

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about what action you should take, it is recommended that you immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under FSMA.

If you have sold or transferred all your Ordinary Shares in Henderson Strata Investments plc, please forward this document at once, together with the accompanying form of proxy, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

A copy of this document, which comprises a prospectus relating to Henderson Strata Investments plc prepared in accordance with the Prospectus Rules made under section 73A of FSMA, has been delivered to the Financial Services Authority.

The Directors, whose names appear on pages 16 and 17, and the Company accept responsibility for the contents of this document and declare that, having taken all reasonable care to ensure that such is the case, the information contained in this document is, to the best of their and its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Henderson Strata Investments plc

*(Incorporated in England and Wales with registered No. 1940906
as an investment company within the meaning of section 266 of the Companies Act 1985)*

Prospectus

Bonus Issue of up to 1,641,658 Subscription Shares, Reduction of Capital and Extraordinary General Meeting

Prospective investors' attention is drawn to the risk factors set out on pages 7 and 8 of this prospectus.

Application has been made to the UK Listing Authority for the Subscription Shares to be admitted to the Official List and to the London Stock Exchange for the Subscription Shares to be admitted to trading. It is expected that such admission will become effective and that dealings in the Subscription Shares will commence on 22 January 2007.

JPMorgan Cazenove is acting for the Company in relation to the issue of Subscription Shares and JPMorgan Cazenove is not advising any other person or treating any other person as a customer in relation to the issue of Subscription Shares and JPMorgan Cazenove will not be responsible to anyone other than the Company for providing the protections afforded to its customers.

Notice of an extraordinary general meeting of the Company to be held at 10.30 a.m. on 19 January 2007 (the "**Extraordinary General Meeting**") is set out on pages 50 to 52 of this document. Enclosed with this document is a Form of Proxy for use by Shareholders in connection with the Proposals, and/or a Voting Instruction Form for use by Plan Participants.

SHAREHOLDERS MUST RETURN FORMS OF PROXY AS SOON AS POSSIBLE AND IN ANY EVENT SO AS TO BE RECEIVED NOT LATER THAN 10.30 A.M. ON 17 JANUARY 2007 AND PLAN PARTICIPANTS MUST RETURN VOTING INSTRUCTION FORMS SO AS TO BE RECEIVED NOT LATER THAN 5.00 P.M. ON 12 JANUARY 2007.

CONTENTS

	<i>Page</i>
Summary	3
Risk Factors	7
Expected Timetable	9
Part I Letter relating to Bonus Issue of Subscription Shares	10
Part II Further Information on the Company	
Introduction	15
History	15
Investment Objective and Policy	15
Performance	16
Investment Outlook and Prospects	16
Operating and Financial Review	16
Regulatory Status	16
Capital Structure and Bonus Issue of Subscription Shares	16
Directors	16
Management of the Company	17
Reports and Accounts	18
Taxation	18
Part III Particulars of the Subscription Shares	19
Part IV Financial Information	27
Part V General Information	28
Appendix I Definitions	47
Appendix II Notice of Extraordinary General Meeting	50
Appendix III Directors, Managers and Advisers	53

Words and phrases defined in Appendix I to this document shall, unless the context otherwise requires, bear the same meaning throughout this document.

SUMMARY

The information in this summary should be read as an introduction to the full text of this document and any decision to invest in the Company should be based on a consideration of the full text of this document.

Where a claim relating to the information contained in this 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 this prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who are responsible for the summary including any translation of this summary, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus.

The Company – current position

- The Company is an investment trust and was launched in 1985. Its current investment objective is to seek to achieve above average capital growth from investment in a portfolio of UK micro cap companies.
- The Company's equity capital structure currently comprises only Ordinary Shares.
- As at 15 December 2006, the Company's market capitalisation was £54.4 million and it had unaudited total assets of £69 million and unaudited net assets of £61.6 million. The Company's borrowings currently comprise £7.4 million of short term revolving credit facilities.
- The Company's share price has increased by 50.7 per cent. over the period from 22 December 2004 (the date on which the proposals for the Company's current investment objective were announced) to 31 October 2006. The total return of the FTSE All-Share Index over the same period was 39.5 per cent. (*source: FundData*).
- The Net Asset Value per share on a total return basis has increased by 37.3 per cent. over the period from 1 May 2005 to 31 October 2006 which compares with the total return of the Company's current benchmark, the FTSE Fledgling Index (ex investment companies), of 25.3 per cent. over the same period (*source: FundData*). This represents an out-performance of 12 per cent. The total return of the FTSE All-Share Index over this period was 37.3 per cent.
- The Company is managed by Henderson Global Investors Limited. Henderson Global Investors Limited is entitled to a basic management fee of 0.85 per cent. per annum of the first £100 million of net chargeable assets and 0.5 per cent. per annum thereafter.
- The Board comprises Messrs Burnett, Bryce, King, May and Smith who are each independent of the Manager, with the exception of Mr Smith.
- The Company does not have a fixed life. The Company has a Discount Realisation Mechanism whereby the Board is required to introduce proposals that enable Ordinary Shareholders to realise their holdings at a discount of 8 per cent. to the Net Asset Value if the average discount to the Net Asset Value at which the Ordinary Shares were quoted on the London Stock Exchange in the ninety day period prior to the financial year end exceeds 8 per cent. The Board is also required to submit a resolution to the annual general meeting of the Company in 2008 and, if passed, at every third subsequent annual general meeting proposing that the Company should continue as an investment trust for a further three years.
- The individual that currently has primary responsibility for managing the Company's portfolio is Colin Hughes, an employee of Henderson Global Investors Limited.

The performance record of the Company for the periods ended 15 December 2006 (being the latest practicable date prior to publication of this document) is shown in the following table:

	<i>1 year</i>	<i>3 years</i>	<i>5 years</i>
Net Asset Value total return	34.5%	74.0%	43.3%
Share price total return	36.2%	98.0%	43.4%
FTSE All-Share Index (ex investment companies) total return	19.9%	65.3%	54.7%
FTSE Fledgling Index (ex investment companies) total return*	21.0%	69.2%	164.6%
FTSE SmallCap Index (ex investment companies) total return	21.5%	62.1%	62.7%

Source: FundData.

* The Company's performance benchmark was changed from the FTSE SmallCap Index (ex investment companies) to the FTSE Fledgling Index (ex investment companies) on 10 February 2005 when the Company adopted its current investment objective.

Past performance should not be regarded as an indication of future performance.

Background to the Proposals

Despite achieving the Company's discount control objective and the out-performance of the current portfolio manager, Colin Hughes, against the performance benchmark, the Board has been advised that there is insufficient demand from investors to sustain the discount at this 8 per cent. level over the medium term, particularly at a time when many other smaller company focused investment companies are trading at greater discounts to Net Asset Value than the Company.

In the light of this and the ongoing demand for share repurchases by the Company, the Board has concluded that it is unlikely that the Company, in its current form, will be able to remain of a sufficient size for its continuation, given the fixed element of its expenses, to be in the interests of Shareholders. There is, however, no intention of recommending that the Company be put into liquidation if the Proposals are not approved (and thus not implemented).

Overview of the Proposals

The Board and its advisers have concluded that the revised investment objective should be attractive to Shareholders and potential new investors, and should offer greater value to Shareholders than the winding-up of the Company. In summary, the Proposals include:

Change of portfolio manager

The individual with primary responsibility for the portfolio will be James Henderson, who joined Henderson Global Investors in 1984 and is currently a member of the Value and Income team. James has an opportunistic and value driven stock-picking investment style and also has primary responsibility for the portfolio of Lowland Investment Company plc ("**Lowland**"), a company in the UK Growth and Income sector of the AIC which has had net asset value performance on a total return basis of 727.6 per cent. since he took on this role in March 1990, 297.9 per cent. better than its benchmark (*source*: FundData), and which was ranked 1st in its sector over the 3, 5 and 10 calendar years to 31 October 2006 (*source*: FundData). As at close of business on 15 December 2006, Lowland's share price stood at a 1.6 per cent. premium to net asset value. He is also the individual with primary responsibility for the portfolio of The Law Debenture Corporation plc ("**Law Debenture**"). Law Debenture has produced net asset value performance on a total return basis of 104.4 per cent. since he took over responsibility in June 2003, which is 20.5 per cent. better than its benchmark (*source*: FundData).

Change of investment objective

The investment portfolio will be characterised by its focus on growth, recovery and "special opportunities" company shares which the portfolio manager believes should achieve a higher than average rate of capital growth over the medium to long term.

Change of name

The Company's name will be changed to Henderson Opportunities Trust plc.

Change of performance benchmark

The Company's performance benchmark will be changed from the FTSE Fledgling Index (ex investment companies) to the FTSE All-Share Index. The Company will seek to achieve substantial out-performance of its benchmark over the medium to long term.

Change to investment management fee

The annual management fee will be reduced from 0.85 per cent. to 0.6 per cent. of the first £100 million of the Company's gross assets and will remain at 0.5 per cent. of the Company's gross assets in excess of £100 million. In addition, the Board proposes to introduce a performance fee equal to 15 per cent. of any out-performance over the benchmark (being the FTSE All-Share Index) on a NAV total return fully diluted basis, subject to a cap on the total fees of 1.65 per cent. of the net assets in any year. No performance fee will be payable if the Company's share price or Net Asset Value is lower at the end of an accounting period than it was at the beginning.

Change of gearing policy

The Articles currently permit the Company to borrow up to two times the Adjusted Capital and Reserves (as defined therein). However, the Company has tended, historically, to borrow no more than 10 per cent. of net

assets. Under the Proposals, the Board will give the Manager the flexibility to borrow up to 25 per cent. of net assets.

Bonus issue of long-dated Subscription Shares

Shareholders who are on the register on 19 January 2007 will receive 1 long-dated Subscription Share for every 5 Ordinary Shares then held. Each Subscription Share will confer a right, exercisable by notice to the Company in the thirty days preceding the annual general meeting in any of the years 2009 to 2014 (inclusive) to convert, on the date of the relevant annual general meeting, into 1 Ordinary Share of the Company. The price payable on the conversion into Ordinary Shares will be an amount equal to 120 per cent. of the unaudited NAV per Ordinary Share as at the close of business on 18 January 2007. Subject to the Company obtaining the necessary approvals, the Subscription Shares will be admitted to the Official List and to trading on the London Stock Exchange.

Share buy-backs and life of the Company

The Company will be including a continuation vote in the agenda for the annual general meeting to be held in 2008 (and, if passed, at every third subsequent annual general meeting) and will continue to employ share buy back and share issuance powers with a view to being active in enhancing returns for Shareholders, including by repurchasing shares on an opportunistic basis. However, the current obligation on the Board, under the Company's Articles of Association, to provide a mechanism that enables Shareholders to realise their holdings at a discount of 8 per cent. to the Net Asset Value if the average discount of the Ordinary Shares should be greater than 8 per cent. for the ninety day period prior to the financial year end will not be maintained.

Reduction of share capital

The Company will implement a share capital reduction and use sums in the share premium account to reduce the deficit in revenue reserves, thereby facilitating the payment of future dividends.

Reclassification of AIC sector

The Company will apply to the AIC to change its classification from the UK Smaller Companies sector to the UK Capital Growth sector of the AIC.

Costs of the Proposals

The Company's expenses in connection with the Proposals, including the proposed issue of Subscription Shares, are estimated to amount to £500,000 (inclusive of VAT). Henderson Global Investors Limited has undertaken to contribute £100,000 of these costs. The Board is proposing to charge the balance to the Company's revenue account.

Extraordinary General Meeting

The Proposals are conditional on, among other things, the approval by Ordinary Shareholders of the Resolutions to be proposed at an Extraordinary General Meeting of the Company which is being convened for 19 January 2007. The Board unanimously recommends Ordinary Shareholders to vote in favour of the Resolutions.

Principal Risk Factors

Shareholders should carefully review the risks and uncertainties set out below. If any or a combination of these risks occurs, the financial condition, prospects and share price of the Company could be materially and adversely affected and each risk factor should be read accordingly. The risks set out below are in no order of importance or priority.

Investment objective

- The Company may fail to achieve its investment objective.

Subscription Shares

- The Subscription Shares will be subject to price fluctuations.
- The Subscription Shares could expire with no value.

Ordinary Shares

- The Ordinary Shares are subject to price fluctuations.
- The market price of the Ordinary Shares may not reflect the Company's underlying Net Asset Value.

General

- The Articles require that the Board submit a resolution to the annual general meeting of the Company in 2008 and, if passed, at every third subsequent annual general meeting proposing that the Company should continue as an investment trust for a further three years. Accordingly, there is no guarantee that the Company will continue in existence in the long term.
- In some circumstances, the Company's investments may be relatively illiquid making it difficult to acquire or dispose of them at the prices quoted on relevant stock exchanges or at all. Accordingly, the Company's ability to respond to market movements may be impaired and the Company may experience adverse price movements upon liquidation of its investments.
- The use of borrowing increases the Company's exposure to market fluctuations, capital risk and interest costs.
- Investments in "special opportunities" company shares may carry a higher risk than other types of investments.

RISK FACTORS

Shareholders should carefully review the information contained in this document and should pay particular attention to the following risks which the Board consider to be material at the date of this document. If one or more of the following risks were to occur, it could have a material adverse effect on the Company's business, results of operations or financial condition and could materially affect its share price and Shareholders could lose all or part of their investment in the Company.

If Shareholders are in doubt as to the consequences of acquiring, holding or disposing of the Subscription Shares, or their Ordinary Shares, they should consult their stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000.

Investment Objective

- There can be no guarantee that the Company's investment objective will be achieved. Neither the past performance of the Company nor the portfolio manager and designated portfolio management team is a guide as to future performance.

Subscription Shares

- The market value of the Subscription Shares will be determined by market forces and there is no guarantee that the Subscription Shares will have a significant market value. The Subscription Shares could expire with no value.
- The value of an investment in the Subscription Shares may decrease as well as increase. The value of the Subscription Shares may reflect changes in the price of the Ordinary Shares, such that a relatively small movement in the market price of the Ordinary Shares could result in a disproportionately large movement, unfavourable as well as favourable, in the market price of the Subscription Shares.
- The Subscription Shares, in so far as they carry the right to subscribe for Ordinary Shares, are affected by the same risk factors as the Ordinary Shares, as described below under the heading "Ordinary Shares".

Ordinary Shares

- The market value of the Ordinary Shares is subject to market forces and may decrease as well as increase over time. Investors may not get back the amount that they initially invested on realisation of their Ordinary Shares.
- The market price of the Ordinary Shares may not reflect the Company's underlying Net Asset Value. The premium or discount to Net Asset Value at which the Ordinary Shares trade may rise and fall from day to day due to market factors such as investor sentiment, market conditions and supply and demand.
- If the conversion price is materially below the Net Asset Value per Ordinary Share then the issue of Ordinary Shares pursuant to the conversion of the Subscription Shares will have a material dilutive effect on the Net Asset Value per Ordinary Share.

General

- Investment in the Ordinary Shares and/or the Subscription Shares should be regarded as long term in nature. However, the Articles require that the Board submit a resolution to the annual general meeting of the Company in 2008 and, if passed, at every third subsequent annual general meeting proposing that the Company should continue as an investment trust for a further three years. Accordingly, there is no guarantee that the Company will continue in existence in the long term. If the Company is wound up whilst there are Subscription Shares still in issue, subject to the terms of the Subscription Shares, each holder of Subscription Shares shall be entitled to receive out of the assets available in the liquidation *pari passu* with the holders of the Ordinary Shares such sum as he would have received had he been the holder of the Ordinary Shares to which he would have become entitled by virtue of the deemed exercise of that Subscription Share after deducting a sum per Ordinary Share equal to the conversion price at the next Subscription Share conversion date.
- In some circumstances, the Company's investments may be relatively illiquid making it difficult to acquire or dispose of them at the prices quoted on relevant stock exchanges or at all. Accordingly, the Company's ability to respond to market movements may be impaired and the Company may

experience adverse price movements upon liquidation of its investments. Settlement of transactions may be subject to delay and administrative uncertainties.

- Under the revised investment objective, the Manager will have the flexibility to borrow up to 25 per cent. of the Company's net assets. The use of borrowing creates specific risks that may materially increase the Company's investment risks. Borrowing provides an opportunity for greater yield and total return but, at the same time, increases the Company's exposure to capital risk and interest costs. Any investment income and gains earned on investments made through the use of borrowings that are in excess of the interest costs associated therewith may cause the Net Asset Value per Ordinary Share to increase further and more rapidly than would otherwise be the case. Conversely, where investments depreciate, the Net Asset Value per Ordinary Share may decrease further and more rapidly than would otherwise be the case.
- A sudden and adverse fall in the market price of the Company's investments could result in the financial covenants in agreements under which the Company operates being triggered. This could result in the Company being obliged to sell investments in a falling market in order to meet its lending requirements. In turn, this could precipitate a rapid fall in the Company's net assets and the value of its Ordinary Shares.
- The revised investment objective includes making investments in "special opportunities" company shares. "Special opportunities" investments may carry a higher risk than other types of investments. In addition, although the aim of the Manager will be to achieve a total return over the long term in excess of that on the FTSE All-Share Index, the performance of the Company is likely to diverge significantly at times from that of the index.
- Investors should be aware that an investment in the Ordinary Shares is not suitable for investors who seek a return that tracks the FTSE All-Share Index.

