes of calculating the first performance fee payable to the Investment Manager under the management agreement between the Investment Manager and the Company the performance of the Existing Company for the period from 1 November 2016 to the Effective Date will not be paid by the Existing Company and will be carried forward to the Company. Therefore the first performance fee payable by the Company will be calculated over an 18 month period from 1 November 2016 to 30 April 2018.</p> <p><i>Administration and company secretarial arrangements</i></p> <p>Pursuant to the Management Agreement, the Investment Manager has also been appointed to provide the day to day administration of the Company. In its capacity as administrator, it is 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 records, accounting and administrative services. The Investment Manager has</p>

	<p>contracted with BNP Paribas Securities Services to provide accounting and administration services.</p> <p>Henderson Secretarial Services Limited has been appointed to provide the general secretarial functions as required under the Companies Act.</p> <p><i>Depositary arrangements</i></p> <p>The Company intends to appoint BNP Paribas Securities Services (London) as the depositary as required by the AIFM Directive. Subject to the FCA Rules and AIFM Directive, the Depositary will perform an oversight function and will be entrusted with the safekeeping of the assets of the Company and monitoring its cash flows. The Depositary will receive fees for the provision of such services at such rates as may be agreed from time to time (plus applicable VAT).</p>
B.41	<p><i>Regulatory status of the Investment Manager, Manager and Depositary</i></p> <p>The Investment Manager is authorised and regulated by the FCA. The Manager is authorised and regulated by the FCA. The proposed depositary is authorised by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and supervised by the Autorité des Marchés Financiers (AMF) and, in respect of its services as depositary in the United Kingdom, is authorised by the Prudential Authority and is subject to limited regulation by the Financial Conduct Authority and the Prudential Regulation Authority.</p>
B.42	<p><i>Calculation of Net Asset Value</i></p> <p>As with the Existing Company, the Net Asset Value per Share will be calculated daily and notified to the London Stock Exchange. The Net Asset Value of the Company will be determined and calculated by the Investment Manager. All of the Company's investments will be valued at fair value. Listed investments will be measured initially at cost and recognised at trade date. For financial assets acquired, the cost will be the fair value of the consideration.</p> <p>Subsequent to initial recognition, all listed investments will be measured at their quoted bid prices without deduction for the estimated future selling costs. Investments in secured loans, which will generally be unlisted investments, will be priced on a daily basis by reference to data supplied from an independent data source, LoanX. Where fair value cannot be reliably measured, the investments will be carried at the previous reporting date value unless there is evidence that the investment has since been impaired. In such cases, the value will be reduced to reflect the estimated extent of the impairment.</p>
B.43	<p><i>Cross liability</i></p> <p>Not applicable. The Company is not an umbrella collective investment undertaking and as such there is no cross liability between classes or investment in another collective investment undertaking.</p>
B.44	<p><i>No financial statements have been made up</i></p> <p>As at 1 March 2017, being the latest practicable date prior to publication of this document, the Company had not commenced operations and no financial statements have been made up as at the date of this document.</p>
B.45	<p><i>Portfolio</i></p> <p>Not applicable. As at the date of this document, the Company has not commenced operations and does not have any assets. If the Scheme becomes effective the Company will acquire the undertaking and assets of the Existing Company. As at the date of this document (based on valuations as at 1 March 2017, being the latest practicable date prior to the publication of this document), the Existing Company's portfolio (either held directly or through the Luxembourg Subsidiary) comprised of:</p> <ul style="list-style-type: none"> • 23.3 per cent. investment grade bonds; • 47.7 per cent. high yield corporate bonds; • 26.5 per cent. secured loans;

	<ul style="list-style-type: none"> • 0.7 per cent. asset backed securities; and • 1.8 per cent. preference shares.
B.46	<p>Net Asset Value</p> <p>Not applicable. As at 1 March 2017, being the latest practicable date prior to publication of this document, the Company has not commenced operations and does not have any assets. The unaudited Net Asset Value per Share of the Existing Company as at 1 March 2017 (being the last practicable date prior to publication of this document) was 90.8 pence.</p>

Section C – Securities

C.1	<p>Type and class of securities</p> <p>The Company will have one class of share in issue. Applications will be made to the UK Listing Authority for the Ordinary Shares to be admitted to the premium segment of the Official List and to the London Stock Exchange for the Ordinary Shares to be admitted to trading on the Main Market. The ISIN number for the New Shares will be GB00BF03YC36. The SEDOL number for the New Shares is BF03YC3. The ticker for the New Shares is expected to remain HDIV.</p> <p>The Company proposes to issue up to 179,568,240 New Shares pursuant to the Scheme.</p> <p>The Company is permitted to issue a maximum of 100 million New shares pursuant to the Share Issuance Programme.</p>
C.2	<p>Currency</p> <p>The Company will issue New Shares denominated in Sterling.</p>
C.3	<p>Number of securities in issue</p> <p>The Ordinary Shares have a nominal value of one penny each. As at the date of this document the Company has 100 Ordinary Shares and 50,000 Redeemable Preference Shares in issue all of which are fully paid.</p>
C.4	<p>Description of the rights attaching to the securities</p> <p><i>Voting Rights</i></p> <p>Shareholders shall have the right to receive notice of, to attend and to vote at all general meetings of the Company. Save as otherwise provided in the Articles, on a show of hands each holder of shares present in person and entitled to vote shall have one vote and upon a poll each such holder who is present in person or by proxy and entitled to vote shall have one vote in respect of every share held by him.</p> <p>No member shall be entitled to vote at any general meeting if any call or other sum presently payable by him in respect of shares remains unpaid.</p> <p>A Shareholder shall not, if the Directors so determine, be entitled in respect of any share held by him to attend or vote (either personally or by representative or by proxy) at any general meeting or separate class meeting of the Company or to exercise any other right conferred by membership in relation to any such meeting and may suffer any rights to a dividend to be suspended for a period of up to one year if he or any other person appearing to be interested in such shares has failed to comply with a notice requiring the disclosure of Shareholders' interests and given under the Articles within 14 days, in a case where the shares in question represent at least 0.25 per cent. of their class.</p> <p><i>Dividend rights</i></p> <p>The Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Directors. Subject to the provisions of the Companies Act and any priority, preference or special rights, all dividends shall be declared and paid according to the amounts paid up on the shares.</p>

	<p><i>Return of capital</i></p> <p>On a winding up, the surplus assets remaining after payment of all creditors, including the repayment of bank borrowings, shall be divided amongst Shareholders <i>pro rata</i>, according to the rights attached to the shares, unless otherwise provided for under a scheme of reconstruction and winding up of the Company.</p>
C.5	<p><i>Restrictions on the free transferability of the securities</i></p> <p>Under the Articles, the Directors have the power to require the transfer of Shares in certain circumstances. Such power may be exercised, <i>inter alia</i>, (i) to prevent the Company from being in violation of, or required to register under, the US Investment Company Act of 1940, as amended, and (ii) to avoid the Company's assets being treated as "plan assets" for the purpose of the regulations adopted under ERISA.</p>
C.6	<p><i>Admission</i></p> <p>Applications will be made to the UK Listing Authority for the Ordinary Shares to be admitted to the premium segment of the Official List and to the London Stock Exchange for the Ordinary Shares to be admitted to trading on the Main Market.</p> <p><i>The Scheme</i></p> <p>It is expected that admission will become effective and dealings in the New Shares issued pursuant to the Scheme will commence at 8.00 a.m. on 27 April 2017.</p> <p><i>The Share Issuance Programme</i></p> <p>It is expected that admissions will become effective, and dealings in the New Shares issued pursuant to the Share Issuance Programme will commence during the period from 27 April 2017 to 2 March 2018.</p>
C.7	<p><i>Dividend policy</i></p> <p>The Company's dividend policy reflects the dividend policy of the Existing Company and is to provide Shareholders with regular income paid quarterly in March, June, September and December each year.</p>

Section D – Risks

D.2	<p><i>Key information on the key risks specific to the issuer or its industry</i></p> <ul style="list-style-type: none"> • The Company will seek to invest in global fixed and floating rate income asset classes including secured loans, government bonds, high yield (sub-investment grade) corporate bonds, unrated corporate bonds, investment grade corporate bonds and asset backed securities. The Company may also invest in high yielding equities, hybrid securities, convertible bonds, floating rate notes and derivatives. The Company's income, therefore, will be primarily derived from fixed income securities. A wide range of factors could adversely affect the ability of counterparties to make interest or other payments on those fixed income securities; all or any of these factors could adversely affect the value of the Company's investments and therefore the performance of the Company itself. • In the event of a significant rising interest rate environment and/or economic downturn, loan defaults may increase and such an increase could result in losses that may adversely affect the Company's operating results. In the event of a general rise in interest rates, the value of certain investments that may be contained in the Company's investment portfolio in the future, particularly those which are not at floating rates, may fall, reducing the Net Asset Value of the Company. • The success of the Company in the pursuit of its investment objective is significantly dependent upon the expertise of the Investment Manager and the individual fund managers and the Investment Manager's ability to attract and retain suitable staff. There can be no guarantee that individual fund managers will remain with the
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	<p>Investment Manager. The departure of an individual fund manager from the Investment Manager may have an adverse effect on the performance of the Company.</p> <ul style="list-style-type: none"> • There can be no guarantee that the level of dividend paid by the Existing Company will be achieved. The Company will only pay dividends on the Shares to the extent that it has distributable reserves available for that purpose. The ability of the Company, therefore, to pay any dividends in respect of the Shares and any future dividend growth will depend primarily on the level of income received from its investments and the timing of receipt of such income by the Company. A material proportion of the Company's investments are expected to be in floating rate assets and, therefore, the income to be derived from such assets should vary in line with UK and Eurozone interest rates. Accordingly, there is a risk that the amount of dividends paid to Shareholders will fluctuate, primarily because of changes to such interest rates and there is no guarantee dividends will be paid. • The use of borrowings should enhance the total return on the Shares where the return on the Company's underlying assets is rising and exceeds the cost of borrowing. It will, however, have the opposite effect where the underlying return is less than the cost of borrowing, thus reducing the total return on the Shares. • Any changes in the Company's tax status or in taxation legislation in the United Kingdom or any other tax jurisdiction relevant to the Company could adversely affect the value of the investments held by the Company, the Company's ability to achieve its investment objective or its ability to make distributions to Shareholders.
D.3	<p>Key information on the key risks specific to the securities</p> <ul style="list-style-type: none"> • The value of the Shares may go down as well as up. The market price and the realisable value of the Shares, as well as being affected by their underlying Net Asset Value, will be affected by prevailing interest rates, supply and demand for the Shares, market conditions and general investor sentiment. As such, the market value and the realisable value of the Shares will fluctuate and may vary considerably from their Net Asset Value. • The Shares may trade at a discount to the Net Asset Value per Share. The Board believes it should maintain flexibility and therefore will not operate a fixed discount management policy. Nevertheless, the Board will aim to minimise the discount at which the Shares trade relative to the Net Asset Value per Share in order to reduce the volatility and increase liquidity in the Shares. Accordingly, the Board intends, subject always to the overall impact on the portfolio, the pricing of other listed investment companies and overall market conditions, to consider Share buy-backs in addition to Share issuance within a narrow band relative to Net Asset Value per Shares. There can be no assurance that any action taken by the Board will be successful in managing any discount to Net Asset Value that may exist from time to time.

Section E – Offer

E.1	<p>Net proceeds and costs of the Issues</p> <p><i>The Scheme</i></p> <p>The completion of the Proposals will not result in any proceeds being raised by the Company. The aggregate anticipated costs of the Scheme are approximately £570,000.</p> <p><i>The Share Issuance Programme</i></p> <p>Assuming that 100 million New Shares are issued pursuant to the Share Issuance Programme and the New Shares are issued at a price of 92.1 pence per Share, being a 1.5 per cent. premium to the NAV per share in the Existing Company at the latest practicable date of this document, the gross proceeds of the Issues made pursuant to the</p>
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	<p>Share Issuance Programme would be £92.1 million. The fixed costs of these Issues would be £370,000 and listing fees of £55,000 would be payable. Accordingly, the net proceeds of the Issues pursuant to the Share Issuance Programme would be £91.7 million.</p>
E.2 A	<p><i>Reasons for the offer and use of proceeds</i></p> <p><i>The Scheme</i></p> <p>New Shares will be issued in connection with the Scheme. In consideration for the issue of New Shares, the Company will acquire the assets and liabilities of the Existing Company which the Company will use to continue to acquire investments in accordance with the Company's investment policy.</p> <p><i>The Share Issuance Programme</i></p> <p>The Share Issuance Programme has been proposed in principle by the Directors to allow the Company to issue New Shares to satisfy demand from investors at times when the Shares are trading at a premium to the NAV per share. Accordingly, the issue of New Shares pursuant to the Issues will not result in a dilution of the NAV per Share so calculated. The Directors intend to apply the net proceeds of any Issues in accordance with the Company's investment policy.</p>
E.3	<p><i>Terms and conditions of the Issues</i></p> <p><i>The Scheme</i></p> <p>The Scheme Issue is conditional upon, <i>inter alia</i>, (i) the passing of the resolution to approve the Scheme at the EGM of the Existing Company; (ii) admission of the New Shares to the Official List with a premium listing and to the Main Market; and (iii) the Board and the directors of the Existing Company resolving to proceed with the Scheme.</p> <p><i>The Share Issuance Programme</i></p> <p>To become effective, each Issue under the Share Issuance Programme will require the following events to occur: (i) once the Company's existing Shareholder allotment authorities have been exhausted, resolutions of the Company to be passed approving the Director's authority to allot New Shares pursuant to the relevant Issue on a non-pre-emptive basis; (ii) the Issue Price being determined by the Directors; (iii) the admission of the relevant New Shares to the Official List with a premium listing and to the Main Market; and (iv) a valid supplementary prospectus being published by the Company if such is required by the Prospectus Rules.</p>
E.4	<p><i>Material interests</i></p> <p>Not applicable. No interest is material to the Issues.</p>
E.5	<p><i>Name of person selling securities</i></p> <p>Not applicable. No person or entity is offering to sell securities as part of the Issues.</p>
E.6	<p><i>Dilution</i></p> <p>Upon the Scheme becoming effective each Shareholder's holding in the Company will reflect their holding in the Existing Company. Shareholders are not obliged to participate in the Share Issuance Programme. New Shares will only be issued under the Share Issuance Programme at a premium to the Net Asset Value per Ordinary Share (which shall include a premium to cover commissions and expenses associated with such issue). Accordingly, the issue of the New Shares pursuant to the Share Issuance Programme Issues will not result in a dilution of the Net Asset Value per Ordinary Share. Assuming a maximum of 100 million New Shares are issued under the Share Issuance Programme such New Shares will represent 35.8 per cent. of the enlarged issued share capital following implementation of the Scheme.</p>
E.7	<p><i>Expenses charged to the investor</i></p> <p><i>The Scheme</i></p> <p>The aggregate anticipated costs of the Proposals are approximately £570,000.</p>

The Share Issuance Programme

Assuming that all the New Shares available are issued under the Share Issuance Programme, the aggregate costs are expected to amount to approximately £425,000. These costs and expenses will be deducted from the gross proceeds of the Share Issuance Programme and will therefore be indirectly charged to investors.

RISK FACTORS

The risk factors referred to below are the risks which are considered by the Company and the Directors to be material as at the date of this document but are not the only risks relating to the Company or the Shares. Additional risks and uncertainties relating to the Company or the Shares that are not currently known to the Company or the Directors or that the Directors or the Company do not currently consider to be material may also have a material adverse effect on the Company. Potential investors should review this Prospectus carefully and in its entirety and consult with their stockbroker, bank manager, solicitor, accountant or other independent financial adviser before acquiring any Shares.

Prospective investors should note that the risks relating to the Company, its industry and the Shares summarised in the section of this document headed "Summary" are the risks that the Company believes to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Shares. However, as the risks which the Company faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of the document headed "Summary" but also, among other things, the risks and uncertainties described below.

Potential investors should carefully consider the following material risk factors in relation to the Company and the Shares.

Investment policy and investment of the net proceeds of any Issue

There is no guarantee that the investment policy adopted by the Company will provide the returns sought by the Company. There can be no guarantee, therefore, that the Company will achieve its investment objective. The Directors expect that the net proceeds of any Issue under the Share Issuance Programme will be substantially fully invested in accordance with its investment policy within one month of each Admission of the relevant New Shares. There can be no guarantee that the Company will be able to invest substantially all of the net proceeds within these periods. Until the net proceeds of the each Issue are fully invested, a proportion of the Company's portfolio may be held in cash or cash-equivalent investments. Such proportion of the Company's assets will not be invested in the market and will not benefit from positive market movements or generate a material income return which could adversely affect the Company's ability to meet its investment objective and its ability to make distributions to Shareholders.

General market risks associated with the Company's investments

Changes in economic conditions (including, in particular, interest rates, foreign exchange rates and rates of inflation), industry conditions, competition, political and diplomatic events, tax, environmental and other laws and other factors can substantially and either adversely or favourably affect the value of the securities in which the Company invests and the income derived from such securities and, therefore, the Company's performance and prospects.

The Company's investments are subject to normal market fluctuations and the risks inherent in the purchase, holding or selling of securities, and there can be no assurance that no depreciation in the value of those investments will occur. There can be no guarantee that any realisation of an investment will be on a basis which necessarily reflects the Company's valuation of that investment for the purposes of calculating the Net Asset Value per Share.

Continued volatility in the current credit markets, characterised by high spreads on investment grade and high yield bonds and significant increases in defaults, may have a material adverse effect on the Company's investments and, therefore, its performance and prospects.

The Company's investments

The Company seeks to invest primarily in four principal categories of fixed and floating income security: secured loans, asset-backed securities, high yield bonds and investment grade bonds. The Company's income, therefore, is primarily derived from fixed income securities. A wide range of factors could adversely affect the ability of counterparties to make interest or other payments on those fixed income

securities. These factors include adverse changes in the financial condition of those borrowers, or the industries or regions in which they operate; systemic risk in the financial system; changes in law and taxation; a downturn in general economic conditions; changes in interest rates, governmental regulations or other policies; and natural disasters, terrorism, social unrest and civil disturbances. The occurrence of all or any of these factors could adversely affect the value of the Company's investments and the income derived from them and therefore the performance of the Company itself.

In the event of any default on the Company's investments by a counterparty, the Company will bear a risk of loss of principal and accrued interest of the investment, which could have a material adverse effect on the Company's income and potential to pay dividends to Shareholders. In the case of secured loans, foreclosure can be an expensive and lengthy process which could have a material negative effect on the Company's anticipated return on the foreclosed loan and consequently could adversely affect the performance of the Company.

An issuer's failure to meet its operating projections could lead that company to default in the payment of interest or principal due in respect of an investment in a secured loan which could, in turn, have a material adverse effect on the ability of the Company to service its own borrowings or to realise its projected returns or both each of which could have a material adverse effect on the reputation and performance of the Company.

The value of the Company's investments may be affected by unscheduled prepayments. For instance, the terms of most loan investments permit the borrower to pre-pay the loan at will or require the loan to be prepaid on the occurrence of certain events. Additionally, a borrower may be entitled to require a lender to be replaced with another lender if the borrower is required to deduct withholding tax from payments made to that lender. Unscheduled prepayments are influenced by changes in interest rates and a variety of economic, geographic and other factors beyond the Company's control and consequently cannot be predicted with certainty. The volatility in prepayment rates may result in reduced earnings or losses for the Company and negatively affect the cash available for distribution to Shareholders.

The Company seeks to make investments that will create long-term value for Shareholders. Investments that the Company makes, however, may not appreciate in value and, in fact, may decline in value. Certain of the Company's fixed income securities may provide for the rate at which interest is payable to the Company to be reduced if the relevant borrower's financial condition or operations improve, which would reduce the returns earned by the Company. Accordingly, there can be no guarantee that the Company's investments will generate gains or income or that any gains or income that may be generated will be sufficient to offset any losses that may be sustained each of which could have a material adverse effect on the performance of the Company and its ability to achieve its investment objective.

Any loans which the Company may purchase in connection with privately negotiated transactions may be subject to contractual or other restrictions on transfers and may not be registered under relevant securities laws, resulting in restrictions on their transfer, sale, pledge or other disposition except in a transaction that is exempt from the registration requirements of, or is otherwise in accordance with, those laws. These restrictions may adversely affect the marketability and liquidity of the Company's investments which could have a material adverse effect on the performance of the Company and its ability to achieve its investment objective.

The Company's investments may be less liquid than other listed and publicly traded securities. This illiquidity may be exacerbated by current credit market conditions. Such potential illiquidity may make it difficult for the Company to obtain cash equal to the recorded value of the investment should the need arise which could have a material adverse effect on the performance of the Company and its ability to achieve its investment objective.

The terms of the Company's investments may provide that it is not able to bring an enforcement action against the relevant borrower until a prescribed period after a default by that borrower has elapsed. The financial strength of the borrower may, however, continue to deteriorate during the standstill period, thereby potentially affecting the Company's ability to recover all (or any) of its investment which could have a material adverse effect on the performance of the Company and its ability to achieve its investment objective.

