

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or independent financial adviser who, if you are taking advice in the United Kingdom, is authorised under the Financial Services and Markets Act 2000, or from another appropriately authorised independent financial adviser if you are taking advice in a territory outside the United Kingdom.

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

If you sell or have sold or otherwise transferred all of your shares in the Company, please forward this document and the accompanying Forms of Proxy as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or the transferee. However, the distribution of this document and any accompanying documents into jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document and any accompanying documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of securities laws of any such jurisdiction. If you sell or have sold or otherwise transferred only part of your registered holding of shares in the Company, please immediately contact your stockbroker, bank or other agent through whom the sale or transfer was effected.

Application will be made to the Financial Conduct Authority for admission of the Placing Shares and the Conversion Shares to the premium segment of the Official List. Application will also be made to the London Stock Exchange for the Placing Shares and the Conversion Shares to be admitted to trading on the London Stock Exchange’s main market for listed securities.

You should read the whole of this document. In particular, you should take account of the section entitled “Risk Factors” on pages 17 and 22 of this document for a discussion of the risks that might affect the value of your shareholding in the Company. Capitalised terms used throughout this document have the meanings set out in Part IX of this document.

THE INVESTMENT COMPANY PLC

(a company incorporated in England and Wales with registered number 4205)

**Proposals for the future of the Company including
Appointment of an external investment manager
Amendment to the Company’s Investment Policy
Reorganisation of the Company’s share capital
Amendment to the Articles of Association**

**Placing Programme of up to 7 million Ordinary Shares including an
Initial Placing to raise gross proceeds of up to £5 million
and**

Notice of General Meeting and Notice of Class Meeting

***Placing Agent, Sponsor and Broker*
Westhouse Securities Limited**

Westhouse Securities Limited, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively for the Company and for no-one else in connection with the Placing Programme and will not be responsible to any other person for providing the protections afforded to clients of Westhouse Securities Limited or for providing advice in connection with the Placing Programme, the contents of this document or any matters referred to in this document. Westhouse Securities Limited is not responsible for the contents of this document. This does not exclude or limit any responsibilities which Westhouse Securities Limited may have under the Financial Services and Markets Act 2000 or the regulatory regime established thereunder.

The attention of Shareholders who are resident in, or citizens of, territories outside the United Kingdom is drawn to the paragraph headed “Overseas Shareholders” in Part I of this document. However, this document should not be forwarded, transmitted or distributed in or into Australia, Canada, Japan, the Republic of South Africa or the United States or any other jurisdiction where to do so would or might contravene local securities laws or regulations.

This Prospectus does not constitute an offer to buy or to subscribe for, or the solicitation of an offer to buy or subscribe for Placing Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular the Placing Shares

offered by this Prospectus have not been, and will not be, registered under the US Securities Act of 1933, as amended (the “**US Securities Act**”) or registered or qualified for sale under the laws of any state of the United States or under the applicable laws of any of Australia, Canada, Japan or the Republic of South Africa and may not be offered or sold in the United States or to, or for the account or benefit of, US Persons (as such term is defined in Regulation S under the US Securities Act) or to any national, resident or citizen of Australia, Canada, Japan or the Republic of South Africa. Neither this Prospectus nor any copy of it may be distributed directly or indirectly to any persons with addresses in Australia, Canada, Japan or the Republic of South Africa, or to any corporation, partnership or other entity created or organised under the laws thereof, or in any other country outside the United Kingdom where such distribution may lead to a breach of any legal or regulatory requirement. The Company will not be registered as an investment company under the US Investment Company Act of 1940, as amended. This Prospectus and the Placing Shares have not been recommended, approved or disapproved by any US federal or state securities commission or regulatory authority. Furthermore, none of such authorities has passed on the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence.

The Directors and the Proposed Director of the Company, whose names appear on page 26 of this Prospectus, and the Company each accept responsibility for the information contained in this Prospectus. Having taken all reasonable care to ensure this is the case, the information contained in this Prospectus is, to the best of the knowledge of the Directors and the Proposed Director and the Company, in accordance with the facts and contains no omission likely to affect its import.

If you are an existing Preference Shareholder, your attention is drawn to the Notice of Class Meeting to be held at 11.00 a.m. on 24 June 2013 at the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London EC2M 7SH, which is set out on pages 92 to 93 of this document. You will find enclosed with this document a yellow Form of Proxy for use at the Class Meeting. Whether or not you intend to be present at the Class Meeting, you are requested to complete and return the yellow Form of Proxy. To be valid, the yellow Form of Proxy must be completed, signed and returned in accordance with the instructions printed thereon and deposited at the Company’s Registrars, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU by 11.00 a.m. on 20 June 2013. For further details please see the notes to the Notice of Class Meeting which forms part of this document. The appointment of a proxy will not preclude you from attending the Class Meeting and voting in person if you wish to do so.

If you are an existing Ordinary Shareholder, your attention is drawn to the Notice of General Meeting of the Company to be held at 11.15 a.m. on 24 June 2013 at the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London EC2M 7SH, which is set out on pages 94 to 98 of this document. You will find enclosed with this document a blue Form of Proxy for use at the General Meeting. Whether or not you intend to be present at the General Meeting, you are requested to complete and return the blue Form of Proxy. To be valid, the blue Form of Proxy must be completed, signed and returned in accordance with the instructions printed thereon and deposited at the Company’s Registrars, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU by 11.15 a.m. on 20 June 2013. For further details please see the notes to the Notice of General Meeting which forms part of this document. The appointment of a proxy will not preclude you from attending the General Meeting and voting in person if you wish to do so.

THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER OF, OR THE SOLICITATION OF AN OFFER TO SUBSCRIBE FOR OR BUY, ANY ORDINARY SHARES TO ANY PERSON IN ANY JURISDICTION TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION IN SUCH JURISDICTION AND IS NOT FOR DISTRIBUTION IN OR INTO ANY EXCLUDED TERRITORY, EXCEPT AS DETERMINED BY THE COMPANY IN ITS SOLE DISCRETION AND PURSUANT TO APPLICABLE LAWS.

31 May 2013

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SUMMARY

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

This summary contains all the Elements required to be included in a summary for these types of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

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

Section A – Introduction and Warnings

Element	Requirement	Disclosure
A.1	Warning	This summary should be read as an introduction to the Prospectus. Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	Subsequent resale of securities or final placement of securities through financial intermediaries	Not applicable. No such subsequent resale of securities.

Section B – The Company

Element	Requirement	Disclosure
B.1	Legal and commercial name of the issuer	The Investment Company plc.
B.2	Domicile and legal form	The Investment Company plc was incorporated and registered in England and Wales on 14 November 1868 as a limited liability company under the provisions of the Companies Act 1862 with registered number 4205. The Company operates under the Companies Act 2006.
B.5	Group description	The Company has two wholly-owned subsidiaries: Abport Limited and New Centurion Trust Limited, both of which are incorporated and registered in England and Wales.

B.6	Major Shareholders	<p>Insofar as it is known to the Company, as at the Latest Practicable Date, the following persons are interested directly or indirectly in three per cent. or more of the Company's issued share capital or voting rights:</p> <table><thead><tr><th>Shareholder</th><th>Number of Ordinary Shares</th><th>Percentage of issued Ordinary Share capital</th></tr></thead><tbody><tr><td>Miss J. B. Webb</td><td>475,886</td><td>25.05</td></tr><tr><td>Mrs J. P. Brown</td><td>212,343</td><td>11.18</td></tr><tr><td>Mrs S. Williams</td><td>212,343</td><td>11.18</td></tr><tr><td>Shirlstar Container Transport Limited Pension Fund</td><td>194,650</td><td>10.25</td></tr><tr><td>S. J. Cockburn</td><td>188,647</td><td>9.93</td></tr><tr><td>Sir David Thomson Bt.</td><td>57,000</td><td>3.00</td></tr></tbody></table> <p>Major shareholders do not benefit from different voting rights.</p> <p>The Company and the Directors are not aware of any person who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.</p>	Shareholder	Number of Ordinary Shares	Percentage of issued Ordinary Share capital	Miss J. B. Webb	475,886	25.05	Mrs J. P. Brown	212,343	11.18	Mrs S. Williams	212,343	11.18	Shirlstar Container Transport Limited Pension Fund	194,650	10.25	S. J. Cockburn	188,647	9.93	Sir David Thomson Bt.	57,000	3.00																																																																			
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B.7	Financial statements	<p>Financial information for the three years ended 31 March 2012</p> <p>The key audited figures that summarise the financial condition of the Company, in respect of the most recent three full financial years for which audited consolidated accounts have been published, have been extracted directly on a straightforward basis from the such accounts for the relevant accounting periods.</p> <table><thead><tr><th></th><th colspan="3">Year ended 31 March</th></tr><tr><th></th><th>2010</th><th>2011</th><th>2012</th></tr><tr><th></th><th>£</th><th>£</th><th>£</th></tr></thead><tbody><tr><td colspan="4">Consolidated balance sheets</td></tr><tr><td>Investments</td><td>13,118,218</td><td>11,721,142</td><td>12,216,646</td></tr><tr><td>Current assets</td><td>365,340</td><td>1,276,023</td><td>682,270</td></tr><tr><td>Current liabilities</td><td>(2,069,041)</td><td>(962,396)</td><td>(1,272,492)</td></tr><tr><td>Net current (liabilities)/assets</td><td>(1,703,701)</td><td>313,627</td><td>(590,222)</td></tr><tr><td>Non-current liabilities</td><td>(3,960,205)</td><td>(3,594,505)</td><td>(3,228,803)</td></tr><tr><td>Net assets</td><td>7,454,312</td><td>8,440,264</td><td>8,397,621</td></tr><tr><td>NAV per Ordinary Share (pence)</td><td>265.45</td><td>318.24</td><td>315.96</td></tr><tr><td colspan="4">Consolidated income statements</td></tr><tr><td>Total income</td><td>1,151,082</td><td>1,063,628</td><td>1,363,009</td></tr><tr><td>Administrative expenses</td><td>(391,007)</td><td>(370,069)</td><td>(433,590)</td></tr><tr><td>Loan note interest</td><td>(176,275)</td><td>(90,047)</td><td>(71,991)</td></tr><tr><td>Other finance costs</td><td>(349,636)</td><td>(349,636)</td><td>(349,636)</td></tr><tr><td>Other interest payable</td><td>(22,932)</td><td>(23,024)</td><td>(5,454)</td></tr><tr><td>Realised gains on investments</td><td>371,369</td><td>1,202,663</td><td>26,097</td></tr><tr><td>Movement in impairment provisions</td><td>900,635</td><td>(119,597)</td><td>(270,261)</td></tr><tr><td>Net return before taxation</td><td>1,483,236</td><td>1,313,918</td><td>258,174</td></tr><tr><td>Net return after taxation</td><td>1,483,236</td><td>1,313,918</td><td>258,174</td></tr><tr><td>Return per Ordinary Share (basic and diluted) (pence)</td><td>77.42</td><td>68.36</td><td>11.15</td></tr></tbody></table> <p>(Source: the Company Annual Report & Accounts for the years ended 31 March 2010, 2011 and 2012)</p>		Year ended 31 March				2010	2011	2012		£	£	£	Consolidated balance sheets				Investments	13,118,218	11,721,142	12,216,646	Current assets	365,340	1,276,023	682,270	Current liabilities	(2,069,041)	(962,396)	(1,272,492)	Net current (liabilities)/assets	(1,703,701)	313,627	(590,222)	Non-current liabilities	(3,960,205)	(3,594,505)	(3,228,803)	Net assets	7,454,312	8,440,264	8,397,621	NAV per Ordinary Share (pence)	265.45	318.24	315.96	Consolidated income statements				Total income	1,151,082	1,063,628	1,363,009	Administrative expenses	(391,007)	(370,069)	(433,590)	Loan note interest	(176,275)	(90,047)	(71,991)	Other finance costs	(349,636)	(349,636)	(349,636)	Other interest payable	(22,932)	(23,024)	(5,454)	Realised gains on investments	371,369	1,202,663	26,097	Movement in impairment provisions	900,635	(119,597)	(270,261)	Net return before taxation	1,483,236	1,313,918	258,174	Net return after taxation	1,483,236	1,313,918	258,174	Return per Ordinary Share (basic and diluted) (pence)	77.42	68.36	11.15
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Financial information for the six month period ended 30 September 2012 and for the twelve month period ended 31 March 2013

The unaudited interim figures that summarise the financial condition of the Company, in respect of the six month period ended 30 September 2012 and the twelve month period ended 31 March 2013, together with the respective comparative information for the six month periods ended 30 September 2011 and 31 March 2012, have been extracted directly on a straightforward basis from the published half-yearly reports for those periods.

	<i>Six month period ended 30 September</i>	
	<i>2011</i>	<i>2012</i>
	£	£
Consolidated balance sheets		
Investments	10,966,179	12,324,338
Current assets	893,120	805,673
Current liabilities	(1,106,524)	(727,902)
Net current (liabilities)/assets	(213,404)	77,771
Non-current liabilities	(3,594,505)	(3,228,803)
Net assets	7,158,270	9,173,306
NAV per Ordinary Share (pence)	249.59	357.50

Consolidated income statements

Total income	624,652	475,809
Administrative expenses	(180,391)	(211,987)
Loan note interest	(36,670)	(27,503)
Other finance costs	(174,818)	(174,818)
Other interest payable	(502)	(2,195)
Realised gains on investments	19,958	75,907
Movement in impairment provisions	(574,794)	201,606
Net return before taxation	(332,565)	336,819
Net return after taxation	(322,565)	336,819
Return per Ordinary Share (basic and diluted) (pence)	(17.27)	18.04

(Source: the Company interim report for the six month period ended 30 September 2012)

	<i>Twelve month period ended 31 March</i>	
	<i>2012</i>	<i>2013</i>
	£	£
Consolidated balance sheets		
Investments	12,216,646	12,785,619
Current assets	682,270	615,518
Current liabilities	(1,272,492)	(756,369)
Net current (liabilities)/assets	(590,222)	(140,851)
Non-current liabilities	(3,228,803)	(2,863,103)
Net assets	8,397,621	9,781,665
NAV per Ordinary Share (pence)	315.96	390.08

		Twelve month period ended 31 March		
		2012	2013	
		£	£	
		Consolidated income statements		
		Total income	1,363,009	922,784
		Administrative expenses	(433,590)	(425,171)
		Loan note interest	(71,991)	(53,583)
		Other finance costs	(349,636)	(349,636)
		Other interest payable	(5,454)	(2,195)
		Realised gains on investments	26,097	220,111
		Movement in impairment provisions	(270,261)	26,676
		Net return before taxation	258,174	338,986
		Net return after taxation	258,174	338,986
		Return per Ordinary Share (basic and diluted) (pence)	11.25	15.48
		(Source: the Company second interim report for the twelve month period ended 31 March 2013)		
		Significant change		
		The Company's NAV per Ordinary Share at 1 April 2009 was 79.98 pence, which has increased to an NAV per Ordinary Share of 390.08 pence as at 31 March 2013. The increase has been driven primarily by realised gains on investments of in aggregate 97.48 pence, revenue of 46.16 pence, movements in unrealised appreciation of investments, recognised either in the income statement or the revaluation reserve, amounting to 187.07 pence and dividends paid of 22.00 pence in each case over the four years.		
		Save for this, there was no significant change in the Company's financial condition and operating results during or subsequent to the period covered by the historical financial information.		
B.8	Selected pro forma financial information	The following unaudited pro forma financial information as at 31 March 2013, which shows the impact of the Proposals with the exception of the Subsequent Placings on the basis that they had been completed on that date, has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and, therefore, does not represent the Company's actual financial position or results.		
		The net assets of the Company of £9.8 million as at 31 March 2013 will be increased by an amount of £2.5 million to reflect the Conversion of the Preference Shares to Ordinary Shares and by an amount of £4.6 million to reflect the illustrative net proceeds of the Initial Placing. The Company's pro forma net assets following adjustment are £16.8 million, representing a Net Asset Value per Ordinary Share of 334.06 pence.		
B.9	Profit forecast or estimate	Not applicable. No profit forecast or estimate made.		
B.10	Qualifications in the audit report	Not applicable. There are no qualifications in the audit reports of the Company for the three years ended 31 March 2012.		
B.11	Insufficiency of working capital	Not applicable. The Company is of the opinion that the Group has sufficient working capital for its present requirements, that is, for at least the 12 months following the date of the publication of this document.		

B.34	Description of investment objective, policy and investment restrictions	<p>Existing investment objective and policy</p> <p>The existing investment objective and policy is as follows:</p> <p>The Group's objective is to achieve attractive and sustainable growth in Earnings per Share and Net Asset Value principally through investment in preference shares and prior charge securities.</p> <p>The Board seeks to achieve this objective through investment in a diversified portfolio of holdings such that no investment, at the time it is made, results in more than 20 per cent. of the portfolio being in the securities of any one company or issuer. In addition, the Board seeks to ensure that the portfolio is substantially invested into preference shares and prior charge securities with no more than 10 per cent. of the portfolio invested in ordinary shares, with the portfolio being, subject to special circumstances, predominantly in sterling-denominated instruments of United Kingdom-based issuers.</p> <p>Proposed investment objective and policy:</p> <p>If approved by Ordinary Shareholders at the General Meeting, the Company's investment objective and policy will be as follows:</p> <p><i>Investment objective</i></p> <p>The Company's investment objective is to provide Ordinary Shareholders with an attractive level of dividends coupled with capital growth over the long term, through the investment in a portfolio of equities, preference shares, loan stocks, debentures and convertibles.</p> <p><i>Investment policy</i></p> <p>The Company will invest primarily in the equity securities of quoted UK companies with a wide range of market capitalisations many of which are, or are expected to be dividend paying, with anticipated dividend growth in the long term. The Company may also invest in large capitalisation companies, including FTSE 100 constituents, where this may increase the yield of the portfolio and where it is believed that this may increase shareholder value.</p> <p>The Company will also make investments in preference shares, loan stocks, debentures, convertibles and related instruments of quoted UK companies.</p> <p>The Proposed Manager will adopt a stock specific approach in managing the Company's portfolio and, therefore, sector weightings will be of secondary consideration. As a result of this approach, the Company's portfolio will not track any benchmark index.</p> <p>The Company may utilise derivative instruments including index-linked notes, contracts for differences, covered options and other equity-related derivative instruments for efficient portfolio management, gearing and investment purposes. Any use of derivatives for investment purposes will be made on the basis of the same principles of risk spreading and diversification that apply to the Company's direct investments, as described below. The Company will not enter into uncovered short positions.</p> <p><i>Risk diversification</i></p> <p>Portfolio risk will be mitigated by investing in a diversified spread of investments. Investments in any one company shall not, at the time of acquisition, exceed 15 per cent. of the value of the Company's investment portfolio. In the long term it is expected that the</p>
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		<p>Company's investments will be a portfolio of between 40 and 60 securities, most of which will represent no more than 3 per cent. of the value of the Company's total investment portfolio as at the time of acquisition.</p> <p>The Company will not invest more than 10 per cent. of its gross assets, at the time of acquisition, in other listed closed-ended investment funds, whether managed by the Proposed Manager or not, except that this restriction shall not apply to investments in listed closed-ended investment funds which themselves have stated investment policies to invest no more than 15 per cent. of their gross assets in other listed closed-ended investment funds.</p> <p><i>Unquoted investments</i></p> <p>The Company may invest in unquoted companies from time to time, subject to prior Board approval.</p> <p>Investments in unquoted companies in aggregate will not exceed 5 per cent. of the value of the Company's investment portfolio as at the time of investment.</p> <p><i>Borrowing and gearing policy</i></p> <p>The Company may use gearing, including bank borrowings and the use of derivative instruments such as contracts for differences. The Company may borrow (through bank facilities and derivative instruments) up to 15 per cent. of NAV (calculated at the time of borrowing).</p> <p>The Board will oversee the level of gearing in the Company, and will review the position with the Proposed Manager on a regular basis.</p> <p>In the event of a breach of the investment policy set out above and the investment and gearing restrictions set out therein, the Proposed Manager shall inform the Board upon becoming aware of the same and if the Board considers the breach to be material, notification will be made to a Regulatory Information Service.</p> <p>No material change will be made to the investment policy without the approval of Ordinary Shareholders by ordinary resolution.</p>
B.35	Borrowing and/or leverage limits	<p>The Articles currently include the following provision:</p> <p>"The Directors 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 subsidiary companies (if any), so as to secure that the aggregate amount for the time being remaining undischarged of all moneys borrowed by the Group (exclusive of intra-Group borrowings) shall not at any time, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to twice the aggregate of the nominal amount of the issued and paid-up share capital of the Company and the amount standing to the credit of the consolidated capital and revenue reserves (including any share premium account, capital redemption reserve and amount standing to the credit of the consolidated profit and loss account) all as calculated from a consolidation of the latest audited balance sheet of the Company and its subsidiaries but: (i) adjusted as necessary in respect of any variation in the paid up share capital, share premium account or capital redemption reserve of the Company since the date of its last audited balance sheet; (ii) excluding any sum set aside for future taxation and deducting any debit balance on the profit and loss account; and (iii) excluding any</p>