EXPECTED TIMETABLE

Event	2007
Latest time and date for receipt of Voting Instruction Forms from Plan Participants	5.00 p.m. on 12 January
Latest time and date for receipt of Forms of Proxy from Shareholders	10.30 a.m. on 17 January
Conversion price of Subscription Shares calculated as at	close of business on 18 January
Extraordinary General Meeting	10.30 a.m. on 19 January
Record date for issue of bonus Subscription Shares	close of business on 19 January
Supplementary prospectus stating Subscription Share conversion price published	19 January
Date from which revised investment objective and change of name becomes effective	22 January
Date on which Subscription Shares issued and admitted to the Official List	8.00 a.m. on 22 January
Dealings in Subscription Shares commence on London Stock Exchange	8.00 a.m. on 22 January
Subscription Shares issued in uncertificated form credited to stock accounts in CREST of Shareholders entitled thereto	8.00 a.m. on 22 January
Subscription Share certificates and supplementary prospectus stating Subscription Share conversion price posted to non-CREST Shareholders	by 26 January
Court hearing of petition to sanction reduction of capital	14 February
Annual General Meeting	2.00 p.m. on 15 February

All references to time in this document are to London time. The dates given above are based on the Directors' expectations and may be subject to change.

PART I

LETTER RELATING TO BONUS ISSUE OF SUBSCRIPTION SHARES

Henderson Strata Investments plc

*(Registered in England and Wales with registered number 1940906;
an investment company under section 266 of The Companies Act 1985)*

G B Burnett (*Chairman*)
R D H Bryce
M R King
P N J May
R W Smith

Registered Office
4 Broadgate
London
EC2M 2DA

Tel: 020 7638 5757

21 December 2006

Dear Shareholder,

IMPORTANT PROPOSALS REGARDING YOUR COMPANY

Introduction

On 24 November 2006 the Company announced certain Proposals. The Proposals consist of a change of the Company's investment objective to provide Shareholders with higher than average growth of capital over the medium to long term; the appointment of James Henderson to be the individual fund manager with primary responsibility for the portfolio (the "**portfolio manager**"); changes in the management fee arrangements; a change of name; an amendment to the Articles of Association to remove the Discount Realisation Mechanism; and a bonus issue of long-dated Subscription Shares. The Company also proposes to implement a share capital reduction in order to facilitate the future payment of dividends.

The purpose of this document is to explain the reasons for the Proposals and explain why the Directors recommend that you vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting, which is necessary if the Proposals are to be implemented. The meeting will be held on 19 January 2007.

Background to and reasons for the Proposals

The Company's current investment objective is to seek to achieve capital growth from investment in UK listed micro cap securities. The Company adopted this investment objective in February 2005 and the subsequent realignment of the Company's portfolio in accordance with this objective was substantially completed by 30 April 2005. The individual who currently has primary responsibility for managing the Company's portfolio is Colin Hughes, an employee of Henderson Global Investors Limited.

The Company's share price has increased by 50.7 per cent. over the period from 22 December 2004 (the date on which the proposals for the Company's current investment objective were announced) to 31 October 2006. The total return of the FTSE All-Share Index over the same period was 39.5 per cent. (*source: FundData*).

The Company's Net Asset Value per share on a total return basis has increased by 37.3 per cent. over the period from 1 May 2005 to 31 October 2006 which compares with the total return of the Company's current benchmark, the FTSE Fledgling Index (ex investment companies), of 25.3 per cent. over the same period (*source: FundData*). This represents out-performance of 12 per cent. against the benchmark. The total return of the FTSE All-Share Index over this period was 37.3 per cent.

The Company has sought over time to implement a discount control policy by regularly repurchasing shares. These share repurchases ensured that the average discount to Net Asset Value over the ninety days prior to the Company's financial year end on 31 October 2006 was less than 8 per cent.

Despite achieving the Company's discount control objective and the out-performance of the current portfolio manager, Colin Hughes, against the performance benchmark, the Board has been advised that there is insufficient demand from investors to sustain the discount at this 8 per cent. level over the medium term, particularly at a time when many other smaller company focused investment companies are trading at greater discounts to Net Asset Value than the Company.

In the light of this and the ongoing demand for share repurchases by the Company, the Board has concluded that it is unlikely that the Company, in its current form, will be able to remain of a sufficient size for its continuation, given the fixed element of its expenses, to be in the interests of Shareholders. There is, however, no intention of recommending that the Company be put into liquidation if the Proposals are not approved (and thus not implemented).

Change of Investment Objective and Investment Strategy

Investment objective

If the Proposals are approved, the Company will have James Henderson, who joined Henderson Global Investors in 1984 and is currently a member of the Value and Income team, as its portfolio manager. The Company will invest in a portfolio of predominantly UK companies that the portfolio manager believes to be undervalued by the market. The Company's policy will be to invest in a concentrated portfolio of shares on an unconstrained basis across the whole range of market capitalisations. The investment portfolio will be characterised by its focus on growth, recovery and "special opportunities" company shares which the portfolio manager believes should achieve a higher than average rate of capital growth over the medium to long term.

James has an opportunistic and value driven stock-picking investment style and also has primary responsibility for the portfolio of Lowland Investment Company plc ("**Lowland**"), a company in the UK Growth and Income sector of the AIC, which has had net asset value performance on a total return basis of 727.6 per cent. since he took on this role in March 1990, 297.9 per cent. better than its benchmark (*source: FundData*), and which was ranked 1st in its sector over the 3, 5 and 10 calendar years to 31 October 2006 (*source: FundData*). As at close of business on 15 December 2006, Lowland's share price stood at a 1.6 per cent. premium to net asset value. He is also the individual with primary responsibility for the investment portfolio of The Law Debenture Corporation plc. Law Debenture has produced net asset value performance on a total return basis of 104.4 per cent. since he took over responsibility in June 2003, which is 20.5 per cent. better than its benchmark (*source: FundData*).

Revised benchmark and AIC sector

If the Proposals are approved, the Company will change its benchmark from the FTSE Fledgling Index (ex investment companies) to the FTSE All-Share Index and will apply to the AIC to change its classification from the UK Smaller Companies sector to the UK Capital Growth sector of the AIC.

Revised investment management fee

If the Proposals are approved, the investment management fee will be changed so that the annual management fee is reduced from 0.85 per cent. to 0.6 per cent. of the first £100 million of the Company's gross assets and 0.5 per cent. of any excess above £100 million. In addition, the Board will introduce a performance fee equal to 15 per cent. of any out-performance over the benchmark (being the FTSE All-Share Index) on a NAV total return fully diluted basis, subject to a cap on the total fees of 1.65 per cent. of net assets in any year. No performance fee will be payable if the Company's share price or Net Asset Value is lower at the end of an accounting period than it was at the beginning. Any underperformance against the benchmark will be carried forward, with any unrewarded outperformance also carried forward (but only available to set-off against future underperformance).

Dividend policy and reduction of capital

The expectation is that the Company's initial portfolio will produce a relatively low dividend yield, notwithstanding the proposed change in investment objective, and that sums available for distribution to Shareholders will be modest. The Company allocated 80 per cent. of its management fees and finance costs to capital and 20 per cent. to revenue for the year ended 31 October 2006 and intends to maintain this going forward. The Board nevertheless considers that the ability to pay dividends and other distributions from the Company's net income is important and is thus proposing that, if the Proposals are approved, the existing deficit in revenue reserves of £1,957,933 as at 31 October 2006 should be eliminated by a reduction of the Company's share premium account by the same amount. Such a reduction requires, amongst other matters, the approval of a Special Resolution and the sanction of the Court. Accordingly Resolution 3 will be proposed as a Special Resolution at the Extraordinary General Meeting and, if passed, the Company will apply to the Court to sanction this reduction, which it is expected would become effective, following Court approval, on or about 14 February 2007.

Gearing policy

The Articles of Association limit the power of the Company to borrow up to two times the Adjusted Capital and Reserves (as defined therein). The Company's current gearing policy is that borrowings shall not exceed 20 per cent. of the value of the Company's total net assets. The Company has no long term borrowings but the Board considers that if the Manager is of the view that investment prospects justify borrowing to make further investments, the Company should have the ability to use gearing up to a limit of 25 per cent. of net assets. Accordingly, if the Proposals are approved, the Company's gearing policy will be that borrowings shall not exceed 25 per cent. of net assets. The Company's borrowings are expected to be provided by way of flexible banking facilities.

Special Opportunities

James Henderson's investment approach is both value orientated and contrarian. He will seek to identify "special opportunities" — that is to say, undervalued companies that have fallen out of favour with investors. Although the following is not an exclusive list, the stocks that James selects are likely to fall in one or more of the following categories:

- *Recoveries* — Companies that have performed poorly but where there are early signs of improvement, potentially leading to a restructuring or sale.
- *Unrecognised growth* — Growth companies selling on relatively low valuations but with growth potential that has not yet been generally recognised.
- *Corporate potential* — Companies that have an above average chance of being taken over in the medium term, which factor is not reflected in the valuation.

The Subscription Share Issue

In conjunction with the Company's proposed change of investment objective, the Directors also propose to implement a bonus issue of long-dated Subscription Shares. Shareholders on the register at 19 January 2007 will receive 1 Subscription Share for every 5 Ordinary Shares then held. Each Subscription Share will confer a right, exercisable by notice to the Company in the thirty days preceding the annual general meeting in any of the years 2009 to 2014 (inclusive), to convert, on the date of the relevant annual general meeting, into 1 Ordinary Share of the Company.

The Directors consider that the Subscription Share issue should have the following advantages for Shareholders:

- The current favourable background for the UK market and the potential for the strong performance of the Company's assets should result in the Subscription Shares having a financial value on issue.
- The Subscription Shares have the same characteristics as warrants but with the additional benefit of being qualifying investments for the purposes of an existing PEP and for the stocks and shares component of an ISA (whereas warrants are not).

The trading value of the Subscription Shares will be determined by market forces, including the global macroeconomic background, the supply and demand for the Subscription Shares and investor sentiment towards the Company and the UK Growth sector of the AIC. The Subscription Shares will have time or "option" value — that is to say, a value for the time the underlying Ordinary Share has the potential to rise above the Conversion Price (as defined below).

Entitlement of Shareholders to Subscription Shares

Subject to the proposed bonus issue of long-dated Subscription Shares being approved at the Extraordinary General Meeting, Shareholders will each receive 1 Subscription Share for every 5 Ordinary Shares owned by them as at the close of business on 19 January 2007. Fractions of Subscription Shares arising from the calculation of each Ordinary Shareholder's entitlement will not be allotted or issued and the number of Subscription Shares allotted to each Ordinary Shareholder will be rounded down to the nearest whole Subscription Share. The proposed issue of Subscription Shares will not be underwritten.

Terms of the Subscription Shares

Shareholders should read the detailed terms of the Subscription Shares set out in Part III of this document. In summary, the Subscription Shares being issued will entitle a holder to elect to convert, by notifying the Company in the thirty days preceding the annual general meeting in any of the years 2009 to 2014 (inclusive), each Subscription Share into one Ordinary Share on the date of the relevant annual general meeting at the

Conversion Price. The “Conversion Price” will be the Net Asset Value per Ordinary Share as at 18 January 2007, plus a 20 percentage premium of such amount.

For illustrative purposes only, the published unaudited Net Asset Value per Ordinary Share (on a capital basis) as at 15 December 2006 was 750.8 pence (*source*: Henderson Strata Investments plc), and, had this Net Asset Value per Ordinary Share been used (and adjusted to 747.2 pence to take account of current year net income and the costs of the bonus issue), the Conversion Price would have been 897 pence.

The Conversion Price will be notified to Shareholders by way of a supplementary prospectus expected to be published on 19 January 2007.

To exercise their conversion rights, Subscription Shareholders must notify the Company during the thirty days preceding the annual general meeting in any of the years 2009 to 2014 (inclusive). The conversion date will be the date of the relevant annual general meeting.

The issue of the Subscription Shares is subject to the passing of Resolution 1 at the Extraordinary General Meeting authorising the Directors to allot the Subscription Shares, the UK Listing Authority agreeing to admit the Subscription Shares to the Official List and the London Stock Exchange agreeing to admit the Subscription Shares to trading. If the conditions are satisfied, the Directors intend to exercise the authority conferred by Resolution 1 to allot the Subscription Shares. If any of these conditions are not fulfilled, then the Subscription Shares will not be issued.

It is expected that the Subscription Shares will be admitted to the Official List on 22 January 2007 and that the first day of dealings in the Subscription Shares will be on the same date. The Subscription Shares will be issued in either certificated or uncertificated form. The ISIN number for the Subscription Shares will be GB00B1JLN010.

Share buy-backs and life of the Company

Following the annual general meeting held on 9 February 2006, the Company had the authority to buy back up to 1,627,526 Ordinary Shares by way of market purchases at prices not exceeding 105 per cent. of the average of the middle market quotations as derived from the daily Official List for the five business days immediately preceding the date of purchase and otherwise in accordance with the Listing Rules. This authority was fully utilised and subsequently renewed at the extraordinary general meeting held on 4 October 2006 where the Company was granted the power to buy back up to 1,383,560 Ordinary Shares of which 1,021,595 had been utilised by 15 December 2006 (being the latest practicable date prior to publication of this document). The current authority will expire at the next annual general meeting, which has been convened for 15 February 2007. At that annual general meeting the Board proposes to seek renewal of this authority to repurchase 14.99 per cent. of the Ordinary Shares in issue at the date of the meeting.

The Company is proposing to take similar powers to buy back up to 14.99 per cent. of the Subscription Shares on the basis described above and the necessary authority from Shareholders is included in Resolution 1 to be proposed at the Extraordinary General Meeting.

The Company will be including a continuation vote in the agenda for the annual general meeting to be held in 2008 (and, if passed, at every third subsequent annual general meeting) and will continue to employ share buy back and share issuance powers with a view to being active in enhancing returns for Shareholders, including by repurchasing shares on an opportunistic basis. However, in the circumstances, and in particular the proposed change of investment objective and the change of portfolio manager, the Board has decided to recommend the removal of the Discount Realisation Mechanism. This will require an amendment to the Articles of Association, which requires the approval of a Special Resolution of the Ordinary Shareholders. Resolution 2 will accordingly be proposed as a Special Resolution at the Extraordinary General Meeting.

Consequences of the Conversion of Subscription Shares on the Company

In general, it is anticipated that the Subscription Shareholders will exercise their conversion rights if the market price of Ordinary Shares exceeds the Conversion Price at the relevant conversion date. If the Net Asset Value per Ordinary Share at that time exceeds the Conversion Price, the Company will issue Ordinary Shares (pursuant to the conversion of the Subscription Shares) on receipt of a sum equal to the Conversion Price that is below the Net Asset Value per Ordinary Share at that date. If the Conversion Price is materially below the Net Asset Value per Ordinary Share then the issue of Ordinary Shares pursuant to the conversion of the Subscription Shares would have a material dilutive effect on the Net Asset Value per Ordinary Share.

Change of Name

As part of the revised investment objective, the Board is proposing that the name of the Company be changed to Henderson Opportunities Trust plc. This requires the approval of a Special Resolution and the necessary authority from Shareholders is included in Resolution 1.

Costs of the Proposals

The Company's expenses in connection with the Proposals, including the proposed issue of Subscription Shares, are estimated to amount to £500,000 (inclusive of VAT). Henderson Global Investors Limited has undertaken to contribute £100,000 of these costs. The Board is proposing to charge the balance to the Company's revenue account.

Taxation

The attention of Shareholders is drawn to the summary of United Kingdom tax matters set out on pages 41 to 44 below. Any Shareholders who are in any doubt about their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should consult their professional adviser.

Extraordinary General Meeting

The implementation of the Proposals, to include the issue of the Subscription Shares, requires the approval of Shareholders. Accordingly, an Extraordinary General Meeting has been convened for 19 January 2007 at which three Resolutions will be proposed as Special Resolutions. Resolution 1 will approve the proposed change of investment objective, the change in investment management fee, the proposed change of name and sanction the proposed issue of Subscription Shares. Resolution 2 will approve the amendment of the Articles of Association to remove the requirement to bring forward proposals to remove the Discount Realisation Mechanism. Resolution 3 will approve the proposed reduction of capital (which will require the sanction of the court prior to implementation). Resolution 2 is conditional on Resolution 1 being passed. The formal notice convening the Extraordinary General Meeting is set out at Appendix II of this document.

Action to be Taken

You will find enclosed a Form of Proxy for use in relation to the Extraordinary General Meeting. Whether or not you propose to attend the meeting, you are asked to complete and return the Form of Proxy to the Company's registrar, Computershare Investor Services plc, in accordance with the instructions printed on it as soon as possible and, in any event, so that it is received no later than 10.30 a.m. on 17 January 2007.

Completion and return of the Form of Proxy will not prevent you from attending and voting in person at the Extraordinary General Meeting.

Plan Participants should complete and return their Voting Instruction Form to Lloyds TSB Registrars, in accordance with the instructions printed on it, by no later than 5.00 p.m. on 12 January 2007. Any instruction received after this time will not be accepted.

Recommendation

The Board of Directors, which has received financial advice from JPMorgan Cazenove, considers the Proposals to be in the best interests of the Company and the Shareholders as a whole. In providing its financial advice, JPMorgan Cazenove has taken into account the Board's commercial assessment of the Proposals.

Accordingly, the Board recommends you to vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting, as they intend to do so in respect of their aggregate beneficial holdings of 57,360 Ordinary Shares (0.7 per cent. of issued Ordinary Shares).

Yours faithfully

George Burnett
Chairman

PART II

FURTHER INFORMATION ON THE COMPANY

Introduction

This document is being published in connection with the proposed bonus issue of long-dated Subscription Shares by the Company. The issue of Subscription Shares is conditional upon the approval of the Shareholders at the Extraordinary General Meeting to grant the authority to allot the Subscription Shares. Details of the Subscription Shares are set out in Part III of this document.

History

The Company was incorporated in 1985 and is an investment trust managed by Henderson Global Investors Limited (authorised and regulated by the FSA). As at 30 June 2006, Henderson Global Investors Limited had approximately £63.1 billion of funds under management. These funds are not all invested in accordance with the type of investment policy employed, or to be employed, by the Company.