Provisions in some of the Company's loan investments, which enable the holders of the equity in the relevant portfolio company to remedy a breach of a financial covenant by that portfolio company by

injecting new equity capital, may be prejudicial to the Company. As debt holders are entitled to be paid in full before distributions can be made to equity holders in the event of an insolvency, liquidation, dissolution, reorganisation or bankruptcy of a company, equity holders may have an incentive to remedy defaults of the company in circumstances where the Company would otherwise have commenced enforcement action. This could result in delays to payments being made to the Company which could have a material adverse effect on the performance of the Company and its ability to achieve its investment objective

The Company's investments may be subject to various laws for the protection of creditors in the jurisdictions of incorporation of the issuers or borrowers and, if different, the jurisdictions from which they conduct business and in which they hold assets, which may adversely affect an issuer's or borrower's ability to make payment in full or on a timely basis. These insolvency considerations will differ depending on the country in which an obligor or its assets are located and may differ depending on the legal status of the obligor. Additionally, the Company, as creditor, may experience less favourable treatment under different insolvency regimes than in the UK, including where seeking to enforce any security it may hold as creditor. Each of these factors could have a material adverse effect on the performance of the Company and its ability to achieve its investment objective.

The Company's investments may include investments in publicly traded fixed income securities. The market prices and values of publicly traded fixed income securities of companies in which the Company has invested may be volatile and are likely to fluctuate due to a number of factors beyond the Company's control, including actual or anticipated fluctuations in the quarterly, interim and annual results of the companies in which investments are made and other companies in the industries in which they operate; market perceptions concerning the availability of additional securities for sale; general economic, social or political developments; changes in industry conditions; changes in government regulation; shortfalls in operating results from levels forecast by securities analysts; the general state of the securities markets; and other material events such as significant management changes, refinancings, acquisitions and dispositions. Changes in the values of these investments may adversely affect the Company's Net Asset Value and results of operations and may cause the market price of the Shares to fluctuate.

Additional features of the secured loans market

Secured loans are loans entered into by companies and are typically at the most senior level of the capital structure, and are often secured by specific collateral, including, but not limited to, trademarks, patents, accounts receivable, stock, equipment, buildings, real estate, franchises and ordinary and preferred shares of the obligor and its subsidiaries. The secured loans that may form part of the Company's portfolio are of a type often incurred by the borrowers thereunder in connection with a leveraged transaction, generally to finance internal growth, acquisitions, mergers, share purchases, or for other reasons. As a result of the additional debt incurred by the borrower in the course of the transactions, the borrower's creditworthiness is often judged by the rating agencies to be below investment grade. Failure by the relevant borrower to make principal or interest payments or covenant violations by such borrower could lead to significant uncertainty with respect to the ultimate recovery of the defaulted loan. The liquidity of any such loan may also be limited and, to the extent that the loan is sold, it is highly unlikely that the proceeds of the sale would be equal to the amount of unpaid principal and interest thereon, which would adversely affect the value of the Company's portfolio and consequently the value of the Shares.

Certain of the secured loans comprised in the Company's portfolio may be subordinated to other obligations of the borrower. In order to induce the banks and institutional investors to invest in a borrower's loan facility, and to offer a favourable interest rate, the borrower often provides the banks and institutional investors with extensive information about its business, which is not generally available to the public. Due to the provision of confidential information, the unique and customised nature of a loan agreement, and the private syndication of the loan, loans are not as easily purchased or sold as publicly traded securities. This illiquidity could adversely affect the price at which the Company is able to sell loans should it wish to do so, which could adversely affect the value of the Company's portfolio and consequently the value of the Shares.

Secured loans often provide for restrictive covenants designed to limit the activities of the borrower in an effort to protect the right of lenders to receive timely payments of interest on and repayment of principal of the loans. Such covenants may include restrictions on dividend payments, specific mandatory minimum financial ratios, limits on total debt and other financial tests. A breach of covenant in a loan

which is not waived by the lending syndicate normally is an event of acceleration which allows the syndicate to demand immediate repayment in full of the outstanding loan. A defaulted loan may become subject to either substantial workout negotiations or restructuring, which may entail, among other things, a substantial reduction in the interest rate, a substantial write-down of principal, and a substantial change in the terms, conditions and covenants with respect to such defaulted loan. In addition, such negotiations or restructuring may be extensive and protracted over time, and therefore may result in substantial uncertainty with respect to the ultimate recovery on such defaulted loan. In addition, substantial costs and resources in such situations may be imposed on the lender, further affecting the value of the loan and consequently the value of the Company's portfolio and therefore the value of the Shares.

Purchasers of secured loans are predominantly investment and commercial banks which have applied their experience in high yield securities to the commercial and industrial loan market, acting as both principal and broker. The range of investors for loans has broadened to include money managers, insurance companies, arbitrageurs, bankruptcy investors and mutual funds seeking increased potential total returns and portfolio managers of trusts or special purpose companies issuing collateralised bond and loan obligations. As secondary market trading volumes increase over time, new loans are frequently adopting more standardised documentation to facilitate loan trading which should improve market liquidity. There can be no assurance, however, that future levels of supply and demand in loan trading will provide the degree of liquidity which currently exists in the high yield fixed income securities market. This illiquidity could adversely affect the price at which the Company is able to sell loans should it wish to do so, which could adversely affect the value of the Company's portfolio and consequently the value of the Shares.

Secured loans are not listed but are, in normal market conditions, readily bought and sold. In periods of market turbulence, however, the liquidity of the market for such investments may be reduced. Such market conditions may mean that the Company could have difficulty in selling its investments and this may lead to volatility in the market price of the 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, which could adversely affect the value of the Company's portfolio and consequently the value of the Shares.

Specific features of ABS

The Company may invest a proportion of its investments in asset-backed securities ("ABS"). ABS are bonds secured against a specific pool of assets, such as credit card receivables, corporate loans or mortgages, and are collateralised by the future cash flows derived from this specific pool of assets. The Company's income from its ABS investments is dependent on the receipt of payments from the issuers of such ABS investments, which in turn is dependent on the ability of the underlying obligors to make the relevant interest payments. A wide range of factors could adversely affect the ability of the issuers of ABS to make interest or other payments, including, in particular, adverse changes in the financial condition of the issuers of the ABS or of the underlying obligors. Failure by issuers of ABS in which the Company has invested to make interest or other payments could have a material adverse effect on the performance of the Company and its ability to meet its investment objective.

Interest rate and credit risks

Given the nature of the securities in which the Company invests, changes in interest rates will affect the level of the Company's net income as well as its ability to acquire loans and investments, the secondary market value of its investments and its ability to realise gains from the settlement of such investments. A significant proportion of the Company's investments (mainly the secured loans and ABS investments) are and are expected to continue to be made on terms such that the income derived from them floats over LIBOR or EURIBOR. Movements in such interest rates will therefore alter the income receivable on these investments which could materially adversely affect the performance of the Company and its ability to meet its investment objective.

In the event of a significant rising interest rate environment and/or economic downturn, loan defaults may increase and such an increase could result in losses that may adversely affect the Company's operating results. In the event of a general rise in interest rates, the value of certain investments that may be contained in the Company's investment portfolio in the future, particularly those which are not at floating rates, may fall, reducing the Net Asset Value of the Company.

Investment management

The success of the Company in the pursuit of its investment objective is significantly dependent upon the expertise of the Investment Manager and individual fund managers and the Investment Manager's ability to attract and retain suitable staff. There can be no guarantee that individual fund managers will remain with the Investment Manager. The departure of an individual fund manager from the Investment Manager may have a materially adverse effect on the performance of the Company.

The Investment Manager manages or advises other investment vehicles, which may lead to conflicts of interest with the Company or may restrict the time that it spends on the Company's investments which could materially adversely affect the performance of the Company and its ability to meet its investment objective.

Performance fee

The annual performance fee payable to the Investment Manager may result in substantially higher payments to the Investment Manager than alternative arrangements in other types of investment vehicles. The existence of the performance fee may create an incentive for the Investment Manager to make riskier or more speculative investments than it would otherwise make in the absence of such fee.

Past performance

The past performance of the Existing Company and of other portfolios managed by the Investment Manager is not, and should not be relied upon as, a guide to the future performance of the Company.

Dividends

There can be no guarantee that the level of dividend paid by the Existing Company will be maintained at the current level or at all. The ability of the Company, therefore, to pay any dividends in respect of the Shares and any future dividend growth will depend primarily on the level of income received from its investments and the timing of receipt of such income by the Company. A material proportion of the Company's investments are expected to be in floating rate assets and the income to be derived from such assets should vary in line with UK and Eurozone interest rates, which are currently at historically low levels. Accordingly, there is a risk that the level of dividends paid to Shareholders will fluctuate primarily because of changes to such interest rates and there is no guarantee any dividends will be paid.

Any change in the tax or accounting treatment of dividends or other investment income received by the Company (including as a result of exchange controls or withholding taxes imposed by jurisdictions in which the Company invests) may reduce the level of dividends received by Shareholders.

Borrowings

The use of borrowings should enhance the total return on the Shares where the return on the Company's underlying assets is rising and exceeds the cost of borrowing. It will, however, have the opposite effect where the underlying return is less than the cost of borrowing, thus reducing the total return on the Shares. The use of borrowings by the Company may increase the volatility of the returns to Shareholders and the Net Asset Value per Share.

Should any reduction in the Company's Net Asset Value result in the Company breaching financial covenants contained in revolving credit facilities entered into by the Company, the Company may be required to repay such borrowings in whole or in part together with any attendant costs.

Foreign exchange risks

The Company accounts for its activities and reports its results in Sterling while investments may be made and realised in other currencies. The Net Asset Value per Share will be reported in Sterling. Any dividends on the Shares are declared and paid in Sterling. At present the Company engages in currency hedging of capital but not income risk. The Company does use forward foreign currency contracts to protect income. In any instances where the Company does not hedge its currency exposure, however, the movement of exchange rates between Sterling and the other currencies in which the Company's investments are denominated or its borrowings are drawn down, may have a material effect, unfavourable as well as favourable, on the returns otherwise experienced on the investments made by the Company. Although the Investment Manager seeks to manage any foreign exchange exposure in relation to the

Company, there is no assurance that this can be performed effectively. Any currency hedging may force the Investment Manager to realise underlying investments, as well as adversely affecting the overall value of the portfolio and the Net Asset Value per Share.

Movements in the foreign exchange rate between Sterling and the currency applicable to a particular Shareholder may have an impact upon such Shareholder's returns in their own currency of account.

Derivatives

The Company may invest in derivatives for investment purposes and/or efficient portfolio management. In particular, the Company will use derivatives in order to take a synthetic exposure to an investment position in circumstances where the derivative contract is more efficient or cost effective than a position in the physical underlying asset. The Company will seek to use credit default swaps, interest rate futures, synthetic indices, interest rate swaps and interest rate options in order to pursue its investment objective, but is not limited to using these instruments. There may not be a price correlation between price movements in the underlying securities, currency or index, on the one hand, and price movements in the investments which are the subject of the derivative, on the other hand, and accordingly, such instruments may not always achieve the intended effect under all or any market conditions. In addition, an active market may not exist for a particular derivative instrument at any particular time. In the event that either of these factors occurs, this may affect the Company's performance and prospects.

The Company will be exposed to credit risk on the counterparties with which it trades in respect of derivative instruments. In particular, because certain financing arrangements and derivative transactions in which the Company may engage are not traded on an exchange but are instead traded between counterparties based on contractual relationships, the Company is subject to the risk that a counterparty will not perform its obligations under the related contracts. The markets in which these transactions are effected may be "over-the-counter" or "interdealer" markets. Participants in these markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange based" markets. To the extent the Company invests in derivatives in these markets, the Company may take a credit risk with regard to parties with which it trades and also may bear the risk of settlement default. The use of derivatives may lead to a higher volatility in the Net Asset Value and share price of the Shares than would otherwise be the case.

Taxation

Any change in the Company's tax status or in taxation legislation in the United Kingdom or any other tax jurisdiction relevant to the Company could adversely affect the value of the investments held by the Company or affect the Company's ability to achieve its investment objective or alter the post-tax returns to Shareholders. Any such change could have a material adverse effect on the net amount of any dividends payable to Shareholders.

Shareholders are expected to include taxable and tax-exempt entities and persons or entities organised and residing in various jurisdictions that may have conflicting investment, tax and other interests with respect to their investments in the Company. The conflicting interests of individual Shareholders may relate to or arise from, among other things, the nature of investments made by the Company, the structuring of the acquisition of investments, the timing of disposition of investments and the manner in which income and capital generated by the Company is distributed to Shareholders. The structuring of investments and distributions may result in different returns being realised by different Shareholders. As a consequence, conflicts of interest may arise in connection with decisions made by the Investment Manager, including the selection of borrowers, which may be more beneficial for one investor than for another investor, especially with respect to investors' individual situations. In selecting and structuring investments appropriate for the Company and in determining the manner in which distributions shall be made to Shareholders, the Investment Manager and the Directors, respectively, will consider the investment and tax objectives of the Company and Shareholders as a whole, not the investment, tax or other objectives of any Shareholder individually, which may adversely affect the investment returns of individual Shareholders.

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. Any 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 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, will, as soon as reasonably practicable, notify Shareholders of this fact.

The summaries in this document concerning the taxation of investors in Shares are based on current tax law and practice which is subject to change, possibly with retrospective effect. The taxation of an investment in the Company will depend on the individual circumstances of the investor, and prospective investors who are in any doubt should consult their tax advisers before making an investment in the Company. Any changes to foreign tax treaties may affect returns from investments in foreign countries.

Regulation

The Foreign Account Tax Compliance Act (“**FATCA**”) is US legislation that requires non-US financial institutions (foreign financial institutions or FFIs) to report information on their ‘US account holders’ or suffer 30 per cent. withholding tax on all income and disposal proceeds from US investments. To the extent that the Company may be a Reporting Financial Institution under FATCA and/or the Common Reporting Standard, it may require Shareholders to provide it with certain information in order to comply with its automatic exchange of information obligations which information may be provided to the UK tax authorities who may in turn exchange that information with certain other tax authorities.

The Shares

The value of the Shares can go down as well as up. The market price and the realisable value of the Shares, as well as being affected by their underlying Net Asset Value, will be affected by prevailing interest rates, supply and demand for such shares, market conditions and general investor sentiment. As such, the market value and the realisable value of the Shares will fluctuate and may vary considerably from their Net Asset Value.

The published market price of the Shares will be, typically, their middle market price. Due to the potential difference between the middle market price of such shares and the price at which they can be sold there is no guarantee that the realisable value of the Shares will be the same as the published market price.

The Shares may trade at a discount to the Net Asset Value per Share. The Board believes it should maintain flexibility and therefore will not operate a fixed discount management policy. Nevertheless, the Board will aim to minimise the discount at which the Shares trade relative to the Net Asset Value per Share in order to reduce the volatility and increase liquidity in the Shares. Accordingly, the Board intends, subject always to the overall impact on the portfolio, the pricing of other listed investment companies and overall market conditions, to consider Share buy-backs in addition to Share issuance within a narrow band relative to Net Asset Value per Share. There can be no assurance that any action taken by the Board will be successful in managing any discount to Net Asset Value that may exist from time to time.

In the event of a winding-up of the Company the Shares will rank behind any creditors of the Company and, therefore, any positive return for Shareholders will depend on the Company’s assets being sufficient to meet the prior entitlements of any creditors.

Risks relating to the UK’s proposed exit from the European Union

The Company could face potential uncertainty as a result of the UK referendum to leave the European Union and the UK Government’s stated intention to trigger Article 50 of the Treaty on the European Union in early 2017. The exit, anticipation of the exit or the terms of the exit could create UK (and potentially global) uncertainty, which may have a material effect on the total Shareholder returns, the Net Asset Value and the price of the Ordinary Shares favourably or unfavourably.

IMPORTANT INFORMATION

General

This document should be read in its entirety. New investors should rely only on the information contained in this document. No person has been authorised to give any information or make any representations other than as contained in the Prospectus and, if given or made, such information or representations must not be relied on as having been authorised by the Company or the Investment Manager or any of their respective affiliates, officers, directors, employees or agents. Without prejudice to the Company's obligations under the Prospectus Rules, the Listing Rules, the Market Abuse Regulation and the Disclosure Guidance and Transparency Rules neither the delivery of the Prospectus nor any subscription made under this document shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document nor that the information contained herein is correct as at any time subsequent to its date.

Shareholders must not treat the contents of the document or any subsequent communications from the Company, or the Investment Manager or any of their respective affiliates, officers, directors, employees or agents as advice relating to legal, taxation, accounting, regulatory, investment or any other matters.

Apart from the liabilities and responsibilities (if any) which may be imposed on Dickson Minto W.S. by FSMA or the regulatory regime established thereunder, Dickson Minto W.S. makes no representations, express or implied, or accepts any responsibility whatsoever for the contents of this document nor for any other statement made or purported to be made by it or on its behalf in connection with the Company, the New Shares or the Issues. Dickson Minto W.S. accordingly disclaims all and any liability (save for any statutory liability) whether arising in tort or contract or otherwise which it might otherwise have in respect of this document or any such statement.

All Shareholders are entitled to the benefit of, and are bound by and are deemed to have notice of, the provisions of the Articles of the Company.

If you are in doubt about the contents of this document you should consult your stockbroker, bank manager, solicitor, accountant, legal or professional adviser or other financial adviser.

Regulatory information

This document does not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy, New Shares in any jurisdiction in which such offer or solicitation is unlawful. The issue or circulation of the Prospectus may be prohibited in some countries.

This Prospectus does not constitute, and may not be used for the purposes of, an offer or an invitation to subscribe for any Shares by any person: (i) in any jurisdiction in which such offer or invitation is not authorised; or (ii) in any jurisdiction 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 an offer or invitation. In particular, this Prospectus may not be distributed in or into the United States or to or for the account of any US Person. The Company has not been and will not be registered under the Investment Company Act of 1940 (as amended), and investors will not be entitled to the benefits of the Investment Company Act of 1940 (as amended). In addition, the Shares have not been and will not be registered under the Securities Act of 1993, or with any securities regulatory authority of any State or other jurisdiction of the United States. Accordingly, the Shares may not be offered, sold, pledged or otherwise transferred or delivered, directly or indirectly, in or into the United States, or to or for the benefit of any US Person, except in transactions that are exempt from registration under the Securities Act of 1993 and under circumstances which will not require the Company to register under the Investment Company Act of 1940 (as amended). There will be no public offer of the Shares in the United States.

Investment considerations

The contents of this document are not to be construed as advice relating to legal, financial, taxation, accounting, regulatory or investment decisions or any other matter. Prospective investors must inform themselves as to: (i) the legal requirements within their own countries for the purchase, holding, transfer or other disposal of Shares; (ii) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of Shares which they might encounter; and (iii) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of Shares.

Prospective investors must rely on their own representatives, including their own legal advisers and accountants, as to legal, tax, accounting, regulatory, investment or any other related matters concerning the Company and an investment therein.

It should be remembered that the price of a Share, and the income from such Shares (if any), can go down as well as up. An investment in Shares is suitable only for investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses which may arise therefrom (which may be equal to the whole amount invested). Such an investment should be seen as long term in nature and complementary to existing investments in a range of other financial assets.

Any investment objectives of the Company are targets only and should not be treated as assurance or guarantees of performance.

Forward looking statements

To the extent that this document includes “forward looking statements” concerning the Company, those statements are based on the current expectations of the Board and are naturally subject to uncertainty and changes in circumstances. Forward looking statements include, without limitation, statements typically containing words such as “intends”, “expects”, “anticipates”, “targets”, “estimates” and words of similar import.

By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Given these risks and uncertainties, potential investors should not place undue reliance on forward looking statements as a prediction of actual results.

Nothing in the preceding two paragraphs seeks to limit or qualify, in any way, the working capital statement in paragraph 7 of Part 5 of this document.

The Company does not undertake any obligation to update publicly or revise forward looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.

Information in this document will be updated as required by the Prospectus Rules, Listing Rules and Disclosure Guidance and Transparency Rules, as appropriate.

Documents incorporated by reference

The published annual report and accounts of the Existing Company for each of the three financial years up to 31 October 2016 on the pages specified in the table below are incorporated by reference into this document. The non-incorporated parts of these annual reports and accounts of the Existing Company are either not relevant to investors or covered elsewhere in this document.

<i>Nature of information</i>	<i>Statutory Accounts for year ended</i>		
	<i>31 October 2014*</i>	<i>31 October 2015</i>	<i>31 October 2016</i>
	<i>Page No.</i>	<i>Page No.</i>	<i>Page No.</i>
Performance Highlights	2-3	2-3	2-3
Chairman’s Statement	5	5-6	5-6
Fund Managers’ Report	7-9	8-9	8-9
Investment Portfolio	10-12	10-12	10-12
Independent Auditor’s Report	32-34	38-40	38-40
Income Statement	35	41	41
Statement of Changes in Equity	36	42	42
Balance Sheet	37	43	43
Cash Flow Statement	38	44	44
Notes to the Financial Statements	39-53	45-59	45-59

* The Existing Company prepared consolidated accounts for the financial year ended 31 October 2014, the information in the table above refers to the consolidated accounts. Following changes to the accounting standards the Existing Company prepared “company only” accounts for the financial years ended 31 October 2015 and 31 October 2016.