		<p>interests of minority shareholders. For the purpose of the said limit the issue of debentures shall be deemed to constitute borrowing notwithstanding that the same may be issued in whole or in part for a consideration other than cash. "The Group" for the purpose of this Article shall mean the Company and all of its subsidiaries within the definition contained in Section 736 of the Companies Act 1985."</p> <p>The Directors propose to delete the above Article but comply with the following borrowing gearing policy contained within the proposed Investment Policy.</p> <p>"The Company may use gearing, including bank borrowings and the use of derivative instruments such as contracts for differences. The Company may borrow (through bank facilities and derivative instruments) up to 15 per cent. of NAV (calculated at the time of borrowing).</p> <p>The Board will oversee the level of gearing in the Company, and will review the position with the Proposed Manager on a regular basis."</p>														
B.36	Regulatory status of the Company	The Company operates under the Companies Act and is not regulated as a collective investment scheme by the FCA. However, it is subject to the Listing Rules, Prospectus Rules, Disclosure and Transparency Rules and the Rules of the London Stock Exchange.														
B.37	Profile of typical investors	Typical investors in the Company are expected to be institutional investors, private client fund managers and private client brokers, as well as private individuals who have received advice from their fund manager or broker regarding investment in the Ordinary Shares, or who have sufficient experience to enable them to evaluate themselves the risks and merits of such investment. Investors should consult their stockbroker, bank manager, solicitor, accountant or other financial adviser before making an investment in the Company. Investment in the Company should be regarded as long-term in nature and may not be suitable as a short-term investment.														
B.38	Investment of 20 per cent. or more in single underlying asset or investment company	<p>More than 20 per cent. of the gross assets of the Company are exposed to the creditworthiness or solvency of Lloyds Banking Group plc, as the Company holds securities issued by Lloyds Banking Group plc which, as at 30 April 2013 comprised 32.67 per cent. of the Company's portfolio:</p> <table><tr><td colspan="2"><i>Number:</i></td></tr><tr><td>7.8673% ECN 17/12/19 (LBG Cap)</td><td>500,000</td></tr><tr><td>7.5884% ECN 12/05/20 (LBG Cap)</td><td>1,750,000</td></tr><tr><td>9.125% ECN 15/07/20 (LBG Cap)</td><td>100,000</td></tr><tr><td>14.5% ECN 30/01/22 (LBG Cap)</td><td>300,000</td></tr><tr><td>7.975% ECN 15/09/24 (LBG Cap)</td><td>920,000</td></tr><tr><td>7.281% Perpetual (Bank of Scotland)</td><td>400,000</td></tr></table> <p>Lloyds Banking Group plc is a financial services provider operating in the UK. It is incorporated and registered in Scotland with company number SC95000 and its registered office is situated at Lloyds Banking Group plc, The Mound, Edinburgh EH1 1YZ.</p> <p>Its ordinary shares, together with the securities listed above (save for the 7.281% Perpetual (Bank of Scotland) securities) are admitted to trading on the London Stock Exchange. The 7.281% Perpetual (Bank of Scotland) securities are admitted to trading on the Luxembourg Stock Exchange.</p>	<i>Number:</i>		7.8673% ECN 17/12/19 (LBG Cap)	500,000	7.5884% ECN 12/05/20 (LBG Cap)	1,750,000	9.125% ECN 15/07/20 (LBG Cap)	100,000	14.5% ECN 30/01/22 (LBG Cap)	300,000	7.975% ECN 15/09/24 (LBG Cap)	920,000	7.281% Perpetual (Bank of Scotland)	400,000
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B.39	Investment of 40 per cent. or more in single underlying asset or investment company	Not applicable.
B.40	The investment manager and other service providers	<p>Manager</p> <p>The Company does not currently use the services of an external investment manager. Conditional on the Resolutions being passed, the Company has appointed Miton Capital Partners Limited, a subsidiary company of Miton Group plc, an AIM-quoted asset management firm, as its external investment manager. Miton Capital Partners Limited is authorised and regulated by the FCA. It is proposed that Gervais Williams, Managing Director of Miton Group plc, will be the lead manager of the Company's portfolio. Martin Turner will be the co-fund manager.</p> <p>With effect from First Admission, the Proposed Manager shall be entitled to receive from the Company or any member of its group in respect of its services provided under the Management Agreement, a management fee payable monthly in arrears calculated at the rate of one-twelfth of one per cent. per calendar month of the Net Asset Value per annum for its services under the Management Agreement, save that its management fee will be reduced by such amount (being not more than the fees payable to the Proposed Manager in respect of any year (exclusive of VAT)) so as to seek to ensure that the Ongoing Charges Ratio of the Company does not exceed 2.5 per cent. per annum.</p> <p>Sponsor and placing agent</p> <p>Westhouse Securities has agreed to act as sponsor and placing agent to the Placing Programme and to use reasonable endeavours to procure subscribers for Ordinary Shares for both the Initial and Subsequent Placings, as part of the Placing Programme, at the Initial Placing Price or Placing Price respectively.</p> <p>In consideration for its services in relation to the Initial Placing, Westhouse Securities will be paid (i) a corporate finance fee of £125,000; (ii) a commission equal to 2.0 per cent. of the aggregate value subscribed in the Initial Placing by investors introduced by Westhouse Securities; and (iii) a commission of 0.5 per cent. of the aggregate value subscribed in the Initial Placing by investors introduced by parties other than Westhouse Securities.</p> <p>In consideration for its services in relation to the Subsequent Placings, Westhouse Securities will be paid a commission equal to one per cent. of the aggregate value subscribed in the Subsequent Placings.</p> <p>Registrar</p> <p>The Company has appointed Capita Registrars Limited to act as registrar and transfer agent to the Company. The Registrar is entitled to receive an annual fee of £4,335, payable quarterly in arrears for its services under the Registrar Agreement.</p> <p>Administrator and company secretary</p> <p>Fiske has been appointed by the Company to provide administrative and accommodation services to the Company for an aggregate fee of £111,000 per annum exclusive of VAT. The Administrator has also agreed to provide the Company with general administration services and financial support including the provision of Mr Harrison as company secretary, the</p>

		calculation of quarterly valuations and custody services for the Company's investments including the collection of dividends, interest and other income due to the Company.
B.41	Identity and regulatory status of the investment manager and the custodian	<p>The Company does not currently use the services of an external investment manager.</p> <p>Conditional on the Resolutions being passed, the Company has appointed Miton Capital Partners Limited as its external investment manager. Miton Capital Partners Limited is authorised and regulated by the FCA and as such is subject to its rules in the conduct of its investment business.</p> <p>The Custodian is authorised and regulated by the FCA.</p>
B.42	Valuation and publication of the Company's Net Asset Value	<p>The unaudited Net Asset Value per Share is calculated in Sterling by the Administrator on a quarterly basis.</p> <p>Conditional on the Resolutions being passed and with effect from First Admission, the unaudited Net Asset Value per Share will be calculated in Sterling by the Administrator on a weekly basis. Such calculations shall be notified weekly, on a cum-income and ex-income basis, through a Regulatory Information Service and will be available through the Company's website.</p>
B.43	Cross liability	Not applicable. The Company is not an umbrella collective investment undertaking and as such there is no cross liability between classes or investments in another collective investment undertaking.
B.44	No financial statements have been made up	Not applicable.
B.45	Description of the Company's portfolio	The Company has invested in a portfolio of investments comprised primarily of preference shares, loan notes and convertibles in quoted UK companies, principally in the financial services sector. As at 30 April 2013, the Company's portfolio of investments had an unaudited aggregate value of £12,978,337.
B.46	Net Asset Value	As at 30 April 2013, the Net Asset Value per Ordinary Share was 400.69 pence.

Section C – Securities

Element	Requirement	Disclosure
C.1	Details of the Placing Programme	Ordinary Shares of nominal value 50 pence each are available under the Placing Programme. The ISIN is GB0004658257.
C.2	Currency denomination of the Shares	Sterling.

C.3	Details of the share capital	<p>At the Latest Practicable Date, the issued share capital, all of which is fully paid, of the Company was as follows:</p> <table><tr><td></td><td><i>Par Value</i></td><td><i>Issued Share Capital Number</i></td><td><i>£</i></td></tr><tr><td>Ordinary Shares</td><td>50p</td><td>1,899,891</td><td>949,946</td></tr><tr><td>Ordinary Shares held in treasury</td><td>50p</td><td>32,500</td><td>16,250</td></tr><tr><td>Non-Voting Ordinary Shares</td><td>50p</td><td>1,717,565</td><td>858,782</td></tr><tr><td>Preference Shares</td><td>50p</td><td>4,994,805</td><td>2,497,403</td></tr></table>		<i>Par Value</i>	<i>Issued Share Capital Number</i>	<i>£</i>	Ordinary Shares	50p	1,899,891	949,946	Ordinary Shares held in treasury	50p	32,500	16,250	Non-Voting Ordinary Shares	50p	1,717,565	858,782	Preference Shares	50p	4,994,805	2,497,403
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C.4	Rights attaching to the Shares	<p>If the Resolutions are approved, the rights of the Ordinary Shares shall be as follows:</p> <p>(i) Holders of Ordinary Shares are entitled on a poll at a general meeting to one vote in respect of each share held.</p> <p>(ii) Holders of Ordinary Shares are entitled to cash dividends declared in accordance with the company's Articles of Association.</p> <p>(iii) Holders of Ordinary Shares are entitled on a winding-up to all residual assets and income proportionate to the shares held.</p> <p>(iv) Ordinary Shares are not redeemable.</p>																				
C.5	Restrictions on the transferability of Shares	There are no restrictions on the free transferability of the Ordinary Shares.																				
C.6	Application for admission to trading on a regulated market	Application will be made to the Financial Conduct Authority for admission of the Placing Shares to the premium segment of the Official List. Application will also be made to the London Stock Exchange for the Placing Shares to be admitted to trading on the London Stock Exchange's main market for listed securities.																				
C.7	Dividend policy	<p>The Company has recently paid dividends on the Ordinary Shares on a twice-yearly basis with dividends declared in November and May and paid in January and July in each year. The dividend per Ordinary Share declared in respect of the financial periods ending 31 March 2010, 31 March 2011 and 31 March 2012 were 5p, 6p and 6p respectively.</p> <p>For the six month period ended 30 September 2012 the Company declared an interim dividend of 2p per Ordinary Share which was paid in December. As a result of the Proposals, the Board does not intend to declare any further dividend on the Ordinary Shares in respect of the period to 30 June 2013.</p> <p>If the Resolutions are passed, the Company intends to continue the policy of paying dividends on a twice-yearly basis. In respect of the period to which the first two dividends will relate, this being from First Admission to 30 June 2014, the Company will target an annualised dividend yield of 6 per cent. of NAV at First Admission, and the Company will seek to maintain this yield (based on the opening NAV at the start of each financial year) on an annual basis.</p> <p>Investors should note that the targeted annualised dividend is a target only and not a profit forecast and there can be no assurance that it will be met or that any growth in the dividend will be achieved.</p>																				

		<p>Any interim dividends will not necessarily be of an equal amount to the final dividend because the income from the Company's underlying investments is expected to be received by the Company irregularly throughout the relevant period.</p> <p>In accordance with Section 1158 of the Corporation Tax Act 2010 and regulations made thereunder, with which the Company will need to comply to qualify as an investment trust, the Company does not intend to retain more than 15 per cent. of its relevant income.</p>
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Section D – Risks

Element	Requirement	Disclosure
D.1	Key risks that are specific to the Company	<p>The key risk factors relating to the Company, including risks resulting from the Proposals, which are known to the Directors are:</p> <ul style="list-style-type: none"> ● The Company may not meet its investment objective. There is no guarantee that dividends will be paid in respect of any financial period. ● The effects of both normal market fluctuations and the recent global economic crisis may impact the Company's business, operating results or financial condition. ● If the Resolutions are passed, it is expected that the Company will have one part-time employee and will be reliant on the performance of third party service providers. ● Investor returns will be dependent upon the performance of the portfolio and the Company may experience fluctuations in its operating results. ● Changes in laws or regulations governing the Company's operations may adversely affect the Company's business. ● The Company's investment strategy may involve the use of leverage, which exposes the Company to risks associated with borrowings. ● The departure of some or all of the Proposed Manager's investment professionals could prevent the Company from achieving its proposed investment objective. ● The past performance of the Proposed Manager cannot be relied upon as an indicator of the future performance of the Company. ● Changes in tax legislation or practice may adversely affect the Company and the tax treatment for Shareholders investing in the Company.
D.3	Key risks that are specific to the Shares	<p>The key risk factors relating to the Ordinary Shares which are known to the Directors are:</p> <ul style="list-style-type: none"> ● The value of the Ordinary Shares and the income derived from those shares (if any) can fluctuate and may go down as well as up. ● It may be difficult for Shareholders to realise their investment and there may not be a liquid market in the Ordinary Shares.

Section E – The Placing Programme

Element	Requirement	Disclosure
E.1	Proceeds and expenses of the Placing Programme	<p>Under the Initial Placing, new Ordinary Shares are intended to be issued to investors to raise gross proceeds of up to £5 million. The net proceeds of the Placing Programme are dependent on subscriptions received pursuant to the Placing Programme.</p> <p>The costs of the Proposals, excluding Subsequent Placing costs, will be borne out of the proceeds of the Initial Placing. Assuming the Initial Placing is fully subscribed, it is expected that the total costs of the Initial Placing (including any commissions) will be 8.7 per cent. of the gross proceeds of the Initial Placing.</p> <p>The costs of the Subsequent Placings will be borne out of the proceeds of the Subsequent Placings. Assuming the Subsequent Placings are fully subscribed, it is expected that the total costs of the Subsequent Placings (including any commissions) will be approximately one per cent. of the gross proceeds of the Subsequent Placings.</p>
E.2a	Reasons for the Placing Programme, use of proceeds and estimated net amount of proceeds	<p>The Placing Programme is being implemented to enable the Company to satisfy demand for its Ordinary Shares as well as to increase the size of the Company.</p> <p>The Directors intend to apply the net proceeds of the Placing Programme in making investments in accordance with the Company's proposed investment objective and policy. The Placing Programme is not being underwritten.</p> <p>Based on the Assumptions, the estimated net proceeds of the Placing Programme are £23.4 million assuming the issue of 7 million Ordinary Shares.</p>
E.3	Terms and conditions of the Placing Programme	<p>The Placing Programme will not proceed unless following conditions are satisfied:</p> <ul style="list-style-type: none"> (i) the Resolutions to be proposed at the General Meeting and the Resolution to be proposed at the Class Meeting are passed; (ii) the Placing Agreement becoming wholly unconditional (save as to any Subsequent Admission) and not having been terminated in accordance with its terms prior to the relevant date of any Subsequent Admission; and (ii) any Subsequent Admission of the relevant Placing Shares.
E.4	Material interests	Not applicable. There are no interests that are material to the Placing Programme and no conflicting interests.
E.5	Selling securities holders and lock-up agreements	Not applicable. No person or entity is offering to sell Shares as part of the Placing Programme.
E.6	Dilution	Any issues of Ordinary Shares pursuant to the Subsequent Placings will be at a premium to the Net Asset Value per Ordinary Share in order to cover the costs of the Placing Programme and to ensure that there is no dilution of the Net Asset Value of the existing Ordinary Shares.

E.7	Estimated expenses charged to investors by the Company	The estimated costs of the Proposals of £0.4 million will be deducted from the proceeds of the Initial Placing reducing the funds available to be invested on Shareholders' behalf.
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RISK FACTORS

This section addresses certain risks to which the Company is and will be exposed, which could materially and adversely affect the business, results of operations, financial condition, turnover, profits, assets and capital resources of the Company.

The risks and uncertainties described below represent all of those known to the Directors as at the date of this document which the Directors consider to be material. However, the risks listed do not necessarily comprise all those facing the Company and are not set out in order of priority. Additional risks and uncertainties currently unknown to the Company and the Directors, or which the Company and the Directors currently deem immaterial, may also have an adverse effect on the financial condition or business of the Company. If any or a combination of these risks actually occurs, the business, financial condition and operating results of the Company could be adversely affected. In such cases, the market price of the Ordinary Shares may decline and investors may lose all or part of their investment.

In addition to all other information set out in this document, potential investors in the Company should carefully consider the risk factors below before making a decision to invest in the Company.

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

If you are in any doubt about the action you should take, you should consult a professional adviser authorised under FSMA if you are in the United Kingdom or, if you are outside the United Kingdom, another appropriately authorised independent financial adviser.

Risks relating to the Company and its investment strategy

The Company may not meet its investment objective or target dividend yield

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

The Company's proposed investment objective includes the aim of providing Ordinary Shareholders with a dividend income. There is no guarantee that any dividends will be paid in respect of any financial year or period. The ability to pay dividends is dependent on a number of factors including the level of dividends and interest earned from the Company's portfolio and the net revenue and capital profits available for distribution.

It is expected that the Company will make distributions from capital profits to the extent that income profits may not be available for distribution. The proportion of the dividend represented by the distribution of capital profits may increase as the holdings in the Company's Legacy Portfolio are reduced.

The effects of both normal market fluctuations and the current global economic crisis may impact the Company's business, operating results or financial condition

These are factors which are outside the Company's control and which may affect the volatility of underlying asset values and the liquidity and the value of the Company's portfolio. Changes in economic conditions in the UK where the Company predominantly invests (for example, interest rates and rates of inflation, industry conditions, competition, political and diplomatic events and other factors) could substantially and adversely affect the Company's prospects.

Market conditions have significantly deteriorated over recent years as compared to prior periods. Global financial markets have experienced considerable declines and volatility in valuations, an acute contraction in the availability of credit and the failure of a number of leading financial institutions. As a result, certain

government bodies and central banks worldwide have undertaken intervention programmes, the effects of which remain uncertain. These macroeconomic developments could negatively affect the returns achievable by the Company, which could prejudice the Company's ability to generate returns for Shareholders.

If the Resolutions are passed, it is expected that the Company will only have one part-time employee and will be reliant on the performance of third party service providers

Whilst the Company will take all reasonable steps to establish and maintain adequate procedures, systems and controls to enable it to comply with its obligations, the Company will be reliant upon the performance of third-party service providers for its executive function if the Resolutions are passed. In particular, the Proposed Manager, the Administrator and the Registrar will be performing services which are integral to the operation of the Company. Failure by any service provider to carry out its obligations to the Company in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Company.

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

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

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

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

The Company is subject to laws and regulations enacted by national and local governments. In particular, the Company is subject to and will be required to comply with certain regulatory requirements that are applicable to listed closed-ended investment companies. The Company must comply with the Listing Rules for premium listed equity securities and the Disclosure and Transparency Rules and, so far as the Company is aware, as at the date of this document, the Company complies with the Listing Rules. Any failure in future to comply with any future changes to the Listing Rules may result in the Ordinary Shares being suspended from listing.