The Company's initial investment objective was to seek capital growth from investment in a diversified portfolio of international smaller companies. Until 10 February 2005 the Company's benchmark was the FTSE SmallCap Index (ex investment companies). On 10 February 2005 the Company's investment objective was changed to the current objective of seeking growth from investment in a portfolio of UK micro cap investments, that is to say UK listed companies with a market capitalisation of £100 million or less at the time of initial investment. At the same time the Company's performance benchmark was changed to the FTSE Fledgling Index (ex investment companies). The realignment of the Company's portfolio, in line with the change in investment objective, was substantially completed by 30 April 2005. In February 2005 the Company also made a Tender Offer to Shareholders which resulted in a 26.8 per cent. reduction in the number of issued shares in the Company.

As at 15 December 2006 (being the latest practicable date prior to publication of this document), the Company had an issued share capital of 8,208,293 Ordinary Shares. As at 15 December 2006, the Company's unaudited shareholders' funds were £61.6 million, equivalent to 750.8 pence per Ordinary Share (*source*: Henderson Global Investors Limited).

Investment Objective and Policy

The Company currently invests in UK listed companies with a market capitalisation of £100 million or less at the time of initial investment. Investments are sold after becoming part of the FTSE 250 Index (or when their market capitalisation reaches the equivalent level). As a result, the current portfolio includes investments in companies that are constituents of the FTSE Fledgling Index, the FTSE SmallCap Index and the FTSE AIM Index.

The Company's proposed revised investment objective will be to provide Shareholders with higher than average growth of capital over the medium to long term. The strategy will be to invest in a concentrated portfolio of shares on an unconstrained basis across the whole range of market capitalisations. The investment portfolio will be characterised by focus on growth, recovery and "special opportunities" company shares which the portfolio manager believes should achieve a higher than average rate of capital growth over the medium to long term.

To reflect the revised investment objective, the Company's name will be changed to Henderson Opportunities Trust plc and the Company's performance benchmark will be changed to the FTSE All-Share Index. The Company will also borrow up to 25 per cent. of its net assets on a fully diluted basis if the Board considers that the circumstances warrant this.

The Company may not invest more than 15 per cent. of its gross assets in the shares of other listed investment companies including investment trusts.

It is intended that the Company will continue to be managed so as to satisfy the conditions for approval by HM Revenue and Customs as an investment trust.

Following Shareholder approval of the change in investment objective, any further material change to the investment policies described above may only be made with Shareholder approval.

The Company will inform Shareholders of any breach of the investment restrictions set out in the Management Agreement where this results in termination of the Management Agreement. Any such notification will be made by announcement through a regulatory information service.

Performance

The performance record of the Company for the period ended 15 December 2006 (being the latest practicable date prior to publication of this document) is shown in the following table:

	<i>1 year</i>	<i>3 years</i>	<i>5 years</i>
Net Asset Value total return	34.5%	74.0%	43.3%
Share price total return	36.2%	98.0%	43.4%
FTSE All-Share Index (ex investment companies) total return	19.9%	65.3%	54.7%
FTSE Fledgling Index (ex investment companies) total return*	21.0%	69.2%	164.6%
FTSE SmallCap Index (ex investment companies) total return	21.5%	62.1%	62.7%

Source: FundData.

* The Company's performance benchmark was changed from the FTSE SmallCap Index (ex investment companies) to the FTSE Fledgling Index (ex investment companies) on 10 February 2005 when the Company adopted its current investment objective.

Past performance should not be regarded as an indication of future performance.

Investment Outlook and Prospects

Henderson Global Investors Limited has advised the Board that selective UK equities offer significant value. Earnings and dividend growth are increasing for some of these companies at a substantial rate, but this is not being reflected in the valuation attributed to these companies.

Operating and Financial Review

The Fund Manager's Review (including the discussion of changes to the Company's Net Asset Value and Net Asset Value per Ordinary Share), Chairman's Statement and notes to the Company's audited financial statements have been incorporated by reference into this document for each of the years ended 31 October 2006, 31 October 2005 and 31 October 2004. Details are set out in the section headed "Financial Information" in Part IV of this document.

Regulatory Status

The Company is not an authorised or regulated entity for the purposes of the financial services rules in England and Wales. As the Ordinary Shares are admitted to the Official List of the UK Listing Authority it is nevertheless subject to regulation by the FSA in this capacity.

Capital Structure and Bonus Issue of Subscription Shares

The Ordinary Shares are traded on the London Stock Exchange.

Conditional upon Shareholder approval at the Extraordinary General Meeting, the Company will make a 1 for 5 bonus issue of long-dated Subscription Shares to Shareholders with, in aggregate, up to 1,641,658 Subscription Shares being issued. Fractions of Subscription Shares arising from the calculation of each Ordinary Shareholder's entitlement will not be allotted or issued and will be rounded down to the nearest whole number.

The conversion right conferred by the Subscription Shares will be exercisable by notice to the Company in the thirty days preceding the annual general meeting in any of the years 2009 to 2014 (inclusive) (the conversion date being the date of the relevant annual general meeting) and the Subscription Shares will each carry the right to subscribe for 1 Ordinary Share at a conversion price equal to the Net Asset Value per Ordinary Share, plus a 20 percentage premium rounded up to the nearest whole penny.

Full particulars of the Subscription Shares are set out in Part III of this document.

Directors

The Directors, all of whom are non-executive, are as follows:

George Burnett (age 60), appointed to the Board in 1995 and became Chairman in 2004. He is Chief Executive of Ashted Group plc. He is also Chairman of the Governors of University College for the Creative Arts at Canterbury, Epsom, Farnham, Maidstone and Rochester.

Hamish Bryce (age 65), appointed to the Board in 1993. He is a former Chairman of TLG plc, Heywood Williams plc and Norcros plc. He is Chairman of the Business Committee of the London Resilience Forum and Chairman of IndependentAge.

Malcolm King (known as Max, age 49), appointed to the Board in 2005. He has 22 years' experience in fund management, including investment in UK smaller companies. He currently works at Investec Asset Management.

Peter May (age 52), appointed to the Board in 2004. He spent 17 years at Charterhouse and is currently Chairman of Nirah Holdings Limited and MacArthur & Co. Limited.

Richard Smith (age 55), appointed to the Board in 1985. He is a senior investment consultant with Smith & Williamson Pension Consultancy Limited and was previously a senior investment manager at Henderson Global Investors where from 1985 to February 2005 he led the management team responsible for the Company's investments.

The business address of the Directors is 4 Broadgate, London EC2M 2DA.

Management of the Company

Responsibility for Management

The Board is responsible for the determination of the Company's investment objective and has overall responsibility for the Company's activities. The Board meets at least four times each year. The Company has a Management Agreement with Henderson Global Investors Limited under which Henderson Global Investors Limited is responsible for managing the Company and its portfolio of assets on a discretionary basis, but subject to the overall supervision of the Directors.

Manager

The Company is managed by Henderson Global Investors Limited. As at 30 June 2006, Henderson Global Investors Limited had approximately £63.1 billion of funds under management. These funds are not all invested in accordance with the type of investment policy employed, or to be employed, by the Company.

Henderson Global Investors Limited manages assets for open-ended and closed-ended funds, and institutional and private clients throughout the world. Eleven of these funds are closed-ended investment companies, investing in Europe and globally in various sectors, with total assets under management of £4 billion in this sector.

Henderson Global Investors Limited is a private company limited by shares which was incorporated in England and Wales on 17 May 1967 under the Companies Act with company number 906355 and is authorised and regulated by the FSA in the conduct of its investment business.

Corporate Governance

The Company is committed to high standards of corporate governance and the Board attaches importance to the matters set out in The Combined Code on Corporate Governance (the "**Code**") and applies its principles. However, as an investment trust company, most of the Company's day to day responsibilities are delegated to third parties and the Directors are all non-executive. Thus, not all of the provisions of the Code are directly applicable to the Company. In addition, the AITC Code of Corporate Governance, issued by the Association of Investment Trust Companies in July 2003 (the "**AITC Code**"), applies to the Company. The Directors consider that the Company has complied during the year ended 31 October 2006 with all the relevant provisions set out in the Code, with the exception that the Board has not appointed a senior independent director. The Directors consider that the Company has complied throughout the year ended 31 October 2006 with the AITC Code.

Directors' Remuneration

The Board as a whole considers directors' remuneration; therefore it has not appointed a separate committee for this purpose. The Articles of Association limit the total fees payable to directors to £75,000 per annum. The fees payable in respect of each of the directors who served during the financial year ended 31 October 2006 are set out in paragraph 4.4 of Part V.

The Audit, Management Engagement and Nomination Committees

The Board has established Audit, Management Engagement and Nomination Committees, as sub-committees of the Board with formally delegated duties and responsibilities under written terms of reference.

Audit Committee

The Audit Committee is responsible for assisting the Board in discharging its responsibilities for financial reporting, including the integrity of the annual and interim reports, preliminary results and any other formal announcements relating to financial performance, risk reporting and reviewing the Company's internal corporate controls. It reviews the nature and scope of the external audit and the findings therefrom, and the terms of appointment of the Auditors, including their remuneration and the provision of any non-audit services by them. It also monitors the Auditors' independence and objectivity and the effectiveness of the audit process. It meets with representatives of the Manager and receives reports on the quality and effectiveness of the accounting records and management information maintained on behalf of the Company. The Audit Committee meets at least twice a year. It is chaired by Peter May and also comprises George Burnett, Hamish Bryce and Malcolm King.

Management Engagement Committee

The Management Engagement Committee is responsible for the regular review of the terms of the management contract with the Manager. It is chaired by George Burnett and also comprises Hamish Bryce, Peter May and Malcolm King.

Nomination Committee

The Nomination Committee is responsible for making recommendations on the appointment of new Directors. Each Director is invited to submit nominations and external advisers may be used to identify potential candidates. The nominations list is considered by the Board as a whole in accordance with agreed procedures, although the Chairman would not expect to be involved in the selection of his successor. The Nomination Committee is chaired by George Burnett and also comprises Hamish Bryce, Peter May, Richard Smith and Malcolm King.

Reports and Accounts

Copies of the audited financial statements of the Company, which are made up to 31 October in each year, are normally sent to Shareholders in the following December or January. The audited financial statements for the year ended 31 October 2006, prepared in accordance with United Kingdom Generally Accepted Accounting Principles, accompany this prospectus. Shareholders are also sent, usually in June of each year, copies of the unaudited interim financial statements of the Company for the six months ending on 30 April.

Taxation

Information concerning the tax status of the Company as an investment trust and the taxation of Shareholders and Subscription Shareholders is contained in paragraph 9 of Part V of this document.

If any investors are in any doubt about the taxation consequences of acquiring, holding or disposing of Ordinary Shares or Subscription Shares, they should seek advice from their own professional adviser.

PART III

PARTICULARS OF THE SUBSCRIPTION SHARES

Conditional upon Shareholder approval, the Subscription Shares will be issued shortly after the Extraordinary General Meeting to be held on 19 January 2007 and will carry the rights described below. “**Shareholder**” for this purpose means a holder of an ordinary share of 25 pence in the capital of the Company (an “**Ordinary Share**”). “**Subscription Share**” for this purpose means a Subscription Share carrying the rights to convert into an Ordinary Share on the terms set out below.

1. Conversion Rights

- (a) A registered holder for the time being of a Subscription Share (a “**Subscription Shareholder**”) shall have a right (“**conversion right**”), exercisable by notice to the Company in the thirty days preceding the annual general meeting in any of the years 2009 to 2014 (inclusive), to convert, on the date of the relevant annual general meeting (“**conversion date**”), the Subscription Share into one Ordinary Share at the price per Ordinary Share to be determined by the Company as being equal to the Net Asset Value of the Company (calculated on an undiluted basis) attributable to one Ordinary Share as at the close of business on 18 January 2007 plus a 20 percentage premium of such amount rounded up to the nearest whole penny (the “**conversion price**”) payable in full in Pounds Sterling on conversion. It is expected that a supplementary prospectus stating the conversion price will be published on 19 January 2007.

The number of Ordinary Shares to which each Subscription Share relates is one Ordinary Share, but the conversion price (and the number of Subscription Shares outstanding) will be subject to adjustment as provided in paragraph 2 below. The Subscription Shares registered in a holder’s name will be evidenced by a Subscription Share certificate issued by the Company and, in the case of Subscription Shares in uncertificated form, by means of any relevant computer-based system enabling title to units of a security to be evidenced and transferred without a written instrument (the “**Relevant Electronic System**”). The conversion price will be stated in the Subscription Share Instrument.

The “**Net Asset Value**” for this purpose means the value of the Company’s assets (including revenue items for the current financial year) minus all prior charges at their par value and the costs of the bonus issue. Prior charges include all loans and overdrafts that are to be used for investment purposes. “**Business Day**” for this purpose means any day on which banks are open for business in London.

- (b) In order to exercise the conversion rights, in whole or in part, which are conferred by any Subscription Shares that are in certificated form, the Subscription Shareholder must lodge the relevant Subscription Share certificate(s) (or such other document as the Company may, in its discretion, accept) at the office of the registrars for the time being of the Company (the “**Registrars**”) during the period of 29 days ending on the Business Day before the relevant conversion date, having completed the notice of exercise of conversion rights thereon (or by giving such other notice of exercise of conversion rights as the Company may, in its discretion, accept), accompanied by a remittance for the conversion price for the Ordinary Shares in respect of which the conversion rights are exercised. Once lodged, a notice of exercise of conversion rights shall be irrevocable save with the consent of the directors of the Company (the “**Directors**”). Compliance must also be made with any statutory and regulatory requirements for the time being applicable.
- (c) The conversion rights which are conferred by any Subscription Shares that are in uncertificated form on the relevant conversion date shall be exercisable, in whole or in part, (and treated by the Company as exercised) on the relevant conversion date if, during the period of 29 days ending on the Business Day before the relevant conversion date, (i) an Uncertificated Conversion Notice is received as referred to below and (ii) a remittance for the aggregate conversion price for the Ordinary Shares in respect of which the conversion rights are being exercised is received by the Company or by such person as it may require for these purposes in such form and subject to such terms and conditions as may from time to time be prescribed by the Directors (subject always to the facilities and requirements of the Relevant Electronic System concerned). For these purposes, an “**Uncertificated Conversion Notice**” shall mean a properly authenticated dematerialised instruction and/or other instruction or notification received by the Company or by such person as it may require for these purposes in such form and subject to such terms and conditions as may from time to time be prescribed by the Directors (subject always to the regulations and facilities and requirements of the Relevant Electronic System). The Directors may, in addition but subject to the regulations and facilities and requirements of the Relevant Electronic System, determine when any such properly authenticated dematerialised instruction and/or other instruction or notification and any such remittance is to be treated as received by the Company or by

such person as it may require for these purposes. Without prejudice to the generality of the foregoing, the effect of the Uncertificated Conversion Notice may be such as to divest the holder of the Subscription Shares concerned of the power to transfer such Subscription Shares to another person. Once lodged, an Uncertificated Conversion Notice shall be irrevocable save with the consent of the Directors. Compliance must also be made with any statutory and regulatory requirements for the time being applicable.

- (d) Not earlier than 56 days nor later than 30 days before the relevant conversion date, the Company shall give notice in writing to the holders of the outstanding Subscription Shares reminding them of their conversion rights and, in relation to any Subscription Shares that are in uncertificated form, stating the form of Uncertificated Conversion Notice prescribed by the Directors.
- (e) Ordinary Shares issued pursuant to the exercise of conversion rights which are conferred by any Subscription Shares that are in certificated form will be allotted not later than 14 days after and with effect from the relevant conversion date and certificates in respect of such Ordinary Shares will be despatched (at the risk of the person(s) entitled thereto) not later than 28 days after the relevant conversion date to the person(s) in whose name(s) the Subscription Share is registered at the date of exercise (and, if more than one, to the first-named, which shall be sufficient despatch for all) or (subject as provided by law and to the payment of stamp duty reserve tax or any like tax as may be applicable) to such other persons (not being more than four in number) as may be named in the form of nomination available for the purpose from the Registrars (and, if more than one, to the first-named, which shall be sufficient despatch for all).
- (f) Ordinary Shares issued pursuant to the exercise of conversion rights which are conferred by Subscription Shares that are in uncertificated form will be allotted not later than 14 days after and with effect from the relevant conversion date and the Company shall procure that the appropriate instructions are given to enable such Ordinary Shares to be evidenced by means of the Relevant Electronic System as a holding of the person(s) in whose name(s) the Subscription Shares in respect of which conversion rights have been exercised were registered as at the date of such exercise or (subject as provided by law, to the payment of stamp duty reserve tax or any like tax as may be applicable, to such terms and conditions as the Directors may from time to time prescribe for this purpose and to the facilities and requirements of the Relevant Electronic System) to such other person(s) (not being more than four in number) as may be named in the properly authenticated dematerialised instruction and/or other instruction or notification in such form.
- (g) For the avoidance of doubt, unless the Directors otherwise determine or unless the regulations or the facilities or requirements of the Relevant Electronic System otherwise require, the Ordinary Shares issued on the exercise of any conversion rights shall be issued in certificated form where such conversion rights were conferred by Subscription Shares which were held in certificated form or in uncertificated form where such conversion rights were conferred by Subscription Shares which were held in uncertificated form.
- (h) Ordinary Shares allotted pursuant to the exercise of conversion rights will not rank for any dividends or other distributions declared, paid or made on the Ordinary Shares by reference to a record date prior to the relevant conversion date but, subject thereto, will rank in full for all dividends and other distributions declared, paid or made on the Ordinary Shares and otherwise will rank *pari passu* in all other respects with the Ordinary Shares in issue at the relevant conversion date, provided that, on any allotment falling to be made pursuant to paragraph 3(g) below, the Ordinary Shares to be allotted shall not rank for any dividend or other distribution declared, paid or made by reference to a record date prior to the date of actual allotment.
- (i) For so long as the Company's Ordinary Shares are admitted to trading on the London Stock Exchange, it is the intention of the Company to apply to the UK Listing Authority for the Ordinary Shares allotted pursuant to any exercise of conversion rights to be admitted to the Official List and the Company will use all reasonable endeavours to obtain the admission thereof not later than 28 days after the relevant conversion date. "**Official List**" for this purpose means the official list of the UK Listing Authority. "**UK Listing Authority**" for this purpose means the Financial Services Authority of the United Kingdom acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000.
- (j) The exercise of conversion rights by any Subscription Shareholder who is a US person or the right of such a Subscription Shareholder to receive the Ordinary Shares falling to be issued to him following the exercise of his conversion rights, will be subject to such requirements, conditions, restrictions, limitations or prohibitions as the Company may at any time impose, in its sole discretion, for the

purpose of complying with the securities laws of the United States (including, without limitation, the United States Securities Act of 1933, as amended, the United States Investment Company Act of 1940, as amended, and any rules or regulations promulgated under such Acts). As used herein, “**US person**” means any person or entity defined as such in Rule 902 (o) under the Securities Act of 1933 and, without limiting the generality of the foregoing, US person includes a natural person resident in the United States, a corporation or partnership organised or incorporated under the laws of the United States (including any State thereof) and an estate or trust, if any executor, administrator or trustee is a US person, but shall not include a branch or agency of a US person located outside the United States if such agency or branch operates for valid business reasons and is engaged in the business of insurance or banking and is subject to substantive insurance or banking regulation, respectively, in the jurisdiction where located and “**United States**” means the United States of America (including the States thereof and the District of Columbia), its territories and possessions.