The documents incorporated by reference can be obtained from the Company’s website, www.hendersondiversifiedincome.com and as set out in paragraph 14 of Part 7 of this document.

EXPECTED TIMETABLES

Scheme	2017
Time and date from which it is advised that dealings in Existing Shares should only be for cash settlement and immediate delivery of documents of title	8.00 a.m on 24 April
Latest time and date for receipt of forms of proxy for the EGM of the Existing Company	8.35 a.m. on 24 April
Calculation Date	close of business on 24 April
Record Date for Shareholders' entitlements under the Scheme	6.00 p.m. on 25 April
Dealings in Existing Shares suspended	7.30 a.m. on 26 April
EGM of the Existing Company	8.35 a.m. on 26 April or if later as soon as the AGM convened for the same day has concluded
Effective Date for implementation of the Scheme and commencement of the liquidation of the Existing Company	26 April
New Shares issued in uncertificated form credited to CREST accounts of Shareholders under the Scheme	8.00 a.m. 27 April
Admission to listing and dealings commence in the New Shares issued pursuant to the Scheme	8.00 a.m. 27 April
Cancellation of listing of the Existing Shares on the premium segment of the Official List and trading on the Main Market	8.00 a.m. 27 April
Share certificates in respect of New Shares issued in certificated form pursuant to the Scheme despatched to Shareholders entitled thereto	week commencing 1 May
Share Issuance Programme	
Admission and dealing in New Shares commence	27 April 2017 to 2 March 2018
Publication of the issue price in respect of each Issue	As soon as practicable following each Issue
Crediting of CREST accounts in respect of new shares	8.00 a.m. on each day New Shares are issued
Share certificates in respect of New Shares despatched (if applicable)	Approximately one week following the issue of any New shares

Notes:

- (i) In this document, where the context requires, references to 1 March 2017 should be treated as being references to the latest practicable date prior to the publication of this document.
- (ii) Each of the times and dates in the above expected timetable (other than in relation to the EGM) may be extended or brought forward by the Board and will be notified to shareholders through RNS.

ISSUES STATISTICS

Ordinary Shares to be issued under the Scheme	179,568,240
Ordinary Shares to be issued under the Share Issuance Programme	100 million
ISIN of the Ordinary Shares	GB00BF03YC36
Ticker code	HDIV
Legal Entity Identifier	213800RV2228E01JEN02

DIRECTORS, INVESTMENT MANAGER AND OTHER ADVISERS

Directors	Angus Macpherson (<i>Chairman</i>) Roderick Davidson Denise Hadgill Stewart Wood Ian Wright all non-executive and of 201 Bishopsgate London EC2M 3AE
Directors of Existing Company	Paul Manduca (<i>Chairman</i>) Angus Macpherson Nigel Parker Ian Wright all non-executive and of Liberté House 19-23 La Motte Street St. Helier Jersey JE2 4SY
AIFM and Investment Manager	Henderson Investment Funds Limited 201 Bishopsgate London EC2M 3AE
Manager	Henderson Global Investors Limited 201 Bishopsgate London EC2M 3AE
Company Secretary	Henderson Secretarial Services Limited 201 Bishopsgate London EC2M 3AE
Sponsor and UK Legal Adviser	Dickson Minto W.S. Broadgate Tower 20 Primrose Street London EC2A 2EW
Broker	J.P. Morgan Cazenove 25 Bank Street Canary Wharf London E14 5JP
Auditors	Ernst & Young UK LLP 25 Churchill Place London E14 5RB
Registrars	Computershare Investor Services PLC The Pavilions Bridgewater Road Bristol BS13 8AE
Proposed Depositary	BNP Paribas Securities Services (London Branch) 10 Harewood Avenue London NW1 6AA

DEFINITIONS

In this document, the words and expressions listed below have the meanings set out opposite them and the singular shall be taken to include the plural (except where the context otherwise requires):

ABS	asset-backed securities
Admission	in respect of New Shares, the admission of such New Shares to the Official List and to trading on the Main Market
AGM	the annual general meeting of the Existing Company convened for 8.30 a.m. on 26 April 2017 or any adjournment thereof
AIC	the Association of Investment Companies
AIC Code	the AIC's Code of Corporate Governance
AIFM or HIFL or Investment Manager	Henderson Investment Funds Limited
AIFM Directive or AIFMD	Directive 2011/61/EU of the European Parliament and of the Council
Articles	the articles of association of the Company, as amended from time to time
Business Day	a day (excluding Saturday or Sundays or public holidays in England and Wales) on which banks are generally open for business in London for the transaction of normal business
Calculation Date	close of business on 24 April 2017, being the date and time at which the Existing Company's assets will be determined for the purposes of the calculation of the FAV per Existing Share for the purposes of the Scheme
COB Rules	the FCA Business Standards Conduct of Business Rules applicable to firms with investment business customers
Companies Act	the Companies Act 2006
Company	Henderson Diversified Income Trust plc, a company incorporated in England and Wales with registered number 10635799
CREST	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear UK & Ireland Limited in accordance with the Uncertificated Securities Regulations 2001 (SI 2001/3755) as amended
CTA 2009	Corporation Tax Act 2009
CTA 2010	Corporation Tax Act 2010
Depository	the proposed depository, being BNP Paribas Securities Services (London Branch)
Depository Agreement	the depository agreement to be entered into between the Company and the Depository further details of which are set out in paragraph 7.2 of Part 7 of this document
Directors or Board	the directors of the Company

Disclosure Guidance and Transparency Rules	the disclosure guidance and transparency rules made by the FCA under Part VI of FSMA, as amended from time to time
EEA	the European Economic Area
EEA States	the member states of the EEA
Effective Date	the date on which the Scheme becomes effective, which is expected to be 26 April 2017
EGM	the extraordinary general meeting of the Existing Company convened for 8.35 a.m. on 26 April 2017 or if later as soon as the AGM convened for the same day has concluded, and any adjournment thereof
ERISA	the US Employee Retirement Income Security Act of 1974
EU	the European Union
EURIBOR	the European inter-bank offer rate
Existing Company	Henderson Diversified Income Limited, a company incorporated in Jersey with registered number 97669
Existing Company NAV	the net asset value of the Existing Company being the value of its assets less any liabilities it has, calculated in accordance with its normal accounting policies post the costs of the Scheme (but ignoring any provision for the winding up)
Existing Shares	the ordinary shares of no par value in the capital of the Existing Company
Facility Agreement	the senior secured multi-currency revolving facility agreement dated 30 September 2011 (as amended) between the Existing Company as borrower, Scotiabank Europe PLC as lender, and the Luxembourg Subsidiary as guarantor, for an amount up to £45.5 million
FATCA	the US Foreign Account Tax Compliance Act of 2010, as amended
FAV per Existing Share	the formula asset value of an Existing Share calculated as at the Calculation Date being the Existing Company NAV less any liabilities it has, calculated in accordance with its normal accounting policies post the Winding Up Costs and the costs of the Interim Dividend
FCA	the Financial Conduct Authority
FCA Rules	the FCA handbook of rules and guidance (including the glossary thereto) for the time being in force (and any successor rules and guidance of the FCA for the time being in force)
FSMA	the Financial Services and Markets Act 2000 (as amended)
General Meeting	general meeting of the Company held on 2 March 2017
IFRS	International Financial Reporting Standards
Interim Dividend	the dividend to be paid by the Existing Company in June 2017
ISA	an individual savings account for the purposes of section 694 of the Income Tax (Trading and Other Income) Act 2005

Issue Costs	costs of the Scheme to be allocated to the Company for the purposes of calculating the FAV per Existing Share as set out in Part 3 of this document
Issue Price	the price at which New Shares are to be issued under the Share Issuance Programme, which will be determined as explained in Part 4 of this document
Issues	the Scheme Issue or an issue under the Share Issuance Programme as the context requires
LIBOR	London inter-bank offer rate
Liquidators	the liquidators of the Existing Company, being initially the persons appointed at the EGM
Listing Rules	the listing rules made by the FCA under Part VI of FSMA, as amended from time to time
London Stock Exchange	London Stock Exchange plc
Luxembourg Subsidiary	the wholly owned subsidiary undertaking of the Existing Company, Henderson Diversified Income (Luxembourg) S.à.r.l.
Main Market	the London Stock Exchange's main market for listed securities being a regulated market for the purposes of Directive 2004\39\EC
Management Agreement	the investment management agreement dated 3 March 2017 between the Company and the Investment Manager, further details of which are set out in paragraph 7.1 of Part 7 of this document
Manager	Henderson Global Investors Limited
Market Abuse Regulation	the Market Abuse Regulation (Regulation (EU) 596/2014), all delegated regulations and implementing regulations made thereunder and any legislation made in the United Kingdom in connection with the entry into force of such Regulation
Net Asset Value or NAV	the value of the Company's assets, less any liabilities (including any costs or borrowings)
Net Asset Value per Share or NAV per Share	the prevailing net asset value per Share as the context may require from time to time, calculated in accordance with the Company's normal accounting policies and without dividends deducted
New Shares	the new Shares to be issued pursuant to the Issues
Offeror	a person who has made a general offer to acquire shares in the Company
Official List	the official list of the UK Listing Authority
Ordinary Shares or Shares	the ordinary shares of one penny in the capital of the Company
Performance Fee	the performance fee which may be payable by the Company to the Investment Manager pursuant to the Management Agreement

Portfolio	the portfolio of assets held by the Existing Company, including the Luxembourg Subsidiary, which will be transferred to the Company under the Scheme
PRA	the UK Prudential Regulation Authority
Proposals	the proposals for the summary winding up and reconstruction of the Existing Company (including the Scheme) described in this document
Prospectus	this document
Prospectus Directive	Directive 2003/71/EC (and the amendments thereto, including Directive 2007/73/EU)
Prospectus Rules	the prospectus rules made by the FCA under Part VI of FSMA, as amended from time to time
Record Date	6.00 p.m. on 25 April 2017, being the record date for determining the entitlements of Shareholders under the Scheme
Redeemable Preference Shares	the redeemable preference shares of £1.00 in the capital of the Company
Registrar	Computershare Investor Services PLC
Registrar Agreement	the registrar agreement dated 3 March 2017 between the Company and the Registrar, further details of which are set out in paragraph 7.3 of Part 7 of this document
Regulatory Information Service	a regulatory information service that is on the list of regulatory information services maintained by the FCA
Scheme	the proposed scheme of reconstruction and summary winding up of the Existing Company
Scheme Issue	the issue of New Shares in connection with the Scheme
Shareholder(s)	holder(s) of Shares in the Company or Existing Shares in the Existing Company as the context may require
Share Issuance Programme	the Issues of New Shares as described in Part 4 of this document
Sterling	the lawful currency of the United Kingdom
Sub-Investment Management Agreement	the sub-investment management agreement dated 21 July 2014 between the Investment Manager and the Manager pursuant to which the Investment Manager has delegated portfolio management of the Company's assets to the Manager
Takeover Code	the City Code on Takeovers and Mergers
Takeovers Directive	the European Directive on Takeover Bids (2004/25/EC)
Transfer Agreement	the agreement for the transfer of the assets from the Existing Company to the Company
Transfer Date	the date on which the Existing Company's assets are transferred to the Company
UK Code	UK Corporate Governance Code issued by the Financial Reporting Council

UK Listing Authority or UKLA

the FCA, acting in its capacity as the competent authority for the purposes of Part VI of FSMA

United States or USA or US

the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia

Winding Up Costs

costs of the Scheme to be allocated to the Existing Company for the purposes of calculating the FAV per Existing Share as set out in Part 3

PART 1

THE COMPANY

Introduction

Henderson Diversified Income Trust plc is a new, closed-ended, United Kingdom investment company. The Company has been incorporated for the purpose of effecting the proposal for the redomicile of the investment business and assets of Henderson Diversified Income Limited from Jersey to the United Kingdom (the “**Proposals**”) by way of a summary winding up and reconstruction of the Existing Company (the “**Scheme**”). Under the Proposals the assets and liabilities of the Existing Company will be transferred to the Company and the Existing Company will be wound up. Following the implementation of the Scheme the Shareholders in the Company will be the same as the Shareholders in the Existing Company and will each hold the same number of Ordinary Shares in the Company as they held in the Existing Company at the Record Date. The Company is also taking the opportunity to introduce a Share Issuance Programme, further details of which are set out below.

Background to the Proposals

The Existing Company announced on 5 December 2016 that following consultation with major Shareholders the board of the Existing Company had concluded that it would proceed with the proposals to redomicile the investment business and assets of the Existing Company in the United Kingdom. It is intended that the Company will join the United Kingdom investment trust regime. The Board believes that the Proposals allow Shareholders to continue their investment in a tax efficient vehicle.

Under the Scheme the Existing Company will be wound up voluntarily pursuant to a scheme of reconstruction and summary winding up. The Scheme provides for the assets and liabilities of the Existing Company (including the shares of the Luxembourg Subsidiary) to be transferred to the Company in consideration for the issue of New Shares to the Shareholders. Shareholders will be issued one New Share in the Company for each ordinary share in the Existing Company that they hold on the Record Date. The Scheme is subject to, amongst other conditions, its approval by Shareholders.

If the Scheme becomes effective the Company will be, effectively, a mirror image of the Existing Company. The Ordinary Shares will be listed on the premium segment of the Official List and traded on the Main Market.

As with the Existing Company, the Company will appoint Henderson Investment Funds Limited as investment manager. The Company can invest selectively across the full spectrum of fixed income asset classes including, but not limited to, secured loans, asset backed securities, investment grade corporate bonds, high yield corporate bonds, unrated bonds, gilts, preference and selective high yield equity shares, hybrid securities, convertible bonds and floating rate notes. The Company will seek to invest directly in its target investments, although it may also invest through other collective investment vehicles if appropriate.

It is expected that the Proposals will have the following benefits:

- they will reduce annual costs for the Company from approximately £620,000 per annum (excluding management fees and performance fees) to approximately £470,000 per annum; and
- the proposed structure is relatively simple compared to the structure of the Existing Company and its group and reduces uncertainty in the tax position for Shareholders going forward.

It is expected that the total costs and expenses of and incidental to the Proposals will be approximately £570,000 in aggregate if the Scheme becomes effective.

Background to the Share Issuance Programme

Over the last 12 months, due to market demand, the Existing Company has issued 13,100,000 New Shares on a non-pre-emptive basis for cash. The Board believes that it is important that the Company has the ability to issue shares at a premium to the Net Asset Value to increase liquidity, spread the fixed

costs of the Company over a larger asset base and reduce volatility by preventing the built-up of excessive demand for Shares.

The Prospectus Rules provide that where a company wishes to apply for the admission to trading on a regulated market of shares representing, over a period of 12 months, 10 per cent. or more of that company's shares which are already admitted to trading on that regulated market (excluding shares admitted pursuant to an exemption under the Prospectus Rules), then the company concerned is required to issue a prospectus. In view of the level of expected demand for the Ordinary Shares, this document is necessary in order to allow the Company to continue the Existing Company's approach of issuing Shares at a small premium to the relevant NAV per Share where demand exceeds supply.

The New Shares to be admitted pursuant to the Share Issuance Programme will be issued only: (i) at a premium to the relevant NAV per Share; (ii) to meet demand from investors; and (iii) when the Directors believe that it is in the best interest of the Company to do so.

The Company will issue a maximum of 100 million New Shares under the Share Issuance Programme. The Board has authority to issue, on a non pre-emptive basis for cash, up to a maximum amount of 10 per cent. of the issued share capital of the company immediately following completion of the scheme New Share in relation to the Share Issuance Programme (being 17,956,824 New Shares) which reflects the authorities that are to be proposed at the last AGM of the Existing Company. This document will be in force for a period of 12 months and therefore the maximum number of New Shares which may be issued by the Company pursuant to the Share Issuance Programme is intended to cover the Shareholder authorities granted at the General Meeting and any future authorities granted by Shareholders.

This document is in relation to Issues made under the Share Issuance Programme which may occur from time to time in the period from 27 April 2017 to 2 March 2018. However, the Company will continue to manage the discount or premium at which the Shares trade following the expiry of this period and will seek to issue further prospectuses as and when required under the prospectus Rules. Further details of the Share Issuance Programme are set out in Part 4 of this document.

Investment policy

The Company's investment objective is to seek income and capital growth such that the total return on the net asset value of the Company exceeds the average return on a rolling annual basis of three month sterling LIBOR plus 2 per cent.

The Company aims to deliver this outcome by investing in a diversified portfolio of global fixed and floating rate income asset classes including secured loans, government bonds, high yield (sub-investment grade) corporate bonds, unrated corporate bonds, investment grade corporate bonds and asset backed securities. The Company may also invest in high yielding equities and derivatives.

The Company uses a dynamic approach to portfolio allocation across asset classes and is permitted to invest in a single asset class if required. The Company seeks a sensible spread of risk at all times. It can invest in assets of any size, sector, currency or issued from any country.

The Company has adopted the following allocation limits:

- secured loans 0 to 100 per cent. of gross assets
- government bonds 0 to 100 per cent. of gross assets
- investment grade bonds 0 to 100 per cent. of gross assets
- high yield corporate bonds 0 to 100 per cent. of gross assets
- unrated corporate bonds 0 to 10 per cent. of gross assets
- asset backed securities 0 to 40 per cent. of gross assets
- high yielding equities 0 to 10 per cent. of gross assets

As a matter of policy, the Company will not invest more than 10 per cent. in aggregate of its net assets in a single issue or issuer.

The Company may use financial instruments known as derivatives to enhance returns. They may also be used to reduce risk or to manage the Company's assets more efficiently. The use of derivatives may include credit derivatives (including credit default swaps) in addition to interest rate futures, interest rate swaps and forward currency contracts. The credit derivatives, interest rate futures and swaps are used to take a synthetic exposure to, or to hedge, an investment position where the derivative contract is more efficient or cost effective than a position in the underlying physical asset. The Company's exposure to derivatives is capped at a maximum net long or net short position of 40 per cent. of net assets. The Company may also employ financial gearing for efficient portfolio management purposes and to enhance investment returns but total gearing (both financial gearing and synthetic gearing combined) may not exceed 40 per cent. of net assets. Forward currency contracts are used to hedge other currencies back to sterling.

Any material change in the Company's investment policy will require the approval of Shareholders at a general meeting. In the event of a breach of the Company's investment policy, the Directors will announce through a Regulatory Information Service the actions which will be taken to rectify the breach.

Derivatives

As stated above, the Investment Manager may also invest in credit default swaps and certain other derivative instruments in order to enhance the Company's income and total returns. In order to manage risk, transactions involving derivatives are only entered into with investment banks, the credit rating of which is taken into account so as to minimise the risk to the Company of default.

Credit derivatives are used as a way of managing the aggregate credit exposure of the Company without buying or selling a physical bond/loan. The primary credit derivatives used are credit default swaps. To the extent that the credit derivative exposure is not covered by cash held by the Company then any net long exposure would act as synthetic gearing. Credit default swaps are used by the Investment Manager for two purposes. By selling protection (going long risk) the Investment Manager can increase the Company's exposure to a particular reference entity. In return for taking this credit risk the Company will receive a specified income over the life of the contract but will be exposed to capital losses should the reference entity breach the terms of the contract in the intervening period.

Investment outlook

The Board believes that the primary concern for the Company in 2017 is the political uncertainty in core European countries, which presents the potential for significant systematic risk and a genuine concern of the possibility of a negative credit market event. Of particular concern to the Company is the anti-Euro message from key candidates in the German, French and Netherlands elections that are to be held in 2017. If any of these countries were to leave the Euro the Board believes that the solvency of the European banking system would be brought into question.

Besides the political uncertainty in Europe the outlook for the Company remains relatively benign, with the votes for Brexit and President Trump having little effect to date on credit markets or default risks, the primary exposure of the Company. There is little sign of the business excesses that lead to significant default, with European companies in particular being remarkably disciplined in their use of debt. The Board believes that the environment of low growth, low inflation and low default rates provides a supportive backdrop for investors in credit markets.

Dividends

It is the intention of the Directors to make distributions in the form of quarterly dividends payable in March, June, September and December each year. At the EGM the Existing Company Shareholders will be asked to approve a dividend for the period to 25 April 2017 to be paid to Shareholders in June 2017 (the "**Interim Dividend**"). The Interim Dividend will be paid by the Existing Company and will be treated as a dividend payment from an offshore company for tax purposes.

As a UK company, the Company is subject to more stringent restrictions on the payment of dividends, however it is proposed that, subject to confirmation from the High Court, immediately following completion of the Proposals the Company will cancel its share premium account to give the Directors greater flexibility. The Company will pay an interim dividend in respect of the period ending 31 July 2017 to Shareholders in September 2017.