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

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

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

Any reduction in the value of the Company's investments may lead to a correspondingly greater percentage reduction in its Net Asset Value (which is likely to adversely affect the price of an Ordinary Share). Any reduction in the number of Ordinary Shares in issue (for example, if the Company were to undertake

buybacks) will, in the absence of a corresponding reduction in borrowings, result in an increase in the Company's level of gearing.

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

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

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

Alternative Investment Fund Managers Directive

The Alternative Investment Fund Managers Directive (the "**Directive**") entered into force on 21 July 2011 and needs to be implemented by member states, including the UK, by 22 July 2013. Investment companies such as the Company will constitute alternative investment funds for the purposes of the Directive, which will regulate, *inter alia*, the management of the Company and the marketing of its securities. Requirements of the Directive include increased disclosure obligations, ensuring that the investment company has an appropriately authorised institution acting as its "depository", the requirement to have independent portfolio valuations and ensuring that any delegate of the Proposed Manager is notified to the FCA. Some of these changes may have significant consequences for the Company (and all similar investment companies) and might materially increase compliance and regulatory costs. The Board and the Company's advisers will continue to monitor the progress and likely implications of the Directive.

Risks relating to the Proposed Manager

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

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

The past performance of the Proposed Manager cannot be relied upon as an indicator of the future performance of the Company

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

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

Under the terms of the Management Agreement, the Proposed Manager may resign by giving the Company not less than six months' written notice, such notice not to expire prior to the second anniversary of First Admission. The Proposed Manager shall, from the date such notice takes effect, cease to make investment decisions on behalf of the Company. The Directors would, in these circumstances, have to find

a replacement manager for the Company and there can be no assurance that such a replacement with the necessary skills and experience could be appointed on terms acceptable to the Company. In this event, the Directors would have to formulate and put forward to Shareholders proposals for the future of the Company, which may include its merger with another investment company, reconstruction or winding-up.

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

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

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

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

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

Risks relating to the Company's portfolio

Sectoral diversification

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

Unquoted companies

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

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

- (a) may be subject to a higher risk of default under financing and contractual arrangements, leading to severe adverse consequences for those companies and the value of the Company's investment in them;
- (b) may have limited financial resources and reduced access to financing sources;
- (c) may have shorter operating histories, narrower product lines and smaller market shares, rendering them more vulnerable to competitors' actions and market conditions, as well as general economic downturns;
- (d) are more likely to depend on the management talents and efforts of a founder or small group of persons and, if any such persons were to cease to be involved in the management or support of such

companies, this could have a material adverse impact on their business and prospects and the investment in them made by the Company; and

- (e) generally have less predictable operating results and may require significant additional capital to support their operations, expansion or competitive position.

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

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

The Company may invest in other closed-ended investment funds

The Company's proposed investment objective permits the Company to invest in other closed-ended investment funds. As a consequence of these investments, the Company may itself be indirectly exposed to gearing through the borrowings from time to time of these other investment funds. The Company's proposed Investment Policy does not permit the Company to invest more than 10 per cent. of its gross assets, at the time of acquisition in other listed closed-ended investment funds except that this restriction does not apply to investments in listed closed-ended investment funds which themselves have stated investment policies to invest no more than 15 per cent. of their gross assets in other listed closed-ended investment funds.

The Company may use derivative instruments

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

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

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

Use of a benchmark

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

Risks relating to taxation

Investment trust status

It is the intention of the Directors to apply to HMRC for approval of the Company as an investment trust with effect from the first financial period of the Company beginning after First Admission and to conduct the affairs of the Company such that the conditions for investment trust status will, and will continue to, be met. Broadly speaking, the effect of investment trust status for the Company would be that the Company's chargeable gains (but not income returns) would be exempt from UK corporation tax. If approved, the Directors consider that this will be of benefit to the Company. However, it cannot be guaranteed that HMRC will approve the Company's application for investment trust status or that, if approved, such status will be maintained.

A failure to achieve investment trust status, or a subsequent loss of investment trust status, may affect the level of post-tax returns to Shareholders. If the Company fails to meet the criteria for approval as an investment trust, it will, as soon as reasonably practicable, notify Shareholders of this fact.

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

Changes in tax legislation or practice, whether in the United Kingdom or in jurisdictions in which the Company invests, could affect the value of the investments held by the Company, affect the Company's ability to provide returns to Shareholders, and affect the tax treatment for Shareholders of their investments in the Company (including rates of tax and availability of reliefs).

Shareholders and prospective investors in the Company should consult their own tax advisers with respect to their tax affairs and the tax effects of an investment in the Company. The summaries contained in this document regarding the tax treatment of the acquisition, holding or disposal of Shares are based upon current tax law and practice, are intended only as non-exhaustive general summaries and are not a substitute for independent tax advice.

Risks relating to the Ordinary Shares

General risks affecting the Ordinary Shares

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

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

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

The price at which the Ordinary Shares will be traded and the price at which investors may realise their investment will be influenced by a large number of factors, some specific to the Company and its investments and some which may affect companies generally. Listing of the Ordinary Shares should not be taken as implying that there will be a liquid market for the Ordinary Shares. The market price of the Ordinary Shares may not reflect their underlying Net Asset Value.

In circumstances where there is not a liquid market in the Ordinary Shares, Shareholders wishing to realise their investment in the Company may be required to dispose of their Ordinary Shares on the market. There can be no guarantee that a liquid market in the Ordinary Shares will develop or that the Ordinary Shares will trade at prices close to their underlying Net Asset Value. Accordingly, Ordinary Shareholders may be unable to realise their investment at such Net Asset Value or at all.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

2013

Prospectus and Forms of Proxy posted	Friday 31 May
Placing Programme opens	Friday 31 May
Initial Placing closes	12.00 noon on Tuesday 18 June
Calculation Date	close of business on Tuesday 18 June
Latest time and date for receipt of Forms of Proxy for the Class Meeting	11.00 a.m. on Thursday 20 June
Latest time and date for receipt of Forms of Proxy for the General Meeting	11.15 a.m. on Thursday 20 June
Announcement of the Pro Forma NAV per Ordinary Share as at the Calculation Date, the Preference Share Conversion Ratio, the Initial Placing Price and the results of the Initial Placing	Friday 21 June
Class Meeting of Preference Shareholders	11.00 a.m. on Monday 24 June
General Meeting of Ordinary Shareholders	11.15 a.m. on Monday 24 June
Record Date	6.00 p.m. on Wednesday 26 June
Conversion of Preference Shares effective	8.00 a.m. on Thursday 27 June
Re-designation of Non-Voting Ordinary Shares effective	8.00 a.m. on Thursday 27 June
First Admission and commencement of dealings in Initial Placing Shares and Conversion Shares	8.00 a.m. on Thursday 27 June
Expected date for crediting of Initial Placing Shares to CREST accounts in uncertificated form	Thursday 27 June
Expected date of despatch of definitive share certificates for Initial Placing Shares and Conversion Shares in certificated form	By no later than 8 July

2014

Placing Programme closes and last date for new Placing Shares to be issued pursuant to the Placing Programme	Friday 30 May
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The dates set out in this expected timetable of events may be adjusted by the Company and Westhouse Securities in which event details of the new dates will be notified to the London Stock Exchange and, where appropriate, to Shareholders through a Regulatory Information Service.

All references to times in this document are to London times.

PLACING PROGRAMME STATISTICS

Maximum number of Placing Shares being issued pursuant to the Placing Programme	7 million
Initial Placing Price	Pro Forma NAV per Ordinary Share as at the Calculation Date less 5 per cent.
Placing Price	Not less than the Net Asset Value per Placing Share at the time of allotment plus expenses

INITIAL PLACING STATISTICS

Initial Placing Price per Initial Placing Share	Pro Forma NAV as at the Calculation Date less 5 per cent.
Number of Initial Placing Shares being issued*	1,527,014**
Number of Conversion Shares resulting from the Conversion	1,550,583**
Number of Ordinary Shares in issue immediately following the Initial Placing (including Conversion Shares)	4,944,988**
Estimated net proceeds of the Initial Placing*	£4.6 million
Enlarged market capitalisation at the Initial Placing Price*	£16.2 million**
Ordinary Share ISIN number	GB0004658257

* Assuming that the Initial Placing is fully subscribed as to £5 million.

** For illustrative purposes only and based on the Assumptions. The final numbers based on the Pro Forma NAV as at the Calculation Date are expected to be announced on 21 June 2013.

FORWARD-LOOKING STATEMENTS

Some of the statements in this Prospectus include forward-looking statements which reflect the Company's or, as appropriate, the Directors' or the Proposed Manager's current views with respect to the financial performance, business strategy, plans and objectives of the Company in respect of its future operations. These statements include forward-looking statements both with respect to the Company and the sectors and industries in which the Company operates. Statements which include the words "expects", "intends", "plans", "believes", "projects", "anticipates", "will", "targets", "aims", "may", "would", "could", "continue" and similar statements of a future or forward-looking nature identify forward-looking statements.

All forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause the Company's actual results to differ materially from those indicated in these statements. These factors include those described in the part of this Prospectus entitled "Risk Factors" which sets out the material risks known by the Directors at the date of this Prospectus and which should be read in conjunction with the other cautionary statements that are included in this Prospectus. Any forward-looking statements in this Prospectus reflect the Company's current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to the Company's operations, results of operations and growth strategy.

These forward-looking statements speak only as of the date of this Prospectus. Subject to any obligations under the Prospectus Rules, the Listing Rules, the Disclosure and Transparency Rules and any other applicable regulation, the Company undertakes no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise. All subsequent written and oral forward-looking statements attributable to the Company or individuals acting on behalf of the Company are expressly qualified in their entirety by this paragraph. Prospective investors should specifically consider the factors identified in this Prospectus which could cause actual results to differ before making an investment decision.

DIRECTORS, REGISTERED OFFICE AND ADVISERS

Directors	Sir Frederick Douglas David Thomson Bt. <i>(Non-executive Chairman)</i> Stephen John Cockburn <i>(Managing Director)</i> Miss Joan Beryl Webb <i>(Non-executive Director)</i> Peter Stanley Allen <i>(Non-executive Director)</i> Philip Albert Lovegrove OBE <i>(Non-executive Director)</i>
Proposed Director	Martin Henry Withers Perrin <i>(Non-executive Director)</i>
Company Secretary	J. P. Q. Harrison
Registered office	3rd Floor, Suite 539, Salisbury House London Wall London EC2M 5QS
Administrator	Fiske plc 3rd Floor, Salisbury House London Wall London EC2M 5QS
Proposed Manager	Miton Capital Partners Limited 10-14 Duke Street Reading Berkshire RG1 4RU
Placing agent, sponsor and broker	Westhouse Securities Limited One Angel Court London EC2R 7HJ
Legal advisers to the Company	Stephenson Harwood LLP 1 Finsbury Circus London EC2M 7SH
Legal advisers to the Placing Programme	Norton Rose LLP 3 More London Riverside London SE1 2AQ
Principal bankers	Barclays Bank plc Financial Services Team Level 11, 1 Churchill Place London E14 5HP
Auditors	Saffery Champness Lion House Red Lion Street London WC1R 4GB
Registrars	Capita Registrars Limited Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA

PART I

LETTER FROM THE CHAIRMAN

THE INVESTMENT COMPANY PLC

(a company incorporated in England and Wales with registered number 4205)

Directors:

Sir Frederick Douglas David Thomson Bt. *(Non-Executive Chairman)*
Stephen John Cockburn *(Managing Director)*
Miss Joan Beryl Webb *(Non-Executive Director)*
Peter Stanley Allen *(Non-Executive Director)*
Philip Albert Lovegrove OBE *(Non-Executive Director)*

Registered Office:

3rd Floor
Suite 539
Salisbury House
London Wall
London EC2M 5QS

31 May 2013

To: *Ordinary Shareholders*
Preference Shareholders

Proposals for the future of the Company, Notice of General Meeting of the Company and Notice of Class Meeting of Preference Shareholders

Dear Shareholder

1. Introduction

Your Board is writing to you today with a number of proposals which affect the future of your Company. The Proposals are inter-conditional and require approval of Ordinary Shareholders and, where indicated, approval of the Preference Shareholders.

The Proposals are as follows:

- to appoint Miton Capital Partners Limited as investment manager to the Company;
- to amend the Investment Policy;
- to re-organise the Company's share capital so that there remains only one class of ordinary shares in issue and a new class of fixed rate preference shares which will be held by one of the Company's wholly-owned subsidiaries;
- to amend the Articles of Association;
- to implement a Placing Programme to enable the issue of up to 7 million Ordinary Shares;
- to raise up to £5 million through the issue of new Ordinary Shares pursuant to the Initial Placing as part of the Placing Programme; and
- to apply to HMRC for investment trust status.

This letter explains the background to and reasons for the Proposals and contains further information on the Proposals. Notice of the Class Meeting to be held on 24 June 2013, at which Preference Shareholders' approval for certain of the Proposals will be sought, is set out on pages 92 to 93 of this document. Notice of the General Meeting to be held on 24 June 2013, at which the Ordinary Shareholders' approval for certain of the Proposals will be sought, is set out on pages 94 to 98 of this document.

Shareholders should note that the Resolutions are inter-conditional, meaning all of the Resolutions must be passed (as well as the Preference Share Resolution) for any of them to be effected.

2. Background to and reasons for the Proposals

Your Board has been aware for some time of the diminishing number of preference shares available at attractive prices for inclusion in the Company's portfolio. As at 30 April 2013, the Company had unaudited net assets of £9.98 million (400.69 pence per Ordinary Share) and an Ordinary Share market capitalisation of £4.39 million, representing a discount on the rating of the Company's Ordinary Shares of 41.4 per cent.

As noted in the unaudited interim report for the six month period ended 30 September 2012 (released on 9 November 2012) a greater proportion of your Company's revenue arises now in the form of interest, rather than dividends, as the balance of the portfolio has swung away from preference shares, with several large holdings having been redeemed and replaced by interest-bearing loans and bonds. As a consequence, the portfolio has become highly concentrated with significant exposure to the financial sector, with 32.67 per cent. of your Company's portfolio invested in Lloyds Bank prior charge securities as at 30 April 2013.

In light of this, the Board has been investigating possible opportunities which will be attractive to Shareholders. The Proposals, which include a change to the Company's existing investment policy, are designed to ensure that the Company has a universe of potentially attractive investment opportunities.

3. Appointment of Miton Capital Partners Limited as investment manager to the Company

Conditional on the Resolutions being passed, the Company has appointed Miton Capital Partners Limited, a subsidiary company of Miton Group plc, an AIM-quoted asset management firm, as its external investment manager.

Miton Capital Partners Limited was incorporated and registered in England and Wales on 21 November 2001 as a limited liability company under the provisions of the Companies Act 1985 with registered number 04325961. Its registered office is located at 10-14 Duke Street, Reading, Berkshire RG1 4RU (telephone: +44 (0) 118 338 4000).

Miton Capital Partners Limited is authorised and regulated by the FCA.

Miton Group plc is the ultimate parent company of a fund management group trading under the "Miton" brand. Miton Group plc has offices in Liverpool, Reading and London.

Originally conceived and founded in 2001 as a private client investment manager, the Proposed Manager's group has expanded since both geographically and in the range and scale of activities offered within the financial services industry. In 2004, Miton Group plc floated on AIM as iimia Investment Group plc. The Miton group has undergone a number of name changes since then that reflect, in part, the development of the group through acquisitions: iimia MitonOptimal plc (October 2007); Midas Capital plc (March 2008); MAM Funds plc (July 2010); and Miton Group plc (January 2013).

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

As at 31 December 2012, the Proposed Manager's group had total funds under management of approximately £1.8 billion, including three investment trusts, Midas Income and Growth Trust plc, Miton Worldwide Growth Investment Trust plc and The Diverse Income Trust plc, with combined assets of approximately £206 million.

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

It is proposed that Gervais Williams, Managing Director of Miton Group plc, will be the lead manager of the Company's portfolio. Martin Turner will be the co-fund manager.

Gervais Williams

Gervais joined the Proposed Manager on 1 March 2011. Gervais has been an equity portfolio manager since 1985. His career includes 5 years with Throgmorton Investment Management (later part of the

Framlington Group), 3 years with Thornton Investment Management (part of Dresdner Bank) and 17 years with Gartmore Group Ltd where he was Head of UK Small Companies investing in UK smaller companies and Irish equities. At Gartmore, Gervais managed the Gartmore Growth Opportunities and Gartmore Irish Growth funds, and co-managed the Gartmore Fledgling Trust.

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

Gervais currently manages The Diverse Income Trust plc, CF Miton Multi Cap Income Fund and CF Miton UK Smaller Companies Fund.

Martin Turner

Martin Turner joined the Proposed Manager in May 2011. Prior to joining the Proposed Manager, Martin spent nearly 20 years in the City. He qualified as a Chartered Accountant with Arthur Andersen in 1995 before moving to Rothschild and in time on to Head of Pan European Mid and Small Caps Sales at Merrill Lynch. Following this, Martin was Head of Sales at Teathers/Landsbanki before taking the Head of Small/Mid Cap Equities role covering research, sales and trading at Collins Stewart.

Martin currently co-manages The Diverse Income Trust plc, CF Miton Multi Cap Income Fund and CF Miton UK Smaller Companies Fund.

Management Agreement

The Company and the Proposed Manager have entered into the Management Agreement, a summary of which is set out in paragraph 6 of Part VIII of this document. Pursuant to the Management Agreement, the Proposed Manager has been given sole responsibility for the discretionary management of the Company's assets (including uninvested cash) in accordance with the Investment Policy, subject to the overall control and supervision of the Directors. Stephen Cockburn will step down as managing director but will take up a non-executive appointment as well as being retained as a consultant to the Proposed Manager in respect of the Legacy Portfolio.

Details of the fees and expenses payable to the Proposed Manager are set out in paragraph 9 of Part IV below.

The appointment of Miton Capital Partners Limited as investment manager to the Company does not require Shareholder approval. However, the appointment of the Proposed Manager is conditional upon the Resolutions being passed and will take effect from First Admission.

4. Change of Investment Policy

In light of the proposed appointment of Miton Capital Partners Limited as investment manager to the Company, the Board believes that it would be appropriate to amend the Company's investment objective and policy.

Existing investment objective and policy

The existing investment objective and policy is as follows:

"The Group's objective is to achieve attractive and sustainable growth in Earnings per Share and Net Asset Value principally through investment in preference shares and prior charge securities.

The Board seeks to achieve this objective through investment in a diversified portfolio of holdings such that no investment, at the time it is made, results in more than 20 per cent. of the portfolio being in the securities of any one company or issuer. In addition, the Board seeks to ensure that the portfolio is substantially invested into preference shares and prior charge securities with no more than 10 per cent. of the portfolio invested in ordinary shares, with the portfolio being, subject to special circumstances, predominantly in sterling denominated instruments of United Kingdom-based issuers."

Proposed investment objective and policy:

If approved by Ordinary Shareholders at the General Meeting, the Company's investment objective and policy will be as follows:

“Investment objective

The Company's investment objective is to provide Ordinary Shareholders with an attractive level of dividends coupled with capital growth over the long term, through the investment in a portfolio of equities, preference shares, loan stocks, debentures and convertibles.

Investment policy

The Company will invest primarily in the equity securities of quoted UK companies with a wide range of market capitalisations many of which are, or are expected to be dividend paying, with anticipated dividend growth in the long term. The Company may also invest in large capitalisation companies, including FTSE 100 constituents, where this may increase the yield of the portfolio and where it is believed that this may increase shareholder value.

The Company will also make investments in preference shares, loan stocks, debentures, convertibles and related instruments of quoted UK companies.