2. Adjustments of Conversion Rights

The conversion price (and the number of Subscription Shares outstanding) shall from time to time be adjusted in accordance with the provisions of this paragraph 2:

- (a) If and whenever there shall be an alteration in the nominal amount of the Ordinary Shares as a result of a consolidation or sub-division, the conversion price in force immediately prior to such alteration shall be adjusted by multiplying it by a fraction of which the numerator shall be the nominal amount of one such Ordinary Share immediately after such alteration and the denominator shall be the nominal amount of one such Ordinary Share immediately prior to such alteration, and such adjustment shall become effective on the date the alteration takes effect.
- (b) If and whenever the Company shall allot to holders of Ordinary Shares any Ordinary Shares credited as fully paid by way of capitalisation of reserves or profits (other than Ordinary Shares paid up out of distributable reserves and issued in lieu of a cash dividend), the conversion price in force immediately prior to such allotment shall be adjusted by multiplying it by a fraction of which the numerator shall be the aggregate nominal amount of the issued Ordinary Shares immediately before such allotment and the denominator shall be the aggregate nominal amount of the issued and allotted Ordinary Shares immediately after such allotment, and such adjustment shall become effective as at the date of allotment of such Ordinary Shares.
- (c) If on a date (or by reference to a record date) on or before the relevant conversion date, the Company makes any offer or invitation (whether by way of rights issue or otherwise but not being an offer to which paragraph 3(k) below applies or an offer made in connection with scrip dividend arrangements) to the holders of the Ordinary Shares, or any offer or invitation (not being an offer to which paragraph 3(h) below applies) is made to such holders otherwise than by the Company, then the Company shall, so far as it is able, procure that at the same time the same offer or invitation is made to the then Subscription Shareholders as if their conversion rights had been exercisable and had been exercised on the date immediately preceding the record date for such offer or invitation on the terms (subject to any adjustment made previously pursuant to paragraphs 2(a) to (f)) on which the same could have been exercised on that date, provided that, if the Directors so resolve in the case of any such offer or invitation made by the Company, the Company shall not be required to procure that the same offer or invitation is made to the then Subscription Shareholders but the conversion price shall be adjusted: (i) in the case of an offer of new Ordinary Shares for conversion by way of rights at a price less than the market price at the date of announcement of the terms of the offer, by multiplying the conversion price for the relevant conversion date by a fraction of which the numerator is the number of Ordinary Shares in issue on the date of such announcement plus the number of Ordinary Shares which the aggregate amount payable for the total number of new Ordinary Shares comprised in such rights issue would purchase at such market price and the denominator is the number of Ordinary Shares in issue on the date of such announcement plus the aggregate number of Ordinary Shares offered for conversion and (ii) in any other case, in such manner as the independent financial advisers appointed by the Board shall report in writing to be fair and reasonable. Any such adjustments shall become effective, in the case of (i) above, as at the date of allotment of the new Ordinary Shares which are the subject of the offer or invitation and, in the case of (ii) above, as at the date determined by the independent financial advisers appointed by the Board. For the purposes of this paragraph “market price” shall mean the average of the middle market quotations (as derived from the Official List) for one Ordinary Share for the five consecutive dealing days ending on the dealing day immediately preceding the day on which the market price is to be ascertained.

- (d) No adjustment will be made to the conversion price pursuant to paragraphs 2(a), (b) or (c) above (other than by reason of a consolidation of Ordinary Shares as referred to in paragraph 2(a) above) if it would result in an increase in the conversion price and, in any event, no adjustment will be made if such adjustment would (taken together with the amount of any adjustment carried forward under the provisions of this paragraph 2(d)) be less than 1 per cent. of the conversion price then in force and on any adjustment the adjusted conversion price will be rounded down to the nearest whole penny. Any adjustment not so made and any amount by which the conversion price is rounded down will be carried forward and taken into account in any subsequent adjustment.
- (e) Whenever the conversion price is adjusted as provided in accordance with paragraphs 2(a) to (d) above (other than by reason of a consolidation of Ordinary Shares as referred to in paragraph 2(a) above), the Company shall issue, for no payment, additional Subscription Shares to each Subscription Shareholder at the same time as such adjustment takes effect.

Fractions of Subscription Shares will not be allotted to holders of Subscription Shares but all such fractions will be aggregated and, if practicable, sold in the market. The net proceeds will be paid to the Subscription Shareholders entitled thereto at the risk of such persons, save that amounts of less than £3.00 will be retained for the benefit of the Company. Subscription Share certificates relating to such additional Subscription Shares will be issued within 21 days of the said adjustment taking effect or the Company will procure that appropriate instructions are given to enable the adjustment to be made to the Subscription Shareholder's holding of Subscription Shares in the Relevant Electronic System.

- (f) Whenever the conversion price is adjusted in accordance with this paragraph by reason of a consolidation of Ordinary Shares as referred to in paragraph 2(a) above, the number of Ordinary Shares into which each holder of Subscription Shares is entitled to convert such Subscription Shares will be reduced accordingly.
- (g) The Company shall give notice to holders of Subscription Shares within 28 days of any adjustment made pursuant to paragraphs 2(a) to (f) above.
- (h) If a holder of Subscription Shares shall become entitled to exercise his conversion rights pursuant to paragraph 3(h) below, the conversion price payable on such exercise (but not otherwise) shall be reduced by an amount determined by the independent financial advisers appointed by the Board in accordance with the following formula:

$$A = (B + C) - D$$

where:

- A = the reduction in the conversion price;
- B = the conversion price which would, but for the provisions of this paragraph 2(h), be applicable (subject to any adjustments previously made pursuant to paragraphs 2(a) to (f) above) if the conversion rights were exercisable on the date on which the Company shall become aware as provided in paragraph 3(h) below;
- C = the average of the middle market quotations (as derived from the Official List) for one Subscription Share for the 5 consecutive dealing days ending on the dealing day immediately preceding the date of the announcement of the offer referred to in paragraph 3(h) below (or, where such offer is a revised offer, the original offer) or, if applicable and earlier, the date of the first announcement of the intention to make such offer or original offer or of the possibility of the same being made; and
- D = the average of the middle market quotations (as derived from the Official List) for one Ordinary Share for the 5 consecutive dealing days ending on the dealing day immediately preceding the date of the announcement of the offer referred to in paragraph 3(h) below (or, where such offer is a revised offer, the original offer) or, if applicable and earlier, the date of the first announcement of the intention to make such offer or original offer or of the possibility of the same being made,

provided that:

- (i) the conversion price shall not be reduced so as to cause the Company to be obliged to issue Ordinary Shares at a discount to nominal value and, if the application of the above formula would, in the absence of this proviso (i), have reduced the conversion price to below the nominal value of an Ordinary Share, the number of Ordinary Shares into which a Subscription Share may convert pursuant to paragraph 3(h) below shall be adjusted in such manner as the independent

financial advisers appointed by the Board shall report to be appropriate to achieve the same economic result for the Subscription Shareholders as if the conversion price had been reduced without regard to this proviso (i); and

- (ii) no adjustment shall be made to the conversion price where the value of D exceeds the aggregate value of B and C in the above formula.

The notice required to be given by the Company under paragraph 3(h) below shall give details of any reduction in the conversion price pursuant to this paragraph 2(h).

- (i) For the purpose of determining whether paragraph 3(j) below shall apply and accordingly whether each holder of a Subscription Share is to be treated as if his conversion rights had been exercisable and had been exercised as therein provided, the conversion price which would have been payable on such exercise shall be reduced by an amount determined by the independent financial advisers appointed by the Board in accordance with the following formula:

$$A = (B + C) - D$$

where:

- A = the reduction in the conversion price;
- B = the conversion price which would, but for the provisions of this paragraph 2(i), be applicable (subject to any adjustments previously made pursuant to paragraphs 2(a) to (f) above) if the conversion rights were exercisable on the date on which the effective resolution referred to in that paragraph shall be passed (as the case may be);
- C = the average of the middle market quotations (as derived from the Official List) for one Subscription Share for the 5 consecutive dealing days ending on the dealing day immediately preceding the date of the presentation of the petition for such order or of the notice convening the meeting at which such resolution shall be passed (as the case may be) or, if applicable and earlier, the date of the first announcement of the presentation of such petition or the convening of such meeting (as the case may be) or that the same is proposed; and
- D = the amount (as determined by the independent financial advisers appointed by the Board) of the assets available for distribution in the liquidation of the Company in respect of each Ordinary Share, taking into account for this purpose the Ordinary Shares which would arise on exercise of all the conversion rights and the conversion price which would be payable on the exercise of such conversion rights (subject to any adjustments previously made pursuant to paragraphs 2(a) to (f) above but ignoring any adjustment to be made pursuant to this paragraph 2(i)),

provided that no adjustment shall be made to the conversion price where the value of D exceeds the aggregate value of B and C in the above formula.

- (j) Where an event which gives or may give rise to an adjustment to the conversion price occurs whether in such proximity in time to another such event or otherwise in circumstances such that the Company in its absolute discretion determines that the foregoing provisions need to be operated subject to some modification in order to give a result which is fair and reasonable in all the circumstances such modification shall be made in the operation of the foregoing provisions as may be advised by the independent financial advisers appointed by the Board to be in their opinion appropriate in order to give such a result.

3. Other Provisions

So long as any conversion rights remain capable of exercise:

- (a) the Company shall not (except with the sanction of an extraordinary resolution of the Subscription Shareholders):
 - (i) make any distribution of capital profits or capital reserves except by means of a capitalisation issue in the form of fully paid Ordinary Shares;
 - (ii) issue securities by way of capitalisation of profits or reserves except fully paid Ordinary Shares issued to the holders of its Ordinary Shares; or
 - (iii) on or by reference to a record date falling within the period of six weeks ending on the relevant conversion date, make any such allotment as is referred to in paragraph 2(b) above or any such

offer or invitation as is referred to in paragraph 2(c) above (except by extending to the Subscription Shareholders any such offer or invitation as may be made by a third party);

- (b) the Company shall not (except with the sanction of an extraordinary resolution of the Subscription Shareholders) in any way modify the rights attached to its existing Ordinary Shares as a class, or create or issue any new class of equity share capital (as defined in section 744 of the Companies Act 1985) except for shares which carry, as compared with the rights attached to the existing Ordinary Shares, rights which are not more advantageous as regards voting, dividend or return of capital, provided that nothing herein shall restrict the right of the Company to increase, consolidate or sub-divide its share capital;
- (c) the Company shall not issue any Ordinary Shares credited as fully paid by way of capitalisation of profits or reserves nor make any such offer as is referred to in paragraph 2(c) if, in either case, the Company would on any subsequent exercise of the conversion rights be obliged to issue Ordinary Shares at a discount to nominal value;
- (d) the Company shall not (except with the sanction of an extraordinary resolution of the holders of the Subscription Shares or for a reduction not involving any payment to Shareholders) reduce any of its share capital or any uncalled or unpaid liability in respect of any of its share capital;
- (e) the Company shall keep available for issue sufficient authorised but unissued share capital to satisfy in full all conversion rights remaining exercisable;
- (f) the Company shall not (except with the sanction of an extraordinary resolution of the holders of the Subscription Shares) change its financial year end from 31 October (except to a date falling within seven days before or after 31 October);
- (g) the Company shall not grant (or agree to grant) any option in respect of, or create any rights of conversion for, any Ordinary Shares, the nominal amount of which, together with the aggregate nominal amount of any Ordinary Shares over which options or rights of conversion (including those of the Subscription Shares) shall be subsisting at the date of such grant or creation, would exceed those of the Subscription Shares) shall be subsisting at the date of such grant or creation, would exceed in the aggregate 20 per cent. of the nominal amount of the Ordinary Shares (excluding any treasury shares) then in issue, nor (except with the sanction of an extraordinary resolution of the Subscription Shareholders) will the Company grant (or offer or agree to grant) any such option in respect of, or create any such rights of conversion for, or issue any securities or loan capital carrying rights of conversion into, Ordinary Shares if the price at which any such option or right is exercisable is lower than the conversion price for the time being;
- (h) subject as provided in paragraph 3(i) below, if at any time an offer is made to all Shareholders (or all such holders other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with the offeror) to acquire the whole or any part of the issued Ordinary Share capital of the Company and the Company becomes aware on or before the relevant conversion date that as a result of such offer the right to cast a majority of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or such companies or persons as aforesaid, the Company shall give notice to the Subscription Shareholders of such vesting or pending vesting within 14 days of its becoming so aware, and each such Subscription Shareholder shall be entitled, at any time within the period of 30 days immediately following the date of such notice, to exercise his conversion rights on the terms (subject to any adjustments pursuant to paragraphs 2(a) to (f) and subject to paragraph 2(h) above) on which the same could have been exercised if they had been exercisable and had been exercised on the date on which the Company shall become aware as aforesaid. The publication of a scheme of arrangement under section 425 of the Companies Act 1985 providing for the acquisition by any person of the whole or any part of the issued Ordinary Share capital of the Company shall be deemed to be the making of an offer for the purposes of this paragraph 3(h) and reference herein to such an offer shall be read and construed accordingly;
- (i) if under any offer as referred to in paragraph 3(h) above the consideration shall consist solely of the issue of ordinary shares of the offeror and the offeror shall make available an offer of Securities to subscribe for ordinary shares in the offeror in exchange for the Subscription Shares, which offer the financial advisers to the Company (acting as experts and not as arbitrators) shall consider to be fair and reasonable (having regard to the terms of the offer and any other circumstances which may appear to such financial advisers to be relevant), then a Subscription Shareholder shall not have the right to exercise his conversion rights on the basis referred to in paragraph 3(h) above and, subject to the offer as referred to in paragraph 3(h) above becoming or being declared wholly unconditional and the offeror being in a position to acquire compulsorily the whole of the then issued Ordinary Share capital of the

Company not already owned by it or its associates, any Director shall be irrevocably authorised as attorney for the holders of Subscription Shares who have not accepted the offer of Subscription Shares to subscribe for ordinary shares in the offeror in exchange for the relevant securities:

- (i) to execute a transfer of the Subscription Shares held by such holders in favour of the offeror in consideration of the issue of subscription shares to subscribe for ordinary shares in the offeror as aforesaid whereupon all the Subscription Shares shall lapse; and
 - (ii) to do such acts and things as may be necessary or appropriate in connection therewith; and
- (j) if an order is made or an effective resolution is passed for winding-up the Company (except for the purpose of reconstruction, amalgamation or unitisation on terms sanctioned by an extraordinary resolution of the Subscription Shareholders), each Subscription Shareholder shall (if in such winding-up and on the basis that all conversion rights then unexercised had been exercised in full and the conversion price therefore at the relevant conversion date had been received in full by the Company there shall be a surplus available for distribution amongst the holders of the Ordinary Shares, including for this purpose the Ordinary Shares which would arise on exercise of all the conversion rights (taking into account any adjustments pursuant to paragraphs 2(a) to (f) and 2(i) above), which surplus would, on such basis, exceed in respect of each Ordinary Share a sum equal to such conversion price) be treated as if immediately before the date of such order or resolution (as the case may be) his conversion rights had been exercisable and had been exercised in full on the terms (subject to any adjustments pursuant to paragraphs 2(a) to (f) and 2(i) above) on which the same could have been exercised if they had been exercisable and had been exercised immediately before the date of such order or resolution (as the case may be), and shall accordingly be entitled to receive out of the assets available in the liquidation *pari passu* with the holders of the Ordinary Shares such sum as he would have received had he been the holder of the Ordinary Shares to which he would have become entitled by virtue of such conversion after deducting a sum per Ordinary Share equal to the conversion price (subject to any adjustments pursuant to paragraphs 2(a) to (f) and 2(i) above). Subject to the foregoing, all conversion rights shall lapse on liquidation of the Company.
- (k) Notwithstanding paragraphs 3(a) to (j) above, the Company may, without the sanction of an extraordinary resolution of the Subscription Shareholders:
- (i) purchase any of its own equity share capital (whether by tender, by private treaty or through the market);
 - (ii) hold its Ordinary Shares in treasury (for the purposes of The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003) and sell any such Ordinary Shares held in treasury; and
 - (iii) effect a reduction in its share premium account or capital redemption reserve.