The Directors will consult with the Investment Manager to establish the appropriate level of dividend to be paid and this level may vary from time to time. In addition, the Articles permit the distribution of capital profits. The Directors intend to make distributions out of capital for two principal reasons: to provide additional flexibility in relation to dividend payments; and to facilitate share issuance under the Share Issuance Programme. Where the Company issues new shares at a premium to net asset value, the new shareholders will pay capital for current year income which might adversely affect the distributable income per share. Accordingly, such a shortfall in distributable income per share may be made up through the distribution of an equivalent amount from this distributable capital reserve.

The Directors intend to apply the “streaming” regime to any dividends paid by the Company. The Company is expected to pay both ordinary corporate dividends and distributions which are designated as payments of interest for tax purposes. Whereas distributions in the Existing Company are characterised as “dividends”, some distributions in the Company will be characterised as “interest payments”. Further details in relation to the taxation of dividends are set out in paragraph 2.2 of Part 6 of this document.

Capital structure

Share capital

The Company’s share capital will comprise Ordinary Shares only, all of which will be listed on the premium segment of the Official List and admitted to trading on the Main Market. Shareholders are therefore entitled to such dividends as are declared by the Company and are entitled, on a return of capital on a winding up or otherwise, to all surplus assets of the Company which remain after satisfying any liabilities.

Voting rights

Shareholders shall have the right to receive notice of, to attend and to vote at all general meetings of the Company. Save as otherwise provided in the Articles, on a show of hands each Shareholder present in person and entitled to vote shall have one vote and upon a poll each such holder who is present in person or by proxy and entitled to vote shall have one vote in respect of every share held.

No Shareholder shall be entitled to vote at any general meeting if any call or other sum presently payable by him in respect of shares remains unpaid.

A Shareholder shall not, if the Directors so determine, be entitled in respect of any share held to attend or vote (either personally or by representative or by proxy) at any general meeting or separate class meeting of the Company or to exercise any other right conferred by membership in relation to any such meeting and may suffer any rights to a dividend to be suspended for a period of up to one year if he or any other person appearing to be interested in such Shares has failed to comply with a notice requiring the disclosure of Shareholders’ interests and given under the Articles within 14 days, in a case where the shares in question represent at least 0.25 per cent. of their class.

Dividend rights

The Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Directors. Subject to the Companies Act and any priority, preference or special rights, all dividends shall be declared and paid according to the amounts paid up on the shares.

Return of capital

On a winding up, the surplus assets remaining after payment of all creditors, including the repayment of bank borrowings, shall be divided amongst Shareholders *pro rata*, according to the rights attached to the shares, unless otherwise provided for under a scheme of reconstruction and winding up of the Company.

Further details of the rights attaching to the Shares are set out in Part 7 of this document.

Borrowings and gearing

The Company has the power to borrow money under its Articles and may employ gearing to enhance investment returns but bank borrowings will not exceed 40 per cent. of net assets.

The Existing Company has a £45.5 million bank facility with Scotiabank Europe PLC. Under the Facility Agreement £26.1 million was drawn down on 1 March 2017 (being the last practicable date prior to

publication of this document) at a rate of interest of LIBOR or EURIBOR (depending upon the currency of the loan) plus a margin of 0.925 per cent. per annum plus mandatory costs, with a final maturity date of 14 August 2018.

If the Scheme becomes effective, it is expected that a new facility agreement broadly reflecting the terms of the existing Facility Agreement will be entered into by the Company on the Effective Date.

Discount management

The Directors have the authority to buy back up to 14.99 per cent. of the Shares in issue immediately following completion of the Scheme and will consider seeking renewal of this authority from Shareholders annually and at other times should this prove necessary. Any buy-back of Shares will be made subject to the Listing Rules of the UK Listing Authority, as well as other statutory and regulatory restrictions and will be made within guidelines established from time to time by the Directors. The making and timing of any buy-backs is at the discretion of the Directors.

The Board believes it should maintain flexibility and therefore will not operate a fixed discount management policy. Nevertheless, the Board will aim to minimise the discount at which the Shares trade relative to the Net Asset Value per Share in order to reduce volatility and increase liquidity in the Shares. Accordingly, the Board intends, subject always to the overall impact on the portfolio, the pricing of other listed investment companies and overall market conditions, to consider Share buy-backs in addition to Share issuance within a narrow band relative to Net Asset Value per Share.

Shares will only be repurchased at a discount to diluted Net Asset Value per Share and may be cancelled or alternatively held in treasury. Shares may only be re-issued from treasury at a price which represents not less than the cum-income Net Asset Value per Share at the relevant time. The timing and structure of any such purchases is entirely discretionary and no expectation or reliance should be placed on the Board exercising such discretion.

PART 2

ADDITIONAL INFORMATION

The Company

The Company is a new, closed-ended, United Kingdom investment company, without a fixed life. The share capital of the Company, consisting solely of Ordinary Shares, will be listed on the Official List and traded on the Main Market of the London Stock exchange. The Ordinary Shares will have a nominal value of one penny each.

The Existing Company has a wholly-owned subsidiary in Luxembourg, Henderson Diversified Income (Luxembourg) S.à.r.l. Under the Proposals the entire issued share capital of the Luxembourg Subsidiary will be transferred from the Existing Company to the Company on the Effective Date and the beneficial title to the assets and liabilities held within the Luxembourg Subsidiary will be assigned to the Company with effect from this date. The legal title to the assets held within the Luxembourg Subsidiary will then be transferred to the Company as soon as practicable thereafter (and it is expected that the majority of the assets will be transferred within two months). The Luxembourg Subsidiary will then be wound up. Following the winding up of the Luxembourg Subsidiary, the Company will have no subsidiary or parent undertakings, associated companies or employees.

Directors

The Board comprises five Directors, each of whom is non-executive and independent of the Investment Manager. Although the management of the Company has been delegated to the Investment Manager, the Directors retain overall responsibility for the determination of the Company's investment policy and the overall supervision of the Company.

The Directors of the Company are as follows:

Angus Macpherson (*Chairman*): Angus is Chief Executive of Noble & Company (UK) Limited. He is also Chairman of JP Morgan Elect PLC, Chairman of the Belhaven Hill School Trust Ltd, a Director of Pacific Horizon Investment Trust plc and a Member of the Scottish Government's Financial Services Advisory Board. Previously he worked for Merrill Lynch in London, New York, Singapore and Hong Kong, latterly as Head of Capital Markets and Financing in Asia.

Roderick Davidson: From 2010 until 2016 Roderick was Head of the Fixed Income Investment Department at Alliance Trust where he was responsible for growing the bond fund management business from zero to £800 million over a five year period. Prior to this he has held roles as Global Head of Fixed Income at Scottish Widows Investment Partnership and Global Head Multi Strategy Fixed Income at Aberdeen Asset Management.

Denise Hadgill: Denise was, until 2015, Head of the UK Product Strategy group at BlackRock and was responsible for delivering the firm's investment message and economic outlook to an extensive range of UK Pension Fund and Charity Trustee Boards. Prior to this she spent 14 years at Schroder Investment Management Limited where she was UK Equity Fund Manager and Director responsible for the firm's relationship with 21 UK Pension Fund and Charity clients with multi asset portfolios valued at £2 billion.

Stewart Wood: Stewart became a Labour member of the House of Lords in 2011. He was Shadow Minister without Portfolio and a strategic adviser to Ed Miliband, Leader of the Labour Party, from 2010 to 2015. Prior to that he was a special adviser to the Chancellor of the Exchequer on the UK Treasury's Council of Economic Advisers from 2001 to 2007, during which time he led on the assessment for UK entry into the Euro. He then served as Senior Special Adviser on foreign affairs, culture and media policy, and Northern Ireland between 2007 and 2010. After the 2010 General Election, he led Ed Miliband's successful campaign for the Labour leadership. In 2016, he was named as the new Chair of the United Nations Association (UK), and appointed to the Board of the Marshall Scholarships Commission. He is also one of the inaugural members of the new House of Lords Committee on International Affairs, and frequently gives talks to companies and conferences on topics including Brexit, the Future of the EU & German politics. He is a Professor of Practice at the Blavatnik School of Government in Oxford University.

Ian Wright: Ian is a Commissioner of the Jersey Financial Services Commission and Chairman of its Audit Committee. He is also a Panel Member of the Financial Reporting Review Panel which is part of the UK Financial Reporting Council, a Member of the States of Jersey Audit Committee and a Policeman in the Parish of St. Brelade. He is a Chartered Accountant. Previously he was an audit partner in Price Waterhouse and then PriceWaterhouseCoopers including serving as the Senior Partner of the firm's international accounting consulting group. A founder member of the IFRS Interpretations Committee he has also served on professional committees of the ICAEW and FEE. He is resident in Jersey having previously worked in the Channel Islands, London and Bahrain.

The Investment Manager

The Investment Manager, which is authorised and regulated by the FCA, is a company within the Henderson Group, a global investment management business that provides a wide range of investment products and services to institutions and individuals in the UK, Europe, North America and the Asia and Pacific region. As at 31 December 2016, the Henderson Group had £101 billion of assets under management and employs more than 1,000 members of staff worldwide.

The Company's portfolio will be managed jointly by John Pattullo and Jenna Barnard, who have managed the Portfolio since incorporation of the Existing Company. These key investment professionals will be supported by a team of credit analysts and specialists in secured loan investment.

John Pattullo is the Co-Head of Strategic Fixed Income at Henderson. With more than 20 years of experience investing in the credit markets, John co-manages a number of funds with Jenna Barnard. Prior to joining Henderson in 1997, John spent four years as a chartered accountant at PricewaterhouseCoopers.

John has an MA (Hons) in Economics from the University of St. Andrews. He is a member of the Institute of Chartered Accountants of Scotland and an Associate Member of the Society of Investment Professionals.

Jenna Barnard is the co-Head of Strategic Fixed Income, co-managing a number of funds alongside John Pattullo. Jenna joined Henderson in 2002 as a credit analyst and progressed to Credit Portfolio Manager in 2004. Prior to joining Henderson, Jenna worked as an investment analyst with Orbitex Investments.

Jenna holds a first class BA (Hons) degree in Politics, Philosophy & Economics from Oxford University. She is a CFA charterholder, and an affiliate member of UKSIP. Jenna is a Member of the Society of Technical Analysts having passed the STA Diploma exam.

Investment management arrangements

The Directors have overall responsibility for the Company's activities and are responsible for the determination of the Company's investment policy. Under the terms of the Management Agreement, the Investment Manager has been appointed as the Company's AIFM with responsibility for the day-to-day management of the Company's assets subject to the overall supervision of the Directors and to provide certain administrative and secretarial services to the Company. The Investment Manager manages the Company's investments in accordance with the policies laid down by the Directors and in accordance with the investment policy referred to in the Management Agreement and this Prospectus. The Investment Manager delegates certain portfolio management services to Henderson Global Investors Limited, as Manager pursuant to the Sub-Investment Management Agreement.

The Investment Management Agreement is on the same terms as the existing agreement between the Investment Manager and the Existing Company save that the administration and accounting services currently provided by BNP Paribas Securities Services, S.C.A. Jersey Branch will be the responsibility of the Investment Manager. The fees for the provision of these services are included as part of the management fee. As with the arrangements between the Investment Manager and the Existing Company, the Company will pay to the Investment Manager both a base fee and, if certain conditions are met, a performance fee, under the Management Agreement. The Investment Manager is entitled to a management fee payable quarterly in arrears calculated at the rate of 0.60 per cent. per annum of the Company's Net Assets.

The Investment Manager is also entitled to a performance fee, calculated at the end of the Company's financial year (and payable once the Board has approved the Company's annual report and accounts) if the Company's total return in that year exceeds the hurdle return for the year at a rate of 15 per cent. of such excess. The Company's performance hurdle rate is three month sterling LIBOR plus 2.00 per cent. There is a cap on total fees payable, including base and performance fees, of 1.2 per cent. per annum of the monthly average of the net assets in the calculation period.

As HIFL will continue to manage the Company's portfolio after the Scheme is implemented, HIFL has agreed to the termination of the investment management agreement with the Existing Company on the Effective Date without notice or penalty. For the purposes of calculating the first performance fee payable to the Investment Manager under the Management Agreement the performance of the Existing Company for the period from 1 November 2016 to the Effective Date will not be paid by the Existing Company and will be carried forward to the Company. Therefore the first performance fee payable by the Company will be calculated over an 18 month period from 1 November 2016 to 30 April 2018.

The Management Agreement may be terminated on the Company giving the Investment Manager not less than six months' written notice and the Investment Manager giving the Company not less than six months' written notice.

Further details of the Management Agreement are set out in paragraph 7.1 of Part 7 of this document.

Depositary arrangements

The Company intends to appoint BNP Paribas Securities Service (London Branch) as the depositary of the Company prior to Admission. BNP Paribas Securities Services SCA is authorised by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and supervised by the Autorité des Marchés Financiers (AMF) and, in respect of its services as depositary in the United Kingdom, is authorised by the Prudential Regulation Authority and is subject to limited regulation by the Financial Conduct Authority and the Prudential Regulation Authority. BNP Paribas Securities Services (London Branch) is registered in England and Wales under No. FC023666 and its registered office is 10 Harewood Avenue, London NW1 3AE. Its telephone number is 020 7595 1340. The principal business of the Depositary is the provision of financial services including depositary services. Subject to the FCA Rules and AIFM Directive, the Depositary will perform an oversight function and will be entrusted with the safekeeping of the assets of the Company and monitoring its cash flows.

Further details of the proposed Depositary Agreement are set out in paragraph 7.2 of Part 7 of this document.

Administration and company secretarial arrangements

Pursuant to the Management Agreement, the Investment Manager has also been appointed to provide the day to day administration of the Company. In its capacity as administrator, it is 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 records, accounting and administrative services. The Investment Manager has contracted with BNP Paribas Securities Services to provide accounting and administration services.

Henderson Secretarial Services Limited has been appointed to provide the general secretarial functions as required under the Companies Act.

Registrar

The Company utilises the services of Computershare Investor Services PLC as registrar in relation to the transfer and settlement of the Shares held in certificated and uncertificated form. The Registrar maintains the Company's register of members and ensures that it is available for inspection in accordance with the applicable law and regulations.

Further details of the Registrar Agreement are set out in paragraph 7.3 of Part 7 of this document.

Annual fees and expenses

The Company will incur ongoing and annual fees and expenses, including, *inter alia*, the base fee and, subject to performance conditions, the performance fee under the Management Agreement, audit fees,

Directors' fees, the Depositary's fees, regulatory fees, Directors' insurance premiums, marketing fees and printing costs.

Corporate governance

The Board will meet at least quarterly to direct and supervise the Company's affairs. This includes reviewing the investment strategy, risk profile and performance of the Company and the performance of the Company's fund service providers, including monitoring the manner in which the responsibilities of those service providers are fulfilled. The Directors recognise the importance of the UK Code and the AIC Code (which establishes a framework of best practice specifically for boards of investment companies) and take measures considered appropriate for an investment company to ensure proper corporate governance and to enable the Company to comply with the recommendations of the UK Code and the AIC Code, except as disclosed below from time to time.

Except as disclosed below, the Company will comply with the UK Code and the AIC Code. For the purposes of assessing compliance with the UK Code, the Board considers that all of the Directors are independent of the Investment Manager and are free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

In accordance with the UK Code, the Board has established an audit committee and a nomination committee in each case with formally delegated duties and responsibilities within written terms of reference.

The audit committee is chaired by Ian Wright, and each of the other Directors are members. Members of the committee have no links with the Company's external auditors and are independent of the Investment Manager. The audit committee will meet not less than twice a year and will meet the external auditors at least once a year.

The audit committee is responsible for overseeing the Company's relationship with the external auditors, including making recommendations to the Board on the appointment of the external auditors and their remuneration. The committee will consider the nature, scope and results of the auditors' work and reviews, and develops and implements policy on the supply of any non-audit services that are to be provided by the external auditors. It will receive and review reports from the Investment Manager and the Company's external auditors relating to the Company's annual report and accounts. The committee will focus particularly on compliance with legal requirements, accounting standards and the Listing Rules and ensure that an effective system of internal financial and non-financial controls is maintained. The ultimate responsibility for reviewing and approving the annual report and accounts remains with the Board.

The nomination committee is chaired by Angus Macpherson, and each of the other Directors are members. The members of the committee are independent of the Investment Manager. The committee meets not less than once a year, has responsibility for considering the size, structure and composition of the Board, and retirements and appointments of additional and replacement Directors and makes appropriate recommendations to the Board.

The management engagement committee is also chaired by Angus Macpherson, and each of the other Directors are members. The committee meets annually to review the Management Agreement, ensuring that the terms are fair and reasonable and that its continuance, given the Company's performance over both short and longer terms, is in the best interests of the Company and the Shareholders. The committee is also responsible for reviewing the performance and cost effectiveness of the Company's other service providers.

The identity of each of the chairmen of the committees referred to will be reviewed on an annual basis. The membership of these committees and their terms of reference will be under review. The performance of the Chairman is assessed by the other Directors.

The Company also has put in place procedures to comply with the internal control aspects of the UK Code.

The Directors do not consider it necessary for the Company to establish a separate remuneration committee. All of the matters recommended by the UK Code to be delegated to such committee are considered by the Board as a whole.

In accordance with the Listing Rules, the Company is to include in each annual report a statement as to whether, in the opinion of the Directors, the continuing appointment of the Investment Manager on the terms agreed continues to be in the interests of Shareholders, together with a statement of the reasons for this view.

The Company has applied to become a member of the AIC and will provide monthly information for publication by the AIC.

Shareholder information

The Existing Company's year end is 31 October and the annual report and accounts are sent to Shareholders in the following February. The year end of the Company will be 30 April. The Company will publish its first annual report and accounts for the period from incorporation to 30 April 2018 in July 2018 and the first annual general meeting of the Company will be held in August 2018. The Company will publish half year accounts for the period to 31 October each year in the following January.

The Net Asset Value of a Share will be calculated by the Investment Manager in accordance with the Company's accounting policies and will be published daily through a Regulatory Information Service. All of the Company's investments will be valued at fair value. Listed investments will be measured initially at cost and recognised at trade date. For financial assets acquired, the cost will be the fair value of the consideration. Subsequent to initial recognition, all listed investments will be measured at their quoted bid prices without deduction for the estimated future selling costs. The Company's investments in secured loans, which are generally unlisted investments, will be priced on a daily basis by reference to data supplied from an independent data source, LoanX. Where fair value cannot be reliably measured, the investments will be carried at the previous reporting date value unless there is evidence that the investment has since been impaired. In such cases, the value is reduced to reflect the estimated extent of the impairment.

Valuations may be suspended if the Company is unable to procure accurate and up-to-date prices or valuations for a substantial proportion of the assets. In the event of any suspension in valuations, such suspension shall be notified through a Regulatory Information Service.

Accounting policies

The audited accounts of the Company will be prepared in pounds Sterling under IFRS as adopted by the European Union and in accordance with guidelines set out in the Statement of Recommended Practice for investment trust companies and venture capital trusts issued by the AIC.

Conflicts of interest

The Investment Manager and its affiliates serve as the investment manager to other clients in addition to the Company. As a result, the Investment Manager (and its affiliates) may have conflicts of interest in allocating investments among the Company and their other clients and in effecting transactions between the Company and other clients, including ones in which the Investment Manager (and its affiliates) may have a greater financial interest. Where appropriate, the Investment Manager and its affiliates may give advice or take action with respect to such other clients that differs from the advice given with respect to the Company.

The Investment Manager and its affiliates may be involved in other financial, investment or professional activities which may on occasion give rise to conflicts of interest with the Company. In particular, they may provide investment management, investment advice or other services in relation to a number of funds which may have similar investment policies to that of the Company or funds in which the Company invests.

The Investment Manager has regard to its obligations under the Management Agreement or otherwise to act in the best interests of the Company, so far as is practicable having regard to its obligations to other clients, when potential conflicts of interest arise. In the event of a conflict of interest arising, the Investment Manager will ensure that it is resolved fairly and in accordance with the COB Rules. The COB Rules require the Investment Manager to ensure fair treatment of all its clients. The COB Rules also require that when an investment is made it should be allocated fairly amongst all of its clients for whom the investment is appropriate. In particular, the Investment Manager uses its reasonable efforts to ensure that the Company has the opportunity to participate in potential investments identified by the Investment Manager which fall within the Company's investment objective and policy, on the best terms reasonably obtainable at the relevant time with the aim of ensuring that the principle of best execution is attained in accordance with the COB Rules.

PART 3

DETAILS OF THE SCHEME

Background to and reasons for the Scheme

The Board of the Existing Company is proposing to simplify the tax structure of the Existing Company by redomiciling the investment business in the United Kingdom and electing to join the UK's investment trust regime. The Proposals will be effected by the transfer of the Existing Company's assets to the Company and the summary winding up of the Company, which is a form of voluntary liquidation under Jersey law. Shareholders will be issued one New Share in the Company for each Ordinary Share in the Existing Company that they hold.

Since the launch of the Existing Company there have been a number of developments in Luxembourg and UK tax legislation and practice. In particular, the Luxembourg authorities now expect additional capital to be invested in such subsidiaries whilst the UK Government has announced changes to withholding and corporate taxes affecting investment trusts with effect from 6 April 2017. These developments have created some uncertainty over the sustainability and efficiency of the Existing Company's existing structure.