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

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

Risk diversification

Portfolio risk will be mitigated by investing in a diversified spread of investments. Investments in any one company shall not, at the time of acquisition, exceed 15 per cent. of the value of the Company's investment portfolio. In the long term it is expected that the Company's investments will be a portfolio of between 40 and 60 securities, most of which will represent no more than 3 per cent. of the value of the Company's total investment portfolio as at the time of acquisition.

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

Unquoted investments

The Company may invest in unquoted companies from time to time, subject to prior Board approval.

Investments in unquoted companies in aggregate will not exceed 5 per cent. of the value of the Company's investment portfolio as at the time of investment.

Borrowing and gearing policy

The Company may use gearing, including bank borrowings and the use of derivative instruments such as contracts for differences. The Company may borrow (through bank facilities and derivative instruments) up to 15 per cent. of NAV (calculated at the time of borrowing).

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

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

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

Investment Strategy

The Proposed Manager intends a bottom-up investment approach for the portfolio, with a diversified portfolio of securities of various market capitalisation sizes. There will be a bias towards dividend paying smaller companies but the portfolio will also include preference shares, loan stocks, debentures and convertibles with attractive yields.

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

Shareholder approval is required, in accordance with the Listing Rules, for any material change to the Investment Policy. Accordingly, Resolution 1 will be proposed as an ordinary resolution at the General Meeting, which will require the approval of a simple majority of those Ordinary Shareholders present and voting, in order for it to be passed.

5. Re-organisation of share capital

The Company is proposing to re-organise its share capital so that, if the Resolutions are passed, there will be only one class of ordinary shares in issue and a new class of Fixed Rate Preference Shares.

The Company currently has three classes of shares in issue: Ordinary Shares, Non-Voting Ordinary Shares and Preference Shares. The Ordinary Shares and the Preference Shares are admitted to listing on the Official List and to trading on the main market of the London Stock Exchange. The Non-Voting Ordinary Shares are not admitted to listing or trading.

Conversion of Preference Shares to Ordinary Shares

The Preference Shares are currently entitled to a priority dividend of 7 pence per annum paid semi-annually on 1 April and 1 October. In addition, the Preference Shares are entitled to 25 per cent. of any dividend in excess of 2 pence per Ordinary Share for any financial year, subject to a maximum participating dividend in respect of any year of 3 pence per Preference Share. On a return of capital, the Preference Shares are entitled to the amount paid up on the shares plus a premium of 50 pence per Preference Share.

In light of the Proposals and in order to simplify its share capital, the Company proposes to convert the 4,994,805 Preference Shares currently in issue into Ordinary Shares in accordance with the following procedure (the “**Conversion**”):

- (i) the Company will consolidate the 4,994,805 Preference Shares of 50 pence each in the issued share capital of the Company into one Preference Share with a nominal value of £2,497,402.50 (the “**Consolidated Preference Share**”);
- (ii) the Consolidated Preference Share shall then be immediately sub-divided into: (a) such number of Preference Shares of 50 pence each in the issued share capital of the Company which equals 4,994,805 multiplied by the Preference Share Conversion Ratio (the “**Sub-divided Preference Shares**”); and (b) a balancing number of deferred shares of £0.01 each in the capital of the Company which will have no entitlement to any distribution or other income, an entitlement to the nominal value on a return of capital after there has been distributed to the Ordinary Shareholders £1,000,000 in respect of each Ordinary Share, no entitlement to vote in general meeting and may be purchased by the Company at any time for an aggregate consideration of £1 (the “**Deferred Shares**”);

- (iii) the Sub-divided Preference Shares shall be immediately reclassified as Ordinary Shares of 50 pence each in the issued share capital of the Company (the “**Conversion Shares**”); and
- (iv) the Directors shall be authorised to purchase and cancel all or any of the Deferred Shares for an aggregate consideration of £1.

This procedure of consolidation and sub-division is required in accordance with the Companies Act.

The Ordinary Shares arising as a result of the Conversion will rank *pari passu* in all respects with the existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid on the existing Ordinary Shares after First Admission.

Each Preference Shareholder will be entitled to such number of Ordinary Shares as equals the number of Preference Shares held by that Preference Shareholder as at the Record Date multiplied by the Preference Share Conversion Ratio.

The Preference Share Conversion Ratio will be calculated in accordance with the procedures set out in paragraph 4 of Part VI as at the Calculation Date, such that the NAV of the Ordinary Shares arising following Conversion of the Preference Shares will be equal to 107p per Preference Share based on the Pro Forma NAV per Ordinary Share as at the Calculation Date.

Fractions

No fraction of an Ordinary Share will be issued to Preference Shareholders and the number of Ordinary Shares to be issued to each Preference Shareholder will be rounded down to the nearest whole Ordinary Share.

For illustrative purposes only, based on the NAV per Ordinary Share of 400.69p as at 30 April 2013 and the Assumptions, the Preference Share Conversion Ratio would be 0.3104 and, accordingly, 310.4 Ordinary Shares would be issued for every 1,000 Preference Shares.

In accordance with the Companies Act, the Conversion will require the approval of Ordinary Shareholders in general meeting. Accordingly, Resolution 2 will be proposed as an ordinary resolution at the General Meeting, which will require the approval of a simple majority of those Ordinary Shareholders present and voting, in order for it to be passed.

The Conversion will also require the approval of the Preference Shareholders pursuant to the Articles. Accordingly, the Preference Share Resolution will be proposed at the Class Meeting as a special resolution which will require the approval of 75 per cent. of those Preference Shareholders present and voting, in order for it to be passed.

Preference Share Dividend

Preference Shareholders will receive the accrued amount of their priority dividend for the period beginning on 1 April 2013 to the date the Conversion is effective.

Admission of Conversion Shares

Application will be made to the Financial Conduct Authority for admission of the Conversion Shares to the premium segment of the Official List. Application will also be made to the London Stock Exchange for the Conversion Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that First Admission will become effective and that unconditional dealings in the Conversion Shares will commence on the London Stock Exchange at 8.00 a.m. (London time) on Thursday, 27 June 2013.

Cancellation of the Preference Shares

Application will also be made to the Financial Conduct Authority and the London Stock Exchange for the Preference Shares to be cancelled from the Official List and from trading on the London Stock Exchange.

Existing documents of title

It is intended that new share certificates will be sent to Preference Shareholders, who hold their shares in certificated form, on completion of the Conversion. These new share certificates will set out the number of Ordinary Shares owned by an existing Preference Shareholder on completion of the Conversion and will replace a Shareholders' existing share certificate in respect of the Preference Shares which will no longer be of value from First Admission and should be destroyed upon receipt of the certificate in respect of the Ordinary Shares arising as a result of the Conversion. Definitive certificates for the Ordinary Shares to be issued in certificated form are expected to be dispatched by post no later than 8 July 2013. Preference Shareholders who hold their Preference Shares in uncertificated form are expected to have their CREST accounts credited with the Ordinary Shares arising as a result of the Conversion on 27 June 2013.

Re-designation of Non-Voting Ordinary Shares to Fixed Rate Preference Shares

At the date of this document, the Company has 1,717,565 Non-Voting Ordinary Shares in issue. These shares are held by the Company's subsidiary, New Centurion Trust Limited, and have been designated as Non-Voting Ordinary Shares in order to avoid breaching section 136 of the Companies Act which prohibits a subsidiary holding shares in its holding company. As well as having no right to vote, any holder of the Non-Voting Ordinary Shares may also elect not to receive a dividend in respect of any financial period. Save as set out above, the Non-Voting Ordinary Shares rank *pari passu* in all respects with the Ordinary Shares.

In order to further simplify its share capital and to allow the Company to apply for investment trust status, the Company proposes to re-designate the Non-Voting Ordinary Shares as Fixed Rate Preference Shares (the "**Re-designation**"). The Fixed Rate Preference Shares will be entitled to receive a fixed cumulative cash dividend of 0.01p in priority to the Ordinary Shares, will receive the nominal value of the shares on a return of capital, will not have the right to vote and will have limited rights on transfer. Following the Re-designation, the Re-designated Shares will be retained by NCT, the sole holder of the Non-Voting Ordinary Shares. The approval of NCT is required to effect the Re-designation of the Non-Voting Ordinary Shares to Fixed Rate Preference Shares.

The Re-designation will also require the approval of the Ordinary Shareholders by way of an ordinary resolution. Accordingly, Resolution 3 will be proposed as an ordinary resolution at the General Meeting, which will require the approval of a simple majority of those Ordinary Shareholders present and voting, in order for it to be passed.

6. Amendments to the Articles of Association

The Company proposes to amend and restate its Articles of Association to reflect the changes made should the Conversion and Re-designation be approved and to update the Articles in accordance with current law and practice. Accordingly, a special resolution will be proposed at the General Meeting to adopt the amended and restated articles of association. These articles of association shall be the same as the current Articles save for the following amendments.

Removal of Preference Share rights and addition of Deferred Share rights and Fixed Rate Preference Share rights

As stated above, the Company proposes to convert the existing Preference Shares to Ordinary Shares and to re-designate the Non-Voting Ordinary Shares as Fixed Rate Preference Shares. If approved, the Company proposes to delete Article 3 of the Articles in its entirety and replace it with the following new Article 3 which sets out the existing rights attaching to the Ordinary Shares, the rights to be attached to the Deferred Shares (which arise on the Conversion of the Preference Shares) and the rights to be attached to the Fixed Rate Preference Shares.

"3.1 The share capital at the date of adoption of these Articles is divided into:

3.1.1 Fixed Rate Preference Shares;

3.1.2 Ordinary Shares; and

3.1.3 Deferred Shares.

3.2.1 The rights attaching to the Fixed Rate Preference Shares shall be as follows:

- (i) as regards income, the holders of the Fixed Rate Preference Shares shall be entitled in priority to the payment of any dividend to the holders of all or any other shares in the capital of the Company to a fixed cumulative cash dividend at the rate of 0.01 pence per annum per each Fixed Rate Preference Share, the same to be distributed rateably amongst them according to the amounts paid up or credited as paid up on the Fixed Rate Preference Shares, and to accrue on a daily basis and to be paid out of the profits of the Company available for distribution. Such dividend shall be paid annually;
- (ii) as regards capital, on a distribution of assets on a winding-up or other return of capital (otherwise than on conversion or redemption or purchase by the Company of any of its shares) the holders of the Fixed Rate Preference Shares shall be entitled to receive the nominal amount paid up or credited as paid up on their shares, together with all dividends accrued thereon and thereafter the Fixed Rate Preference Shares shall not be entitled to share or participate further or otherwise in such surplus assets;
- (iii) as regards voting, the holders of the Fixed Rate Preference Shares shall not be entitled to receive notice of or to attend (either personally or by proxy) any general meeting of the Company or to vote (either personally or by proxy) on any resolution to be proposed thereat; and
- (iv) the rights attached to the Fixed Rate Preference Shares shall not be nor shall they be deemed to be, varied or abrogated by the creation or issue of any new shares ranking in priority to or *pari passu* with or subsequent to such shares.

3.2.2 The rights attaching to the Ordinary Shares shall be as follows:

- (i) as regards income, if after making provision for the fixed dividend on the Fixed Rate Preference Shares (provided for in paragraph 3.2.1(i) above) there are further profits available for dividend and resolved to be distributed by the Company in respect of any financial year of the Company, the balance may be distributed among the holders of the Ordinary Shares rateably according to the amounts paid or credited as paid up on such shares;
- (ii) as regards capital, if after making provision for the payment of the nominal amount paid up or credited as paid up on the Fixed Rate Preference Shares, together with all dividends accrued thereon (provided for in paragraph 3.2.1(ii) above), the balance of the surplus assets if any shall belong to and be distributed amongst the holders of the Ordinary Shares rateably according to the amounts paid up on such shares; and
- (iii) as regards voting, the holders of Ordinary Shares will have the right to receive notice of, and to attend, speak and vote at, general meetings of the Company. On a show of hands each such holder present in person or by a duly authorised representative (if a corporation) and entitled to vote shall have one vote and, on a poll, each such holder present in person or by proxy or by a duly authorised representative (if a corporation) and entitled to vote shall have one vote for every Ordinary Share held by him.

3.2.3 The rights attaching to the Deferred Shares shall be as follows:

- (i) as regards income, the holders of the Deferred Shares shall not be entitled to receive any dividend out of the profits of the Company available for distribution and resolved to be distributed in respect of any financial year or any other distribution or income or right to participate therein;
- (ii) as regards capital, on a distribution of assets on a winding-up or other return of capital (otherwise than on conversion or redemption or purchase by the Company of any of its shares) the holders of the Deferred Shares shall be entitled to receive the nominal amount paid up on their shares after there shall have been distributed (in cash or specie) to the holders of the Ordinary Shares the amount of £1,000,000 in respect of each Ordinary Share held by them respectively. For this purpose distributions in a currency other than sterling shall be treated as converted into sterling, in each case in such manner as the Directors or the Company in general meeting may approve. The Deferred Shares shall not entitle the holders thereof to any further or other right of participation in the assets of the Company;

- (iii) as regards voting, the holders of the Deferred Shares shall not be entitled to receive notice of or to attend (either personally or by proxy) any general meeting of the Company or to vote (either personally or by proxy) on any resolution to be proposed thereat;
- (iv) the rights attached to the Deferred Shares shall not be nor shall they be deemed to be, varied or abrogated by the creation or issue of any new shares ranking in priority to or *pari passu* with or subsequent to such shares;
- (v) the Company shall have the power and authority at any time to purchase all or any of the Deferred Shares for an aggregate consideration of £1;
- (vi) the Deferred Shares shall not be capable of transfer at any time without the prior written consent of the Directors. The Company shall have irrevocable authority to appoint any person to execute on behalf of the holders of the Deferred Shares a transfer and/or cancellation of the Deferred Shares and/or an agreement to transfer and/or cancel the same, without making any payment to the holders of the Deferred Shares and in the case of a transfer, to such person or persons as the Company may determine as custodian thereof and, pending such transfer and/or cancellation, to retain the certificate (if any) for such shares. The Company may, at its option and subject to compliance with the provisions of applicable legislation, at any time after the adoption of this Article cancel such shares by way of reduction of capital for no consideration;
- (vii) notwithstanding any other provision of these Articles, and unless specifically required by the provisions of applicable legislation, the Company shall not be required to issue any certificates or other documents of title in respect of the Deferred Shares.

In addition, the last sentence of Article 69.3, being:

“In the event that the Company shall pay in respect of any financial year of the Company commencing after 1 April 1996, a dividend on each Ordinary Share in excess of 2p net per Ordinary Share, the Directors may pay the appropriate participating dividend on the Participating Preference Shares specified by Article 3.2.1(ii) of these Articles.”

shall be deleted.

Removal of prohibition on distributing capital profits by way of a dividend

Historically, in order to qualify as an investment trust, a company was required to contain a prohibition in its articles of association on the distribution of capital profits by way of a dividend. Notwithstanding that the Company is not, at this stage, an investment trust, the Articles do contain such a provision.

Recent changes introduced by amendments to the Corporation Tax Act 2010, however, mean that, in relation to accounting periods beginning on or after 1 January 2012, it is no longer a requirement for the distribution of capital profits by way of a dividend to be prohibited by its articles of association in order for a company to achieve investment trust status. These amendments have been brought in to align the law relating to investment trusts with general company law and to enable companies to manage their dividend policies by permitting the payment of dividends out of capital profits when income profits may not be available for distribution.

In order to enable the Company to distribute capital profits by way of dividend, the last sentence of Article 69.1, being:

“No distribution shall be made out of the capital profits (realised or unrealised) of the Company. All moneys realised on the sale or payment off of any capital assets in excess of book value of the same and all other moneys in the nature of accretion to capital shall be treated for all purposes as capital moneys, and not as profits available for dividend.”

shall be deleted.

The Board believe that it would be appropriate to approve an amendment to the Articles of Association which removes this restriction to provide flexibility to the Company in respect of the payment of dividends.

Removal of current gearing limits

The Articles currently include the following provision at Article 60.2:

“The Directors 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 subsidiary companies (if any), so as to secure that the aggregate amount for the time being remaining undischarged of all moneys borrowed by the Group (exclusive of intra-Group borrowings) shall not at any time, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to twice the aggregate of the nominal amount of the issued and paid-up share capital of the Company and the amount standing to the credit of the consolidated capital and revenue reserves (including any share premium account, capital redemption reserve and amount standing to the credit of the consolidated profit and loss account) all as calculated from a consolidation of the latest audited balance sheet of the Company and its subsidiaries but: (i) adjusted as necessary in respect of any variation in the paid up share capital, share premium account or capital redemption reserve of the Company since the date of its last audited balance sheet; (ii) excluding any sum set aside for future taxation and deducting any debit balance on the profit and loss account; and (iii) excluding any interests of minority shareholders. For the purpose of the said limit the issue of debentures shall be deemed to constitute borrowing notwithstanding that the same may be issued in whole or in part for a consideration other than cash. “The Group” for the purpose of this Article shall mean the Company and all of its subsidiaries within the definition contained in Section 736 of the Companies Act 1985.”

In light of the proposed investment objective and policy, which limits gearing to 15 per cent. of NAV at the time of borrowing, the Board proposes to delete this restriction and renumber Article 60.3 accordingly.

Continuation Vote

The Board considers it desirable that Ordinary Shareholders should have the opportunity to review the future of the Company at appropriate intervals. Accordingly, the Directors propose to amend the Articles by the insertion of the following new provision at Article 83, which requires the Directors to propose a continuation resolution at the annual general meeting in 2016 and annually thereafter:

“The Directors shall convene a general meeting of the Company to be held at the annual general meeting in 2016 at which one or more ordinary resolutions (the “**Continuation Resolution**”) will be proposed for the Company to continue as a closed-ended investment company. In the event that a Continuation Resolution is not passed, the Directors shall formulate proposals to be put to Ordinary Shareholders to reorganise, unitise or reconstruct the Company or for the Company to be wound up with the aim of enabling Ordinary Shareholders to realise their holdings in the Company as soon as is practicable but, in any event, within six months of the Continuation Resolution not being passed. If Ordinary Shareholders decide that the Company should continue to operate as a closed-ended investment company, a similar ordinary resolution will be proposed at every annual general meeting thereafter.”

Approval of the Ordinary Shareholders is required, in accordance with the Companies Act, to amend the Articles of Association as set out above. Accordingly, Resolution 4 will be proposed at the General Meeting as a special resolution which will require the approval of 75 per cent. of those Shareholders present and voting, in order for it to be passed.

A copy of the amended and restated Articles will be available for inspection from the date of this document until the close of the General Meeting at 3rd Floor, Salisbury House, London Wall, London EC2M 5QS and at the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London EC2M 7SH.

7. Placing Programme

The Company proposes to implement the Placing Programme, comprising the Initial Placing (described below) and the Subsequent Placings, through the issue in aggregate of up to 7 million Ordinary Shares (being approximately 374.9 per cent. of the Company's issued Ordinary Shares (excluding shares held in treasury) at the Latest Practicable Date). The Placing Programme is not being underwritten.

The Placing Programme is being implemented to enable the Company to satisfy demand for its Ordinary Shares as well as to increase the size of the Company. Any issues of Ordinary Shares pursuant to the

Subsequent Placings will be issued at a price not less than the prevailing Net Asset Value per Ordinary Share plus any expenses incurred in connection with such placing.

Ordinary Shareholder approval is required, in accordance with the Companies Act, to implement the Placing Programme, in order to give the Directors authority to allot the Placing Shares and to disapply the statutory pre-emption rights on such allotment. Accordingly, Resolution 5 will be proposed as a special resolution at the General Meeting, which will require the approval of 75 per cent. of those Ordinary Shareholders present and voting, in order for it to be passed. If approved, the authority conferred will lapse 18 months after the passing of the resolution.

In addition, the issue of new Ordinary Shares at prices representing a discount to NAV per Share (other than on a pre-emptive basis) is only permitted under the Listing Rules if Shareholders have authorised such issues. It is proposed that Initial Placing Price will be at the Pro Forma NAV per Ordinary Share as at the Calculation Date less 5 per cent. Accordingly, Resolution 6 will be proposed at the General Meeting as a special resolution which will require the approval of 75 per cent. of those Shareholders present and voting, in order for it to be passed.