4. Issue of C Shares

- (a) Notwithstanding the provisions of paragraph 3 above, a qualifying C share issue (as defined in (b) below) shall not constitute an alteration or abrogation of the rights attached to the Subscription Shares (and shall not require the sanction of an extraordinary resolution of the Subscription Shareholders) even though it may involve modification of the rights attached to the existing Ordinary Shares of the Company or the creation or issue of a new class of equity share capital if the Directors are of the opinion (having regard to all the circumstances) that such issue should not have any material dilutive effect on the Net Asset Value per Ordinary Share.
- (b) For this purpose, a “**qualifying C share issue**” means an issue by the Company of shares which will, within one year of the date of issue thereof, be converted into Ordinary Shares ranking *pari passu* in all respects with the Ordinary Shares then in issue (other than, if the case requires, as regards dividends or other distributions declared, paid or made in respect of the financial year in which the conversion takes place) and may include the issue in connection therewith of Subscription Shares (whether on the same terms and conditions as the Subscription Shares or otherwise) and any matters reasonably incidental to the process by which such shares are converted into Ordinary Shares, including but not limited to the creation, issue, sub-division, consolidation, redesignation, purchase, redemption or cancellation of any share capital of the Company, including share capital with preferred or deferred rights.

5. Modification of Rights

All or any of the rights for the time being attached to the Subscription Shares and any of these terms and conditions may from time to time (whether or not the Company is being wound up) be altered or abrogated

with the sanction of an extraordinary resolution of the Subscription Shareholders. All the provisions of the Articles of Association for the time being of the Company as to general meetings shall *mutatis mutandis* apply as though the Subscription Shares were a class of shares forming part of the capital of the Company.

6. Purchase

The Company and its subsidiaries shall have the right to purchase Subscription Shares in the market, by tender or by private treaty but:

- (a) such purchases will be limited to a maximum price per Subscription Share which, in the case of purchases through the market, will not exceed 5 per cent. above the average of the middle market quotations (as derived from the Official List) for the 5 consecutive dealing days ending on the dealing day immediately preceding the date on which the purchase is made; and
- (b) if such purchases are by tender, such tender will be available to all Subscription Shareholders alike.

All Subscription Shares so purchased shall forthwith be cancelled and shall not be available for re-issue or resale.

7. Transfer

Each Subscription Share will be in registered form and will be transferable:

- (i) in the case of Subscription Shares held in certificated form, by an instrument of transfer in any usual or common form, or in any other form which may be approved by the Directors; and
- (ii) in the case of Subscription Shares held in uncertificated form, by giving the appropriate instructions for transfer by means of the Relevant Electronic System.

No transfer of a fraction of a Subscription Share may be effected.

8. General

- (a) The Company will, concurrently with the issue of the same to the holders of the Ordinary Shares, send to each Subscription Shareholder (or, in the case of joint holders, to the first-named) a copy of each published annual report and accounts of the Company (or such abbreviated or summary financial statement sent to holders of Ordinary Shares in lieu thereof), together with all documents required by law to be annexed thereto, and a copy of every other statement, notice or circular issued by the Company to holders of Ordinary Shares.
- (b) For the purpose of these conditions, “**extraordinary resolution of the Subscription Shareholders**” means a resolution proposed at a meeting of the Subscription Shareholders duly convened and passed by a majority consisting of not less than three-fourths of the votes cast, whether on a show of hands or on a poll.
- (c) Subject as provided in paragraph 7, the provisions of the Articles of Association for the time being of the Company relating to notice of meetings, untraced members, lost certificates and the registration, transfer and transmission of Ordinary Shares shall, *mutatis mutandis*, apply to the Subscription Shares as if they were Ordinary Shares.
- (d) Any determination or adjustment made pursuant to these terms and conditions by the independent financial advisers appointed by the Board shall be made by them as experts and not as arbitrators and any such determination or adjustment made by them shall be final and binding on the Company and each of the Subscription Shareholders.
- (e) Any reference in these particulars to a statutory provision shall include that provision as from time to time modified or re-enacted.
- (f) Subscription Shares carry no right to any dividend or other distribution by the Company and no right to be redeemed (although the Company may elect to purchase Subscription Shares pursuant to paragraph 6). Subscription Shareholders are not entitled to attend or vote at meetings of Shareholders and have no right to share in any surplus in the event of liquidation beyond the right to be repaid the sum of 1p, being the nominal value of each Subscription Share (in receipt of which conversion rights have not been exercised) held (which rights rank immediately after the rights of the Ordinary Shareholders to be repaid the nominal value of 25p for each Ordinary Share (but see also paragraph 3(h) above)).

PART IV

FINANCIAL INFORMATION

There is hereby incorporated by reference audited statutory accounts of the Company for each of the years ended 31 October 2004, 31 October 2005 and 31 October 2006. These financial statements contain a description of the Company's financial condition, changes in financial condition (including the Company's dividend policy) and results of operations for each relevant financial year. Discussion regarding changes to the Company's Net Asset Value and Net Asset Value per Ordinary Share can be found within the Fund Manager's Review.

Historical Financial Information

Historical financial information relating to the Company on the matters referred to below is included in the published annual report and audited statutory accounts of the Company for the years stated and is incorporated by reference as follows:

<i>Nature of Information</i>	<i>Audited financial statements for year ended 31 October 2004</i>	<i>Audited financial statements for year ended 31 October 2005</i>	<i>Audited financial statements for year ended 31 October 2006</i>
	<i>Page No.</i>	<i>Page No.</i>	<i>Page No.</i>
Financial highlights and performance	4	3	1
Profit and loss account / income statement	24	22	23
Balance sheet	25	23	25
Statement of cash flow	26	24	26
Notes to the accounts	27-34	25-32	27-36
Dividend per Ordinary Share	4	33	37
Audit report	23	21	22

Operating and Financial Review

A description of the changes in the performance of the Company, both capital and revenue, and the changes to the Company's portfolio of investments is set out in the sections headed "Chairman's Statement", "Fund Manager's Review", "Investment Portfolio" and "10 Largest Equity Investments" in the audited financial statements of the Company for the years stated and is incorporated by reference as follows:

<i>Nature of Information</i>	<i>Audited financial statements for year ended 31 October 2004</i>	<i>Audited financial statements for year ended 31 October 2005</i>	<i>Audited financial statements for year ended 31 October 2006</i>
	<i>Page No.</i>	<i>Page No.</i>	<i>Page No.</i>
Chairman's Statement	5	5	3
Fund Manager's Review	7-10	8-10	4-5
Investment Portfolio and 10 Largest Equity Investments	6-9, 11	6-7	6-7

PART V

GENERAL INFORMATION

1. Incorporation and Registration

The Company was incorporated and registered in England and Wales on 21 August 1985 as a private company limited by shares under the Companies Act with registered number 1940906. The Company was re-registered as a public company limited by shares on 1 October 1985. The Company operates under the Companies Act and the regulations made thereunder.

2. Share and Loan Capital

2.1 As at 15 December 2006 (being the latest practicable date prior to publication of this document) the authorised share capital of the Company was £5,000,000 divided into 20,000,000 Ordinary Shares of 25p each, of which 8,208,293 Ordinary Shares were issued fully paid. During the twelve months preceding 15 December 2006 the Company bought back 2,980,121 Ordinary Shares. The Ordinary Shares are listed in the Official List and traded on the London Stock Exchange. A history of the Company's issued share capital for the period 1 November 2004 to 31 October 2006 is set out below:

Shares in issue on 1 November 2004	17,101,515
Shares issued between 1 November 2004 to 31 October 2006	0
Shares repurchased between 1 November 2004 and 31 October 2006	8,893,222
Shares in issue on 31 October 2006	8,208,293

Source: Henderson Global Investors Limited (unaudited).

2.2 Save as disclosed in sub-paragraph 2.1:

- (i) during the three years preceding the date of this document, no share or loan capital of the Company has been issued or agreed to be issued, or is now proposed to be issued, for cash or any other consideration and no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any such capital; and
- (ii) no share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.

2.3 Pursuant to resolutions passed at the annual general meeting of the Company held on 9 February 2006 (in the case of (i) and (ii) below) and an extraordinary general meeting of the Company held on 4 October 2006 (in the case of (iii) below):

- (i) the Directors be and they are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80 of the Companies Act 1985) up to an aggregate nominal amount of £139,855 (being 5 per cent. of the issued share capital of the Company, excluding shares held in treasury, at 14 December 2005), during the period commencing on the date of the passing of this resolution and expiring at the conclusion of the next annual general meeting, save that the Company may before the expiry of such authority make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred had not expired;
- (ii) the Directors be and they are hereby empowered, pursuant to section 95 of the Companies Act, to allot equity securities (as defined in section 94 of the Companies Act) of the Company and/or where such allotment constitutes an allotment of equity securities by virtue of section 94(3A) of the Companies Act for cash, pursuant to the authority conferred by the previous resolution as if section 89(1) of the Companies Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:
 - (a) whether by way of a rights issue, open offer or otherwise in favour of Ordinary Shareholders where the equity securities respectively attributable to the interests of all Ordinary Shareholders are proportionate to the respective numbers of Ordinary Shares held by them subject to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements or local or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange in any territory or otherwise howsoever;

- (b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £139,855 (being 5 per cent. of the issued Ordinary Share capital, excluding shares held in treasury, at 14 December 2005); and
 - (c) to the allotment of equity securities at a price of no less than Net Asset Value per share,
- (iii) the Company be and is hereby generally and unconditionally authorised in accordance with section 166 of the Companies Act 1985 (the “Act”) to make market purchases (within the meaning of section 163 of the Act) of ordinary shares of 25p each in the capital of the Company (“Ordinary Shares”), provided that:
- (a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 1,451,905 (representing approximately 14.99 per cent. of the Ordinary Shares at 14 September 2006);
 - (b) the minimum price (exclusive of expenses) which may be paid for an Ordinary Share is 25p;
 - (c) the maximum price which may be paid for an Ordinary Share is an amount equal to 105 per cent. of the average middle market quotations for an Ordinary Share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary Share is purchased, or such other amount as may be specified by the UK Listing Authority from time to time;
 - (d) the authority hereby conferred will expire at the conclusion of the annual general meeting of the Company in 2007, unless such authority is renewed prior to such time; and
 - (e) the Company may make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares pursuant to any such contract;
- provided that all Ordinary Shares purchased pursuant to the said authority shall be either:
- (a) cancelled immediately upon completion of the purchase; or
 - (b) held, sold, transferred or otherwise dealt with as treasury shares in accordance with the provisions of the Companies Act 1985.

2.4 If the resolutions to be proposed at the Extraordinary General Meeting are duly passed:

- (i) in addition to the authority referred to in sub-paragraph 2.3(i) above, the Directors be generally and unconditionally authorised, for the purposes of section 80 of the Companies Act, to exercise all of the powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Companies Act) pursuant to the bonus issue and the exercise of the conversion rights attached to the Subscription Shares up to an aggregate nominal amount of £410,414.50, provided that:
 - (a) this authority shall expire on 31 March 2007, save that the Company may before such expiry make any offer or agreement which would or might require securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred hereby had not expired; and
 - (b) this authority shall be in addition to the existing authority conferred on the Directors pursuant to the said section 80 granted at the annual general meeting of the Company held on 9 February 2006; and
- (ii) in addition to the authority referred to in sub-paragraph 2.3(iii) above, the Company be and is hereby generally and unconditionally authorised in accordance with section 166 of the Companies Act, to make market purchases (within the meaning of section 163 of the Companies Act) of its Subscription Shares, provided that:
 - (a) the maximum aggregate number of Subscription Shares hereby authorised to be purchased is 14.99 per cent. of the Subscription Shares in issue immediately following admission of such shares to the Official List and to trading on the London Stock Exchange;
 - (b) the minimum price which may be paid for a Subscription Share is 1p;
 - (c) the maximum price (exclusive of expenses) which may be paid for a Subscription Share shall be an amount equal to 105 per cent. of the average middle market quotations for a Subscription Share taken from the London Stock Exchange Daily Official List for the five

business days immediately preceding the day on which the Subscription Share is purchased, or such other amount as may be specified by the UK Listing Authority from time to time; and

- (d) unless renewed, the authority hereby conferred by this sub-paragraph (ii) shall expire on 31 March 2008 or, if earlier, the annual general meeting of the Company held in 2008, save that the Company may, prior to such expiry, enter into a contract to purchase Subscription Shares which will or may be completed or executed wholly or partly after such expiry.
- 2.5 The provisions of section 89(1) of the Companies Act (which, to the extent not disapplied by section 95 of the Companies Act, confer on Shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) apply to the authorised but unissued share capital of the Company, except to the extent that they have been disapplied pursuant to the resolution referred to in paragraph 2.3(ii) above or will be disapplied if the resolution referred to in paragraph 2.4(ii) above is passed.
- 2.6 Subject to any restrictions contained in the terms and conditions of the Subscription Shares, as set out in Part III of this document, the Subscription Shares are freely transferable. However, any restrictions contained in the terms and conditions of the Subscription Shares will not prevent dealings in Subscription Shares on an open and proper basis.
- 2.7 The Company has the power to borrow and details are set out in the paragraph headed “Borrowing Powers” in paragraph 3.7 of Part V. As at 31 October 2006 (being the last date in respect of which the Company has published financial statements), the Company had incurred indebtedness in the form of borrowings of approximately £8,100,000 from The Royal Bank of Scotland plc by way of an unsecured committed credit facility.

The following table shows the capitalisation and indebtedness of the Company (distinguishing between guaranteed and unguaranteed, secured and unsecured indebtedness) as at 31 October 2006 (being the last date in respect of which the Company has published audited financial statements):

	<i>£'000</i>
Total current debt — unsecured sterling loans and overdrafts	8,100
Total non-current debt	0
Shareholder equity	
Share capital	2,052
Legal reserves	
— Share premium	16,479
Other reserves	
— Capital redemption reserve	2,354
— Capital realised reserve	25,191
— Capital unrealised reserve	14,105
— Revenue reserve	(1,958)

Save as disclosed in the above table, there has been no material change in the capitalisation and indebtedness of the Company since 31 October 2006 (being the last date in respect of which the Company has published financial statements).

The following table shows the Company's net indebtedness as at 31 October 2006:

	£'000
A. Cash	6
B. Cash equivalent	0
C. Trading securities	0
D. Liquidity (A + B + C)	6
E. Current financial receivable	1,110
F. Current bank debt	8,100
G. Current portion of non-current debt	0
H. Other current financial debt	1,844
I. Current financial debt (F + G + H)	9,944
J. Net current financial indebtedness (I – E – D)	8,828
K. Non-current bank loans	0
L. Bonds issued	0
M. Other non-current loans	0
N. Non-current financial indebtedness (K + L + M)	0
O. Net financial indebtedness (J + N)	8,828

2.8 As at 31 October 2006 (being the last date in respect of which the Company has published audited financial statements), the Company had no indirect indebtedness and/or contingent indebtedness.

2.9 The Ordinary Shares are in either certificated or uncertificated form. The Company's register is maintained by Computershare Investor Services plc.

3. Memorandum and Articles of Association

The Memorandum of Association of the Company provides that the Company's objects include that of carrying on the business of an investment trust company. The objects of the Company are set out in full in Clause 4 of the Memorandum of Association which is available for inspection at the addresses set out in paragraph 15.

The Articles of Association contain provisions, *inter alia*, to the following effect:

3.1 *Voting rights*

- (i) Subject to any special terms as to voting upon which any shares may be issued or may for the time being be held and to any other provisions of the Articles of Association, every member present in person at a general meeting shall have one vote, and on a poll every Member who is present in person or by proxy shall have one vote for every 25p nominal amount of share capital of which he is the holder.
- (ii) No Member shall, unless the Board otherwise determines, be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of shares in the Company have been paid or if he has been served with a disenfranchisement notice after failure to provide the Company with particulars of any interest in such shares required to be provided under a statutory notice.

3.2 *Modification of rights and alterations of capital*

- (i) Subject to the provisions of the Companies Acts, all or any of the special rights for the time being attached to any class of shares for the time being issued may from time to time (whether or not the Company is being wound up) be altered or abrogated with the consent in writing of the holders of not less than three fourths of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of such shares. To any such separate general meeting all the provisions of these Articles as to general meetings of the Company shall *mutatis mutandis* apply, but so that the necessary quorum shall be one or more persons holding or representing by proxy not less than one third of the issued shares of the class (excluding any shares of that class held as treasury shares), that every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, that any holder of shares of the class present in person or

by proxy may demand a poll and that at any adjourned meeting of such holders one holder present in person or by proxy (whatever the number of shares held by him) shall be a quorum.

- (ii) The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be altered by the creation or issue of further shares ranking *pari passu* therewith.
- (iii) The Company may from time to time by ordinary resolution:
 - (a) increase its authorised share capital by such sum to be divided into shares of such amounts as the resolution shall prescribe;
 - (b) consolidate and divide its share capital into shares of a larger amount than its existing shares;
 - (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association (subject, nevertheless, to the Companies Acts) and so that the resolution whereby any share is sub-divided may determine that as between the holders of the shares resulting from such sub-division one or more of the shares may have any such preferred or other special rights over, or may have such deferred or qualified rights or be subject to any such restrictions as compared with, the other or others as the Company has power to attach to unissued or new shares;
 - (d) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its authorised share capital by the amount of the shares so cancelled,

and may also by special resolution:

- (e) subject to any confirmation or consent required by law, reduce its authorised and issued share capital or any capital redemption reserve or any share premium account in any manner.
- (iv) Subject to the provisions of the Companies Acts and to any rights conferred on the holders of any class of shares and to any requirements imposed by the London Stock Exchange in respect of securities admitted to listing, the Company may purchase or may enter into a contract under which it will or may purchase all or any of its shares of any class, including any redeemable shares.