The Directors of the Company have stated that they intend to comply with the requirements of the UK investment trust regime. On this basis dividends paid out should not be subject to UK withholding taxes. They also expect to apply the new interest streaming regime where dividends paid to shareholders to the extent derived from interest income may be deducted in arriving at profits chargeable to UK tax.

The Company has been incorporated for the purposes of effecting the Proposals. The Board and the board of the Existing Company believe that the Proposals are in the best interests of Shareholders.

The Scheme

Under the Scheme, the Existing Company will be wound up voluntarily pursuant to a scheme of reconstruction and summary winding up. The Scheme provides for the assets and liabilities of the Existing Company (including the shares of the Luxembourg Subsidiary) to be transferred to the Company in consideration for the issue of New Shares to shareholders in the Existing Company.

The Liquidators shall retain, from the assets attributable to the Shares, the Liquidation Fund. The Liquidation Fund shall be applied by the Liquidators in discharging the liabilities of the Company (including the Winding Up Costs and the costs of the Interim Dividend payable to Shareholders on 30 June 2017). The Liquidation Fund shall include a cash balance equal to the aggregate value of the Interim Dividend, together with the costs of paying the Interim Dividend.

New Shares to be issued to Shareholders of the Existing Company

Under the Scheme the Shareholders will be issued one Ordinary Share in the Company for each share in the Existing Company that they hold on the Record Date. The Shareholders in the Company will be the same as the shareholders in the Existing Company and will each hold the same number of Ordinary Shares in the Company as they held in the Existing Company at the Record Date.

The New Shares will be issued on a one for one basis. The New Shares will be issued at the FAV per Existing Share under the Scheme which will be the Net Asset Value of an ordinary share in the Existing Company at the Calculation Date adjusted to reflect the Winding Up Costs (as described in more detail below) and the costs of the Interim Dividend.

Costs and expenses of the Proposals

It is expected that the total costs and expenses of and incidental to the Proposals will be approximately £570,000 in aggregate if the Scheme becomes effective. For the purposes of calculating the FAV per Existing Share the costs of the Scheme will be split between the Existing Company and the Company. The Winding Up Costs to be paid by the Existing Company are expected to be approximately £150,000 and will include the costs associated with the summary winding up of the Existing Company. The Issue Costs to be paid by the Company are expected to be approximately £420,000 and will include the costs

of establishing the Company. The Issue Costs will be reflected in the NAV per Share of the Company immediately following completion of the Scheme.

Conditions of the Scheme

The Scheme is conditional, amongst other conditions, on:

- (i) the passing of the resolution to approve the Scheme at the EGM; and
- (ii) the UK Listing Authority, having acknowledged to the Company or its agent (and such acknowledgement not having been withdrawn) that the application for the Ordinary Shares to be included on the Official List with a premium listing has been approved and (after satisfaction of any conditions to which such approval is expressed to be subject) will become effective as soon as a dealing notice has been issued by the FCA and listing conditions have been satisfied and the London Stock Exchange having acknowledged to the Company or its agent (and such acknowledgement not having been withdrawn) that the New Shares will be admitted to trading, subject only to allotment.

If either of these conditions is not satisfied by 31 May 2017, the Scheme will not become effective and no New Shares will be issued to the shareholders in the Existing Company.

PART 4

DETAILS OF THE SHARE ISSUANCE PROGRAMME

The Share Issuance Programme

New Shares will be issued pursuant to the Share Issuance Programme only for the purposes of controlling the premium at which the Company trades or to take the opportunity to increase the size of the Company in a manner which enhances the relevant NAV per Share for Shareholders. The New Shares to be admitted pursuant to the Share Issuance Programme will be issued only: (i) at a premium to the NAV per Share (cum income); (ii) to meet demand from investors; and (iii) when the Directors believe that it is in the best interests of the Company to do so. In no circumstances will New Shares be actively marketed pursuant to the Share Issuance Programme. New Shares will be issued pursuant to the Share Issuance Programme only during the period commencing at 8.00 a.m. on 27 April 2017 and ending at 5.00 p.m. on 2 March 2018. However, the Company will continue its aim of monitoring and controlling the discount or premium at which the Shares trade following the expiry of this period and may seek to issue further prospectuses as and when required under the Prospectus Rules.

The Company will issue a maximum of 100 million New Shares, in aggregate, under the Share Issuance Programme. Each Issue will be conditional upon admission of the relevant New Shares to the Official List and to trading on the Main Market becoming effective. None of the Issues will be underwritten.

The Share Issuance Programme has been proposed in principle by the Directors to allow the Company to issue New Shares to satisfy demand from investors at times when Shares are trading at a premium to the relevant NAV per Share. Accordingly, the issue of New Shares pursuant to the Share Issuance Programme will not result in a dilution of the NAV per Share. The Directors intend to apply the net proceeds of any Issues in accordance with the Company's investment policy.

The New Shares will rank *pari passu* in all respects with the existing issued Shares, including the Shares issued under the Scheme.

The Directors believe that typical investors in the Company are expected to be institutional investors, private client fund managers and clients of private client brokers, as well as retail investors who are seeking income and capital growth over the longer term who are prepared to tolerate a degree of risk or potential for loss. In the event that the maximum number of New Shares is issued under the Share Issuance Programme, the Existing Shares following completion of the Proposals would represent 64.2 per cent. of the enlarged issued Share capital.

Issue Price

The Issue Price of each Issue under the Share Issuance Programme, which will be determined by the Board at the time of such Issue, will be calculated by applying a premium to the NAV per Share (cum income) (whether published or unpublished), in order to, *inter alia*, take into account the costs of the Issue per each New Share, as at the relevant Calculation Time (rounded up to the nearest tenth of one pound). No Issue is therefore expected to be dilutive to the NAV per Share after taking into account the other costs of such Issue. The relevant NAV per Share will be calculated in accordance with the Company's normal accounting policies. The Issue Price of each Issue will be announced through a Regulatory Information Service as soon as practicable following each Issue.

Listing and dealing

Issues will be made only in the circumstances described in the paragraph headed "The Share Issuance Programme" above. Where Issues are effected, it is expected that New Shares will be admitted to the Official List and to trading on the Main Market not later than the third business day following the Board's resolution to allot those New Shares. No dealings will commence before the relevant date of Admission.

New Shares issued pursuant to the Share Issuance Programme will be issued in registered form and may be held either in certificated form or settled through CREST. It is expected that definitive certificates in respect of New Shares will, where requested, be despatched by post in the week following the issue of the relevant New Shares. Temporary documents of title will not be issued. Pending despatch of such certificates, transfers will be certified against the register. Definitive certificates for such New Shares are

expected to be despatched in the week following completion of the relevant Issue. Dealings in New Shares are expected to commence on 27 April 2017 at the earliest. The Issues cannot be revoked after dealings in the relevant New Shares have commenced.

The ISIN number for the New Shares is GB00BF03YC36 and the SEDOL number for the New Shares is BF03YC3.

Costs of the Issues pursuant to the Share Issuance Programme

Assuming that the Issues pursuant to the Share Issuance Programme are fully subscribed and 100 million New Shares are issued at a price of 92.1 pence per Share, being a 1.5 per cent. premium to the Net Asset Value per Share at the latest practicable date of this document, the gross proceeds of the Issues would be £92.1 million. The fixed costs of the Issues pursuant to the Share Issuance Programme would be £370,000 and listing fees of £55,000 would be payable. Accordingly, the net proceeds of the Issues pursuant to the Share Issuance Programme would be £91.7 million.

For the avoidance of doubt, the costs of the Issues pursuant to the Share Issuance Programme include, in addition to the above and without limitation, the stamp duty on the investment of the Net Proceeds.

PART 5

FINANCIAL INFORMATION OF THE EXISTING COMPANY (INCLUDING PORTFOLIO INFORMATION)

1. Introduction

Information from the statutory accounts of the Existing Company (prepared in accordance with Jersey law and IFRS as adopted by the European Union) for the three financial years ended 31 October 2014, 31 October 2015 and 31 October 2016, in respect of which the Existing Company's auditors, Grant Thornton Limited, Kensington Chambers, 46-50 Kensington Place, St. Helier, Jersey JE1 1ET, made an unqualified report under the Companies (Jersey) Law 1991 is incorporated by reference and provided below. Such reports are incorporated into this document by reference and are available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of the Company for one year from the date of this document.

The non-incorporated parts of these annual reports and accounts of the Existing Company are either not relevant to investors or covered elsewhere in the Prospectus.

2. Historical Financial Information

Historical financial information relating to the Existing Company on the matters referred to below is included in the audited annual report and audited accounts of the Existing Company, prepared in accordance with Jersey law and IFRS as adopted by the European Union, for the three financial years ended 31 October 2014, 31 October 2015 and 31 October 2016 as set out in the table below and is expressly incorporated by reference into this document. The non-incorporated parts of these annual reports and accounts of the Existing Company are either not relevant to investors or covered elsewhere in the Prospectus.

<i>Nature of information</i>	<i>Statutory Accounts for year ended</i>		
	<i>31 October 2014*</i> <i>Page No.</i>	<i>31 October 2015</i> <i>Page No.</i>	<i>31 October 2016</i> <i>Page No.</i>
Performance Highlights	2-3	2-3	2-3
Chairman's Statement	5	5-6	5-6
Fund Managers' Report	7-9	8-9	8-9
Investment Portfolio	10-12	10-12	10-12
Independent Auditor's Report	32-34	38-40	38-40
Income Statement	35	41	41
Statement of Changes in Equity	36	42	42
Balance Sheet	37	43	43
Cash Flow Statement	38	44	44
Notes to the Financial Statements	39-53	45-59	45-59

* The Existing Company prepared consolidated accounts for the financial year ended 31 October 2014, the information in the table above refers to the consolidated accounts. Following changes to accounting standards the Existing Company prepared "company only" accounts for the financial years ended 31 October 2015 and 31 October 2016.

3. Selected financial information

The information in this paragraph 3 is information regarding the Existing Company which has been prepared by the Existing Company and has been extracted directly from the historical financial information referred to in paragraph 2 of this Part 5. Selected audited historical financial information relating to the Existing Company which has been prepared in accordance with IFRS as adopted by the European Union and has been extracted without material adjustment from the audited annual report and accounts of the Existing Company for each of the three financial years up to 31 October 2016 is set out in the table below:

	<i>Year ended 31 October 2014*</i>	<i>Year ended 31 October 2015</i>	<i>Year ended 31 October 2016</i>
Net asset value			
Net assets (£'000)	124,604	145,369	157,767
Net asset value per share (p)	88.8	88.4	89.7
Share price (p)	91.3	90.5	92.0
Income for the year			
Total income (£'000)	8,919	8,840	13,272
Earnings/(loss) per share (p)	5.47	4.23	6.27
NAV and share price total returns			
Net asset value total return	7.0%	5.0%	7.6%
Share price total return	5.4%	4.8%	7.6%

* The Existing Company prepared consolidated accounts for the financial year ended 31 October 2014, the information in the table above refers to the consolidated accounts. Following changes to the accounting standards the Existing Company prepared "company only" accounts for the financial years ended 31 October 2015 and 31 October 2016.

4. Operating and financial review

A description of changes in the performance of the Existing Company, both capital and revenue, and changes to the Existing Company's portfolio of investments is set out in the sections headed "Chairman's Statement", "Fund Managers' Report" or "Managers' Report", and "Investment Portfolio" or "Summary of Portfolio" in the published statutory accounts of the Existing Company as follows:

<i>Nature of information</i>	<i>Statutory Accounts for year ended</i>		
	<i>31 October 2014 Page No.</i>	<i>31 October 2015 Page No.</i>	<i>31 October 2016 Page No.</i>
Chairman's Statement	5	5-6	5-6
Fund Managers' Report/Managers' Report	7-9	8-9	8-9
Investment Portfolio/Summary of Portfolio	10-12	10-12	10-12

5. Significant change

There has been no significant change in the trading or financial position of the Company since its incorporation. Since 31 October 2016 (being the end of the last financial period of the Existing Company for which financial information has been published), there has been no significant change in the financial or trading position of the Existing Company.

6. Capitalisation and indebtedness

The following table sets out the capitalisation and indebtedness of the Existing Company (distinguishing between guaranteed and unguaranteed, secured and unsecured indebtedness) as at 31 October 2016 (the last date in respect of which financial information on the Existing Company has been published) and as at 1 March 2017:

	31 October 2016 £'000	1 March 2017 £'000
Total current debt		
– Guaranteed	—	—
– Secured	24,721	26,126
– Unguaranteed/unsecured	—	—
Total Non-current debt		
– Guaranteed	—	—
– Secured	—	—
– Unguaranteed/unsecured	—	—
Shareholders' equity		
– Stated capital	120,281	123,653
– Legal reserves (excl. revenue reserves)	39,862	39,862
– Other reserves	(2,376)	(547)
Total equity	<u>182,488</u>	<u>189,094</u>

The information in the table above is audited financial information on the Existing Company as at 31 October 2016 and unaudited financial information on the Existing Company as at 1 March 2017.

The following table shows the Existing Company's net indebtedness at 1 March 2017.

	£'000
A. Cash	453
B. Cash equivalent	—
C. Trading securities	—
D. Liquidity (A+B+C)	<u>453</u>
E. Current financial receivable	<u>3,132</u>
F. Current bank debt	(26,126)
G. Current portion of non-current debt	—
H. Trading securities receivable	—
I. Trading securities payable	—
J. Other current financial debt	(4,009)
K. Current financial debt (F+G+H+I+J)	(30,135)
L. Net current financial indebtedness (D+E+K)	(26,550)
M. Non-current bank loans	—
N. Debenture issued	—
O. Non-current loans	—
P. Non-current financial indebtedness (M+N+O)	—
Q. Net financial indebtedness (L+P)	<u>(26,550)</u>

The Existing Company had no indirect or contingent indebtedness as at 1 March 2017 (being the latest practicable date prior to the publication of this document) other than in respect of credit default swaps with notional capital exposures of £1.8 million.

7. Working capital

The Company is of the opinion that the working capital available to the Company is sufficient for the Company's present requirements (that is, for at least the next 12 months from the date of this document).

8. Net asset value

As at 1 March 2017 the unaudited Net Asset Value per share in the Existing Company was 90.8 pence.

9. Analysis of the Existing Company's Portfolio

As at the date of this document (based on valuations as at 1 March 2017, being the latest practicable date prior to publication of this Prospectus), the Existing Company's current asset allocation was as follows: secured loans 26.5 per cent., high yield corporate bonds 47.7 per cent., investment grade corporate bonds 23.3 per cent., asset backed securities 0.7 per cent. and preference shares 1.8 per cent.

The Portfolio currently comprises of 149 investments. The aggregate unaudited value, calculated in accordance with the Existing Company's accounting policies, of the portfolio was £192.3 million as at the date of this document (based on valuations as at 1 March 2017, being the latest practicable date prior to the publication of this document).

The Existing Company's assets are invested predominantly in UK and Continental European investments, but the Existing Company also invests in securities issued by US companies. As at 1 March 2017, the currency exposure of the Portfolio was as follows:

	<i>Sterling</i> (£'000)	<i>Euro</i> (£'000)	<i>US Dollars</i> (£'000)	<i>Total</i> (£'000)	<i>Percentage</i> <i>of portfolio</i>
Secured Loans	8,394	26,826	15,810	51,030	26.5
Investment Grade Bonds	26,188	—	18,502	44,690	23.3
High Yield Bonds ¹	25,033	7,990	58,708	91,731	47.7
Asset Backed Securities	1,357	—	—	1,357	0.7
Preference Shares ²	3,486	—	—	3,486	1.8
				<u>192,294</u>	<u>100.0</u>

Note 1: Excludes CDSs

Note 2: By domicile of listing.

As at 1 March 2017, the Portfolio comprised the following investments:

Secured Loans

<i>Investment by value</i>	<i>Currency</i>	<i>Country</i>	<i>Industry</i>	<i>Market value</i> (£'000)	<i>% of portfolio</i>
TRAVELPORT 6/16 TLB	USD	Luxembourg	Commercial Services	3,488	6.84
DIEBOLD 4/16 (USD) TL	USD	US	Computers	3,138	6.15
EVRY 9/10 TLB4	EUR	Norway	Computers	3,077	6.03
EIRCOM 10/16 B5 TLB	EUR	Ireland	Telecommunications	3,058	5.99
FORMULA ONE 8/14 (USD) EXTENDED COV-LITE TL	USD	UK	Entertainment	2,720	5.33
DOUGLAS HLDGS 7/16 COV LITE B8 TLB	EUR	Germany	Retail	2,701	5.29
KLOCKNER PENTAPLAST 10/16 (USD) COV-LITE TL	USD	Germany	Packaging & containers	2,528	4.95
PRET A MANGER 10/16 TLB2	GBP	UK	Food	2,410	4.72
ORION CABLE 1/15 TLA	EUR	Germany	Chemicals	1,957	3.83
TMF GRP 9/16 TLB	EUR	Netherlands	Commercial Services	1,740	3.41
UNILABS DIAGNOSTICS 9/016 COVE-LIT TLB	EUR	Sweden	Healthcare Services	1,740	3.41
EQUINIX 11/15 (GBP) TLB	GBP	US	REITS	1,711	3.35
MEDIQ 11/16 TLB1	EUR	Netherlands	Pharmaceuticals	1,685	3.30
SPRINGER 3/15 (EUR) B8 TL	EUR	Germany	Media	1,671	3.27
SCANDLINES 11/13 TLB	EUR	Denmark	Transportation	1,457	2.86
CHESAPEAKE/MULTI PACKAGING 10/16 (GBP) TL	GBP	USA	Packaging & containers	1,429	2.80
BVDEP 9/14 (GBP) TL	GBP	Netherlands	Diversified financial services	1,417	2.78
AIRBUS (DEFENCE ELECTRONICS) 6/16 COV-LITE TLB	EUR	Germany	Aerospace	1,337	2.62
EQUINIX 12/16 (USD) COV-LITE TLB	USD	US	REITS	1,230	2.41
DELACHAUX 9/14 COV-LITE (GBP) TLB	GBP	France	Industrials	1,160	2.27
EXOPACK 11/13 (EUR) COV-LITE TL	EUR	US	Packaging & containers	1,149	2.25

<i>Investment by value</i>	<i>Currency</i>	<i>Country</i>	<i>Industry</i>	<i>Market value (£'000)</i>	<i>% of portfolio</i>
KLOCKNER PENTAPLAST 10/16 (USD) GERMAN BORROWER TL	USD	Germany	Packaging & containers	1,080	2.12
NUMERICABLE YPSO 10/16 (EUR) B10 TLB	EUR	France	Media	894	1.75
KEURIG 2/16 (EUR) COV LITE TLB	EUR	US	Beverages	871	1.71
EXOPACK 11/13 (USD) COV-LIE TL	USD	US	Packaging & containers	814	1.60
KEURIG 2/16 (USD)	USD	US	Beverages	808	1.58
INFOR (LAWSON) 2/17 (EUR)	EUR	US	Computers	726	1.42
OBERTHUR 12/16 (EUR) COV-LITE TLB2	EUR	France	Computers	630	1.23
WIND 3/15 COV-LITE TL	EUR	Italy	Telecommunications	498	0.98
TMF GRP 10/16 TLB1	EUR	Netherlands	Commercial Services	446	0.87
LA SEDA TERM A EUR	EUR	Spain	Chemicals	421	0.84
OBERTHUR 12/16 (EUR) COV-LITE TLB1	EUR	France	Computers	390	0.77
JACOBS DOUWE EGBERTS (JDE) 7/14 ESCROW TLB1	EUR	Netherlands	Beverages	303	0.59
SAM FINANCE 11/13 (GBP) COV-LITE TL	GBP	Spain	Diversified financial services	267	0.52
MEDIQ 1/13 TLB2	EUR	Netherlands	Pharmaceuticals	75	0.15
DELACHAUX 9/14 COV-LITE (USD)	USD	France	Industrials	4	0.01
				51,030	100.00