The Directors intend to use the authority to allot Ordinary Shares on a non-preemptive basis for the purposes of the Initial Placing and for the Subsequent Placings when it is in the best interests of Shareholders to do so. The authority to issue Ordinary Shares at a discount to NAV per Share will only be exercised for the purposes of the Initial Placing.

If approved, the proceeds of the Placing Programme will be invested in accordance with the Company's proposed investment objective and policy.

8. Initial Placing

The Initial Placing of new Ordinary Shares is to raise up to £5 million before expenses. The Initial Placing is not being underwritten and will not proceed unless Placing indications are received in aggregate for at least £3 million (or such lesser amount as the Company and Westhouse Securities may agree). The Initial Placing Price will be at the Pro Forma NAV per Ordinary Share as at the Calculation Date less 5 per cent.

For illustrative purposes only, based on the NAV per Ordinary Share of 400.69p as at 30 April 2013 and the Assumptions, the Initial Placing Price would be 327.4p per Ordinary Share.

Further details of the Initial Placing are set out in Part III of this document.

9. Dividend Policy

If the Resolutions are passed, the Company will target an annualised dividend yield of 6 per cent. of NAV at First Admission for the period from First Admission to 30 June 2014. The Company will seek to maintain this yield (based on the opening NAV at the start of each financial year) on an annual basis. It is intended that dividends will be paid twice-yearly.

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

It is expected that a proportion of the Company's targeted annualised dividend yield of 6 per cent. will be met through the distribution of capital profits to the extent that income profits are not available for distribution. The proportion of the dividend represented by the distribution from capital profits may increase as the holdings in the Company's Legacy Portfolio are reduced.

10. Intention to obtain investment trust and investment company status

If the Resolutions are passed, the Company intends to apply for approval from HMRC to operate as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010. The Company intends to extend the current financial period to 30 June 2013 with the intention that the Company will be eligible to qualify as an investment trust for the first financial period beginning after First Admission.

If the Resolutions are passed, the Company will also notify Companies House of its intention to be categorised as an investment company as defined in Section 833 of the Companies Act with effect from First Admission.

11. Risk factors

Your attention is drawn to the Risk Factors on pages 17 to 22 of this document.

12. Class Meeting

A Class Meeting of the Company is being convened for 11.00 a.m. on 24 June to be held at the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London EC2M 7SH at which the Preference Share Resolution will be proposed:

- to consent to the proposed Conversion of the Preference Shares into Ordinary Shares as described in paragraph 5 of this Part 1.

The Preference Share Resolution will be proposed as a special resolution requiring 75 per cent. of the votes cast to be cast in favour for it to be passed. The notice covering the Class Meeting is set out at the end of this document.

13. General Meeting

A General Meeting of the Company is being convened for 11.15 am. on 24 June to be held at the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London EC2M 7SH at which the following Resolutions will be proposed:

- Resolution 1: to adopt the proposed investment objective and policy as described in paragraph 4 of this Part 1;
- Resolution 2: to convert the Preference Shares into Ordinary Shares as described in paragraph 5 of this Part 1;
- Resolution 3: to convert the Non-Voting Ordinary Shares into Fixed Rate Preference Shares as described in paragraph 5 of this Part 1;
- Resolution 4: to amend and restate the Company's Articles of Association as described in paragraph 6 of this Part 1;
- Resolution 5: to grant the Directors authority to issue new Ordinary Shares for the purposes of the Placing Programme and to disapply pre-emption rights for the purposes of such issue as described in paragraph 7 of this Part 1; and
- Resolution 6: to grant the Directors authority to allot new Ordinary Shares at a discount to Net Asset Value for the purposes of the Initial Placing only as described in paragraph 7 of this Part 1.

Resolutions 1 to 3 will be proposed as ordinary resolutions and Resolutions 4 to 6 will be proposed as special resolutions. An ordinary resolution requires a simple majority of the votes cast to be cast in favour for it to be passed. A special resolution requires a majority of 75 per cent. of the votes cast to be cast in favour for it to be passed. The notice convening the General Meeting is set out at the end of this document.

The Resolutions are inter-conditional, meaning all of the Resolutions must be passed in addition to the Preference Share Resolution for any of them to be effected.

14. Action to be taken

Whether or not you intend to be present at the Class Meeting and/or the General Meeting, Shareholders are requested to complete and return the relevant Form of Proxy in accordance with the instructions printed thereon, so as to be received as soon as possible and, in any event, no later than 11.00 a.m. on 20 June 2013 (in respect of Forms of Proxy for use at the Class Meeting) and 11.15 a.m. on 20 June 2013 (in respect of Form of Proxy for use at the General Meeting). The completion and return of either Form of Proxy will not preclude you from attending the relevant meeting and voting in person should you so wish.

15. Overseas Shareholders

Shareholders who have registered addresses outside the UK, or who are citizens or residents of countries other than the UK, are being sent this document and the accompanying documents in connection with their entitlement to attend and vote at the Class Meeting and/or the General Meeting. However, no such person may treat this document received by him as constituting an offer or invitation to acquire Ordinary Shares, unless, in the relevant territory, such an offer or invitation can be made lawfully to that person.

16. Importance of the Proposals and the Resolutions

As noted above, the Board has been aware for some time of the diminishing number of preference shares available at attractive prices for inclusion in the Company's portfolio and the Board has therefore been investigating possible opportunities which will be attractive to Shareholders. The Proposals, which include a change to the Company's existing investment policy, are designed to ensure that the Company has a universe of potentially attractive investment opportunities.

If Shareholders do not vote in favour of the Resolutions and Preference Shareholders do not vote in favour of the Preference Share Resolution, the Proposals will not proceed and the Board will need to seek alternative opportunities or consider other actions in respect of the future of the Company, which may ultimately include a members' voluntary liquidation.

17. Recommendation

The Board considers that the Placing Programme and the Resolutions to be proposed at the General Meeting and the Class Meeting are in the best interests of the Company and its Shareholders as a whole. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting and the Preference Share Resolution to be proposed at the Class Meeting.

Shareholders should note that the Resolutions are inter-conditional, meaning all of the Resolutions in addition to the Preference Share Resolution must be passed for any of them to be effected.

The Directors intend to vote in favour, or procure the vote in favour, of the Resolutions at the General Meeting in respect of their beneficial holdings of Ordinary Shares which, in aggregate, amount to 752,533 Ordinary Shares representing approximately 39.6 per cent. of the Company's issued ordinary share capital. The Directors also intend to vote in favour, or procure the vote in favour, of the Preference Share Resolution at the Class Meeting in respect of their beneficial holdings of Preference Shares which, in aggregate, amount to 232,800 Preference Shares representing approximately 4.66 per cent. of the Company's issued preference share capital.

Yours faithfully

Sir Frederick Douglas David Thomson Bt.

Chairman

PART II

THE PLACING PROGRAMME

1. Details of the Placing Programme

The Directors intend to issue up to 7 million Ordinary Shares pursuant to the Placing Programme which comprises the Initial Placing (details of which are set out in Part III) and the Subsequent Placings. The net proceeds of the Placing Programme are dependent of subscriptions received pursuant to the Placing Programme but, based on the Assumptions and assuming the issue of 7 million Ordinary Shares, the net proceeds are expected to be approximately £23.4 million. The Directors intend to apply the net proceeds of the Placing Programme in making investments in accordance with the Company's proposed investment objective and policy. The Placing Programme is not being underwritten.

The Placing Programme is being implemented to enable the Company to satisfy demand for its Ordinary Shares as well as to increase the size of the Company. Any issues of Ordinary Shares pursuant to the Subsequent Placings will be at a premium to the Net Asset Value per Ordinary Share in order to cover the costs of the Placing Programme and to ensure that there is no dilution of the Net Asset Value of the existing Ordinary Shares. The maximum number of Ordinary Shares available under the Placing Programme is 7 million.

The Placing Programme will open at 8.00 a.m. on 31 May 2013 and will close at 8.00 a.m. on 30 May 2014. The allotment of Placing Shares under the Placing Programme is at the discretion of the Directors. Allotments may take place at any time prior to 8.00 a.m. on 30 May 2014.

Westhouse Securities has agreed under the Placing Agreement to use its reasonable endeavours to procure placees for the Initial Placing Shares at the Initial Placing Price and the Subsequent Placing Shares at the applicable Placing Price. Details of the Placing Agreement are set out in paragraph 6 of Part VIII of this document.

The Placing Shares will rank *pari passu* in all respects with the existing Ordinary Shares in issue at the date of the issue of the relevant Placing Shares, save in respect of any dividends declared but not paid prior to the date of such issue.

In the event that there are any significant changes affecting any of the matters described in this document or where any significant new matters have arisen after the publication of this document and prior to any Subsequent Admission, the Company will publish a supplementary prospectus. The supplementary prospectus will give details of the significant change(s) or the significant new matter(s).

2. Conditions

The Placing Programme is conditional on the following:

- (i) the Resolutions and the Preference Share Resolution being passed;
- (ii) the Placing Agreement becoming wholly unconditional (save as to any Subsequent Admission) and not having been terminated in accordance with its terms prior to the relevant date of any Subsequent Admission; and
- (iii) any Subsequent Admission of the relevant Placing Shares.

3. Admission and dealing arrangements

Application will be made to the Financial Conduct Authority for admission of the Placing Shares to the premium segment of the Official List. Application will also be made to the London Stock Exchange for the Placing Shares to be admitted to trading on the London Stock Exchange's main market for listed securities.

The Placing Shares will be issued in registered form and may be held in certificated or uncertificated form. The Placing Shares allocated will be issued to placees through the CREST system unless otherwise stated. The Placing Shares will be eligible for settlement through CREST with effect from such Subsequent Admission.

The Company will arrange for CREST to be instructed to credit the appropriate CREST accounts of the placees concerned or their nominees with their respective entitlements to the Placing Shares. The names of placees or their nominees that invest through their CREST accounts will be entered directly on to the share register of the Company.

Dealings in Placing Shares in advance of the crediting of the relevant stock account shall be at the risk of the person concerned.

The Placing Shares will be denominated in Sterling.

The ISIN Code for the Placing Shares is GB0004658257.

4. Transfer of the Placing Shares

The transfer of the Placing Shares outside the CREST system should be arranged directly through the Registrar by completing and lodging an appropriate stock transfer form. However, an investor's beneficial holding held through the CREST system may rematerialise, in whole or in part, only upon the specific request of a beneficial owner to CREST through submitting a stock withdrawal form for share certificates or an uncertificated holding in definitive registered form.

If a Placing Shareholder or transferee requests Placing Shares to be issued in certificated form and is holding such Placing Shares outside CREST, a share certificate will be despatched either to them or their nominated agent (at their own risk) within 10 days of completion of the registration process or transfer, as the case may be, of the Placing Shares. Placing Shareholders holding a definitive certificate may elect at a later date to hold their Placing Shares through CREST or in uncertificated form, provided they surrender their definitive certificates.

5. Overseas persons

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

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

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

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

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

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

PART III

THE INITIAL PLACING

1. Details of the Initial Placing

Under the Initial Placing, new Ordinary Shares are intended to be issued to investors to raise gross proceeds of up to £5 million. The net proceeds of the Initial Placing (assuming the Initial Placing is fully subscribed), after the payment of placing commission and other estimated fees and expenses of the Proposals of £0.4 million, are estimated at £4.6 million. The Initial Placing Price will be the Pro Forma NAV per ordinary Share as at the Calculation Date less 5 per cent. and will be notified by the Company, together with the total number of Ordinary Shares being issued, via a RIS announcement prior to First Admission.

Westhouse Securities has agreed under the Placing Agreement to use its reasonable endeavours to procure placees for the Initial Placing Shares at the Initial Placing Price. Details of the Placing Agreement are set out in paragraph 6 of Part VIII of this document.

The Initial Placing is conditional, *inter alia*, on:

- (i) the Resolutions and the Preference Share Resolution being passed;
- (ii) the Placing Agreement becoming wholly unconditional (save as to First Admission) and not having been terminated in accordance with its terms prior to First Admission; and
- (iii) First Admission of the Initial Placing Shares occurring not later than 8.00 a.m. on 31 July 2013 (or such later date, not being later than 30 September 2013, as the Company and Westhouse Securities may agree).

Commitments under the Initial Placing, once made, may not be withdrawn without the consent of the Directors.

The Initial Placing is not being underwritten and will not proceed unless aggregate subscriptions are received which represent a minimum of £3 million (or such lesser amount as the Company and Westhouse Securities may agree). The result of the Initial Placing will be announced as soon as reasonably practicable following the conclusion of the General Meeting.

The Initial Placing will close at 12.00 noon on Tuesday, 18 June 2013 (or such later date, not being later than 31 July 2013, as the Company and Westhouse Securities may agree) and the Initial Placing Shares will be issued on 27 June 2013. If the Initial Placing is extended, the revised timetable will be notified via a RIS.

It is expected that First Admission of the Initial Placing Shares will become effective and that unconditional dealings in the Initial Placing Shares will commence on the London Stock Exchange at 8.00 a.m. (London time) on 27 June 2013.

2. Initial Placing Price and commissions

The Initial Placing Price will be the Pro Forma NAV per Ordinary Share as at the Calculation Date less 5 per cent.

Whilst Westhouse Securities will be entitled to a commission payable by the Company in connection with monies raised under the Initial Placing, no commissions are payable by the Company to placees under the Initial Placing.

In the event that the aggregate applications for Ordinary Shares under the Initial Placing were to exceed £5 million, it would be necessary to scale back applications under the Initial Placing. In such an event, applications under the Initial Placing will be scaled back at the Directors' discretion (in consultation with Westhouse Securities) and thereafter no further commitments will be accepted and the Initial Placing will be closed.

3. Dividends

The Initial Placing Shares will not be entitled to any dividend or distribution declared prior to 27 June 2013.

It is the intention of the Directors to pay dividends to Shareholders twice-yearly. The Initial Placing Shares will rank for the dividend in respect of the six month period to 31 December 2013 which would normally be paid in March.

4. Pro forma impact of the Initial Placing

Assuming the Initial Placing is fully subscribed, and taking into account the Conversion of Preference Shares, the net proceeds of the Initial Placing will result in an increase in the Net Asset Value of the Company from £9.98 million as at 30 April 2013 to £17.04 million on a pro forma basis, an increase of 70.7 per cent. in the Net Asset Value of the Company.

The pro forma financial information and the principal bases and assumptions on which it has been prepared are set out in Part VI of this document.

PART IV

INFORMATION ON THE COMPANY

1. Investment objective and policy

Current investment objective

The Group's objective is to achieve attractive and sustainable growth in earnings per Ordinary Share and Net Asset Value principally through investment in preference shares and prior charge securities.

Current investment policy

The Board seeks to achieve this objective through investment in a diversified portfolio of holdings such that no investment, at the time it is made, results in more than 20 per cent. of the portfolio being in the securities of any one company or issuer. In addition, the Board seeks to ensure that the portfolio is substantially invested into preference shares and prior charge securities with no more than 10 per cent. of the portfolio invested in ordinary shares, with the portfolio being, subject to special circumstances, predominantly in sterling denominated instruments of United Kingdom-based issuers.

Proposed investment objective

The Company's investment objective is to provide Ordinary Shareholders with an attractive level of dividends coupled with capital growth over the long term, through the investment in a portfolio of equities, preference shares, loan stocks, debentures and convertibles.

Proposed investment policy

The Company will invest primarily in the equity securities of quoted UK companies with a wide range of market capitalisations many of which are, or are expected to be dividend paying, with anticipated dividend growth in the long term. The Company may also invest in large capitalisation companies, including FTSE 100 constituents, where this may increase the yield of the portfolio and where it is believed that this may increase shareholder value.

The Company will also make investments in preference shares, loan stocks, debentures, convertibles and related instruments of quoted UK companies.

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

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

Risk diversification

Portfolio risk will be mitigated by investing in a diversified spread of investments. Investments in any one company shall not, at the time of acquisition, exceed 15 per cent. of the value of the Company's investment portfolio. In the long term it is expected that the Company's investments will be a portfolio of between 40 and 60 securities, most of which will represent no more than 3 per cent. of the value of the Company's total investment portfolio as at the time of acquisition.

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

Unquoted investments

The Company may invest in unquoted companies from time to time, subject to prior Board approval.

Investments in unquoted companies in aggregate will not exceed 5 per cent. of the value of the Company's investment portfolio as at the time of investment.

Borrowing and gearing policy

The Company may use gearing, including bank borrowings and the use of derivative instruments such as contracts for differences. The Company may borrow (through bank facilities and derivative instruments) up to 15 per cent. of NAV (calculated at the time of borrowing).

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

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

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

2. Investment restrictions

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

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

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

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

3. Directors and secretary

3.1 Directors and secretary

The Board currently consists of four non-executive directors and one executive director.

The business address of each of the Directors is 3rd Floor, Suite 539, Salisbury House, London Wall, London EC2M 5QS.

Sir Frederick Douglas David Thomson Bt. (aged 73) *(Non-Executive Chairman)*

Sir David Thomson Bt. was appointed to the Board and elected Chairman in 2005. He is Chairman of S.A. Meacock & Company Limited and a director of Through Transport Mutual Insurance Association Ltd.

Stephen John Cockburn (aged 73) *(Executive Director)*

Mr Cockburn was appointed to the Board in 1991 and as Managing Director in 1994. He is a non-executive director of Fiske and a director of Associated British Engineering plc. He has managed portfolios specialising in preference shares for many years.

Miss Joan Beryl Webb (aged 84) *(Non-Executive Director)*

Miss Webb was appointed to the Board in 1991 and is the Company's largest Ordinary Shareholder.

Peter Stanley Allen (aged 64) *(Non-Executive Director)*

Mr Allen was appointed to the Board in 1996. He trained as an investment analyst with Kleinwort Benson. He has managed portfolios specialising in preference shares for many years.

Philip Albert Lovegrove OBE (aged 75) *(Non-Executive Director)*

Mr Lovegrove OBE was appointed to the Board in 2006. He has been involved in asset management, corporate finance and corporate recoveries in the City of London for more than 50 years.

J.P.Q. Harrison (aged 40) *(Company Secretary)*

Mr Harrison was appointed as company secretary in 2003. He held the role of company secretary for Fiske from 2001 to 2005. In May 2007 he was appointed to the board of Fiske as an executive director and in September 2012 he became Fiske's chief operating officer.

Conditional upon the Resolutions being passed, Mr Cockburn has agreed to take up a non-executive appointment, details of which are set out in paragraph 10 of Part VIII of this Prospectus although he will be retained as a consultant to the Proposed Manager in respect of the management of the Legacy Portfolio. In addition, Miss Webb and Mr Lovegrove have indicated that they will not stand for re-election at the Company's next annual general meeting.

Members of the Board will regularly review the structure, size and composition of the Board compared to its current position and make recommendations to the Board with regard to any changes to ensure that its members benefit from the appropriate skills, knowledge, experience and diversity.

3.2 Proposed Director

Conditional upon the Resolutions being passed, Martin Perrin will join the Board at First Admission as a non-executive director.

Martin Henry Withers Perrin (aged 59)

Mr Perrin is a chemist, Chartered Accountant and Chartered Wealth Manager with wide experience of operations and finance in industry. He was a partner in Grahams Rintoul & Co, a fund management company, which was sold to Lazards. Mr Perrin joined the board of Fiske as a non-executive director in November 2003 and is currently chairman of Fiske's Audit Committee and Risk Committee.

4. Administrator and Custodian

Fiske has been appointed by the Company to act as administrator and custodian to the Company under the terms of the Administration Agreement. Fiske was incorporated as a limited liability company in England and Wales on 21 April 1988 under the Companies Act 1985 with registered number 02248663. Its registered office and principal place of business is at Salisbury House, London Wall, London EC2M 5QS (telephone: +44 (0) 20 7448 4700). The Custodian is authorised and regulated by the FCA.