3.3 ***Dividends and other distributions***

- (i) The Company in general meeting may from time to time declare dividends, but no such dividends shall be payable otherwise than in accordance with the Companies Act or in excess of the amount recommended by the Board. Payment of dividends to the members shall be in accordance with their rights and interests in the profits available for distribution. Dividends shall be apportioned and paid *pro rata* according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may from time to time pay to the members such interim dividends as appear to the Board to be justified by the financial position of the Company and the Board may also pay any dividends payable at a fixed rate at intervals settled by the Board whenever the financial position of the Company, in the opinion of the Board, justifies its payment.
- (ii) The Board may deduct from any dividend or other moneys payable to a Member by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise in respect of shares of the Company.
- (iii) No dividend or other moneys payable by the Company on or in respect of any share shall bear interest against the Company.
- (iv) Capital profits and surpluses arising from the realisation of investments will not be available for dividend or distribution.
- (v) Any dividend unclaimed after a period of twelve years from the date of declaration of such dividend shall be forfeited and shall revert to the Company and the payment by the Board of any unclaimed dividend, interest or other sum payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof.

3.4 *Capital reserves*

The Board shall carry to the credit of the Capital Reserve from time to time, or apply in providing for depreciation or contingencies, all surpluses arising on the realisation of investments. The Directors may determine whether any cost, liability or expense (including any costs incurred or sums expended in connection with the management of the assets of the Company or any interest charge) is to be treated as a cost, liability or expense chargeable to capital or to revenue or partly one and partly the other, having regard, *inter alia*, to the investment objectives of the Company. Any expenditure charged to capital account in this way and any losses arising on the realisation of investments shall be carried to the debit of the capital reserve except insofar as the Board may in its discretion decide to make good the same out of other funds of the Company. Sums carried and standing to the capital reserve shall not be regarded or treated as profits of the Company available for distribution by way of dividend but may be applied for any of the other purposes to which sums standing to any reserve of the Company are applicable and may be applied for the purposes of making any other distribution, including but not limited to redeeming or purchasing any of the shares issued by the Company.

3.5 *Transfer of shares*

- (i) Subject to such of the restrictions in the Articles of Association as may be applicable, any Member may transfer all or any of his shares by an instrument of transfer in the usual common form or in any other form which the Board may approve. The instrument of transfer of a share shall be signed by or on behalf of the transferor and (in the case of a partly paid share) 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 instruments of transfer, when registered, may be retained by the Company. The Board may, in its absolute discretion and without assigning any reason therefor, decline to register any transfer of any share which is not a fully paid share provided that where such share is admitted to the Official List of the London Stock Exchange such discretion may not be exercised in such a way as to prevent dealings in shares of that class from taking place on an open and proper basis.
- (ii) The Board may also decline to register any transfer unless:
 - (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates, and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;
 - (b) the instrument of transfer is in respect of only one class of share; and
 - (c) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four.
- (iii) If the Board declines to register a transfer it shall, within two months after the date on which the instrument of transfer was lodged, send to the transferee notice of the refusal.

3.6 *Duration and winding-up*

- (i) The Board shall submit an ordinary resolution to the annual general meeting of the Company falling in 2008 and, if passed, at every third subsequent annual general meeting, proposing that the Company should continue as an investment trust for a further three year period. If any such ordinary resolution is not passed, the Directors shall convene an extraordinary general meeting of the Company for a date not more than three months after the date of the meeting at which the members declined to approve the continuation of the Company, at which the Directors shall put forward proposals for the liquidation or reconstruction of the Company for approval by the members of the Company.
- (ii) Subject to the rights of the Subscription Shareholders (see Part III of this document), the holders of Ordinary Shares will under the general law be entitled to participate in any surplus assets in a winding-up in proportion to their shareholdings. If the Company shall be wound up, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Companies Acts, divide amongst the Members (excluding any Member holding shares as treasury shares) *in specie* or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such values as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different classes of Members.

- (iii) If the average price at which shares are quoted in the official list of the London Stock Exchange on each day on which the official list is published in the period of 90 days ending on 31 October 2006 and the date to which annual accounts are made up in every calendar year thereafter (the “**Relevant Date**”) represents a percentage of Net Asset Value per share which is less than 92, the Board of Directors shall, within 90 days of such Relevant Date, announce proposals that will enable, if approved by any required resolution of Shareholders, each Shareholder to realise all of his holding of shares for a price equal to 92 per cent. of Net Asset Value per Share on a day no more than 180 days after the Relevant Date.

For these purposes, the “Net Asset Value per Share” shall be calculated in accordance with the Explanatory Notes to the Tables issued by the Association of Investment Trust Companies in the Monthly Information Service publication or in such other manner as the Board may, with the prior approval of the Members of the Company by ordinary resolution, decide.

3.7 *Borrowing powers*

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Acts, to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The Board shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries (if any) so as to secure (but as regards subsidiaries only in so far as by the exercise of such rights or powers of control the Board can secure) that the aggregate principal amount from time to time outstanding of all borrowings by the Group (exclusive of borrowings owing by one member of the Group to another member of the Group) shall not at any time without the previous sanction of an ordinary resolution of the Company exceed an amount equal to two times the Adjusted Capital and Reserves (as defined in the Articles of Association).

3.8 *Directors*

(i) *Appointment of Directors*

The Company may by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Board, but so that the total number of Directors shall not at any time exceed any maximum number fixed by or in accordance with the Articles. Without prejudice to the power of the Company in general meeting to appoint any person to be a Director, the Board shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Board, but so that the total number of Directors shall not at any time exceed any maximum number fixed by or in accordance with the Articles. Any Director so appointed by the Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at such meeting.

(ii) *Age of Directors*

No person shall be disqualified from being appointed a Director and no Director shall be required to vacate that office by reason only of the fact that he has attained the age of 70 years or any other age, nor shall it be necessary to give special notice under the Companies Acts of any resolution appointing, re appointing or approving the appointment of a Director by reason of his age, but where the Board convenes any general meeting of the Company at which (to the knowledge of the Board) a Director will be proposed for election or re election who has at the date of such meeting attained the age of 70 years or more, the Board shall give notice of his age in years in the notice convening the meeting or in any document sent therewith, but the accidental omission to give such notice shall not invalidate any proceedings at that meeting or any election or re election of such Director thereat.

(iii) *Remuneration of Directors*

Each of the Directors shall be paid a fee at such rate as may from time to time be determined by the Board provided that the aggregate of all such fees so paid to Directors shall not exceed £75,000 per annum, or such higher amount as may from time to time be determined by ordinary resolution of the Company.

Each Director may be paid his reasonable travelling, hotel and incidental expenses of attending and returning from meetings of the Board or committees of the Board or general meetings or any other meeting which as a Director he is entitled to attend and shall be paid all expenses properly and reasonably incurred by him in the conduct of the Company's business or in the discharge of his duties as a Director. Any Director who, by request, goes or resides abroad for any purposes of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to any remuneration provided for by or pursuant to any other Article.

(iv) *Retirement of Directors by rotation*

At every annual general meeting one-third of the Directors for the time being or, if their number is not a multiple of three, then the number nearest to but not exceeding one-third shall retire from office. A Director retiring at a meeting shall retain office until the close of the meeting. The Directors to retire on each occasion shall be those who have been longest in office since their last election, but as between persons who became or were re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. The Directors to retire on each occasion (both as to number and identity) shall be determined by the composition of the Board at the date of the notice convening the annual general meeting, and no Director shall be required to retire or be relieved from retiring by reason of any change in the number or identity of the Directors after the date of such notice but before the close of the meeting. A retiring Director shall be eligible for re-election.

(v) *Restrictions on voting*

A Director shall not vote or be counted in the quorum on any resolution of the Board concerning his own appointment as the holder of any office or place of profit with the Company or any other company in which the Company is interested (including the arrangement or variation of the terms thereof, or the termination thereof). Where arrangements are under consideration concerning the appointment (including the arrangement or variation of the terms thereof, or the termination thereof) of two or more Directors to offices or places of profit with the Company or any other company in which the Company is interested, a separate resolution may be put in relation to each Director and in such case each of the Directors concerned shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment (or the arrangement or variation of the terms thereof, or the termination thereof) and except (in the case of an office or place of profit with any such other company as aforesaid) where the other company is a company in which the Director owns 1 per cent. or more.

A Director shall not vote (nor be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement in which he has an interest which (taken together with any interest of any person connected with him) is a material interest, and if he shall do so his vote shall not be counted, but this prohibition shall not apply to any of the following matters namely:

- (a) any contract or arrangement for giving to such Director any security or indemnity in respect of money lent by him or obligations undertaken by him for the benefit of the Company;
- (b) any contract or arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company which the Director has himself guaranteed or secured in whole or in part;
- (c) any contract or arrangement by a Director to subscribe for shares, debentures or other securities of the Company issued or to be issued pursuant to any offer or invitation to Members or debenture holders of the Company or any class thereof or to the public or any section thereof, or to underwrite any shares, debentures or other securities of the Company;
- (d) any contract or arrangement in which he is interested by virtue of his interest in shares or debentures or other securities of the Company or by reason of any other interest in or through the Company;
- (e) any contract or arrangement concerning any other company (not being a company in which he is an officer, shareholder, creditor or otherwise howsoever);
- (f) any proposal concerning the adoption, modification or operation of a pension fund or retirement death or disability benefits scheme which relates both to Directors and employees of the

Company or of any of its subsidiaries and does not provide in respect of any Director as such any privilege or advantage not accorded to the employees to which such scheme or fund relates;

- (g) any share scheme for the benefit of employees of the Company or of any of its subsidiaries under which the Director benefits in a similar manner as the employees and which does not accord to any Director as such any privilege or advantage not accorded to the employees to whom such share scheme relates; and
- (h) any contract for the purchase or maintenance for any director or directors of insurance against any liability.

(vi) *Directors' shareholdings*

There is no qualification fixed by the Articles of Association for a Director to hold any shares in the Company.

3.9 *Indemnity of officers*

Subject to the provisions of the Companies Acts, the Company may indemnify any Director or other officer against any liability and may purchase and maintain for any Director or other officer or auditor insurance against any liability. Subject to those provisions, but without prejudice to any indemnity to which the person concerned may otherwise be entitled, every Director or other officer of the Company and, if the Board so determines, the auditors shall be indemnified, out of the assets of the Company against any liability incurred by him as a Director or other officer of the Company, or as auditor, in defending any proceedings (whether civil or criminal) in which judgment is given in his favour or he is acquitted or in connection with any application under the Companies Act in which relief is granted to him by the court.

3.10 *Untraced shareholders*

The Company may sell any shares in the Company if:

- (a) at least three cash dividends have become payable on the shares during the relevant period and no cash dividend payable on the shares has either been claimed by presentation to the paying bank of the relevant cheque or warrant or been satisfied by the transfer of funds to a bank account designated by the holder of, or person entitled by transmission to, the shares at any time during the relevant period;
- (b) so far as it is aware at the end of the relevant period, the Company has not at any time during the relevant period received any indication of the existence of the Member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operation of law;
- (c) the Company has caused an advertisement to be inserted in a London newspaper with a national circulation and also in a newspaper circulating in the area of the address at which notices may be served upon the holder of such shares (such advertisements to be made within six months of each other) giving notice of its intention to sell such shares and a period of three months has elapsed since the last of any such advertisement; and
- (d) the Company (after condition (c) above has been satisfied) has given notice to the Quotations Department of the London Stock Exchange of its intention to make such sale.

3.11 *Members resident abroad*

Members with registered addresses outside the United Kingdom are not entitled to receive notices from the Company unless they have given the Company an address within the United Kingdom at which such notices may be served. Any member whose registered address is not within the United Kingdom and who gives to the Company an address for the purposes of electronic communications may, at the absolute discretion of the Board, have notices or documents sent to him at that address.

4. **Directors and Other Interests**

- 4.1 As at 15 December 2006 (being the latest practicable date prior to publication of this document), in so far as known to the Company, the interests of each Director, including any connected person, the existence of which is known to, or could with reasonable diligence be ascertained by, that Director whether or not held through another party, in the share capital of the Company together with any options in respect of such capital were as follows:

2006

Beneficial interest:

Hamish Bryce	17,103
George Burnett	8,507
Malcolm King	1,000
Peter May	—
Richard Smith	30,750

Non-beneficial interest

Richard Smith	11,400
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- 4.2 No Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company and which was effected by the Company during the Company's current or immediately preceding financial year, or during an earlier financial year of the Company and remains in any respect outstanding or unperformed.
- 4.3 There are no service contracts in existence between the Company and any of the Directors, nor are any such contracts proposed.
- 4.4 The total aggregate of the remuneration paid and benefits in kind granted to the Directors by the Company in respect of the last completed financial year of the Company ended 31 October 2006 under any description whatsoever was £48,834. The fees paid to each Director in respect of this financial year were as follows:

<i>Directors' emoluments — year to 31 October 2006</i>	<i>Remuneration</i>
	£
George Burnett	13,333
Malcolm King	8,667
Hamish Bryce	8,667
Richard Smith	8,667
Peter May	9,500

Source: Henderson Strata Investments plc (unaudited).

The Company pays the Directors out-of-pocket expenses incurred in the proper performance of their duties as directors of the Company.

- 4.5 Details of those companies and partnerships of which the Directors have been directors or partners at any time during the five years preceding the date of this document are as follows:

George Burnett

Henderson Strata Investments plc
Ashtead Group plc
Old Carrwood Homes Limited (resigned 6 April 2003)
Dalescope Limited (resigned 20 May 2003)

Peter May

Henderson Strata Investments plc
MacArthur & Co. Limited
MacArthur & May (Investments) Limited
MacArthur & May Limited
Mezzanine Capital Finance plc
Nirah Holdings Limited

Malcolm King

Henderson Strata Investments plc
JO Hambro Capital Management Limited (resigned 29 March 2003)

Hamish Bryce

Henderson Strata Investments plc
Heywood Williams plc
London First
The Royal United Kingdom Beneficent Association

Richard Smith

Henderson Strata Investments plc
Henderson Electric and General Investment Trust plc (resigned 18 September 2003)

- 4.6 No agreement, arrangement or understanding (including any compensation agreement) exists between any of the Directors, recent directors, Shareholders or recent Shareholders of the Company having any connection with or dependence upon the Proposals described in this document and none of the Directors has, or has had, any potential conflict of interest between any duties to the Company and the private interests or any other duties that they owe.
- 4.7 As at the date of this document, none of the Directors has:
- (a) any convictions in relation to fraudulent offences for at least the previous five years;
 - (b) been associated with any bankruptcies, receiverships or liquidations whilst acting in his capacity as a member of an administrative, management or supervisory body of a company, a partner with unlimited liability, a founder or a member of a senior management of a company; or
 - (c) been subject to any official public incrimination or sanction of him by any statutory or regulatory authority (including designated professional bodies) nor has he been disqualified by a court from acting as a director of a company or 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.
- 4.8 There are no existing or proposed service contracts between any of the Directors and the Company. Each of the Directors has entered into a letter of appointment with the Company which is subject to his re-election on retirement at any annual general meeting of the Company at which he is required to retire by rotation. The Directors are entitled to the remuneration referred to in paragraph 4.4 of this Part V, and will be entitled to out-of-pocket expenses and other expenses incurred in the proper performance of their duties as directors of the Company. The Directors are not entitled to any compensation or benefits upon termination of their office as directors of the Company.

5. Substantial Share Interests

- 5.1 As at 20 December 2006 the following Shareholders had notified the Company of interests comprising 3 per cent. or more of the Company's issued Ordinary Share capital:

	%
Lowland Investment Company plc	3.51
Other discretionary managed clients of Henderson Global Investors Limited and its associated companies	7.52
	<hr/>
	11.03
	<hr/>
M&G Investment Management Limited	7.31
Apollo Fund plc	3.05

The above percentages are calculated by applying the shareholdings as notified to the Company to the issued share capital as at 20 December 2006.

Source: Henderson Global Investors Limited (unaudited).

The Board is aware that, as at 31 October 2006, 33.6 per cent. of the issued share capital was held on behalf of participants in ItsHenderson and participants in other Henderson PEPs and ISAs. The participants in these plans are given the opportunity to instruct the relevant nominee company to exercise the voting rights appertaining to their shares in respect of all general meetings of the Company, but if the participants choose not to do so the voting rights are not exercised.

- 5.2 As at the close of business on 20 December 2006 (being the latest practicable date prior to the publication of this document), the Company was not aware of any person who, directly or indirectly, jointly or severally, exercised or could exercise control over the Company.

5.3 The Company's major Shareholders do not have any different voting rights from other Shareholders.

6. Material Contracts

The following are the contracts (not being contracts entered into in the ordinary course of business) which have been entered into by the Company (which has no subsidiaries) within the two years immediately preceding the date of this document and which are material or which have been entered into by the Company and which contain any provision under which the Company has any obligation or entitlement which is material to the Company as at the date of this document:

Repurchase Agreement

By a letter agreement (executed as a deed) dated 21 December 2004 between the Company and JPMorgan Cazenove, the Company agreed to repurchase on the London Stock Exchange shares purchased by JPMorgan Cazenove pursuant to the Tender Offer approved by Shareholders on 27 January 2005 less those shares purchased under the Matching Facility approved by Shareholders on the same date.

Management Agreement

By an agreement dated 21 December 2004 the Company agreed that the terms of the Management Agreement between the Company and the Manager dated 19 September 1996 (as subsequently amended) be amended.