High Yield Bonds

<i>Investment by value</i>	<i>Currency</i>	<i>Country</i>	<i>Industry</i>	<i>Market value (£'000)</i>	<i>% of portfolio</i>
VIRGIN MEDIA SECURED FINANCE 6.25% 28/03/29 REGS GBP	GBP	UK	Media	3,876	4.23
CO-OPERATIVE GRP HLDGS 6.25% 08/07/26 GBP	GBP	UK	Food	3,351	3.65
ARAMARK SERV 4.75% 01/06/26 USD	USD	US	Food service	2,877	3.14
ALTICE US FINANCE I CORP 5.5% 15/05/26 144A USD	USD	Netherlands	Telecommunications	2,530	2.76
BALL CORP 5.25% 01/07/25 USD	USD	US	Packaging & containers	2,508	2.73
ARQIVA BROADC FINANCE 9.5% 31/03/20 REGS GBP	GBP	UK	Telecommunications	2,266	2.47
IRON MOUNTAIN EUROPE 6.125% 15/09/22 REGS GBP	GBP	US	Commercial services	2,238	2.44
T-MOBILE USA 6.375% 01/03/25 USD	USD	US	Telecommunications	2,192	2.39
HBOS STERLING FINANCE 7.881% VAR PERP GBP	GBP	UK	Banks	2,105	2.29
BOYD GAMING CORP 6.375% 01/04/26 WI USD	USD	US	Gaming	2,081	2.27
CREDIT SUISSE GRP 6.25% VAR PERP REGS USD	USD	Switzerland	Banks	2,058	2.24
ARROW GBL FINANCE 5.125% 15/09/24 REGS GBP	GBP	UK	Diversified financial services	2,053	2.24
UBS GRP 6.875% VAR PERP USD	USD	Switzerland	Banks	2,041	2.22
GALAXY FINCO 7.875% 15/11/21 REGS GBP	GBP	UK	Insurance	2,029	2.21
FIRST DATA CORP 7% 01/12/23 144A USD	USD	US	Software	1,883	2.05
CSC HLDGS 6.625% 15/10/25 144A USD	USD	US	Media	1,754	1.91
PRIME SECSRVC BRW/FINANC 9.25% 15/05/23 144A USD	USD	US	Commercial services	1,751	1.91
INTL GAME TECH 6.5% 15/02/25 144A USD	USD	US	Gaming	1,735	1.89
ARDAGH PKG FIN HLDGS USA 6.75% 15/05/24 REGS EUR	EUR	Ireland	Packaging & containers	1,687	1.84
EPHIOS BONDCO 6.25% 01/07/22 REGS EUR	EUR	France	Healthcare services	1,655	1.80
BARCLAYS BANK 6.278% FRN PERP USD	USD	UK	Banks	1,592	1.74
CROWN AMER/CAP CORP V 4.25% 30/09/26 144A USD	USD	US	Packaging & containers	1,591	1.73
LAMB WESTON HLD 4.875% 01/11/26 144A USD	USD	US	Food	1,576	1.72
TESCO 5.5% 13/01/33 EMTN GBP	GBP	UK	Food	1,456	1.59
ENEL 6.625% VAR 15/09/76 GBP	GBP	Italy	Utilities	1,418	1.55
SIRIUS XM RADIO 5.375% 15/04/25 144A USD	USD	US	Media	1,415	1.54
UNITYMEDIA HESSEN NRW 4% 15/01/25 REGS EUR	EUR	Germany	Media	1,402	1.53
UNITYMEDIA KABELBW 6.125% 15/01/25 144A USD	USD	Germany	Media	1,377	1.50
ROYAL BANK OF SCOTLAND GRP 6.125% 15/12/22 USD	USD	UK	Banks	1,373	1.50
INTL GAME TECH 6.25% 15/02/22 144A USD	USD	US	Gaming	1,367	1.49
BBVA INTL PREF UNIPERSON 5.919% FRN PERP USD	USD	Spain	Banks	1,365	1.49
LLOYDS BANKING GRP 6.657% VAR PERP 144A USD	USD	UK	Banks	1,305	1.42
IMS HEALTH 5% 15/10/26 144A USD	USD	US	Healthcare services	1,239	1.35
SERV CORP INTL 5.375% 15/05/24 WI USD	USD	US	Commercial services	1,204	1.31
TESCO 5.2% 05/03/57 EMTN GBP	GBP	UK	Food	1,202	1.31
ARDAGH PKG FIN/HLDGS USA 6.75% 31/01/21 144A USD	USD	Ireland	Packaging & containers	1,179	1.29
ZAYO GRP ZAYO CAP 6.375% 15/05/25 WI USD	USD	US	Telecommunications	1,175	1.28
RAC BOND CO 4.87% 06/05/26 EMTN GBP	GBP	UK	Commercial services	1,104	1.20
SIRIUS XM RADIO 6% 15/07/24 144A USD	USD	US	Media	1,078	1.18
TELENET FINANCE VI 4.875% 15/07/27 REGS EUR	EUR	Luxembourg	Telecommunications	930	1.01
UBS GRP 7% VAR PERP USD	USD	Switzerland	Banks	875	0.95
FIRST DATA CORP 5.75% 15/01/24 144A USD	USD	US	Software	864	0.94
CCO HLDGS CAP CORP 5.875% 01/05/27 144A USD	USD	US	Media	855	0.93
EQUINIX 5.375% 01/04/23 USD	USD	US	Data centre	847	0.92
AMC ENTERTAINMENT HLDG 5.75% 15/06/25 USD	USD	US	Entertainment	842	0.92
NIELSEN FINANCE CO 5% 15/04/22 144A USD	USD	US	Media	823	0.90
POST HLDGS 5% 15/08/26 144A USD	USD	US	Food	799	0.87
BERRY PLASTICS CORP 5.125% 15/07/23 USD	USD	US	Packaging & containers	777	0.85
REGAL ENTERTAINMENT GRP 5.75% 01/02/25 USD	USD	US	Entertainment	764	0.83
AMC ENTERTAINMENT HLDGS 5.875% 15/11/26 144A USD	USD	US	Entertainment	751	0.82
EIRCOM FINANCE DAC 4.5% 31/05/22 REGS EUR	EUR	Ireland	Telecommunications	718	0.78

<i>Investment by value</i>	<i>Currency</i>	<i>Country</i>	<i>Industry</i>	<i>Market value (£'000)</i>	<i>% of portfolio</i>
NCR CORP 5% 15/07/22 USD	USD	US	Computers	697	0.76
POST HLDGS 5.5% 01/03/25 144A USD	USD	US	Food	690	0.75
ZAYO GRP ZAYO CAP 6% 01/04/23 WI USD	USD	US	Telecommunications	689	0.75
SEALED AIR CORP 5.25% 01/04/23 144A USD	USD	US	Packaging & containers	684	0.75
GALAXY BIDCO 6.375% 15/11/20 REGS GBP	GBP	UK	Insurance	668	0.73
NIELSEN CO LUX SARL THE 5% 01/02/25 144A USD	USD	US	Media	655	0.71
CITIGROUP 5.95% FRN PERP P USD	USD	US	Banks	636	0.69
POST HLDGS 8% 15/07/25 144A USD	USD	US	Food	597	0.65
TRIONISTA TOPCO 6.875% 30/04/21 REGS EUR	EUR	Germany	Electronics	582	0.63
IRON MOUNTAIN 6% 15/08/23 USD	USD	US	Commercial services	559	0.61
AMC ENTERTAINMENT HLDGS 6.375% 15/11/24 REGS GBP	GBP	US	Entertainment	535	0.58
SILGAN HLDGS 4.75% 15/03/25 144A USD	USD	US	Packaging & containers	533	0.58
CATALENT PHARMA SOLUTION 4.75% 15/12/24 REGS EUR	EUR	US	Healthcare services	453	0.50
BARCLAYS 2.25% VAR PERP GBP	GBP	UK	Banks	405	0.44
ARAMARK SERV 5.125% 15/01/24 USD	USD	US	Food service	368	0.40
SPECTRUM BRANDS 4% 01/10/26 REGS EUR	EUR	US	Housewares	354	0.39
RAC BOND CO 4.565% 06/05/23 EMTN GBP	GBP	UK	Commercial services	327	0.36
ARDAGH PKG FIN/HLDGS USA 7.25% 15/05/24 144A USD	USD	Ireland	Packaging & containers	288	0.32
ROYAL BANK OF SCOTLAND GRP 7.648% FRN PERP USD	USD	UK	Banks	280	0.31
ARDAGH PKG FIN/HLDGS USA 4.625% 15/05/23 144A USD	USD	Ireland	Packaging & containers	266	0.29
RBS CAP TST II 6.425% FRN PERP USD	USD	UK	Banks	263	0.29
BALL CORP 4% 15/11/23 USD	USD	US	Packaging & containers	235	0.26
SEALED AIR CORP 5.125% 01/12/24 144A USD	USD	US	Packaging & containers	212	0.23
CITIGROUP CAP XIII 7.1215% 30/10/40 PREF USD25	USD	US	Banks	211	0.23
UNITYMEDIA HESSEN NRW 5% 15/01/25 144A USD	USD	Germany	Media	210	0.23
UNITYMEDIA KABELBW 3.75% 15/01/27 REGS EUR	EUR	Germany	Media	210	0.23
CREDIT AGRICOLE 7.375% PERP USD	USD	France	Banks	191	0.21
				91,731	100.00

Investment Grade Bonds

<i>Investment by value</i>	<i>Currency</i>	<i>Country</i>	<i>Industry</i>	<i>Market value (£'000)</i>	<i>% of portfolio</i>
PGH CAP 6.625% 18/12/25 GBP	GBP	UK	Insurance	3,300	7.38
AVIVA 6.125% VAR PERP GBP	GBP	UK	Insurance	2,577	5.77
CPUK FINANCE 7% 28/08/20 REGS GBP	GBP	Ireland	Diversified financial services	2,532	5.67
REYNOLDS GRP ISS/REYNOLD 7% 15/07/24 144A USD	USD	New Zealand	Tobacco	2,430	5.44
DIAMOND 1 FIN DIAMOND 2 8.1% 15/07/36 144A USD	USD	US	Computers	2,378	5.32
ORANGE 5.75% VAR PERP EMTN GBP	GBP	France	Telecommunications	2,336	5.23
WACHOVIA CAP TST III 5.56975% FRN PERP USD	USD	US	Banks	2,327	5.21
STANDARD LIFE 5.5% VAR 04/12/42 EMTN GBP	GBP	UK	Insurance	2,176	4.87
CHARTER COMM OPT CAP 6.484% 23/10/45 WI USD	USD	US	Media	2,132	4.77
HSBC BANK FUNDING STER 5.844% FRN 29/11/49 GBP	GBP	UK	Banks	2,016	4.51
BUPA FINANCE 6.125% VAR 29/09/49 GBP	GBP	UK	Insurance	1,662	3.72
DEUTSCHE TELEKOM INT FIN 4.875% 06/03/42 144A USD	USD	Germany	Telecommunications	1,530	3.42
ELM (SWISS REIN CO) 6.3024% PERP EMTN GBP	GBP	Switzerland	Insurance	1,510	3.38
AT&T 5.25% 01/03/37 USD	USD	US	Telecommunications	1,448	3.24
NGG FINANCE 5.625% VAR 18/06/73 GBP GBP	GBP	UK	Utilities	1,396	3.12
VERIZON COMMUNICATIONS 5.012% 15/04/49 REGS USD	USD	US	Telecommunications	1,290	2.89
TP ICAP 5.25% 26/01/24 EMTN GBP	GBP	UK	Diversified financial services	1,222	2.72
BUPA FINANCE 5% 08/12/26 GBP	GBP	UK	Insurance	1,086	2.43
SCOTTISH WIDOWS 7% 16/06/43 GBP	GBP	UK	Insurance	996	2.23
ANHEUSER-BUSCH INBEV FIN 4.9% 01/02/46 USD	USD	Belgium	Beverages	969	2.17
COOPERATIEVE RABOBANK UA 6.91% FRN PERP GBP	GBP	UK	Banks	924	2.07
BNP PARIBAS 6.5% PERP USD	USD	France	Banks	903	2.02
MOLSON COORS BREWING 3% 15/07/26 USD	USD	US	Beverages	863	1.93
DIAMOND 1 FIN DIAMOND 2 6.02% 15/06/26 144A USD	USD	US	Computers	722	1.61
VERIZON COMMUNICATIONS 4.125% 15/08/46 USD	USD	US	Telecommunications	701	1.57
FRIENDS LIFE HLDGS 12% 21/05/21 EMTN GBP	GBP	UK	Insurance	591	1.32
BANK OF SCOTLAND 7.281% VAR PERP B GBP	GBP	UK	Banks	509	1.14
JPMORGAN CHASE & CO 6.75% FRN 29/01/49 S USD	USD	US	Food	450	1.01
SCOTTISH WIDOWS 5.5% 16/06/23 GBP	GBP	UK	Insurance	398	0.89
PGH CAP 5.75% 07/07/21 GBP	GBP	UK	Insurance	394	0.88
BNP PARIBAS 6.25% PERP USD	USD	France	Banks	360	0.81
AVIVA 4.375% FRN 12/09/49 GBP	GBP	UK	Insurance	293	0.66
FRIENDS LIFE HLDGS 8.25% 21/04/22 GBP	GBP	UK	Insurance	269	0.60
				44,690	100.00

Asset Backed Securities

<i>Investment by value</i>	<i>Currency</i>	<i>Country</i>	<i>Industry</i>	<i>Market value (£'000)</i>	<i>% of portfolio</i>
TESCO PROPERTY FINANCE 3 5.744% 13/04/40 GBP	GBP	UK	Food	1,357	100.00
				1,357	100.00

Preference Shares

<i>Investment by value</i>	<i>Currency</i>	<i>Country</i>	<i>Industry</i>	<i>Market value (£'000)</i>	<i>% of portfolio</i>
NATIONWIDE BLDG SOC 10.25% VAR PERP CCDS GBP	GBP	UK	Banks	3,486	100.00
				3,486	100.00

The information in this paragraph 9 is unaudited information of the Company, which has been extracted from internal management accounting records held by the Company and has not been reported on by an accountant.

PART 6

TAXATION

The information contained in this document relating to taxation is a summary of the taxation matters which the Directors consider should be brought to the attention of prospective Shareholders. The following statements are intended as a general guide only and do not constitute legal or tax advice to any Shareholder or prospective Shareholder. They are based upon the United Kingdom law and HM Revenue & Customs practice currently in force, and relate only to the position of Shareholders who are beneficial owners of their Ordinary Shares. They may not relate to certain categories of Shareholders, such as dealers in securities. Prospective investors should consult their own professional advisers on the potential tax consequences of acquiring, holding or selling Ordinary Shares in the Company.

1. 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 under section 1158 of the CTA 2010 and pursuant to regulations made under section 1159 of the CTA 2010. However, neither the Investment Manager nor the Directors can guarantee that this approval will be maintained. One of the conditions for a company to qualify as an investment trust is that it is not a close company. The Directors consider that the Company should not be a close company immediately following Admission. 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 capital gains. The Company will, however, (subject to what follows) be liable to UK corporation tax on its income in the normal way.

An investment trust approved under sections 1158 and 1159 of the CTA 2010, or one that intends to seek such approval, is 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 regulations made pursuant to the Finance Act 2009, the Company may, if it so chooses, 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.

The Company should in practice be exempt from UK corporation tax on dividend income received, provided that such dividends (whether from UK or non-UK companies) fall within one of the “exempt classes” in Part 9A of the CTA 2009.

2. Shareholders

2.1. *Taxation of capital gains*

Individual Shareholders who are resident in the UK for tax purposes will generally be subject to capital gains tax in respect of any gain arising on a disposal of their Shares. Each such individual has an annual exemption, such that capital gains tax is chargeable only on gains arising from all sources during the tax year in excess of this figure. The annual exemption is £11,100 for the tax year 2016-2017. Capital gains tax chargeable will be at the current rate of 10 per cent, (for basic rate tax payers) and 20 per cent, (for higher and additional rate tax payers) during the tax year 2016-2017.

Shareholders who are individuals and who are temporarily non-resident in the UK may, under anti-avoidance legislation, still be liable to UK tax on any capital gain realised (subject to any available exemption or relief).

Corporate Shareholders who are resident in the UK for tax purposes will generally be subject to corporation tax on chargeable gains arising on a disposal of their 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.

Capital losses realised on a disposal of Shares must be set off as far as possible against chargeable gains for the same tax year (or accounting period in the case of a corporate Shareholder), even if this reduces an individual Shareholder's total gain below the annual exemption. Any balance of losses is carried forward without time limit and set off against net chargeable gains (that is, after deducting the annual exemption) in the earliest later tax year. Losses cannot generally be carried back, with the exception of losses accruing to an individual Shareholder in the year of his death.

2.2. *Taxation of dividends*

2.2.1. *Individual Shareholders*

(a) *Non interest distributions*

The Directors of the Company intend to apply the interest "streaming" regime to a substantial proportion of dividends paid by the Company going forward.

In the event that the Directors of the New Company do not elect for the "streaming" regime to apply to any dividends paid by the New Company, the following statements summarise the expected UK tax treatment for individual Shareholders who receive dividends from the New Company. The following statements would also apply to any dividends not treated as "interest distributions" were the Directors to elect for the streaming regime to apply.

The notional 10 per cent. dividend credit was abolished with effect from 6 April 2016. A £5,000 (fiscal year 2016-2017) annual tax free dividend allowance was introduced for UK individuals with effect from 6 April 2016. Dividends received in excess of this threshold will be taxed, for the fiscal year 2016/17 at 7.5 per cent. (basic rate taxpayers), 32.5 per cent. (higher rate taxpayers) and 38.1 per cent. (additional rate taxpayers). The taxation of dividends received by SIPPs and ISAs will be unaffected.

The Company will not be required to withhold tax at source when paying a dividend which is not designated as an "interest distribution".

(b) *Interest Distributions*

Where the Directors elect to apply the "streaming" regime to any dividends paid by the Company, were the Company to designate any dividends paid as an "interest distribution", 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 45 per cent., depending on the level of the Shareholder's income. Certain provisions of the Finance Bill 2017 will take legislative effect from 6 April 2017 such that no withholding tax will be applied to "interest distributions" made by the New Company after 6 April 2017.

Each UK resident individual who is a basic rate taxpayer is entitled to a Personal Saving Allowance which exempts the first £1,000 of savings income (including distributions deemed as 'interest distributions' from an Investment Trust Company). The exempt amount is reduced to £500 for higher rate taxpayers and additional rate taxpayers do not receive an allowance.

2.2.2. *Other Shareholders*

UK resident corporate Shareholders may be subject to corporation tax on dividends paid by the Company unless the dividends fall within one of the exempt classes on Part 9A of CTA 2009. If, however, the Directors did elect for the "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 in the same way as a creditor in a loan relationship.

It is 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.

3. Stamp duty and stamp duty reserve tax

In relation to UK stamp duty and SDRT:

- (i) The allocation, allotment and issue of the New Shares will not give rise to a liability to stamp duty or SDRT.
- (ii) Any subsequent conveyance or transfer on sale of Ordinary Shares in certificated form will usually be subject to stamp duty on the instrument of transfer at a rate of 0.5 per cent. of the amount or value of the consideration (the amount payable being rounded up, if necessary, to the nearest multiple of £5). An exemption from stamp duty is available on an instrument transferring shares where the amount or value of the consideration is £1,000 or less, and it is certificated on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions in respect of which the aggregate amount or value of the consideration exceeds £1,000.
- (iii) A transfer of Ordinary Shares effected on a paperless basis through CREST (where there is a change in the beneficial ownership of the shares) will generally be subject to SDRT (rather than stamp duty) at the rate of 0.5 per cent. (the amount payable being rounded up to the nearest penny) of the value of the consideration given.

Special rules apply where shares are issued or transferred to, or to a nominee or agent for, either a person whose business is or includes issuing depository receipts within section 67 or section 93 of the Finance Act 1986 or a person providing a clearance service within section 70 or section 96 of the Finance Act 1986, under which SDRT or stamp duty may be charged at the higher rate of 1.5 per cent. of the value of the consideration given or, in some cases, the value of the shares. Following litigation, however, HMRC have confirmed that they will no longer seek to apply the 1.5 per cent. SDRT charge on the issue of shares into a clearance service or depository receipt arrangement on the basis that the charge is not compatible with EU law. HMRC's view is that the 1.5 per cent. SDRT or stamp duty charge will, however, continue to apply to transfers of shares into a clearance service or depository receipt arrangement unless they are an integral part of an issue of share capital. This view is currently being challenged in further litigation.

4. ISA, SSAS and SIPP

Shares acquired by a UK resident individual Shareholder in the Issues or on the secondary market should be eligible to be held in a stocks and shares ISA, subject to applicable annual subscription limits (£15,240 in the tax year 2016-2017).

Investments held in ISAs will be free of UK tax on both capital gains and income. The opportunity to invest in shares through an ISA is restricted to certain UK resident individuals aged 18 or over. Junior ISAs are available to children under the age of 18 who are resident in the UK subject to the annual allowance of £4,080 for the 2016-2017 tax year. Sums received by a Shareholder on a disposal of Shares would not count towards the Shareholder's annual limit; but a disposal of 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 Shares through an ISA should contact their professional advisers regarding their eligibility.

The Directors have been advised that the 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.

5. Information reporting

The UK has entered into international agreements with a number of jurisdictions which provide for the exchange of information in order to combat tax evasion and improve tax compliance. These include, but are not limited to, an Inter-governmental Agreement with the US in relation to FATCA and International Tax Compliance Agreements with Guernsey, Jersey, the Isle of Man and Gibraltar. The UK has also introduced legislation implementing other international exchange of information arrangements, including the Common Reporting Standard developed by the Organisation for Economic Co-operation and Development and the EU Directive on Administrative Cooperation in Tax Matters. In connection with such agreements and arrangements the Company may, among other things, be required to collect and report to HMRC certain information regarding Shareholders and other account holders of the Company and HMRC may pass this information on to the authorities in other jurisdictions.