Further details of the Administration Agreement are set out in paragraph 6 of Part VIII of this document.

5. Registrar

Capita Registrars Limited has been appointed by the Company to act as registrar to the Company under the terms of the Registrar Agreement. Further details of the Registrar Agreement are set out in paragraph 6 of Part VIII of this document.

6. Valuation and Net Asset Value publication

The unaudited Net Asset Value per Share is calculated in Sterling by the Administrator on a quarterly basis.

Conditional on the Resolutions being passed and with effect from First Admission, the unaudited Net Asset Value per Share will be calculated in Sterling by the Administrator on a weekly basis, as described below.

Such calculations shall be notified weekly, on a cum-income and ex-income basis, through a Regulatory Information Service and will be available through the Company's website.

The Net Asset Value is the value of all assets of the Company less liabilities to creditors (including provisions for such liabilities) determined in accordance with IFRS 7. Publicly traded securities are valued by reference to their mid bid/offer prices on the relevant exchange less one per cent. Where trading in the securities of an investee company is suspended, the investment is valued at the Board's estimate of its net realisable value. Unquoted investments are valued by the Board. In making its valuations, the Board takes into account, where appropriate, latest dealing prices, valuations from reliable sources, asset values and other relevant factors.

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

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

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

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

7. Report and accounts

The Company's audited annual report and accounts have historically been made up to 31 March in each year. As a result of the Company's proposed application for approval as an investment trust, the accounting period for the current financial period will be extended to 30 June 2013 and the Company's accounting periods will terminate on 30 June of each year thereafter. Copies of the annual report and accounts have historically been sent to Shareholders during the months of May and June but will usually be sent during September going forward. Shareholders have historically received an unaudited interim report covering the six months to 30 September but in future, due to the change to the accounting period end to 30 June, Shareholders will receive an unaudited interim report covering the six months ended 31 December, which will usually be posted to Shareholders in February. The Company's accounts are presented in Sterling in accordance with International Financial Reporting Standards.

8. Dividend policy

The Company has recently paid dividends on a twice-yearly basis with dividends on the Ordinary Shares declared in November and May and paid in January and July in each year. The dividend per Ordinary Share declared in respect of the financial periods ending 31 March 2010, 31 March 2011 and 31 March 2012 were 5p, 6p and 6p respectively.

For the six month period ended 30 September 2012 the Company declared an interim dividend of 2p per Ordinary Share which was paid in December. As a result of the Proposals, the Board does not intend to declare any further dividend on the Ordinary Shares in respect of the period to 30 June 2013.

If the Resolutions are passed, the Company intends to continue the policy of paying dividends on a twice-yearly basis. In respect of the period to which the first two dividends will relate, this being from First Admission to 30 June 2014, the Company will target an annualised dividend yield of 6 per cent. of NAV at

First Admission, and the Company will seek to maintain this yield (based on the opening NAV at the start of each financial year) on an annual basis.

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

It is expected that a proportion of the Company's targeted annualised dividend yield of 6 per cent. will be met through the distribution of capital profits to the extent that income profits are not available for distribution. The proportion of the dividend represented by the distribution from capital profits may increase as the holdings in the Company's Legacy Portfolio are reduced.

Any interim dividends will not necessarily be of an equal amount to the final dividend because the income from the Company's underlying investments is expected to be received by the Company irregularly throughout the relevant period.

In accordance with Section 1158 of the Corporation Tax Act 2010 and regulations made thereunder, with which the Company will need to comply to qualify as an investment trust, the Company does not intend retain more than 15 per cent. of its relevant income.

9. Fees and expenses

Directors

Stephen Cockburn Limited (a company incorporated in England and Wales with registered number 01974822) ("**SCL**") provides the services of Mr Cockburn as managing director of the Company. In consideration for the services thereunder, the Company pays SCL a fee of £50,000 per annum, exclusive of VAT. Conditional on the Resolutions being passed and with effect from First Admission, SCL has agreed to terminate the Services Agreement without notice. In such circumstances, Mr Cockburn has agreed to take up a non-executive appointment as set out below.

Sir David Thomson Bt., Mr Cockburn and Mr Lovegrove are currently each entitled to remuneration of £14,000 per annum for their services to the Company. Miss Webb and Mr Allen are each entitled to remuneration of £11,000 per annum for their services to the Company.

Conditional on First Admission, Sir David Thomson Bt., Mr Cockburn and Mr Allen have each entered into a letter of appointment dated 31 May 2013 pursuant to which they shall each be entitled to remuneration of £14,000 per annum for their services to the Company. The Proposed Director, Mr Perrin will also be entitled to remuneration of £14,000 per annum for his services to the Company with effect from First Admission. Mr Lovegrove and Miss Webb have each indicated that they do not intend to stand for re-election at the Company's next annual general meeting and, accordingly, the remuneration to which they are currently entitled will not change.

Administration fee

The Administrator is paid a fee of £111,000 per annum (exclusive of VAT) for the provision of its services under the Administration Agreement, payable quarterly in advance.

Registrar fee

The Registrar is paid a basic fee of £4,335 per annum (exclusive of VAT) for the provision of its services under the Registrar Agreement.

Management fee

Conditional on the Resolutions being passed and with effect from First Admission, the Proposed Manager shall be entitled to a management fee of one per cent. of the Net Asset Value per annum (exclusive of VAT) for its services under the Management Agreement, save that its fee will be reduced by such amount (being not more than the fees payable to the Proposed Manager in respect of any year (exclusive of VAT)) so as to seek to ensure that the Ongoing Charges Ratio of the Company does not exceed 2.5 per cent. per annum.

Other operational expenses

Other ongoing operational expenses (excluding fees paid to service providers as detailed above) of the Company will be borne by the Company including travel, accommodation, printing, audit, finance costs, due diligence and legal fees. All reasonable out of pocket expenses of the Manager, the Administrator, the Registrar and the Directors relating to the Company will be borne by the Company.

Ongoing Charges Ratio

Based upon the Assumptions, it is expected that the Ongoing Charges Ratio in the year following First Admission will amount to 2.5 per cent. Investors should note that targeted Ongoing Charges Ratio is a target only and not a forecast and there can be no assurance that it will be met.

10. Borrowings

A loan facility is available to the Company of up to £500,000 secured by an omnibus charge over a portfolio of shares with a valuation of £1,250,000. As at 30 April 2013, the amount drawn against the loan facility was nil.

As at 30 April 2013, the Company had £731,400 5 per cent. loan notes maturing 2010/2015 in issue. The loan notes were issued at par on 7 March 2005 as part of the consideration for the acquisition of New Centurion Trust Limited, a wholly-owned subsidiary of the Company. The loan notes are unsecured and unsubordinated and are being redeemed by the Company at par as to fifty per cent. of their aggregate original principal amount on the fifth anniversary of the completion date, which was 7 March 2010, and as to a further ten per cent. on each anniversary thereafter up to and including the tenth anniversary, being 7 March 2015.

PART V

FINANCIAL INFORMATION ON THE COMPANY

1. Basis of financial information

The audited consolidated financial statements of the Company for the years ended 31 March 2010, 31 March 2011 and 31 March 2012 were prepared in accordance with IFRS. The Company's auditors, Saffery Champness, regulated by the Institute of Chartered Accountants in England and Wales of Lion House, Red Lion Street, London WC1R 4GB, issued unqualified audit reports on the consolidated financial statements of the Company for each of the three years ended 31 March 2012. Saffery Champness have not audited any other information in this document.

The interim reports published by the Company for the periods ended 30 September 2012 and 31 March 2013 were unaudited.

The audited consolidated financial information of the Company for the three years ended 31 March 2012, as well as the interim reports of the Company for the periods ended 30 September 2012 and 31 March 2013, is in a form consistent with that which will be adopted in the Company's next published consolidated financial statements, being for the 15 month period ended 30 June 2013.

2. Historical financial information

The published interim reports for the periods ended 30 September 2012 and 31 March 2013 and the annual reports and audited accounts of the Company for the years ended 31 March 2010, 31 March 2011 and 31 March 2012 include, on the pages specified in the table below, the following information which is incorporated by reference into this document. Those parts of the annual reports and audited accounts referred to above which are not being incorporated into this document by reference are either not relevant for investors or are covered elsewhere in this document.

	<i>Year ended 31 March 2010</i>	<i>Year ended 31 March 2011</i>	<i>Year ended 31 March 2012</i>	<i>Period ended 30 September 2012</i>	<i>Period ended 31 March 2013</i>
Consolidated Income Statement	19	14	18	–	–
Consolidated Statement of Comprehensive Income	19	14	18	3	2
Consolidated Statement of Changes in Equity	20	15	19	4	3
Consolidated Balance Sheet	21	17	20	5	4
Consolidated Cash Flow Statement	23	18	22	6	5
Accounting policies	27-29	22-24	26-28	7	6
Notes to the Financial Statements	27-39	22-35	26-39	7-10	6-8
Independent Auditor's Report	17-18	12-13	16-17	–	–
Chairman's Statement	2-3	2-3	2-3	1-2	1
Directors' Report	4-16	4-13	4-15	–	–

3. Selected financial information

Financial information for the three years ended 31 March 2012

The key audited figures that summarise the financial condition of the Company, in respect of the most recent three full financial years for which audited consolidated accounts have been published, have been extracted directly on a straightforward basis from such accounts for the relevant accounting periods.

	Year ended 31 March		
	2010	2011	2012
	£	£	£
Consolidated balance sheets			
Investments	13,118,218	11,721,142	12,216,646
Current assets	365,340	1,276,023	682,270
Current liabilities	(2,069,041)	(962,396)	(1,272,492)
Net current (liabilities)/assets	(1,703,701)	313,627	(590,222)
Non-current liabilities	(3,960,205)	(3,594,505)	(3,228,803)
Net assets	7,454,312	8,440,264	8,397,621
NAV per Ordinary Share (pence)	265.45	318.24	315.96
Consolidated income statements			
Total income	1,151,082	1,063,628	1,363,009
Administrative expenses	(391,007)	(370,069)	(433,590)
Loan note interest	(176,275)	(90,047)	(71,991)
Other finance costs	(349,636)	(349,636)	(349,636)
Other interest payable	(22,932)	(23,024)	(5,454)
Realised gains on investments	371,369	1,202,663	26,097
Movement in impairment provisions	900,635	(119,597)	(270,261)
Net return before taxation	1,483,236	1,313,918	258,174
Net return after taxation	1,483,236	1,313,918	258,174
Return per Ordinary Share (basic and diluted) (pence)	77.42	68.36	11.15

(Source: the Company Annual Report & Accounts for the years ended 31 March 2010, 2011 and 2012)

Interim financial information for the periods ended 30 September 2012 and 31 March 2013

The unaudited interim figures that summarise the financial condition of the Company, in respect of the six month period ended 30 September 2012 and the twelve month period ended 31 March 2013, together with the respective comparative information for the periods ended 30 September 2011 and 31 March 2012, have been extracted directly on a straightforward basis from the published interim reports for those periods.

	<i>Six month period ended 30 September</i>		<i>Twelve month period ended 31 March</i>	
	<i>2011</i>	<i>2012</i>	<i>2012</i>	<i>2013</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Consolidated balance sheets				
Investments	10,966,179	12,324,338	12,216,646	12,785,619
Current assets	893,120	805,673	682,270	615,518
Current liabilities	(1,106,524)	(727,902)	(1,272,492)	(756,369)
Net current (liabilities)/assets	(213,404)	77,771	(590,222)	(140,851)
Non-current liabilities	(3,594,505)	(3,228,803)	(3,228,803)	(2,863,103)
Net assets	7,158,270	9,173,306	8,397,621	9,781,665
NAV per Ordinary Share (pence)	249.59	357.50	315.96	390.08
Consolidated income statements				
Total income	624,652	475,809	1,363,009	922,784
Administrative expenses	(180,391)	(211,987)	(433,590)	(425,171)
Loan note interest	(36,670)	(27,503)	(71,991)	(53,583)
Other finance costs	(174,818)	(174,818)	(349,636)	(349,636)
Other interest payable	(502)	(2,195)	(5,454)	(2,195)
Realised gains on investments	19,958	75,907	26,097	220,111
Movement in impairment provisions	(574,794)	201,606	(270,261)	26,676
Net return before taxation	(332,565)	336,819	258,174	338,986
Net return after taxation	(322,565)	336,819	258,174	338,986
Return per Ordinary Share (basic and diluted) (pence)	(17.27)	18.04	11.15	15.48

(Source: the Company interim reports for the six month period ended 30 September 2012 and the twelve month period ended 31 March 2013)

4. Availability of annual reports and audited accounts

Copies of each of the annual statements of the Company for the years ended 31 March 2012, 31 March 2011 and 31 March 2010, together with the published interim reports for the six month periods ended 30 September 2012 and 31 March 2013, are available for inspection at the addresses set out in paragraph 20 of Part VIII of this document.

5. Operating and financial review

The published annual reports and audited accounts of the Company for the years ended 31 March 2010, 31 March 2011 and 31 March 2012, as well as the published unaudited interim reports for the periods ended 30 September 2012 and 31 March 2013, which have been incorporated in this document by reference, included, on the pages specified in the table below, descriptions of the Company's financial condition (in both capital and revenue terms), changes in its financial condition and details of the Company's portfolio for each of those periods.

	<i>Year ended 31 March 2010</i>	<i>Year ended 31 March 2011</i>	<i>Year ended 31 March 2012</i>	<i>Period ended 30 September 2012</i>	<i>Period ended 31 March 2013</i>
Chairman's Statement	2-3	2-3	2-3	1-2	1
Directors' Report	4-16	4-13	4-15	–	–
Twenty Largest Investments	40-41	36-37	40-41	–	–

6. Capital resources

The Company's capital resources comprise its share capital and reserves.

In the twelve month period ended 31 March 2013, being the period covered by the most recently published unaudited financial information, cash received as net income from investments amounted to £297,469, interest received amounted to £616,680, cash outflows from financing activities amounted to £926,768 and net cash received from investing activities amounted to £955,254. Other net cash outflows amounted to £432,702, which includes staff costs, professional advisory fees, Directors' remuneration and other administration costs. Dividends on Ordinary Shares totalling £105,706 (included within cash outflows from financing activities above) were paid during the period.

Following the Placing Programme, the Conversion and the Re-designation, the Company's capital resources will comprise its share capital and reserves and the net proceeds of the Placing Programme.

7. Capitalisation and indebtedness

The following table shows the Company's indebtedness (distinguishing between guaranteed and unguaranteed, secured and unsecured indebtedness) as at 31 March 2013 and the Company's capitalisation as at 31 March 2013 (being the last date in respect of which the Group has published financial information).

	<i>As at 31 March 2013 (unaudited) £</i>
Total current debt	–
Guaranteed	–
Secured	–
Unguaranteed/unsecured	365,700
Total non-current debt (excluding current portion of non-current debt)	
Guaranteed	–
Secured	–
Unguaranteed/unsecured	2,863,103
Shareholders' equity	£
Share capital	1,808,728
Legal reserve	1,019,246
Other reserves	1,286,183
Total	4,114,157

The information above has been extracted without material adjustment from the unaudited interim report of the Company for the period ended 31 March 2013.

The following table shows the Group's unaudited net indebtedness as at 31 March 2013.

	<i>As at 31 March 2013 £</i>
A. Cash	294,918
B. Cash equivalent	–
C. Trading securities	–
D. Liquidity (A+B+C)	294,918
E. Current financial receivable	–
F. Current bank debt	–
G. Current portion of non-current debt	365,700
H. Trading securities payable	–
I. Other current financial debt	–
J. Current financial debt (F+G+H+I)	365,700
K. Net current financial indebtedness (J-E-D)	70,782
L. Non-current bank loans	–
M. Bonds issues	–
N. Other non-current loans	2,863,103
O. Non-current financial indebtedness (L+M+N)	2,863,103
P. Net financial indebtedness (K+O)	2,933,885

The Group currently has no indirect or contingent indebtedness.

Save as disclosed in the above table, there has been no material change in the capitalisation and indebtedness of the Company as at 31 March 2013 (being the last date in respect of which the Company has published unaudited financial information).

8. Working capital

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

9. Significant change

There has been no significant change in the trading or financial position of the Group since 31 March 2013, the date to which the unaudited interim financial information has been published.

10. Related party transactions

Save as disclosed in the "Notes to the Financial Statements" of the Company's annual reports to 31 March 2010, 2011 and 2012, as well as the unaudited interim reports of the Company to 30 September 2012 and 31 March 2013, which are incorporated by reference into this document, no other related party transactions have taken place during the period covered by the historical financial information until the Latest Practicable Date.

PART VI

UNAUDITED PRO FORMA FINANCIAL INFORMATION AND PRINCIPAL BASES AND ASSUMPTIONS

1. Accountants' report on the unaudited pro forma financial information

The Directors
The Investment Company plc
3rd Floor, Suite 539
Salisbury House
London Wall
London EC2M 5QS

Dear Sirs

Accountants' Report on the unaudited pro forma financial information

We report on the unaudited pro forma financial information as set out in this Part VI of the prospectus dated 31 May 2013, which has been prepared on the basis described, for illustrative purposes only, to provide information about how the Proposals (as defined in the Prospectus) might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ended 31 March 2012.

This report is required by paragraph 20.2 of Annex I of the Prospectus Directive Regulation (EC) 809/2004 and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the pro forma financial information as though it had been prepared in accordance with paragraph 20.2 of Annex I of the Prospectus Directive Regulation.

It is our responsibility to form an opinion, in accordance with paragraph 7 of Annex II of the Prospectus Directive Regulation, as to the proper compilation of the pro forma financial information and to report that opinion to you.

In providing this opinion, we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom these reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making the report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the directors of the Company.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with reasonable assurance that the pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Opinion

In our opinion:

- (a) the pro forma information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f), we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

Saffery Champness

Chartered Accountants

2. Pro forma financial information

The following unaudited pro forma financial information of the Company has been prepared for illustrative purposes only, to show the impact of the Proposals on the Company's net assets as at 31 March 2013, the latest date to which unadjusted interim financial information has been published, on the basis that the Proposals, with the exception of the Subsequent Placings, had been completed on that date. This pro forma financial information has been prepared in a manner consistent with the accounting policies adopted by the Company in preparing the financial statements for the year ended 31 March 2012.

The unaudited pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and, therefore, does not represent the Company's actual financial position or results.

	<i>As at</i>		<i>Adjustments</i>		<i>Pro forma</i>
	<i>31 March</i>				<i>as at</i>
	<i>2013</i>				<i>31 March</i>
<i>Note</i>	<i>(i)</i>	<i>(ii)</i>	<i>(iii)</i>	<i>(iv)</i>	<i>2013</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Investments	12,786	–	–	–	12,786
Current assets	615	–	4,567	–	5,182
Current liabilities	(756)	–	–	–	(756)
Net current (liabilities)/assets	(141)	–	4,567	–	4,426
Non-current liabilities	(2,863)	2,497	–	–	(366)
Net assets	9,782	2,497	4,567	–	16,846
Issued capital	1,809	800	788	(859)	2,538
Share premium	1,019	1,697	3,779	–	6,495
Own shares held	(2,920)	–	–	2,920	–
Reserves	9,874	–	–	(2,061)	7,813
Shareholders' funds	9,782	2,497	4,567	–	16,846
Net Asset Value per Ordinary Share (See note (v))	390.08p				334.06p

Notes:

- (i) The information for the Company has been extracted without adjustment from the unaudited interim financial information of the Company as at 31 March 2013.
- (ii) An adjustment to reflect the Conversion of the Preference Shares into 1,599,833 Ordinary Shares as determined by the Preference Share Conversion Ratio, calculated in accordance with paragraph 4 below.
- (iii) An adjustment to reflect the illustrative net proceeds of the Initial Placing being £5.0 million less expected costs of £433,000.
- (iv) An adjustment in respect of the Re-designation of 1,717,565 Non-Voting Ordinary Shares into Fixed Rate Preference Shares. This adjustment affects shareholders' funds only. The preference share liability arising on Conversion is eliminated on consolidation.
- (v) The Net Asset Value per Ordinary Share is calculated by deducting the premium attributable to Preference Shareholders from the Net Asset Value and dividing the resultant total by the number of Ordinary Shares in issue (excluding shares held in treasury). The premium attributable to Preference Shareholders will be nil following the implementation of the Proposals.