The base management fee was changed to 0.85 per cent. per annum of the first £100 million of net chargeable assets (defined as total assets less current liabilities before deducting prior charges and excludes the value of any investments in other collective investment schemes managed by the Manager) and 0.5 per cent. of assets in excess of £100 million. No performance fee is payable.

The termination arrangements were also amended. The compensation payable to the Manager for termination of its appointment where the Company appoints a replacement manager is the equivalent of six months' management fee. Compensation payable to the Manager in the case of a voluntary winding-up of the Company is three months' management fee unless a voluntary winding-up follows within four months of a continuation vote (scheduled for the annual general meeting in 2008 and, if passed, at every third annual general meeting thereafter) not being approved at the relevant annual general meeting in which case no compensation is payable.

Under the terms of the Management Agreement, the Company has appointed BNP Paribas Fund Services UK Limited (formerly Cogent Investment Operations Limited) to provide custodial services.

Sponsorship Agreement

By an agreement dated 21 December 2006 between the Company, the Manager and JPMorgan Cazenove, the Company agreed the terms of the appointment of JPMorgan Cazenove as sponsor in relation to the bonus issue of Subscription Shares and the application to the UK Listing Authority for the Subscription Shares to be admitted to the Official List and to trading on the London Stock Exchange.

The agreement contains certain undertakings and warranties given by the Company and the Manager in favour of JPMorgan Cazenove (including warranties relating to the accuracy of the information contained in this document) and an indemnity given by the Company and the Manager in favour of JPMorgan Cazenove.

JPMorgan Cazenove may, following consultation with the Company and the Manager, terminate the agreement before admission of the Subscription Shares to the Official List and to trading on the London Stock Exchange, in the event of, *inter alia*, a breach of warranty or a breach of the Company's material obligations under the agreement and in certain *force majeure* circumstances (including a material adverse change in market conditions).

7. Net Asset Value

7.1 Henderson Global Investors Limited is responsible for calculating the Net Asset Value and Net Asset Value per Ordinary Share. The Net Asset Value and Net Asset Value per Ordinary Share is calculated on a daily basis and is communicated to a Regulatory Information Service daily. Net Asset Value means the value of the Company's assets (including revenue items for the current financial year) minus all prior charges at their par value. Prior charges include all loans and overdrafts that are to be used for investment purposes, reciprocal foreign currency loans, currency facilities to the extent that they are drawn down and index-linked securities, irrespective of the time until repayment. Net Asset Value per

Ordinary Share means the Net Asset Value divided by the number of Ordinary Shares in issue or deemed to be in issue.

7.2 The Company's assets are valued according to the following principles:

- (a) Following the adoption of FRS 26, quoted investments have been designated by the Board as held at fair value through profit or loss and accordingly are valued at fair value, deemed to be bid market prices or the last trade price depending on the convention of the exchange on which the investment is quoted.
- (b) Unquoted investments have also been designated by the Board as held at fair value through profit or loss and are valued by the Directors using primary valuation techniques such as earnings multiples, recent transactions and net assets. Where fair value cannot be reliably measured, the investment will be carried at the previous reporting date value unless there is evidence that the investment has since been impaired, in which case the value will be reduced.

7.3 There is no formalised policy for determining when the determination of the Net Asset Value and Net Asset Value per Ordinary Share will be suspended.

8. Details of the Investment Portfolio

8.1 The information on the Company's portfolio contained in this paragraph 8 is based on unaudited information provided by Henderson Global Investors Limited.

8.2 As at 30 November 2006 (being the latest practicable date prior to publication of this document), the Company's 30 largest investments, representing 53.4 per cent. of its gross assets, were as follows:

<i>Investment</i>	<i>Business Description</i>	<i>Market value (£)</i>	<i>% of Gross assets</i>	<i>Earnings per Ordinary Share</i>	<i>Dividend per Ordinary Share</i>
royalblue	Financial Software	2,375,000	3.44%	31.0	10.3
Thomson Intermedia	Media Monitoring	1,896,000	2.75%	7.2	0.0
Carter & Carter	Training	1,835,000	2.66%	28.5	6.8
E2V Technologies	Electronic Components	1,650,000	2.39%	16.9	6.3
Datamonitor	Market Research	1,627,200	2.36%	10.5	6.8
Hyder Consulting	Infrastructure Consultancy	1,600,000	2.32%	19.3	1.3
Latchways	Safety Products	1,482,000	2.15%	39.8	13.7
Axon	Business Transformation	1,478,400	2.14%	10.5	3.5
Zetar	Confectionary and Snack foods	1,375,000	1.99%	37.2	0.0
WSP	Engineering consultancy	1,369,500	1.98%	22.8	6.4
Hampson Industries	Aerospace Components	1,220,265	1.77%	5.4	0.0
T Clarke	Electrical Contractor	1,215,000	1.76%	14.3	10.5
Murgitroyd	Patent Attorney	1,204,589	1.75%	6.2	4.7
Kenmare Resources	Mineral Sands Producer	1,175,078	1.70%	0.61*	0.0
Accuma	Debt solutions	1,171,500	1.70%	(2.3)	0.0
Majestic Wine	Wine warehouse	1,128,600	1.64%	16.4	7.0
Chime Communications	Corporate communications	1,101,375	1.60%	2.9	0.5
Coda	Financial Software	1,100,250	1.59%	N/A	N/A
Blooms of Bressingham	Garden Centres	1,003,100	1.45%	2.4	0.3
Creston	Marketing services	990,000	1.43%	14.0	2.4

<i>Investment</i>	<i>Business Description</i>	<i>Market value (£)</i>	<i>% of Gross assets</i>	<i>Earnings per Ordinary Share</i>	<i>Dividend per Ordinary Share</i>
Goals Soccer Centres	Five-a-side soccer centres	982,800	1.42%	4.3	0.5
Dicom	Electronic document capture	971,800	1.41%	14.3	1.8
Entertainment Rights	Children's media content	915,000	1.33%	1.3	0.0
XP Power	Electrical Power Supplies	897,225	1.30%	30.6	16.0
Land of Leather	Furniture Retailer	874,588	1.27%	20.6	6.0
Punch Graphix	Digital Printing Equipment	861,000	1.25%	13.30†	2.35†
ICM Computer	Business Continuity	845,438	1.23%	17.2	3.8
Worthington Nicholls	Air Conditioning Contractor	840,000	1.22%	N/A	N/A
Waterman	Engineering consultancy	835,000	1.21%	9.7	5.4
Ardana	Reproductive Health Products	817,119	1.18%	(14.7)	0.0

Key: N/A = Not available

* = US\$

† = Euros

Source: Henderson Global Investors Limited (unaudited).

As at close of business on 15 December 2006 (being the latest practicable date before the publication of this document) the allocation of the Company's portfolio by sector and geography was as follows:

<i>Sector</i>	<i>%</i>
Oil and Gas	1.2%
Basic Materials	3.0%
Industrials	35.0%
Consumer Goods	3.8%
Health Care	4.9%
Consumer Services	23.7%
Telecoms	0.6%
Financials	3.6%
Technology	19.8%
Other	4.4%

Source: Henderson Global Investors Limited (unaudited).

<i>Region</i>	<i>%</i>
United Kingdom	95.6
Europe (excluding United Kingdom)	3.5
Australia	0.9

Source: Henderson Global Investors Limited (unaudited).

9. Taxation

The information set out below relates (save where otherwise stated) to United Kingdom taxation applicable to the Company and to Shareholders who are resident, or ordinarily resident, in the United Kingdom for tax purposes (and who, if individuals, are domiciled in the United Kingdom) who hold Ordinary Shares as an investment (and not as securities to be realised in the course of a trade). The information is given by way of general summary only and does not constitute legal or tax advice to any Shareholders. The information does not apply to certain categories of Shareholders, such as trustees, dealers in securities, insurance companies and authorised investment funds. The information is based on the Company's understanding of the law and practice in force at the date of this document. Such law and practice is subject to change, possibly with

retrospective effect. Any investors who are in any doubt about their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should consult their professional adviser.

9.1 *The Company*

The Company has been approved as an investment trust under section 842 of the Income and Corporation Taxes Act 1988 (“ICTA”) for the year ended 31 October 2005 and is seeking such approval for the year ended 31 October 2006. The Directors intend to conduct the affairs of the Company so as to enable it to continue to seek approval as an investment trust under section 842 of ICTA each year. In practice, a claim to be approved need not be submitted to HM Revenue and Customs provided that HM Revenue and Customs is satisfied that all of the conditions for approval are satisfied.

The Company intends that its income will derive wholly or mainly from shares and securities. The income of the Company will be subject to United Kingdom corporation tax to the extent that it does not consist of dividends received from United Kingdom companies.

Under current legislation, the Company will be exempt from United Kingdom corporation tax on chargeable gains realised during each accounting period for which approval as an investment trust is obtained.

9.2 *Shareholders*

(a) *Bonus issue of Subscription Shares*

The receipt of Subscription Shares by Shareholders will be a reorganisation of the share capital of the Company for the purposes of United Kingdom taxation of chargeable gains (“**Capital Gains Tax**”). Accordingly, the receipt of the Subscription Shares will not itself give rise to any liability to Capital Gains Tax in a Shareholder’s hands. Instead, the Shareholder’s resultant holding of Ordinary Shares and Subscription Shares will together be treated as the same asset as the Shareholder’s existing holding of Ordinary Shares and as having been acquired at the same time, and for the same consideration, as that existing holding of Ordinary Shares.

The sale, on behalf of the relevant Shareholders, of fractional entitlements to Subscription Shares resulting from the bonus issue will not constitute a part disposal for Capital Gains Tax purposes. Instead the amount of any payment received by the Shareholder will be deducted from the base cost of the Ordinary Shares and the Subscription Shares.

The issue of the Subscription Shares will not itself give rise to any liability to UK income tax (or corporation tax on income) in a Shareholder’s hands.

(b) *Capital Gains Tax — disposal of Ordinary Shares or Subscription Shares*

Shareholders resident or ordinarily resident in the United Kingdom for taxation purposes may, depending upon their personal circumstances, be liable to Capital Gains Tax arising from the sale or other disposal (which includes disposal upon a winding-up) of their Ordinary Shares or their Subscription Shares for the purposes of the Taxation of Chargeable Gains Act 1992.

On a disposal of all or part of the Shareholder’s holding of Ordinary Shares or (as the case may be) Subscription Shares, a Shareholder’s aggregate Capital Gains Tax base cost in such Shareholder’s existing holding of Ordinary Shares will have to be apportioned between the Ordinary Shares and the Subscription Shares, so as to ascertain that part of the base cost which is attributable to the Ordinary Shares and that part of the base cost which is attributable to the Subscription Shares. That apportionment will be made by reference to the respective market values of the Ordinary Shares and the Subscription Shares on the first day on which market values or prices are quoted or published for the Subscription Shares.

For individual Shareholders who are resident or ordinarily resident in the United Kingdom for taxation purposes, indexation allowance and taper relief may be available to reduce any chargeable gains arising. In respect of assets acquired before April 1998, indexation allowance will be given for the period of ownership up to and including the month of April 1998 which, in general terms, increases the Capital Gains Tax base cost of an asset in accordance with changes in the retail prices index during the period in which the asset has been, or is deemed to have been, held. Taper relief reduces the proportion of a gain brought into account for Capital Gains Tax depending in part on the number of complete years for which the asset has been held from 6 April 1998. The Capital Gains Tax annual exemption

(currently £8,800) will also be available to offset any chargeable gain (to the extent it has not already been utilised).

Shareholders which are companies resident in the United Kingdom would benefit from indexation allowance in respect of the full period of ownership of the Ordinary Shares to reduce any chargeable gain arising.

Shareholders who are not resident or ordinarily resident in the United Kingdom for taxation purposes will not normally be liable to Capital Gains Tax arising from the sale or other disposal of their Ordinary Shares or their Subscription Shares unless those Ordinary Shares or Subscription Shares are held through a United Kingdom branch or agency, although they may be subject to charges to foreign taxation depending upon their personal circumstances.

(c) *Capital Gains Tax — conversion of Subscription Shares*

On exercise of the conversion rights attached to Subscription Shares, the Shareholder is not treated as making a disposal of the Subscription Shares. Rather, the Ordinary Shares issued on exercise of the Conversion rights should be treated as the same asset as such Subscription Shares, and should be treated as being acquired for an amount equal to the aggregate conversion price paid in respect of such Ordinary Shares together with the amount of the consideration deemed to be given by the Shareholder on the receipt of such Subscription Shares.

(d) *Dividends*

No tax is withheld from dividends paid by the Company and the Company assumes no responsibility for the withholding of tax at source.

Individuals resident in the United Kingdom for taxation purposes are generally liable to income tax on the aggregate amount of a dividend and a tax credit equal to one-ninth of the dividend. For example, on a dividend of £90, the tax credit would be £10, and an individual would be liable to income tax on £100. No further income tax is payable in respect of the dividend by United Kingdom resident individuals who are not liable to income tax at the higher rate. United Kingdom resident individuals who are subject to tax at the higher rate (currently 40 per cent.) have to pay additional tax on a dividend to the extent that tax at the rate applicable to dividends for such individuals (currently 32.5 per cent.) on the aggregate of the dividend and tax credit exceeds the tax credit. For example, on a dividend of £90 such a taxpayer would have to pay additional tax of £22.50. For this purpose, dividends are treated as the top slice of an individual's income.

United Kingdom resident corporate Shareholders (other than dealers and certain insurance companies) are not liable to corporation tax or income tax in respect of dividends paid by the Company.

No repayment of the tax credit in respect of dividends can be claimed by a United Kingdom resident Shareholder.

Non-United Kingdom resident Shareholders may also be subject to tax on dividends paid by the Company under any law to which they are subject outside the United Kingdom.

(e) *Stamp duty and stamp duty reserve tax*

An agreement to transfer Ordinary Shares or Subscription Shares will normally be subject to stamp duty reserve tax at the rate of 0.5 per cent. of the value of the consideration paid or, if the transferee is a person to whom the depositary receipt or clearance service charge to stamp duty reserve tax may apply, at the rate of 1.5 per cent. of the value of the consideration paid, in either case rounded up to the nearest multiple of £5. If an instrument of transfer of the Ordinary Shares or Subscription Shares is subsequently executed (if the Ordinary Shares or Subscription Shares are not transferred through CREST) it will generally be subject to stamp duty at the rate of 0.5 per cent. of the value of the consideration paid or, if the transferee is a person to whom the depositary receipt or clearance service charge to stamp duty may apply, at the rate of 1.5 per cent. of the value of the consideration paid, in either case rounded up to the nearest multiple of £5. When such an instrument of transfer is duly stamped and stamp duty is paid within specified time limits, the stamp duty reserve tax charge will be cancelled and any stamp duty reserve tax already paid will be refunded.

When Ordinary Shares or Subscription Shares are transferred in CREST, there will be no charge to stamp duty reserve tax on the transfer (unless made for a consideration, in which case stamp duty reserve tax at the rate of 0.5 per cent. of the actual consideration paid will be payable). CRESTCo, the

operator of the CREST system, will collect the stamp duty reserve tax on relevant transactions settled within CREST.

Liability to pay stamp duty or stamp duty reserve tax is normally that of the transferee or purchaser.

(f) *ISAs and PEPs and SIPPs/SSAS*

The Ordinary Shares and Subscription Shares are eligible to be held within the stocks and shares component of an ISA subject to the Ordinary Shares or Subscription Shares being acquired by purchase in the market or in the case of Subscription Shares as part of the bonus issue described in this document.

Although no new PEPs may be opened and no further subscriptions made to existing PEPs, the Ordinary Shares and Subscription Shares are qualifying investments for existing PEPs provided that the PEP manager has acquired the Ordinary Shares or Subscription Shares by purchase in the market or in the case of Subscription Shares as part of the bonus issue described in this document.

An individual who holds his New Shares within an ISA or a PEP will not generally be subject to Capital Gains Tax in respect of any gain arising on a disposal of Ordinary Shares or Subscription Shares or on the receipt of Subscription Shares.

10. Mandatory Bids, Squeeze-out and Sell-out Rules

Mandatory Bid

10.1 The City Code on Takeovers and Mergers applies to the Company. Under that code, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquirer and any parties acting in concert with it to Ordinary Shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties (if any) would be required (except with the consent of the majority of the Panel on Takeovers and Mergers) to make a cash offer for Ordinary Shares not already owned by the acquirer and its concert parties (if any) at a price not less than the highest price paid for Ordinary Shares by the acquirer or its concert parties (if any) during the previous 12 months. A similar obligation to make such a mandatory cash offer would also arise on the acquisition of Ordinary Shares by a person holding (together with its concert parties, if any) Ordinary Shares carrying at least 30 per cent. but not more than 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase the percentage of the aggregate voting rights held by the acquirer and its concert parties (if any).

Squeeze-out Rules

10.2 Under the Companies Act 1985, if a person who has made a general offer to acquire Ordinary Shares (the “Offeror”) were to acquire, or contract to acquire, not less than 90 per cent. in value of the Ordinary Shares to which the offer relates within four months of making its offer, the Offeror could then compulsorily acquire the remaining 10 per cent. The Offeror would do so by sending a statutory notice to outstanding Shareholders within two months from the date the statutory threshold is reached informing them that the Offeror will compulsorily acquire their Ordinary Shares, together with a statutory declaration stating that the conditions for the giving of the notice have been satisfied. Six weeks later, the Offeror must send a copy of the statutory notice together with, if the Ordinary Shares are registered, an executed instrument of transfer of the outstanding Ordinary Shares in the Offeror’s favour to the Company and pay the consideration to the Company, which would hold the consideration on trust for outstanding Shareholders. The consideration offered to those Shareholders whose Ordinary Shares are compulsorily acquired must, in general, be the same as the consideration that was available under the general offer.

Sell-out Rules

10.3 The Companies Act 1985 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 10.2 above. 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. in value of the Ordinary Shares, any Shareholder 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 Ordinary Shares.