PART 7

GENERAL INFORMATION

1. Incorporation and general

- 1.1. The Company was incorporated and registered in England and Wales on 23 February 2017 as a public company limited by shares with registered number 10635799. The Company operates under the Companies Act and regulations made thereunder. Its registered office and principal place of business is 201 Bishopsgate, London EC2M 3AE (telephone number: 0207 818 1818). Save for its compliance with the Companies Act, the Listing Rules, the Disclosure Guidance and Transparency Rules, the Prospectus Rules, the Market Abuse Regulation and the UK Code, the Company is not a regulated entity.
- 1.2. The objects of the Company are unrestricted.
- 1.3. As at the date of this document, the Company has no subsidiary or parent undertakings, associated companies or employees and neither owns nor leases any premises.
- 1.4. The Investment Manager is a private limited company and was incorporated in England and Wales under the Companies Act 1985 with registered number 02678531 on 17 January 1992. The Investment Manager operates under the Companies Act. Its registered office is 201 Bishopsgate, London EC2M 3AE (telephone number: 0207 818 1818). The Investment Manager is authorised and regulated by the FCA.
- 1.5. The Investment Manager delegates certain portfolio management services to Henderson Global Investors Limited. Henderson Global Investors Limited is a private limited company and was incorporated in England and Wales with the registered number 00906355 on 17 May 1967. Its registered office is 201 Bishopsgate, London EC2M 3AE (telephone number: 0207 818 1818).
- 1.6. The proposed Depositary is a company organised under the laws of France as a Partnership Limited by Shares established on 1 September 1955 and is authorised by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and supervised by the Autorité des Marchés Financiers (AMF) and, in respect of its services as depositary in the United Kingdom, is authorised by the Prudential Regulation Authority and is subject to limited regulation by the Financial Conduct Authority and the Prudential Regulation Authority. Its main office is Les Grands Moulins de Pantin, 9 rue du Debarcadère, 93500 Pantin, France and it was registered as a branch in England and Wales with registered number BR006393 on 17 January 2002. The Depositary's principal place of business in the United Kingdom is 10 Harewood Avenue, London NW1 6AA (telephone number: 020 7595 1340).

2. Share capital

- 2.1. The Company was incorporated with no authorised share capital. At incorporation, 100 Ordinary Shares were issued to the subscriber to the memorandum of incorporation. As at the date of this document, the Company's issued and fully paid up share capital is £50,001. Shortly after incorporation of the Company 50,000 Redeemable Preference Shares were issued to Henderson Global Investors Holdings Limited. Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, any share in the Company may be issued with such preferred, deferred or other special rights or restrictions, whether as to dividend, voting, return of capital, redemption or otherwise, as the Board may determine.

- 2.2. The issued share capital of the Company (all of which issued shares will be fully paid-up) as at the date of this document and immediately following the Issues (assuming the maximum number of New Shares are issued pursuant to the Share Issuance Programme) will be as follows:

	<i>No. of Ordinary Shares</i>
As at the date of this document	
Ordinary Shares	100
Redeemable Preference Shares***	50,000
Immediately following the Scheme*	
Ordinary Share	179,568,240
Immediately following the Scheme and Share Issuance Programme**	
Ordinary Share	279,568,240

* Assuming that 179,568,240 Ordinary Shares are issued pursuant to the Scheme. The actual number of Ordinary Shares to be issued pursuant to the Scheme will be calculated on 25 April 2017 and announced via a Regulatory Information Service.

** Assuming that all available Ordinary Shares are issued under the Share Issuance Programme.

*** The Redeemable Preference Shares will be redeemed immediately prior to the implementation of the Scheme.

- 2.3. As at 1 March 2017 (being the latest practicable date prior to the date of this document) the Company did not hold any Shares in treasury and no Shares were held by or on behalf of the Company itself or by subsidiaries of the Company.
- 2.4. Save for the subscription of the Shares referred to above, since the date of incorporation no share or loan capital of the Company has been issued or (other than pursuant to the Issues) has agreed to be issued, for cash or any other consideration and no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue of any such capital.
- 2.5. No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 2.6. The Company does not have in issue any securities not representing share capital. No convertible securities, exchangeable securities or securities with warrants have been issued by the Company.
- 2.7. No Shares are currently in issue with a fixed date on which entitlement to a dividend arises or within a time limit after which entitlement to a dividend will lapse in accordance with the Articles and there are no arrangements in force whereby future dividends are waived or agreed to be waived.
- 2.8. No person has voting rights that differ from those of other Shareholders in respect of the Shares.

3. Share capital authorities

The following resolutions were passed at the General Meeting of the Company held on 2 March 2017, the resolutions set out at paragraphs 3.1 to 3.5 reflect the share capital authorities that are to be proposed at the AGM of the Existing Company:

- 3.1. the Directors were generally and unconditionally authorised in accordance with section 551 of the Companies Act to exercise all the powers of the Company to allot Shares up to an aggregate nominal amount of £1,800,000 in connection with the Scheme, such authority to expire on 31 May 2017 or, if earlier, immediately after Admission 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;
- 3.2. the Directors were generally empowered (pursuant to section 570 of the Companies Act) to allot Shares pursuant to the authority referred to in paragraph 3.1 above as if section 561 of the Act did not apply to any such allotment, such power to expire on 31 May 2017 or, if earlier, immediately after Admission, 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 Shares to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if such power had not expired;

- 3.3. in addition to the authority referred to in paragraph 3.1 above, the Directors were generally and unconditionally authorised in accordance with section 551 of the Companies Act to exercise all the powers of the Company to allot Shares up to an aggregate nominal amount of £179,568.24 in connection with the Share Issuance Programme, such authority will expire on the conclusion of the annual general meeting of the Company to be held in 2018, 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;
- 3.4. the Directors were generally empowered (pursuant to sections 570 and 573 of the Companies Act) to allot Shares pursuant to the authority referred to in paragraph 3.3 above and to sell Shares from treasury for cash as if section 561 of the Companies Act did not apply to any such allotment, such power will expire on the conclusion of the annual general meeting of the Company to be held in 2018, 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 Shares to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if such power had not expired;
- 3.5. the Company was authorised in accordance with section 701 of the Companies Act to make market purchases (within the meaning of section 693(4) of the Companies Act) of Shares provided that the maximum number of Shares authorised to be purchased is 14.99 per cent. of the Shares in issue immediately following completion of the Scheme. The minimum price which may be paid for a Share is one penny. The maximum price which may be paid for a Share must not be more than the higher of (i) 5 per cent. above the average of the mid-market value of the Shares for the five Business Days before the purchase is made or (ii) the higher of the last independent trade and the highest current independent bid for Shares. Such authority will expire on the conclusion of the annual general meeting of the Company to be held in 2018 save that the Company may contract to purchase shares under the authority thereby 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 Shares in pursuance of such contract; and
- 3.6. subject to confirmation of the High Court, the share capital of the Company in issue immediately following completion of the Proposals be reduced by cancelling the entire amount standing to the credit of the Company's share premium account and subject to any undertaking required by the High Court, the credit thereby arising in the Company's books of account from the cancellation of the Company's share premium account be applied by crediting a special reserve which shall be applied in any manner in which the Company's profits available for distribution are to be applied (as determined in accordance with the Companies Act and The Companies (Reduction of Share Capital) Order 2008) including by way of dividends.

4. Articles of Association

The Shares have attached thereto the respective rights and privileges and are subject to the respective limitations and restrictions set out in this paragraph 4. The Articles contain provisions, *inter alia*, to the following effect:

4.1. Voting rights

- 4.1.1. Shareholders shall have the right to receive notice of, to attend and to vote at all general meetings of the Company. Save as otherwise provided in the Articles, on a show of hands each holder of shares present in person and entitled to vote shall have one vote and upon a poll each such holder who is present in person or by proxy and entitled to vote shall have one vote in respect of every share held by him.
- 4.1.2. No member shall be entitled to vote at any general meeting if any call or other sum presently payable by him in respect of shares remains unpaid.
- 4.1.3. A Shareholder shall not, if the Directors so determine, be entitled in respect of any share held by him to attend or vote (either personally or by representative or by proxy) at any general meeting or separate class meeting of the Company or to exercise any other right conferred by membership in relation to any such meeting and may suffer any rights to a

dividend to be suspended for a period of up to one year if he or any other person appearing to be interested in such shares has failed to comply with a notice requiring the disclosure of Shareholders' interests and given under the Articles within 14 days, in a case where the shares in question represent at least 0.25 per cent. of their class.

4.2. Variation of Class Rights

If at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class of shares may, subject to the Companies Act and any other act relating to companies (the "**Statutes**"), be modified, abrogated or varied either with the consent in writing of the holders of not less than three fourths in number of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class duly convened and held as provided in the Articles. The rights attached to any class of shares shall, unless otherwise expressly provided by the terms of issue of such shares or by the terms upon which such shares are for the time being held, be deemed not to be modified, abrogated or varied by the creation or issue of further shares ranking *pari passu* therewith.

4.3. Alteration of share capital

- 4.3.1. Subject to the provisions of the Statutes, the Company may by special resolution increase or reduce the number of shares it is authorised to issue, consolidate all or any of its shares (whether issued or not) into fewer shares and divide all or any of its shares (whether issued or not) into more shares.
- 4.3.2. Subject to the provisions of the Statutes, the Company may by special resolution reduce its capital accounts (being its stated capital accounts and any capital redemption reserves) in any way.
- 4.3.3. Subject to the provisions of the Statutes and subject to any provisions contained in the Articles from time to time, all unissued shares of the Company are at the disposal of the Directors.
- 4.3.4. Subject to the provisions of the Statutes, any shares may be issued on terms that they are redeemed or liable to be redeemed at the option of the Company or the Shareholders on the terms and in the manner provided for by the Articles.
- 4.3.5. Subject to the provisions of the Statutes, the Company may purchase its own shares (including any redeemable shares).

4.4. Transfer of Shares

- 4.4.1. Subject to paragraph 4.4.2 below, the instrument of transfer of a certificated share shall be signed by or on behalf of the transferor (and, in the case of a share which is not fully paid, by or on behalf of the transferee) and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register in respect thereof. All transfers of certificated shares shall be effected by an instrument in writing in any usual or common form or any other form which the Directors may approve. The Directors may, in their absolute discretion and without giving any reason, refuse to register the transfer of a share which is not fully paid (whether certificated or uncertificated) provided that where such shares are admitted to the Official List, such discretion may not be exercised in a way which the FCA or the London Stock Exchange regards as preventing dealings in the shares of the relevant class or classes from taking place on an open and proper basis. The Directors may likewise refuse to register any transfer of a share (whether certificated or uncertificated) in favour of more than four persons jointly. In relation to certificated shares, the Directors may decline to recognise any instrument of transfer unless it is left at the registered office of the Company or such other place as the Directors may determine, accompanied by the relevant certificate and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do), and unless the instrument is in respect of only one class of share. The registration of transfers may be suspended by the Directors for any period (not exceeding

30 days in any year) except that, in respect of uncertificated shares, the consent of the operator of the relevant system for those shares will first be required.

- 4.4.2. Notwithstanding any other provision of the Articles to the contrary, unless otherwise determined by the Directors, any shares in the Company may be held in uncertificated form and title to shares may be transferred by means of a relevant system (in each case as defined in the Regulations) such as CREST.
- 4.4.3. The Company's Articles provide that if, among other things, any shares are owned directly or beneficially by any person who is a "Benefit Plan Investor" subject to section 406 of ERISA or section 4975 of the US Internal Revenue Code of 1986 (the "**Code**") or any similar U.S. laws or by any person which may cause the Company to be classified as an "investment company" under the Investment Company Act or that could cause the assets of the Company to be deemed to be "plan assets" under the Plan Asset Regulation subject to ERISA or section 4975 of the Code or similar U.S. Laws, the Directors may give notice to such person requiring that person (i) to provide the Directors within 30 days with sufficient satisfactory documentary evidence to satisfy the Directors that (a) such person's shareholding shall not cause the Company to be classified as an investment company under the Investment Company Act or the Company's assets to be "plan assets" under the Plan Asset Regulation or (b) the person is not a Benefit Plan Investor subject to Section 406 of ERISA or section 4975 of the Code, as amended, or any similar U.S. laws or (ii) to sell or transfer within 30 days that person's shares to a person that would not cause the Company to be required to be so registered or to a person who is not a Benefit Plan Investor subject to Section 406 of ERISA or section 4975 of the Code or any similar U.S. laws and within such 30 days to provide the Directors with satisfactory evidence of such sale or transfer. Otherwise, the relevant person will be deemed upon the expiration of such 30-day period to have forfeited the shares and the Directors may apply the procedures regarding forfeiture and surrender of shares set out in the Company's Articles in respect of the shares.

4.5. Revenue Reserve

The Board may, before recommending any dividend, transfer to revenue reserve out of the profits of the Company such sums as it thinks fit. All sums standing to revenue reserve may be applied from time to time, at the discretion of the Board, for any purpose to which profits of the Company may properly be applied and, pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments as the Board thinks fit.

4.6. Capitalisation of reserves

The Board may with the authority of a special resolution of the Company:

- (i) capitalise all or any part of the amount for the time being standing to the credit of any reserve or fund which is available for distribution or to the credit of and capital redemption reserve and accordingly that such amount be set free for distribution among the members or any class of members who would be entitled thereto if distributed by way of dividend and in the same proportions, on the footing that the same be not paid in cash but be applied either in or towards paying up the amounts for the time being unpaid on any shares in the Company held by such members respectively or in payment up in full of unissued shares, debentures or other obligations of the Company, to be allotted and distributed or credited as fully paid among such members, or partly in one way and partly in the other, and the Directors shall give effect to such resolution provided that for these purposes a capital redemption reserve may be applied only in the paying up of unissued shares to be allotted to such members credited as fully paid; and
- (ii) resolve that any shares allotted to holders of any partly paid shares shall, so long as such shares remain partly paid, rank for dividends only to the extent that such partly paid shares rank for dividends.

4.7. General Meetings

- 4.7.1. The Company shall hold an annual general meeting each calendar year in accordance with the Companies Act. The Board will decide when and where the meeting is to be held. The notice calling the meeting must say that the meeting is the annual general meeting. The Board can call an extraordinary meeting at any time.
- 4.7.2. Any general meeting shall be called by giving not less than 14 days' notice. However, in the case of any annual general meeting, with the consent of all the Shareholders entitled to attend and vote at such meeting, and in the case of any other meeting with the consent of a majority in number of the Shareholders together holding not less than 95 per cent. of the total voting rights of Shareholders having the right to attend and vote at that meeting, may be convened by a shorter notice or at no notice and in any manner they think fit. The notice shall specify the place, the day and time of meeting and, in the case of any special business, the general nature of that business. A notice calling an annual general meeting shall specify the meeting as such and a notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as such.
- 4.7.3. The accidental omission to give notice of a meeting, or to issue an invitation to appoint a proxy with a notice where required by the Articles, to any person entitled to receive notice, or the non-receipt of notice of a meeting or of an invitation to appoint a proxy by any such person, shall not invalidate the proceedings at that meeting.
- 4.7.4. All Shareholders present in person or by duly appointed corporate representative, and their duly appointed proxy or proxies shall be entitled to attend all general meetings of the Company. The Directors or the chairman of the meeting or any person authorised by the Directors may direct that Shareholders, proxies or corporate representatives wishing to attend any general meeting or anyone else permitted by the chairman of the meeting to attend should submit to such searches or other security arrangements or restrictions (including, without limitation, restrictions on items of personal property which may be taken into the meeting) as the Directors or the chairman of the meeting or such person authorised by the Directors shall consider appropriate in the circumstances. Such persons shall be entitled in their absolute discretion to refuse entry to, or to eject from, such general meeting any such person who fails to submit to such searches or otherwise to comply with such security arrangements or restrictions.

4.8. Directors

- 4.8.1. Unless and until the Company in general meeting shall otherwise determine, the number of Directors shall be not less than two and shall not be more than eight. A Director shall not be required to hold any shares in the capital of the Company. A Director who is not a member shall nevertheless be entitled to receive notice of and attend and speak at all general meetings of the Company and all separate general meetings of the holders of any class of shares in the capital of the Company.
- 4.8.2. No Director shall be disqualified by his office from entering into any contract, arrangement, transaction or proposal with the Company either with regard to his tenure of any other office or place of profit or acting in a professional capacity for the Company or as a seller, buyer or otherwise. Subject to the provisions of the Statutes and save as therein provided, no such contract, arrangement, transaction or proposal entered into by or on behalf of the Company in which any Director or person connected with him is in any way interested, whether directly or indirectly, shall be liable to be avoided, nor shall any Director who enters into any such contract, arrangement, transaction or proposal or who is so interested be liable to account to the Company for any profit or other benefit realised by any such contract, arrangement, transaction or proposal by reason of such Director holding that office or of the fiduciary relationship thereby established, but such Director shall declare the nature of his interest in accordance with the Statutes.
- 4.8.3. A Director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:

- (i) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- (ii) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of securities of or by the Company or any of its subsidiary undertakings in which offer he is, or may be entitled to, participate as a holder of securities or in the underwriting or sub underwriting of which he is to participate;
- (iv) any contract, arrangement, transaction or other proposal concerning any other body corporate in which he, or any other person connected with him, is interested, directly or indirectly and whether as an officer or shareholder or otherwise howsoever, provided that he or any person connected with him do not hold an interest in one per cent. or more of any class of the equity share capital of such body corporate or of the voting rights available to members of the relevant body corporate;
- (v) any contract, arrangement, transaction or other proposal for the benefit of employees of the Company which does not accord him any privilege or benefit not generally accorded to the employees to whom the scheme relates;
- (vi) any proposal concerning any insurance which the Company is to purchase and/or maintain for the benefit of Directors or for the benefit of persons who include Directors;
- (vii) the giving of an indemnity in respect of any officer or former officer of the Company; and
- (viii) the provision of funds to any Director or the doing of anything to enable a Director to avoid incurring expenditure (in each case as permitted by the Statutes).

4.8.4. If any question shall arise at any meeting as to the materiality of an interest or as to the entitlement of any Director to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to any other Director other than himself shall be final and conclusive except in a case where the nature or extent of the interests of the Director concerned have not been fairly disclosed.

4.8.5. Save as provided in the Articles, a Director shall not vote or be counted in the quorum present on any motion in respect of any contract, arrangement, transaction or any other proposal in which he has an interest which is to his knowledge a material interest otherwise than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through the Company.

4.8.6. Each of the Directors shall be paid a fee at such rate as may from time to time be determined by the Directors, but the aggregate of all such fees so paid to the Directors shall not exceed £300,000 per annum or such larger amount as may from time to time be decided by ordinary resolution of the Company. Any Director who is appointed to any executive office or who serves on any committee or who devotes special attention to the business of the Company, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, shall be entitled to receive such remuneration (whether by way of salary, percentage of profits or otherwise) as the Directors may determine. Each Director may be paid his reasonable travelling, hotel and other expenses incurred in attending and returning from meetings of the Directors, or any committee of the Directors or of the Company or of the holders of any class of shares or debentures of the Company or otherwise in connection with the business of the Company. The Articles do not permit a Director to vote on, or be counted in the quorum in relation to, any resolution of the Board concerning his own appointment.

- 4.8.7. Each Director shall have the power at any time to appoint as an alternate Director either (i) another director or (ii) any other person approved for that purpose by a resolution of the Directors, and, at any time, to terminate such appointment (provided that a Director may not appoint any person as his alternate if such person is resident or ordinarily resident in the United Kingdom).
- 4.8.8. Each Director shall retire from office at the third annual general meeting after the annual general meeting at which he or she was last elected. A retiring Director shall be eligible for re-election.
- 4.8.9. The Directors may exercise all the powers of the Company to give or award pensions, annuities, gratuities or other retirement, superannuation, death or disability allowances or benefits to, *inter alia*, any Directors, ex directors, employees or ex employees of the Company or of any subsidiary undertaking or parent undertaking of the Company or to the wives, widows, children, other relations and dependants of any such person and may establish, maintain, support, subscribe to and contribute to all kinds of schemes, trusts and funds for the benefit of any such persons.

4.9. Borrowing powers

The Directors may, save as the Articles otherwise provide, exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property, assets and uncalled capital (present and future), or any part thereof, and, subject to the provisions of the Statutes, to issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

4.10. Disclosure of interests in Shares

- 4.10.1. The Directors may serve notice on any member or on any person appearing to the Directors to be interested in any shares requiring that person to disclose to the Company the identity of any person (other than the member) who has an interest in the shares held by the member and the nature of such interest. Any such notice shall require any information in response to such notice to be given within 14 days.
- 4.10.2. If any person is in default in supplying to the Company the information required by the Company within the prescribed period set out in paragraph 4.10.1 above, the Directors in their discretion may, subject to the Statutes, by notice to the relevant member, suspend voting and/or dividend rights for a period of up to one year. Any dividends declared and paid in such period on the relevant shares will be retained by the Company (without interest), until the default is rectified.