3. Principal bases and assumptions

Unless otherwise indicated, the illustrative financial information contained in this document relating to the Proposals has been calculated on the following principal bases and assumptions:

- as at the Latest Practicable Date there are 1,899,891 Ordinary Shares, 1,717,565 Non-Voting Ordinary Shares and 4,994,805 Preference Shares in issue;
- the Company holds 32,500 Ordinary Shares in treasury;
- the unaudited Net Asset Value of the Company at 30 April 2013, was £9.98 million;
- as at 30 April 2013, the Net Asset Value per Ordinary Share was 400.69 pence;
- gross proceeds raised pursuant to the Initial Placing are £5.0 million pursuant to an issue of 1,527,014 Ordinary Shares at a price of 327.4 pence per share;
- the costs of the Proposals are expected to be approximately £0.4 million;
- there are no changes to the generally accepted accounting policies relevant to the Company; and
- a Preference Share Conversion Ratio, calculated as at 30 April 2013 in accordance with paragraph 4 below, of 0.3104.

4. Calculation of the Preference Share Conversion Ratio

The Preference Share Conversion Ratio will be calculated as follows:

- (i) The Company will calculate its Net Asset Value as at the Calculation Date which, for the purposes of the Proposals, shall mean the value of all the assets (including the revenue account since 31 March 2012) less all the liabilities of the Company (including the Preference Share liability but excluding the premium attributable to Preference Shareholders).
- (ii) The resulting Net Asset Value shall be adjusted by adding the aggregate value of the paid up capital of all the Preference Shares (amounting to £2,497,403) and the net proceeds of the Initial Placing (together, the “**Pro Forma NAV as at the Calculation Date**”).
- (iii) The Company will also calculate the pro forma number of Ordinary Shares in issue following the Proposals by adding to the existing number of Ordinary Shares in issue (a) the aggregate number of Ordinary Shares to be issued on the Conversion of the Preference Shares (calculated in accordance with paragraph (v) below), and (b) the number of Ordinary Shares to be issued under the Initial Placing (together, the “**Pro Forma Ordinary Shares as at the Calculation Date**”).
- (iv) The Pro Forma NAV per Share as at the Calculation Date will be the Pro Forma NAV as at the Calculation Date divided by the Pro Forma Ordinary Shares as at the Calculation Date.
- (v) The aggregate number of Ordinary Shares to be issued on the Conversion of the Preference Shares will be the aggregate number of Preference Shares in issue multiplied by 1.07 and divided by the Pro Forma NAV per Share as at the Calculation Date.
- (vi) The Preference Share Conversion Ratio will be the aggregate number of Ordinary Shares to be issued on the Conversion of the Preference Shares divided by the aggregate number of Preference Shares in issue.

PART VII

TAXATION

UK Taxation

Introduction

The following statements are based upon current UK tax law and what is understood to be the current practice of HMRC, both of which are subject to change, possibly with retrospective effect. The statements are intended only as a general guide and may not apply to certain classes of Shareholder, such as dealers in securities, insurance companies, collective investment schemes or Shareholders who have (or are deemed to have) acquired their Shares by virtue of any office or employment. Such classes of Shareholder may be subject to special rules. The statements apply only to Shareholders who, for United Kingdom tax purposes, are resident in the United Kingdom, who hold their Ordinary Shares and/or Preference Shares as an investment (otherwise than in an Individual Savings Account) and who are the absolute beneficial owners of those Shares and any dividends paid on them.

Shareholders and potential investors who are in any doubt about their taxation position or who may be subject to tax in a jurisdiction other than the UK are strongly recommended to consult their own professional advisers.

The Company

It is the intention of the Directors to apply to HMRC for approval of the Company as an investment trust with effect from the first financial period of the Company beginning after First Admission and to conduct the affairs of the Company such that the conditions for investment trust status will, and will continue to, be met. However, neither the Directors nor the Proposed Manager can guarantee that this approval will be granted or maintained.

In respect of each accounting period for which the Company is and remains approved by HMRC as an investment trust, the Company will be exempt from UK taxation on its chargeable gains but (subject to what follows) will continue to be liable to UK corporation tax on its income in the normal way.

An approved investment trust (and in certain circumstances a company intending to seek approval as an investment trust) is able to elect to take advantage of modified UK tax treatment in respect of its “qualifying interest income” (referred to here as the “streaming” regime). Under such treatment, the Company would be able to designate as an “interest distribution” all or part of the amount it distributes to Shareholders as dividends, to the extent that it has “qualifying interest income” for the accounting period in question. Were the Company to designate a dividend as an interest distribution in this way, it would be able to deduct the amount of such interest distribution from its income in calculating its taxable profit for the relevant accounting period.

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

Taxation of Dividends

Individuals

(A) Dividends which are not designated as “interest distributions”

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

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

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

purposes. The tax credit is equal to one-ninth of the cash dividend received (which equates to 10 per cent. of the gross dividend).

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

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

A dividend tax rate of 37.5% applies to the extent that dividends, when treated as the top slice of an Individual Ordinary Shareholder's income, fall above the threshold for additional rate income tax. After taking into account the 10 per cent. tax credit, such Ordinary Shareholders will have an effective dividend tax rate of approximately 30.55 per cent. of the cash dividend received.

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

(B) "Interest distributions"

Should the Directors elect to apply the streaming regime to any dividends paid by the Company, a UK resident Ordinary Shareholder in receipt of such a dividend would be treated as though they had received a payment of interest. Such a Shareholder would be subject to UK income tax at the rates current at the relevant time. Currently the rates are 20 per cent. (basic rate), 40 per cent. (higher rate) and 45 per cent. (additional rate). Such distributions would, under current law, be paid to the individual Ordinary Shareholder after the deduction of 20 per cent. income tax.

Ordinary Shareholders within the charge to corporation tax

(A) Dividends which are not designated as "interest distributions"

Subject to the discussion of "interest distributions" below, Ordinary Shareholders within the charge to corporation tax should generally be exempt from corporation tax on dividends paid by the Company but will not be able to claim a repayment of the tax credit attaching to the dividends.

(B) "Interest distributions"

If the Directors were to elect for the new streaming rules to apply, and such corporate Ordinary Shareholders were to receive dividends designated by the Company as interest distributions, they would be subject to corporation tax on any such amounts received.

Dividends paid by the company to Ordinary Shareholders within the charge to corporation tax should not generally be subject to any withholding for or on account of tax (regardless of whether the dividends are designated as "interest distributions").

Taxation of Chargeable Gains

Conversion of Preference Shares

The proposed Conversion of the Preference Shares into Ordinary Shares and Deferred Shares should be treated as a reorganisation for the purposes of UK taxation of chargeable gains. Accordingly, Preference Share Holders should not be treated as having made a disposal, and no UK liability to tax on chargeable gains should arise, as a result of the Conversion. Instead, the Ordinary Shares and Deferred Shares into which the Preference Shares are converted should be treated as the same asset as, and as having been acquired at the same time and for the same consideration as, the original Preference Shares. For the purposes of calculating any gain or loss on a subsequent disposal of the Ordinary Shares and Deferred Shares, a Preference Shareholder's original base cost in the Preference Shares will be apportioned

between the Ordinary Shares and Deferred Shares based on their respective market values as at the date of the Conversion. Given the very limited rights attaching to the Deferred Shares, they will have a very low market value for these purposes, and accordingly would have a very low base cost. However, assuming that all of the Deferred Shares are bought back by the Company for an aggregate consideration of only £1 (as is expected), the amount of any chargeable gain or distribution in respect of such buy-back would be extremely small and accordingly would not give rise to any material UK tax liability.

Placing Programme

The issue of the Placing Shares will not be regarded as a reorganisation for the purposes of UK taxation of chargeable gains; it will simply be a separate acquisition by the subscribers for those Placing Shares.

Disposals of Ordinary Shares

If an Ordinary Shareholder sells or otherwise disposes of his Ordinary Shares to a third party he may, depending on his circumstances and subject to any available exemption or relief, incur a liability to United Kingdom capital gains tax (for individual shareholders) or corporation tax on chargeable gains (for corporate shareholders). For Ordinary Shareholders within the charge to corporation tax (but not for individuals), indexation allowance may be available to reduce any such gain (but not to create or increase an allowable loss).

Stamp duty and stamp duty reserve tax

Transfers on sale of Ordinary Shares in certificated form will generally be subject to UK *ad valorem* stamp duty at the rate of 0.5 per cent. of the consideration given for the transfer, rounded up to the nearest £5. The purchaser normally pays such *ad valorem* stamp duty. Payment of such *ad valorem* stamp duty in respect of an instrument transferring Ordinary Shares will generally cancel any liability to stamp duty reserve tax ("**SDRT**") arising in respect of an agreement to transfer such Ordinary Shares.

Paperless transfers of Ordinary Shares within the CREST system will generally be subject to SDRT, rather than *ad valorem* stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration payable. Such SDRT will generally be collected through the CREST system.

The issue of Placing Shares should not generally be subject to *ad valorem* stamp duty or SDRT. Special rules may apply in relation to transactions involving depositary receipts or clearance services.

PART VIII

ADDITIONAL INFORMATION ON THE COMPANY

1. Incorporation and administration

- 1.1 The Investment Company plc was incorporated and registered in England and Wales on 14 November 1868 as a limited liability company under the provisions of the Companies Act 1862 with registered number 4205. The Company's registered office is located at 3rd Floor, Suite 539, Salisbury House, London Wall, London EC2M 5QS (telephone: +44 (0) 20 7448 4700).
- 1.2 The liability of the members of the Company is limited.
- 1.3 The Company operates under the Companies Act and is not regulated as a collective investment scheme by the FCA. However, it is subject to the Listing Rules, Prospectus Rules and the Disclosure and Transparency Rules and the Rules of the London Stock Exchange. The principal activity of the Company is investment in securities, both debt and equity.
- 1.4 The Company has two wholly-owned subsidiaries: Abport Limited and New Centurion Trust Limited, both of which are incorporated and registered in England and Wales.
- 1.5 The Company's accounting periods have historically terminated on 31 March of each year. As a result of the Proposals, the accounting period for the current financial period will be extended to 30 June 2013 and the Company's accounting periods will terminate on 30 June of each year thereafter. It is expected that the annual general meetings of the Company will be held in November each year.

2. Share capital

- 2.1 The Company has no authorised share capital. At the Latest Practicable Date, the issued share capital, all of which is fully paid, of the Company was as follows:

	<i>Par Value</i>	<i>Issued Share Capital Number</i>	<i>£</i>
Ordinary Shares	50p	1,899,891	949,946
Ordinary Shares held in treasury	50p	32,500*	16,250
Non-Voting Ordinary Shares	50p	1,717,565	858,782
Preference Shares	50p	4,994,805	2,497,403

* representing 1.71 per cent. of the Company's issued Ordinary Share capital.

- 2.2 For the period from 1 April 2009 to 31 March 2013, the period covered by the historical financial information, there have been no changes to the share capital of the Company.
- 2.3 At the Latest Practicable Date, New Centurion Trust Limited (a wholly-owned subsidiary of the Company) held 1,717,565 Non-Voting Ordinary Shares in the capital of the Company. It is proposed that, subject to approval of the Ordinary Shareholders at the General Meeting, the Non-Voting Ordinary Shares will be re-designated as Fixed Rate Preference Shares.
- 2.4 No options over any Shares (either conditional or unconditional) have been granted.
- 2.5 No Ordinary Shares are subject to any arrangement under which future dividends are waived or have agreed to be waived.
- 2.6 Holders of Non-Voting Ordinary Shares have the right to elect that such shares do not rank for dividend in respect of any financial period.
- 2.7 The Company does not have any convertible securities, exchangeable securities or securities with warrants in issue.

3. The Company's Portfolio

As at 30 April 2013, the Company's portfolio of investments comprised 51 quoted investments and 12 unquoted investments with an unaudited aggregate value of £12,978,337. The Company also holds 21 investments which have been written down to zero in the Company's accounts.

Since 30 April 2013, the Company has not disposed of any of its investments listed in the table below, nor has it acquired any new investments.

As at 30 April 2013, the Company's top 20 investments, representing 89.88 per cent. of the value of the total portfolio, were as follows:

<i>Stock</i>	<i>Number</i>	<i>Market or Directors' Valuation (£)</i>	<i>% of total portfolio</i>
1. Lloyds Banking Group			
7.8673% ECN 17/12/19 (LBG Capital)	500,000	527,175	
7.5884% ECN 12/05/20 (LBG Capital)	1,750,000	1,837,749	
9.125% ECN 15/07/20 (LBG Capital)	100,000	111,128	
14.5% ECN 30/01/22 (LBG Capital)	300,000	403,920	
7.975% ECN 15/09/24 (LBG Capital)	920,000	960,894	
7.281% Perpetual (Bank of Scotland)	400,000	398,970	
		<hr/> 4,239,836	<hr/> 32.67%
2. Phoenix Life Ltd			
7.25% perp notes	1,060,000	970,695	7.48%
3. Royal Bank of Scotland			
9% series 'A' non-cum pref (NatWest)	500,000	634,838	
SPON ADR each rep Pref C (NatWest)	20,000	322,542	
		<hr/> 957,380	<hr/> 7.38%
4. Skipton Building Society			
5.625% Notes 18/01/18	500,000	370,013	
10% Notes 12/12/18	400,000	399,960	
		<hr/> 769,973	<hr/> 5.93%
5. Fishguard & Rosslare			
3½% gtd preference stock	790,999	505,092	3.89%
6. Anpario			
ordinary 23p	300,000	435,105	3.35%
7. Newcastle Building Society			
6.25% sub notes 23/12/19	600,000	424,710	3.27%
8. REA Holdings			
9.5% Gtd Notes 31/12/17	300,000	316,305	
7.75% Dollar Notes 20/12/14	150,000	95,411	
		<hr/> 411,716	<hr/> 3.17%
9. Amalgamated Metal			
5.4% cum pref £1*	256,065	192,049	
6% cum pref £1*	213,510	179,348	
		<hr/> 371,397	<hr/> 2.86%
10. Investec Investment Trust			
3.5% cum pref £1	461,508	276,420	
5% cum pref £1	104,043	78,797	
		<hr/> 355,217	<hr/> 2.74%

<i>Stock</i>	<i>Number</i>	<i>Market or Directors' Valuation (£)</i>	<i>% of total portfolio</i>
11. The Liberty Group			
6% cum pref £1	250,225	107,759	
9.5% cum pref £1*	199,708	199,708	
		<hr/> 307,467	<hr/> 2.37%
12. S&U			
31.5% preference shares 12.5p	489,192	256,679	
6% cum pref £1	67,850	50,714	
		<hr/> 307,393	<hr/> 2.37%
13. Chesnara			
ordinary 5p	110,000	260,543	2.01%
14. Bristol Water			
4% cons deb irrd stock £1	360,118	237,084	1.83%
15. Arbuthnot Banking Group			
ordinary 1p	25,000	223,988	1.73%
16. Morgan Advanced Materials			
5% 2nd cum pref £1	169,500	131,727	
5.5% 1st cum pref £1	94,000	77,705	
		<hr/> 209,432	<hr/> 1.61%
17. Northgate			
5% cum pref 50p	532,763	203,063	1.56%
18. Renold			
6% cum pref £1	422,109	198,497	1.53%
19. Whitnash			
5% cum pref £1*	329,603	148,321	1.14%
20. Associated British Engineering			
ordinary 2.5p	100,000	128,700	0.99%
Total			<hr/> <hr/> 89.88%

* Denotes an unquoted investment

As per the table above, the Company holds securities issued by Lloyds Banking Group plc which, as at 30 April 2013 comprised 32.67 per cent. of the Company's portfolio.

Lloyds Banking Group plc is a financial services provider operating in the UK. It is incorporated and registered in Scotland with company number SC095000 and its registered office is situated at Lloyds Banking Group plc, The Mound, Edinburgh EH1 1YZ.

Its ordinary shares, together with the securities listed above (save for the 7.281% Perpetual (Bank of Scotland) securities) are admitted to trading on the London Stock Exchange. The 7.281% Perpetual (Bank of Scotland) securities are admitted to trading on the Luxembourg Stock Exchange.

As at 30 April 2013, the Company's portfolio by sector was as follows:

<i>Sector</i>	<i>% of portfolio</i>
Financials	66.92
Industrials	9.18
Biotechnology	6.57
Utilities	6.56
Retail	2.37
Consumer Goods	2.44
Support Services	1.66
Mining	1.05
Other	3.25
	<hr/> 100.00 <hr/>

Source: unaudited management information

As at 30 April 2013, the Company's portfolio by security type was as follows:

<i>Security type</i>	<i>% of portfolio</i>
Loan notes, loan stock and debentures	56.51
Preference shares	33.24
Ordinary shares	10.25
	<hr/> 100.00 <hr/>

Source: unaudited management information

4. Memorandum and Articles of Association

4.1 The Company's objects are unrestricted.

4.2 The Articles, which were adopted by the Company with effect from 1 October 2009, include provisions to the following effect:

4.2.1 Directors

(a) *Qualification and quorum*

The number of Directors shall not be less than three nor more than six. Two Directors shall constitute a quorum. No shareholding qualification shall be required for a Director.

(b) *Remuneration and expenses*

The remuneration of the Directors for their services shall not exceed a maximum amount equivalent to £15,000 per Director per annum, save that any Director appointed as a Managing Director may be paid such extra remuneration by way of salary, percentage of profits or otherwise, as the Directors may determine. The Directors may receive or provide gratuities, superannuation, sickness, benevolent, compassionate, welfare or other allowances and benefits, life or endowment assurances or other like benefits for all or any of the Directors who hold or have held executive or salaried employment in the Company or a subsidiary of the Company.

(c) *General Powers and duties of the Directors*

The business of the Company shall be managed by the Directors who may exercise all such powers of the Company as are not required to be exercised by the Company in general meeting.

(d) *Summoning meetings of the Directors*

A Director may, and the Secretary on the requisition of a Director shall, at any time, summon a meeting of the Directors.

(e) *Proceedings of the Directors*

The Directors may meet together for the despatch of business, adjourn and otherwise regulate meetings as they think fit, and determine the quorum necessary for the transaction of business. All business transacted by the Directors may be deemed to be validly effected notwithstanding that fewer than two Directors or alternate Directors are physically present at the same place. Questions arising at any meeting shall be decided by a majority of votes. In the case of a deadlock, the Chairman shall have the casting vote.

(f) *Chairman of the Directors*

The Directors may elect a Chairman and a Deputy Chairman of their meetings and determine the period of their respective offices.

(g) *Managing Director*

The Directors may appoint one or more of their body to the office of Managing Director on such terms and conditions as they think fit. A Director so appointed shall not be subject to retirement by rotation or be taken in to account in determining the retirement of Directors, but his appointment shall be automatically terminated if he ceases from any cause to be a Director. The Directors may confer upon a Managing Director any of the powers exercisable by them upon such terms and with such restrictions as they think fit and may revoke, withdraw or alter all or any of such powers.

(h) *Delegation to committees*

The Directors may delegate any of their powers or discretions to committees, consisting of such one or more of their body as they think fit. The presence of at least one Director shall be required for a meeting of any such committee. The committee shall conform to any regulations and restrictions so imposed on it by the Directors.

(i) *Alternate Directors*

Each Director may appoint another Director or any person to be his alternate and may remove such an alternate Director. If the alternate Director is not already a Director, the appointment shall be subject to the approval of a majority of the Directors.