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 Ordinary Shares on the terms of the offer or on such other terms as may be agreed.

11. Working Capital Statement

In the Company's opinion, the Company's working capital is sufficient for the Company's present requirements (being a minimum period of 12 months from the date of this document).

12. Conflicts of Interest

Henderson Global Investors Limited may provide investment management and other services to other clients (including investment companies), including clients which may invest in the securities in which the Company invests, and, in providing such services may use information obtained by Henderson Global Investors Limited which is used in managing the Company's investments. In the event of a potential conflict of interest arising, Henderson Global Investors Limited will take reasonable steps to ensure that it is resolved fairly, in accordance with the FSA rules. The provisions for potential conflicts in the Management Agreement accord with the FSA rules. The FSA rules require Henderson Global Investors Limited to manage potential conflicts of interests both fairly between itself and its customers and between one customer and another. Furthermore, the activities of Henderson Global Investors Limited are subject to the overall direction and review of the Directors. Under the terms of the Management Agreement, Henderson Global Investors Limited may, subject to overriding principle of fair treatment as set out in the FSA rules, effect transactions for the Company in which Henderson Global Investors Limited has an interest which may involve a potential conflict of interest with Henderson Global Investors Limited's duty to the Company. In particular circumstances, in accordance with FSA rules, Henderson Global Investors Limited will notify the Company that a potential conflict of interest or duties may arise.

13. Sources of Information

- References in this document that have been based on information sourced from "FundData" are sourced from Fundamental Data Limited.
- References in this document that have been based on information sourced from "Henderson Global Investors Limited" are sourced from Henderson Global Investors Limited.

The Company confirms that where information has been sourced from a third party, that information has been accurately reproduced and, as far as the directors are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

14. General

- 14.1 The Company's expenses in connection with the Proposals, including the proposed issue of Subscription Shares, have been estimated at £500,000 (inclusive of VAT). Henderson Global Investors Limited has undertaken to contribute £100,000 of these costs. The Board is proposing to charge the balance to the Company's revenue account.
- 14.2 The Company intends that its income will derive wholly or mainly from shares or other securities. Not more than 15 per cent. of the gross assets of the Company will be lent to or invested in the securities of any one company or group at the time the investment or loan is made.
- 14.3 The financial statements of the Company for the three years ended 31 October 2006, 31 October 2005 and 31 October 2004 have been audited by PricewaterhouseCoopers LLP, Chartered Accountants and Registered Auditor, of Southwark Towers, 32 London Bridge Street, London SE1 9SY, in accordance with Auditing Standards issued by the Auditing Practices Board, and have been reported upon without qualification.
- 14.4 Since 31 October 2006 (being the end of the last financial period of the Company for which audited financial statements have been published), there has been no significant change in the financial or trading position of the Company.
- 14.5 The Company is not, and has not been, engaged in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the issuer is aware) during the previous twelve months which may have, or has had in the recent past, significant effects on the financial position or profitability of the Company.
- 14.6 The Company has its registered office at 4 Broadgate, London EC2M 2DA.

- 14.7 The Company's registrar is Computershare Investor Services plc, PO Box 1075, The Pavilions, Bridgwater Road, Bristol BS99 3FB.
- 14.8 JPMorgan Cazenove Limited and Henderson Global Investors Limited have given and not withdrawn their consent to the inclusion of references to their names in this document (and, in the case of Henderson Global Investors Limited, to the inclusion of references to their employee, James Henderson) in the form and context in which they are included.
- 14.9 No remuneration is payable to financial intermediaries in connection with the proposed issue of Subscription Shares.
- 14.10 The Company does not hold any of its Ordinary Shares as treasury shares as at the date of this document.
- 14.11 The profile of a typical investor in the Company is that of an investor capable of assessing the risks (including the potential risk of capital loss) and merits of investing in the Company and who has sufficient resources to bear any loss which may result from such investment. Accordingly, typical investors are usually institutional investors and the clients of private fund managers and private client brokers, in addition to private individuals who it is believed have received advice from their fund manager or stock broker regarding the suitability of making an investment in the Company.
- 14.12 Each Ordinary Share will be in registered form and will be transferable:
- (a) in the case of Ordinary Shares held in certificated form, by an instrument of transfer in any usual or common form, or in any other form which may be approved by the Directors; and
 - (b) in the case of Ordinary Shares held in uncertificated form, by giving the appropriate instructions for transfer by means of the Relevant Electronic System.

No transfer of a fraction of an Ordinary Share may be effected.

15. Documents available for Inspection

Copies of the following documents will be available for physical inspection during normal business hours on any day (Saturdays, Sundays and public holidays excepted) from the date of this document until 19 January 2007 at the Company's registered office at 4 Broadgate, London EC2M 2DA and the offices of Slaughter and May at One Bunhill Row, London EC1Y 8YY.

- (a) the Memorandum and Articles of Association of the Company and the draft of the proposed New Articles;
- (b) the audited report and accounts of the Company for the financial years ended 31 October 2006, 31 October 2005 and 31 October 2004;
- (c) the material contracts referred to in paragraph 6 of this Part V; and
- (d) this document.

APPENDIX I

DEFINITIONS

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

Adjusted Capital and Reserves	as defined in the Articles of Association of the Company
AIC	the Association of Investment Companies (formerly known as Association of Investment Trust Companies)
AIM	the Alternative Investment Market of the London Stock Exchange
AITC Code of Corporate Governance	the framework of best practice in respect of the governance of investment trusts and closed ended funds issued by the Association of Investment Trust Companies in July 2003
Annual General Meeting or AGM	the Annual General Meeting of the Company
Articles	the Articles of Association of the Company
Auditors	PricewaterhouseCoopers LLP, Chartered Accountants and Registered Auditor, of Southwark Towers, 32 London Bridge Street, London SE1 9SY
Board or Directors	the board of directors of the Company (or any duly authorised committee thereof) from time to time
Business Day	any day other than a Saturday, Sunday or public holiday in England and Wales
City Code on Takeovers and Mergers	The City Code on Takeovers and Mergers applies to all takeover and merger transactions in relation to the Company and operates principally to ensure that shareholders are treated fairly and are not denied an opportunity to decide on the merits of a takeover and that shareholders of the same class are afforded equivalent treatment by an offeror. It also provides an orderly framework within which takeovers are conducted
Combined Code on Corporate Governance	the combined code on the principles of good governance and code of best practice published in July 2003 by the Financial Reporting Council
Companies Act	the Companies Act 1985 (as amended)
Companies Acts	as defined in the Articles of Association of the Company
Company	Henderson Strata Investments plc
Conversion Price	the price at which each holder of a Subscription Share can convert it into an Ordinary Share, as described in Part III of this document
CREST	the relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) (as amended from time to time)) enabling securities to be held otherwise than by certificates and transferred otherwise than by written instrument and operated by CRESTCo Limited
Discount Realisation Mechanism	the current obligation on the Board under the Company's Articles of Association to enable Shareholders to realise their holding at a discount of 8 per cent. to the Net Asset Value if the average discount of the Ordinary Shares should be greater than 8 per cent. for the ninety day period prior to the financial year end
EEA States	each of the member states of the European Union, Iceland, Liechtenstein and Norway

Extraordinary General Meeting or EGM	the Extraordinary General Meeting of the Company convened for 10.30 a.m. on 19 January 2007 (or any adjournment thereof), notice of which is set out in Appendix II of this document
Form of Proxy	the Form of Proxy accompanying this document, for use by Shareholders in connection with the Extraordinary General Meeting
FSA	the Financial Services Authority
FSMA	the Financial Services and Markets Act 2000, as amended from time to time
ICTA	the Income and Corporation Taxes Act 1988 (as amended)
ISA	an Individual Savings Account maintained in accordance with the UK Individual Savings Account Regulations 1998, as amended from time to time
ISIN	International Securities Identification Number
JPMorgan Cazenove	JPMorgan Cazenove Limited
Law Debenture	The Law Debenture Corporation plc
Listing	admission by the FSA, in its capacity as UK Listing Authority, of the Ordinary Shares to the Official List in accordance with the Listing Rules
Listing Rules	the listing rules of the FSA, in its capacity as UK Listing Authority, for Listing in the United Kingdom
London Stock Exchange	London Stock Exchange plc
London Stock Exchange Daily Official List	the daily list of share prices maintained on the London Stock Exchange by the UK Listing Authority pursuant to Part IV of the FSMA
Management Agreement	the investment management agreement dated 19 September 1996 (as subsequently amended) between the Company and Henderson Global Investors Limited
Manager	Henderson Global Investors Limited
Member or Members	holders of Shares
Net Asset Value or NAV	the aggregate value of the net assets calculated in accordance with the terms and conditions of the bonus issue set out in Part III of this document or the value of the net assets per Share, as the context requires
New Articles	the Articles of Association of the Company which will be adopted if Resolution 1 set out in the notice convening the EGM in Appendix III of this document is passed at the EGM and becomes unconditional
non-CREST Shareholders	Shareholders who do not hold their shares in CREST
Official List	the list maintained by the UK Listing Authority pursuant to Part IV of the FSMA
Ordinary Shareholders	the holders of the Ordinary Shares, and “Ordinary Shareholder” means any one of them
Ordinary Shares	ordinary shares of 25 pence each in the capital of the Company
Panel on Takeovers and Mergers	The Panel on Takeovers and Mergers is an independent body, established in 1968, whose main functions are to issue and administer The City Code on Takeovers and Mergers and to supervise and regulate takeovers and other matters to which that Code applies in accordance with the rules set out therein
PEP	a Personal Equity Plan maintained in accordance with the UK Personal Equity Plan Regulations 1989, as amended from time to time

Plan Participants	ItsHenderson and other Henderson PEP/ISA participants
Proposals	the proposals described in the letter from the chairman of the Company set out in Part I of this document which require, for their implementation, the passing of the Resolutions at the Extraordinary General Meeting
Prospectus Rules	the prospectus rules made by the FSA under section 73A of the FSMA
Register	the register of Shareholders
Relevant Electronic System	a relevant computer-based system enabling title to units of a security to be evidenced and transferred without a written instrument (for example, CREST)
Resolutions	the resolutions contained in the notice of EGM set out in Appendix II of this document
Shares	Ordinary Shares
Shareholder or Shareholders	holders of Shares
Share Plan	the relevant part of ItsHenderson
Subscription Shareholders	the holders of the Subscription Shares, and “Subscription Shareholder” means any one of them
Subscription Shares	subscription shares of 1 pence each in the capital of the Company
TCGA	Taxation of Chargeable Gains Act 1992 (as amended)
UK Listing Authority	the FSA acting in its capacity as the competent authority for Listing in the United Kingdom for the purposes of part IV of the FSMA
US or United States	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
Voting Instruction Form	as the context requires, the Voting Instruction Form accompanying this document for use by Plan Participants in connection with the Extraordinary General Meeting
VAT	Value Added Tax

APPENDIX II

NOTICE OF EXTRAORDINARY GENERAL MEETING

Henderson Strata Investments plc

Incorporated and registered with company number 1940906

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting (the “**Meeting**”) of Henderson Strata Investments plc (the “**Company**”) will be held at 10.30 a.m. on 19 January 2007 to consider and, if thought fit, approve the following resolutions:

As Special Resolutions:

1. THAT (A) the change to the Company’s investment objective and the change in investment management fee as described in the prospectus dated 21 December 2006 (the “**Prospectus**”) be approved;
- (B) the Company’s name be changed from Henderson Strata Investments plc to Henderson Opportunities Trust plc; and
- (C) subject to the UK Listing Authority agreeing to admit the Subscription Shares to be issued pursuant to the bonus issue described in the Prospectus to the Official List and the London Stock Exchange agreeing to admit such shares to trading on its Main Market:
 - (i) the authorised share capital of the Company be increased from £5,000,000 to £5,016,416.58 by the creation of 1,641,658 Subscription Shares of 1p each, such shares having attached thereto the rights and being subject to the limitations and restrictions set out in the new articles of association of the Company to be adopted by subparagraph (ii) of this resolution;
 - (ii) the articles of association produced to the Meeting and signed by the Chairman of the Meeting for the purpose of identification be adopted as the articles of association of the Company and the Directors be authorised in order to effect the conversion of the Subscription Shares pursuant to Article 9A of the New Articles to capitalise any part of the amount then standing to the credit of any of the share premium account, capital redemption reserve, profit and loss account or otherwise available for the purpose, as set out in and to be applied in accordance with Article 9A of the New Articles;
 - (iii) the Directors be generally and unconditionally authorised, for the purposes of section 80 of the Companies Act, to exercise all of the powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Companies Act) pursuant to such bonus issue and the exercise of the conversion rights attached to the Subscription Shares up to an aggregate nominal amount of £410,414.50, provided that:
 - (a) this authority shall expire on 31 March 2007, save that the Company may before such expiry make any offer or agreement which would or might require securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred hereby had not expired; and
 - (b) this authority shall be in addition to the existing authority conferred on the Directors pursuant to the said section 80 granted at the annual general meeting of the Company held on 9 February 2006; and

- (iv) in addition to the authority under section 166 of the Companies Act granted at the annual general meeting held on 4 October 2006, the Company be and is hereby generally and unconditionally authorised in accordance with section 166 of the Companies Act, to make market purchases (within the meaning of section 163 of the Companies Act) of its Subscription Shares, provided that:
 - (a) the maximum aggregate number of Subscription Shares hereby authorised to be purchased is 14.99 per cent. of the Subscription Shares in issue immediately following admission of such shares to the Official List and to trading on the London Stock Exchange;
 - (b) the minimum price which may be paid for a Subscription Share is 1p;
 - (c) the maximum price (exclusive of expenses) which may be paid for a Subscription Share shall be an amount equal to 105 per cent. of the average middle market quotations for a Subscription Share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Subscription Share is purchased, or such other amount as may be specified by the UK Listing Authority from time to time; and
 - (d) unless renewed, the authority hereby conferred by this sub-paragraph (v) shall expire on 31 March 2008 or, if earlier, the annual general meeting of the Company held in 2008, save that the Company may, prior to such expiry, enter into a contract to purchase Subscription Shares which will or may be completed or executed wholly or partly after such expiry.

2. THAT, contingent on the approval of Resolution 1, the Articles of Association of the Company be amended by the deletion of Article 9A which reads as follows:

- “9A (a) For the purposes of this Article, the “Discount Condition” means, in respect of a Relevant Date, that the average price at which Shares are quoted in the official list of the London Stock Exchange on each day on which the official list is published in the period of 90 days ending on the Relevant Date represents a percentage of Net Asset Value per share which is less than 92.
- (b) For the purposes of this article “Relevant Date” means each of (i) the date to which annual accounts are made up in the calendar year 2006 and every calendar year thereafter.
- (c) For the purposes of this article the “Net Asset Value per Share” shall be calculated in accordance with the Explanatory Notes to the Tables issued by the Association of Investment Trust Companies in the Monthly Information Service publication or in such other manner as the Board of Directors may, with the prior approval of the members of the Company by ordinary resolution, decide.
- (d) If the Discount Condition is not satisfied in respect of a Relevant Date the Board of Directors shall, within 90 days of such Relevant Date, announce proposals that will enable, if approved by any required resolution of Shareholders, each Shareholder to realise all of his holding of Shares for a price equal to 92 per cent. of Net Asset Value per Share on a day no more than 180 days after the Relevant Date.”

3. THAT the share premium account of the Company be reduced by £1,957,933 with such sum to be transferred to (and thereby reduce the deficit in) the revenue reserve.

Registered Office:
4 Broadgate
London EC2M 2DA

By Order of the Board
Henderson Secretarial Services Limited

21 December 2006

Notes

- (i) Only those Shareholders registered in the register of members of Henderson Strata Investments plc at close of business on 17 January 2007 shall be entitled to attend and vote at the Extraordinary General Meeting (the "**Meeting**") in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after the close of business on 17 January 2007 shall be disregarded in determining the rights of any person to attend or vote at the Meeting.
- (ii) A Shareholder entitled to attend and vote at the Meeting may appoint one or more proxies to attend and, on a poll, vote on his or her behalf. A proxy need not be a member of the Company.
- (iii) A form of proxy is enclosed. To be valid the form of proxy must be completed and deposited at the office of the Registrar to the Company not less than 48 hours before the time appointed for holding the Meeting. The return of the form of proxy duly completed will not preclude a member from attending and voting in person at the Meeting. If Shareholders so wish, the form of proxy may be returned in an envelope addressed to Computershare Investor Services plc, PO Box 1075, The Pavilions, Bridgwater Road, Bristol BS99 3FB.
- (iv) The attendance at the Meeting of members and their proxies and representatives is understood by the Company to confirm their agreement to receive any communications made at the meeting.

APPENDIX III

DIRECTORS, MANAGERS AND ADVISERS

DIRECTORS

George Burnett (*Chairman*)
Hamish Bryce
Malcolm King
Peter May
Richard Smith

The Directors are all non-executive and of: 4 Broadgate, London EC2M 2DA

COMPANY SECRETARY

Henderson Secretarial Services Limited
4 Broadgate
London EC2M 2DA

REGISTERED OFFICE

4 Broadgate
London EC2M 2DA

MANAGER

Henderson Global Investors Limited
4 Broadgate
London EC2M 2DA

SPONSOR TO THE COMPANY

JPMorgan Cazenove Limited
20 Moorgate
London EC2R 6DA

SOLICITORS TO THE COMPANY

Slaughter and May
One Bunhill Row
London EC1Y 8YY

AUDITORS

PricewaterhouseCoopers LLP
Southwark Towers
32 London Bridge Street
London SE1 9SY

REGISTRAR

Computershare Investor Services PLC
PO BOX 82
The Pavilions
Bridgwater Road
Bristol BS9 7NH