4.11. Dividends and Distributions on Liquidation to Shareholders

- 4.11.1. The Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Directors. Subject to the Statutes and any priority, preference or special rights, all dividends shall be declared and paid according to the amounts paid up on the shares and shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion of the period in respect of which the dividend is paid.
- 4.11.2. Subject to the provisions of the Statutes, the Directors may pay such interim dividends as they think fit and may pay the fixed dividends payable on any shares of the Company quarterly or otherwise on fixed dates.
- 4.11.3. The Directors may, with the sanction of an ordinary resolution of the Company in general meeting, offer the holders of shares the right to elect to receive new shares credited as fully paid instead of cash in respect of the whole or part of any dividend, or interests in any other body corporate or other specific assets.
- 4.11.4. Any dividend unclaimed for a period of 12 years after it became due for payment shall be forfeited and shall revert to the Company.

- 4.11.5. On a liquidation, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Statutes, divide amongst the members in specie or in kind the surplus of the assets of the Company after the Company's liabilities have been met and may, for such purpose, set such value as he deems fair upon any property to be divided and may determine how such division shall be carried out.
- 4.11.6. If the Directors act in good faith, they shall not be liable to holders of shares conferring preferred rights for any loss they may suffer in consequence of the payment of an interim dividend on any shares having non-preferred or deferred rights.

4.12. Redemption

The Shares do not carry a right to redemption by Shareholders.

4.13. Winding Up

The Company may be voluntarily wound up at any time by special resolution. On a winding up, the surplus assets remaining after payment of all creditors, including the repayment of bank borrowings, shall be divided amongst Shareholders *pro rata*, according to the rights attached to the shares.

4.14. Untraceable Shareholders

The Company shall be entitled to sell at the best price reasonably obtainable for the benefit of the Company the shares of a Shareholder or any shares to which a person is entitled by transmission on death or bankruptcy if and provided that:

- (i) for a period of 12 years no cheque, warrant or order sent by the Company through the post in a pre-paid letter addressed to the Shareholder or to the person so entitled to the share at his address in the register of members of the Company or otherwise to such address as the Directors shall determine or to such address in respect of the person entitled by transmission to which cheques, warrants or orders are to be sent has been cashed and no communication has been received by the Company from the Shareholder or the person so entitled provided that in any such period of 12 years the Company has paid at least three dividends whether interim or final and no such dividend during that period has been claimed;
- (ii) the Company has at the expiration of the said period of 12 years by advertisement in both a national newspaper in the United Kingdom and a newspaper circulating in the area in which the last known address of the Shareholder at which service of notice may be effected under the Articles above is located, given notice of its intention to sell such shares (such advertisement need not refer to the names of the holder(s) of the shares or identify the shares in question);
- (iii) the Company has not during the period of three months after the date of such advertisements and prior to the exercise of the power of sale, received any communication from the Shareholder or person so entitled; and
- (iv) if any part of the share capital of the Company is admitted to the Official List or dealt in on the London Stock Exchange, the Company has given notice via a Regulatory Information Service of its intention to sell such shares.

5. Directors and their interests

- 5.1. It is estimated that the aggregate remuneration to be paid and benefits in kind granted to Directors by the Company in respect of the first financial period of the Company to 30 April 2018 will not exceed £205,000.
- 5.2. No Director has a service contract with the Company, nor are any such contracts proposed. The Directors were appointed as non-executive directors by letters which state that their appointment and any subsequent termination or retirement shall be subject to three months' notice from either party and otherwise to the Articles. The Directors' appointments can be terminated in accordance with the Articles and without compensation. There is no notice period specified in the Articles for

the removal of Directors. The Articles provide that the office of Director (including the appointment of the Chairman) shall be terminated by, among other things: (a) written resignation; (b) unauthorised absences from board meetings for six months or more; (c) written request of the other Directors; and (d) an ordinary resolution of the Company. Each Director is entitled to an annual fee of £24,000 (£37,500 for the Chairman and £27,500 for the Chairman of the Audit Committee). Copies of the Directors' letters of appointment are available for inspection at the address specified in paragraph 14 of this Part 7.

- 5.3. No Director has or has had any direct or indirect interest in any transaction which is or was unusual in its nature or conditions or which is or was significant to the business of the Company and which was effected by the Company since its date of incorporation.
- 5.4. No loan or guarantee has been granted or provided by the Company for the benefit of any Director.
- 5.5. The Company maintains directors' and officers' liability insurance on behalf of the Directors at the expense of the Company.
- 5.6. The Company has entered into deeds of indemnity in favour of each of the Directors to the extent permitted by law.
- 5.7. The Directors do not have any options over Shares. The Directors do not hold any Shares.
- 5.8. Details of those companies (other than the Company and subsidiaries of the companies disclosed below) and partnerships of which the Directors have been a member of the administrative, management or supervisory body or a partner at any time during the five years immediately preceding the date of this document are as follows:

	<i>Current Directorships</i>	<i>Previous Directorships</i>
Angus Macpherson	Belhaven Hill School Trust Ltd Henderson Diversified Income Limited JPMorgan Elect PLC Noble & Company (UK) Limited Pacific Horizon Investment Trust plc	Clear Capital Group Ltd Execution Holdings Limited Execution Noble Research Limited Haitong & Company (UK) Limited Haitong (UK) Limited Haitong Securities (UK) Limited Noble Financial Holdings Limited Noble Fund Advisers Limited Noble Group Limited
Roderick Davidson	<i>Current Directorships</i> Cairn Capital Group Limited	<i>Previous Directorships</i> None
Denise Hadgill	<i>Current Directorships</i> None	<i>Previous Directorships</i> None
Stewart Wood	<i>Current Directorships</i> The English Stage Company Limited United Nations Association – UK United Nations Association of Great Britain and Northern Ireland	<i>Previous Directorships</i> None
Ian Wright	<i>Current Directorships</i> Henderson Diversified Income Limited Jersey Heritable Property Company Limited	<i>Previous Directorships</i> None

- 5.9. Further details of each Director's relevant experience can be found in Part 2 of this document.

5.10. As at the date of this document none of the Directors:

- (i) has any convictions in relation to fraudulent offences for at least the previous five years;
- (ii) has been, in at least the previous five years, the subject of any bankruptcies, receiverships or liquidations when acting in the capacity of a member of the administrative, management or supervisory body of the companies and/or in the capacity of a partner of the partnerships referred to in paragraph 5.8 above; or
- (iii) has been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

5.11. There are no potential conflicts of interest between any duties of the Directors to the Company and their private interests and/or other duties. There are no arrangements or undertakings with any major Shareholders, customers, suppliers or others pursuant to which any of the Directors were selected as a Director or a member of any committee of the Board. All of the Directors are independent of the Investment Manager and any other company in the same group of companies as the Investment Manager.

6. Substantial Share Interests

6.1. Save as set out below, as at 1 March 2017 (being the latest practicable date prior to the publication of this document), in so far as is known to the Company, no person will be, directly or indirectly interested in three per cent. or more of the Company's capital, following Admission:

<i>Registered shareholder</i>	<i>No. of Shares to be acquired pursuant to the Scheme</i>	<i>Percentage of issued share capital following Admission</i>
Brewin Dolphin Limited	24,573,351	13.7%

6.2. There are no different voting rights for any Shareholder, save those which derive from the Articles.

6.3. The Company is not aware of any person who directly or indirectly, jointly or severally, exercises or, immediately following the Issues, could exercise control over the Company.

7. Material contracts

The following are all of the material contracts, other than contracts entered into in the ordinary course of business, that have been entered into by the Company within two years preceding the date of the publication of this document and any other contract, not being a contract entered into in the ordinary course of business, that has been entered into by the Company which contains any provisions under which the Company has any obligation or entitlement which is material to the Company as at the date of this document.

7.1. Management Agreement

The Management Agreement dated 3 March 2017 between the Company and the Investment Manager whereby the Investment Manager is appointed to act as manager of the Company, to manage the investments of the Company in accordance with the investment policy and to implement the borrowing policy from time to time approved by the Directors. Under the terms of the Agreement, subject to the overall supervision of the Directors, the Investment Manager has complete discretion to buy, sell, retain, exchange or otherwise deal in investments for the account of the Company.

The Investment Manager is entitled to a management fee, payable quarterly in arrears, at an annual rate of 0.60 per cent. of the Net Assets of the Company. In addition the Investment Manager is entitled to a performance fee in certain circumstances. This fee is calculated and payable at the end of the Company's financial year if the Company's total return in that year exceeds the hurdle return (as described below) for the year. The performance period begins on 1 May and ends on

30 April. For the purposes of calculating the first performance fee payable to the Investment Manager under the Management Agreement the performance of the Existing Company for the period from 1 November 2016 to the Effective Date will not be paid by the Existing Company and will be carried forward to the New Company. Therefore the first performance fee payable by the Company will be calculated over an 18 month period from 1 November 2016 to 30 April 2018. The total return is calculated as the change in Net Asset Value per Share for the relevant financial year multiplied by the time-weighted average number of Shares in issue during that period plus the aggregate of dividends declared in respect of such period.

The hurdle return is calculated as the Net Asset Value per Share at the start of the relevant financial year multiplied by the time-weighted sterling LIBOR plus 2.00 per cent. per annum multiplied by the time-weighted average number of Shares in issue during that period plus any underperformance of the hurdle return in any previous years which will be carried forward to each following year until the hurdle return (including any underperformance component) is exceeded. If the performance fee is payable, it will be an amount equal to 15 per cent. of the amount by which the total return exceeds the hurdle return subject to a cap so that the total fees payable to the Investment Manager do not exceed 1.2 per cent. of the Net Assets of the Company in any financial year. Unrewarded performance will be carried forward but will only be able to be offset against underperformance in future periods.

The Investment Manager invoices the Company when the fee payable has been calculated by the Company Secretary, reviewed by the auditors and approved by the Audit Committee and the full Board. Payment shall be due to the Investment Manager within ten days of the issue of such invoice. The Investment Manager is also entitled to reimbursement of reasonable expenses incurred by it in connection with its duties.

The Investment Manager may, with the Board's consent, delegate the provision of investment management and other services to a third party but will remain liable for the acts of any such third party and will be responsible for their remuneration. The Management Agreement contains provisions under which the Company exempts the Investment Manager from all liabilities and indemnifies the Investment Manager against all liabilities suffered by the Investment Manager in carrying out its duties except where due to the negligence, wilful default, dishonesty or fraud of the Investment Manager and permits the Investment Manager and its associates to deal with parties other than the Company. The Management Agreement between the Company and the Investment Manager is terminable by either party giving the other party not less than six months' written notice and may be terminated by either party immediately in the event of a continuing material breach of the agreement by, or the insolvency of, the other party. The Management Agreement may also be terminated on less than six months' notice by the Company on payment of an early termination fee. Termination shall be without prejudice to the completion of any transactions already initiated and shall be without any penalty or other additional payment save that the Company shall be obliged to pay the accrued contractual fees and charges due to the Investment Manager and any reasonable expenses of the Investment Manager in terminating the agreement.

The warranties and indemnities given by the Company pursuant to the terms of the Management Agreement are usual for an agreement of this nature.

7.2. *Depositary Agreement*

Prior to Admission the Company expects to enter into the Depositary Agreement between the Company, HIFL and the Depositary pursuant to which the Company will appoint the Depositary to act as depositary and custodian of the Company's assets and to accept responsibility for the safe custody of the financial instruments of the Company which are delivered to and accepted by the Depositary or any of its sub-custodians. It is expected that the Depositary Agreement may be terminated by either the Company or the Depositary giving to the other not less than six months' written notice, or earlier in the event of breach. The Depositary will be entitled to receive a fee of 1.4 basis points on the value of the Company's assets up to £150 million and 1.0 basis points between £150 million and £500 million, with a minimum of £15,000 per annum. In addition, the Company will pay the custodian fees for services it provides the Company in respect of safe keeping and transactional matters at such rates as may be agreed between the Company and the Custodian from time to time. Upon termination the Depositary will be entitled to receive all fees and other monies accrued to the date of termination but is not entitled to compensation in respect of such termination. Under the Depositary Agreement the Company will agree to indemnify the

Depository (for itself and as trustee for each of its branches and subsidiaries and for the directors, officers and employees of the Depository and each of its branches and subsidiaries) from and against any and all losses of any kind or nature arising directly or indirectly out of the performance of the services under the Depository Agreement other than losses which result from the negligence, wilful default or fraud of the Depository or any of its branches or subsidiaries or of any sub-custodian.

7.3. Registrar Agreement

The Registrar Agreement dated 3 March 2017 is between the Company and the Registrar pursuant to which the Company appoints the Registrar as registrar and the Registrar agrees to provide the Company with registrar services. The Registrar is entitled to receive an annual fee of £10,180. Under the Registrar Agreement, the Company has agreed to indemnify the Registrar from and against all loss whatsoever or howsoever arising, suffered or incurred directly or indirectly by the Registrar as a result of, or in connection with the performance by the Registrar of its obligations under the Registrar Agreement. Either party may terminate the Registrar Agreement by giving written notice to the other party if the other party is in persistent or material breach of any term of the Registrar Agreement or experiences an insolvency event or ceases to have the appropriate authorisation to conduct its business.

7.4. Transfer Agreement

If the resolution to be proposed at the EGM in relation to the Scheme is passed, the Company will enter into the Transfer Agreement following the EGM, pursuant to which the undertaking and assets of the Existing Company (including the Luxembourg Subsidiary) will be transferred to the Company in consideration for the issue of New Shares to Shareholders under the Scheme. The parties to the Transfer Agreement have entered into irrevocable undertakings, to enter into the Transfer Agreement if the resolution to be proposed at the EGM is passed.

8. Related party transactions

Save as described below, the Company has not entered into any related party transaction (as defined in the standards adopted according to the Regulation (EC) No 1606/2002) since incorporation with the exception of:

- (i) the Management Agreement (described in paragraph 7.1 of this Part 7); and
- (ii) the deeds of indemnity entered into by the Company with the Directors (described in paragraph 5.6 of this Part 7).

9. General

- 9.1. There are no governmental, legal or arbitration proceedings (including, in so far as the Company is aware, any governmental, legal or arbitration proceedings which are pending or threatened) which may have, or have had in the previous 12 months, a significant effect on the Company or the Company's financial position or profitability. There are no governmental, legal or arbitration proceedings (including, in so far as the Existing Company is aware, any governmental, legal or arbitration proceedings which are pending or threatened) which may have, or have had in the previous 12 months, a significant effect on the Existing Company or the Existing Company's financial position or profitability.
- 9.2. The Company does not have any employees nor does it own any premises.
- 9.3. As at the date of this document, the Company does not have any parent undertakings, subsidiaries or associated companies.
- 9.4. Dickson Minto W.S. has given and not withdrawn its written consent to the issue of this document with inclusion therein of its name in the form and context in which they are included.
- 9.5. Certain information in this document has been sourced from third parties. Such information has been accurately reproduced and so far as the Company is aware and is able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

10. Mandatory bids, squeeze-out and sell-out rules

10.1. Mandatory bids

As a company incorporated in England and Wales with shares admitted to trading on the London Stock Exchange, the Company will be subject to the provisions of the Takeover Code. The Takeover Code is issued and administered by the Panel on Takeovers and Mergers. The Panel has been designated as the supervisory authority to carry out certain regulatory functions in relation to takeovers pursuant to the Takeovers Directive. Following the implementation of the Takeovers Directive, the rules set out in the Takeover Code which are derived from the Takeovers Directive now have a statutory basis in the United Kingdom.

Under Rule 9 of the Takeover Code, any person or group of persons acting in concert with each other which, taken together with shares already held by that person or group of persons, acquires 30 per cent. or more of the voting rights of a public company which is subject to the Takeover Code or holds not less than 30 per cent. but not more than 50 per cent. of the voting rights exercisable at a general meeting and acquires additional shares which increase the percentage of their voting rights, would normally be required to make a general offer in cash at the highest price paid within the preceding 12 months for all the remaining equity share capital of the Company.

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. 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. However, under note 2 to Rule 37, where a shareholder has acquired shares at a time when he/she had reason to believe that a purchase by the company of its own voting shares may take place, an obligation to make a mandatory bid under Rule 9 may arise in certain circumstances. The buy back by the Company of Ordinary Shares could, therefore, have implications for Shareholders with significant shareholdings.

10.2. Squeeze-out rules

Other than as provided by the Companies Act there are no rules or provisions relating to squeeze-out and sell-out rules in relation to the Ordinary Shares.

10.3. Sell-out rules

10.3.1. The Companies Act gives minority shareholders a right to be bought out in certain circumstances by a person who has made a general offer as described in paragraph 10.1 of this Part 7. If, at any time before the end of the period within which the general offer can be accepted, the Offeror holds or has agreed to acquire not less than 90 per cent. of the shares in the Company to which the general offer relates, any holder of the shares to which the general offer relates who has not accepted the general offer can, by a written communication to the Offeror, require it to acquire that holder's shares.

10.3.2. The Offeror is required to give each shareholder notice of his right to be bought out within one month of that right arising. The Offeror may impose a time limit on the rights of minority shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a shareholder exercises his rights, the Offeror is entitled and bound to acquire those.

11. Investment restrictions

11.1. In accordance with the requirements of the UK Listing Authority, the Company:

11.1.1. will not invest more than ten per cent. in aggregate of the value of the total assets of the Company in other investment companies or investment trusts which are listed on the Official List (except to the extent that those investment companies or investment trusts have published investment policies to invest no more than 15 per cent. of their gross assets in other investment companies or investment trusts which are listed on the Official List);

- 11.1.2. will not conduct any trading activity which is significant in the context of the Company as a whole; and
- 11.1.3. will, at all times, invest and manage its assets:
 - (a) in a way which is consistent with its object of spreading investment risk; and
 - (b) in accordance with its published investment policy.
- 11.2. As an investment trust, the Company will aim to comply with section 1158 of the Tax Act, which imposes on the Company an obligation to spread investment risk.
- 11.3. In accordance with the requirements of the UK Listing Authority, the Company will not make any material change to its published investment policy without the approval of its Shareholders by ordinary resolution. Such an alteration would be announced by the Company through a Regulatory Information Service.
- 11.4. In the event of any breach of the investment restrictions applicable to the Company, Shareholders will be informed of the actions to be taken by the Company by an announcement issued through a Regulatory Information Service approved by the UK Listing Authority.

12. Disclosure requirements and notification of interest in shares

- 12.1. Under Chapter 5 of the Disclosure Guidance and Transparency Rules, subject to certain limited exceptions, a person must notify the Company (and, at the same time, the FCA) of the percentage of voting rights he holds (within two trading days) if he acquires or disposes of shares in the Company to which voting rights are attached and if, as a result of the acquisition or disposal, the percentage of voting rights which he holds as a shareholder (or, in certain cases, which he holds indirectly) or through his direct or indirect holdings of certain types of financial instruments (or a combination of such holdings):
 - (i) reaches, exceeds or falls below 3 per cent. or each one per cent. threshold thereafter; or
 - (ii) reaches, exceeds or falls below an applicable threshold in paragraph 12.1(i) of this Part 7 as a result of events changing the breakdown of voting rights and on the basis of the total voting rights notified to the market by the Company.
- 12.2. The FCA may take enforcement action against a person holding voting rights who has not complied with Chapter 5 of the Disclosure Guidance and Transparency Rules.
- 12.3. A notification must be made using the prescribed form TR1 available from the FCA's website at <http://www.fca.gov.uk>. Under the Disclosure Guidance and Transparency Rules, the Company must announce the notification to the public as soon as possible and in any event by not later than the end of the trading day following receipt of a notification in relation to voting rights.

13. Restrictions on transfer

13.1. General

The distribution of this document and offer of Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions, including those in paragraph 13.2 of this Part 7. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdiction.

13.2. European Economic Area

- 13.2.1. In relation to each of the EEA States (other than the UK) which has implemented the Prospectus Directive (each, a "relevant member state"), with effect from and including the date on which the Prospectus Directive was implemented in that relevant member state (the "relevant implementation date") no Shares have been offered or will be offered pursuant to an offer to the public in that relevant member state, except that with effect from and including the relevant implementation date, offers of Shares may be made to the public in that relevant member state at any time:

- (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 (a) an average of at least 250 employees during the last financial year; (b) a total balance sheet of more than €43 million; and (c) an annual net turnover of more than €50 million as shown in its annual or consolidated accounts; or
- (c) in any other circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive,

provided that no such offer of Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a relevant member state.

- 13.2.2. For the purpose of the expression an “offer of any Shares to the public” in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the issue of any Shares, so as to enable a potential investor to decide to purchase or subscribe for the Shares, as the same may be varied in that relevant member state by any measure implementing the Prospectus Directive in that relevant member state.

14. Documents available for inspection

Copies of the following documents are available for inspection, and copies of them may be obtained, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Company, 201 Bishopsgate, London EC2M 3AE until 2 March 2018.

- (i) the articles of association of the Company;
- (ii) the annual reports and accounts of the Existing Company for the three financial years up to and including 31 October 2016;
- (iii) the consent letter referred to in paragraph 9.4 above; and
- (iv) this document.

15. Availability of Prospectus

The Prospectus is available for inspection at www.morningstar.co.uk/uk/NSM and, until 2 March 2018, copies are available for collection, free of charge, from the registered office of the Company, 201 Bishopsgate, London EC2M 3AE.

3 March 2017