Every person acting as an alternate Director shall have one vote for each Director for whom he acts as alternate, in addition to his own vote if he is also a Director, but he shall count as only one for the purpose of determining whether a quorum is present.

Every appointment or removal of an alternate Director shall be made by notice in writing by the Director making or revoking such appointment and shall take effect (subject to the approval of the Directors in the case of an alternate who is not a Director) on receipt of such notice at the office.

The appointment of an alternate Director shall automatically determine on the happening of any event, which if he were a Director, would cause him to vacate office or if he resigns his office by notice to the Company.

(j) *Authorisation of Directors' conflicts of interest*

The Directors may authorise a conflict of interest situation by resolution, provided that the Director or any other Director to whom the conflict situation relates does not count towards the requirement for a quorum and such Director shall not have a vote in relation to the resolution. Any authorisation granted may be revoked or varied at any time at the absolute discretion of the Directors.

(k) *Directors may hold other offices*

A Director may hold any other office or place of profit under the Company in conjunction with the office of Director for such period and on such terms as the Directors may determine. A Director or any firm or body corporate in which he is interested may act in a professional capacity for the Company, but not as auditor. A

Director is authorised to be or become a director or other officer or servant of, or otherwise interested in, any other entity promoted by the Company and shall not be liable to account to the Company for any remuneration or benefits received from such other company.

(l) *Director's interest in transactions or arrangements*

A Director may enter into, or be interested in any transaction or arrangement with the Company and may have or be interested in dealings of any nature whatsoever with the Company, provided the nature and extent of this interest has been declared to the Directors. A Director shall not be held liable to account for, and no such transaction shall be avoided, by reason of his being a Director and the fiduciary relationship thereby established.

(m) *Restrictions on Directors voting and counting in the quorum*

A Director shall not vote on, nor be counted in the quorum in relation to any resolution relating to any transaction or arrangement in respect of which he is required to make a declaration of interest.

This restriction shall not apply in respect of matters relating to:

- (i) his interest in shares or debentures or other securities in the Company;
- (ii) his interest in any other company attributable to his interest in securities in the Company itself;
- (iii) any proposal to grant any security, guarantee or indemnity to him or a third party in respect of money lent or obligations incurred by him or a third party for the benefit of the Company or any of its subsidiaries;
- (iv) his entitlement as a holder of securities in the Company to participate in an offer for subscription or purchase of shares or debentures or other securities in the Company or his proposed participation in the underwriting or sub-underwriting of such offer;
- (v) his interest in any arrangement which the Company has in place or proposes to put in place for the benefit of employees of, or persons that provide services to the Company or any of its subsidiaries provided that such arrangement does not award him any privilege or benefit in excess of that awarded to those to whom such arrangement relates;
- (vi) any proposal to offer the Director an indemnity where all other Directors are being offered such an indemnity on substantially the same terms;
- (vii) any interest as an insured under an insurance policy, which the Company proposes to maintain for the benefit of any or all the Directors;
- (viii) any proposal for the Company to fund expenditure incurred by one or more Directors in defending proceedings against him or them or doing anything to enable such expenditure not to be incurred where all Directors are being offered substantially the same arrangements; or
- (ix) his interest, whether direct or indirect, in any other company with which the Company proposes to enter into any transaction or arrangement (provided that the Director does not hold an interest representing one per cent. or more of the issued share capital or of the voting rights of such company).

For the purposes of the restrictions on voting, there shall be treated as interests of the Director in question any interest of a person connected with him.

The Company may by ordinary resolution suspend or relax to any extent, either generally or in respect of any particular matter, any of the provisions relating to the restrictions on Directors voting and counting in the quorum.

(n) *Directors' retirement by rotation*

At every annual general meeting after 1 October 2009, there shall retire from office one third of the Directors for the time being (other than the Managing Director), or if their number is not three or a multiple of three, then the number nearest to one third, the Directors to so retire being those who have been longest in office since their appointment or (if more recent) their last election. Every Director shall offer himself for re-election no less often than once every three years. A Director may also voluntarily offer himself for re-election at any annual general meeting.

At an annual general meeting at which any Director retires, the Company may fill any vacancies in the office of Director or appoint additional Directors, provided the maximum number of Directors shall not exceed six.

No person other than a Director retiring at a general meeting or a person recommended by the Directors for election shall be eligible for election to the office of Director unless not less than seven nor more than forty-two days before the date scheduled for the meeting, notice in writing is left at the office of the Company, signed by a Shareholder duly qualified to attend and vote at such meeting, of his intention to propose such person, and also notice in writing signed by that person indicating his willingness to be elected to the office of Director.

If the Company, at any meeting at which a Director retires in accordance with the Articles, does not fill the office vacated by such Director, the retiring Director shall continue in office until such time as his place has been filled, unless at any such general meeting a resolution is passed to reduce the number of Directors or unless a resolution to re-appoint him was put to the meeting and lost.

(o) *Removal of Directors*

The Company may, by ordinary resolution, of which special notice has been given in accordance with the Companies Act, remove any Director before the expiration of his period of office notwithstanding anything in the Articles or in any agreement between him and the Company, and may by ordinary resolution appoint another person in his place.

(p) *Disqualification of Directors*

The office of a Director shall be vacated if the Director:

- (i) is declared bankrupt or applies for an interim order or makes a proposal for the adoption of a voluntary arrangement under the Insolvency Act 1986;
- (ii) is or may be suffering from a mental disorder and in relation to that disorder either he is admitted to hospital for treatment in pursuance of an application for admission for treatment under the Mental Health Act 1983 or Mental Health (Scotland) Act 1984 or lacks capacity in accordance with the Mental Capacity Act 2005, section 2 or an order is made by a court (whether in the United Kingdom or elsewhere) for his detention or for the appointment of some person to exercise powers with respect to his property or affairs;
- (iii) is prohibited by reason of an order under the Company Directors Disqualification Act 1986 from being a Director;
- (iv) is convicted of an indictable offence, which, in the opinion of the Directors, affects his character or position as a Director;
- (v) is absent from meetings of the Directors for a period of six months (without leave having been given by a resolution of the Directors) and the Directors resolve that his office be vacated;
- (vi) resigns his office by notice in writing or his offer to resign is accepted;
- (vii) is removed from office pursuant to the Articles or under section 168 of the Companies Act; or
- (viii) is requested in writing by all of the other Directors to resign his office.

(q) *Directors may act notwithstanding vacancy*

The Directors may act notwithstanding any vacancy in their body, (a) generally for a period of not more than 120 days after the vacancy arises and (b) thereafter for the purpose of increasing the number of Directors to the number prescribed by the Articles, but for no other purpose.

4.2.2 Rights attaching to Ordinary and Preference Shares

(a) *As to dividends:*

The holders of the Preference Shares shall be entitled in priority to the payment of any dividend to the holders of all or any other shares in the capital of the Company to a fixed net cash cumulative dividend at the rate per annum of 7p per each Preference Share, the same to be distributed rateably amongst them according to the amounts paid up or credited as paid up on the Preference Shares, and to accrue on a daily basis and to be paid out of the profits of the Company available for distribution half yearly in equal amounts. Such dividend shall be paid on 1 April and 1 October (each a “**dividend date**”) in each year or where such date is not a business day, on the next following business day, in respect of the half years ending on 31 March and 30 September respectively;

In addition to the fixed net cash cumulative dividend there shall be payable on each issued Preference Share an additional participating dividend on 1 October each year equal to 25 per cent. of any dividend paid on each Ordinary Share in excess of 2p net per Ordinary Share in respect of any financial year of the Company commencing after 1 April 1996, subject to a maximum participating dividend in respect of any financial year of the Company of 3p net per each Preference Share;

If after making provision for the payment of the fixed cumulative dividend on the Preference Shares there are further profits available for dividend and resolved to be distributed by the Company in respect of any financial year of the Company there shall before payment of any dividend to holders of any other class of share in the Company be distributed therefrom any arrears, deficiency or accruals of the fixed cumulative dividend on the Preference Shares and thereafter subject to any additional participating dividend, the balance may be distributed amongst the holders of the Ordinary Shares rateably according to the amounts paid or credited as paid up on such shares;

The dividends on the Preference Shares shall be paid in the amount or at the rate mentioned above in addition to (and not inclusive of) the benefit of any imputed or associated tax credit at the rate from time to time prevailing;

If in any financial year of the Company, the Company has insufficient profits available for distribution or by reason of the Companies Act is unable to pay in full on any dividend date the fixed cumulative dividend then due, without prejudice to any other right and remedy which the holders of the Preference Shares have for the recovery of the amount or any balance of the dividend owing to them on such dividend date, the Company shall pay such holders on account of the fixed cumulative dividend the maximum sum (if any) which can then consistently with the Companies Act properly be paid by the Company and whenever the Company can consistently with the Companies Act pay any amount on account of the balance of such dividend, it shall forthwith pay such amount to such holders; and

Any dividend unclaimed for a period of twelve years from the date of declaration shall be forfeited and shall revert to the Company.

(b) *As to a return of capital:*

On a return of capital on liquidation of the Company or otherwise the surplus assets of the Company remaining after payment of its liabilities shall be applied:

- (i) first, in repaying to the holders of the Preference Shares the nominal amount of the capital paid up or credited as paid up thereon together with, in each case

the sum equal to any arrears, deficiency or accruals of fixed cumulative dividend on such shares, together with all interest accrued thereon, such arrears, deficiency, accruals and interest to be calculated down to the return of capital on the basis that such dividends are payable irrespective of whether they have been earned or declared or not and thereafter the holders of the Preference Shares shall not be entitled to share or participate further or otherwise in such surplus assets;

- (ii) second, the payment of a premium of 50p per share;
- (iii) the balance of such surplus assets if any shall belong to and be distributed amongst the holders of the Ordinary Shares rateably according to the amounts paid up or credited as paid up on such shares.

The Preference Shares are not redeemable.

(c) *As to voting:*

- (i) save as provided in below, the Preference Shares shall entitle the holders thereof to receive notice of, but not to attend or vote, at any general meeting of the Company. The Company shall send to the holders of the Preference Shares a copy of every document which is sent to the holders of any other class of shares in the capital of the Company at the same time and in the same manner as it is sent to such holders;
- (ii) if at any time: (a) any fixed cumulative dividend or part thereof on the Preference Shares is six months or more in arrears; or (b) a resolution is to be proposed for the winding up of the Company or for the reduction of the capital of the Company or the purchase by the Company of any shares (other than Preference Shares) in its capital or for the capitalisation of any reserves of the Company or to amend or sanction any breach by the Company or the Directors of the provisions of the Articles of Association relating to the borrowing powers of the Company or to approve the sale of the whole or a substantial part of the business or assets of the Company (all of which matters shall require the approval of the Company in general meeting);

then for so long as the situation described in sub-paragraph (i) applies, the holders of the Preference Shares shall be entitled to receive notice of, to attend and to vote at all general meetings of the Company and in relation to any resolution contemplated in sub paragraph (b) above, the holders of the Preference Shares shall be entitled to receive notice of, to attend and to vote at the general meeting at which such resolution is proposed.

Subject to any special rights or restrictions attached to any shares by or in accordance with the Articles of Association, on a show of hands every member entitled to do so who attends and votes at any general meeting shall be entitled to one vote. On a poll taken on a resolution on which holders of Preference Shares then in issue are entitled to vote, every voting Ordinary Share shall entitle the holder thereof to one vote and every Preference Share shall entitle the holder thereof to one vote.

4.2.3 Rights attaching to Non-Voting Ordinary Shares

The Non-Voting Ordinary Shares have the same rights and are subject to the same restrictions as the Ordinary Shares, as if the same constituted a single class, save that: (i) the holders of Non-Voting Ordinary Shares have the right to receive notice of, but not to attend or vote at, any general meeting of the Company; and (ii) any holder of Non-Voting Ordinary Shares may, without prejudice to the rights of the Non-Voting Ordinary Shares generally, by notice in writing to the Company signed by such holder, elect that the Non-Voting Ordinary Shares held by him shall not rank for any dividend or other distribution in respect of Ordinary Shares which has been or may be declared or payable by the Company in respect of any financial period specified in such notice.

4.2.4 Variation of class rights

Subject to the provisions of the Companies Act, the special rights attached to any class of shares may be varied or abrogated in such matter (if any) as may be provided by those rights, or with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a general meeting of the holders of such class of shares.

4.2.5 General meetings

(a) As to calling a general meeting:

The Company shall in each year hold a general meeting as its annual general meeting, in addition to any other meetings in that year, in accordance with the Statutes.

The Directors may, whenever they think fit, call a general meeting and shall do so upon a requisition made in accordance with the Statutes.

If, at any time, there shall not be present in the United Kingdom and capable of acting sufficient Directors to form a quorum, the Directors in the United Kingdom capable of acting, or if there shall be no such Directors then any two Shareholders, may convene a general meeting in the same manner as nearly as possible as that in which general meetings may be convened by the Directors, and the Company at such meeting shall have power to elect Directors.

In the case of a general meeting called in pursuance of a requisition, unless such meeting shall have been called by the Directors, no business other than that stated in the requisition as the object of the meeting shall be transacted.

(b) As to notice:

An annual general meeting shall be called by at least 21 clear days' notice. Any other general meeting shall also be called by at least 21 clear days' notice, unless a shorter period (being not less than 14 clear days' notice) shall be permitted in accordance with the Statutes.

Notice of every general meeting shall be given to all Shareholders on the register on the close of business on a day determined by the Directors, being not more than 21 days before the day on which the notice of meeting is despatched, other than any Shareholder who is not entitled to receive such notices. Notice shall also be given to the Auditors and each Director.

The notice shall specify the place, the date and the time of meeting. The notice shall be given in the manner provided in the Articles of Association or in such other manner (if any) as may be prescribed by the Company in general meeting to such persons as are under the Articles of Association entitled to receive such notices from the Company. Every notice calling an annual general meeting shall specify the meeting as such. Every notice convening a general meeting for the purpose of considering one or more special resolutions shall set out the text of such resolution or resolutions.

The accidental failure to give notice to any person entitled to receive notice of a general meeting, or the non-receipt by any such person of such notice shall be disregarded for the purposes of determining whether notice of the meeting or resolution has been duly given and shall not invalidate the proceedings at that meeting.

(c) As to the chairman and quorum:

The chairman (if any) of the Directors shall preside as chairman at every general meeting of the Company. If there is no such chairman, or if at any meeting he is not present within 15 minutes after the time appointed for holding the meeting or he is unwilling to act as chairman, the Directors present shall choose one of their number present to be chairman and, if there is only one Director present and willing to act, he shall be chairman or if no Director is present and willing to act, the Shareholders shall

choose one of their number (whether present in person, by proxy or (in the case of a corporate Shareholder) by representative) to be chairman.

No business, other than the appointment of a chairman of the meeting, shall be transacted at any general meeting unless a quorum of Shareholders is present. Such quorum shall consist of not less than three Shareholders present in person, by representative (in the case of a corporate Shareholder) or by proxy and entitled to vote.

4.2.6 Votes of members

Subject to any rights or restrictions for the time being attached to any class of Shares:

- (a) on a show of hands every Shareholder (being an individual) present in person or (being a corporate Shareholder) present by a representative and every proxy duly appointed by one or more Shareholders entitled to vote on the resolution shall have one vote, save that a proxy shall have one vote for and one vote against the resolution if the proxy has been duly appointed by more than one Shareholder entitled to vote on the resolution and the proxy has been instructed by one or more of those Shareholders to vote for the resolution and by one or more other of those Shareholders to vote against it;
- (b) on a poll, every Shareholder (being an individual) present in person or by one or more duly appointed proxies or (being a corporate Shareholder) by representative or by one or more duly appointed proxies shall have one vote for every share held by him. No Shareholder shall be entitled to vote at any general meeting either on a show of hands or on a poll (in person or by proxy) unless all calls or other sums presently payable by him in respect of the Shares held by him in the Company have been paid; and
- (c) if any objection shall be raised as to the qualification of any person or it is alleged that any votes have been counted which should not have been counted or that any votes have not been counted which ought to have been counted, the objection or allegation shall not vitiate the decision on any resolution unless it is raised at the meeting or adjourned meeting at which the vote objected to is given or tendered or at which the alleged error occurs. Any objection or allegation made in due time shall be referred to the chairman of the meeting, whose decision shall be final and conclusive.

4.2.7 Class meetings

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class. To every such separate general meeting the provisions of the Articles of Association relating to general meetings shall apply but so that the necessary quorum shall be two persons at least holding or representing by proxy one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll.

4.2.8 Disclosure of beneficial interests in Shares

- (a) If at any time, the Directors are satisfied that any member or other person appearing to be interested in the Shares of the Company has been duly served with a notice under section 793 of the Companies Act and is in default for 14 days after the section 793 notice has been given in supplying to the Company the information thereby required, then the Directors may direct that, in respect of the Shares in relation to which the default has occurred ("**default shares**"):
 - (i) if the default shares in which any one person is interested or appears to the Company to be interested represent less than 0.25 per cent. (in nominal value) of the issued shares of the class, the holders of the default shares shall not be entitled, in respect of those shares, to attend or vote either personally or by proxy at any general meeting or annual general meeting of the Company;

- (ii) if the default shares in which any one person is interested or appears to the Company to be interested represent at least 0.25 per cent. (in nominal value) of the issued shares of the class, the holders of the default shares shall not be entitled, in respect of those shares: (i) to attend or vote either personally or by proxy at any general meeting or annual general meeting of the Company; or (ii) to transfer or agree to transfer any of those shares or any rights in them.
- (b) These restrictions shall continue for such period as the Directors may specify, being not more than seven days after the earlier of:
 - (i) the Company being notified that the default shares have been sold pursuant to a market transfer; or
 - (ii) due compliance, to the satisfaction of the Directors, with the section 793 notice.
- (c) The restrictions above shall not prejudice the right of either the Shareholder holding the default shares or, if different, any person having a power of sale over those shares to sell or agree to sell those shares under a market transfer. A market transfer is: in relation to any share, a transfer pursuant to:
 - (i) a sale of the share on a recognised investment exchange or on any stock exchange outside the United Kingdom on which shares of that class are listed or normally traded;
 - (ii) a sale of the whole beneficial interest in the share to a person whom the Directors are satisfied is unconnected with the existing holder or with any other person appearing to be interested in the share; or
 - (iii) an acceptance of a takeover offer (as defined in section 974 of the Companies Act) which relates to the share.

4.2.9 Changes of capital

- (a) The Company may by ordinary resolution:
 - (i) increase its capital by the creation of new shares;
 - (ii) sub-divide its shares or any of them into shares of smaller amount;
 - (iii) determine that, as between the shares resulting from a sub-division, any of them may have any preference or advantage compared with others;
 - (iv) consolidate, or consolidate and divide, its shares or any of them into shares of a larger amount than its existing shares; or
 - (v) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its capital by the amount of the shares so cancelled.
- (b) The Company may, by special resolution, reduce its share capital, or any capital redemption reserve or any share premium account or other undistributable reserve in any manner authorised by the Statutes.
- (c) Pursuant to a special resolution passed on 12 July 2012, the Directors have been granted power pursuant to Section 570 of the Companies Act to allot equity securities (within the meaning of section 560 of the Companies Act) for cash, pursuant to the authority conferred on them to allot equity securities as if section 561(1) and sub sections (1)-(6) of section 562 of the Companies Act did not apply to any such allotment, up to an aggregate nominal value of £47,497, such authority to expire at the next annual general meeting of the Company or, if earlier, the date 15 months from the date of passing of the resolution.

4.2.10 Transfer and compulsory transfer of Ordinary Shares

All transfers of shares in certificated form must be in writing in the usual form or any other form permitted by the Stock Transfer Act 1963, or approved by the Directors, with the approval of the Stock Exchange. The instrument of transfer must be signed by or on behalf

of the transferor, and if the shares being transferred are not fully paid, by or on behalf of the transferee. The Directors may in their absolute discretion and without giving any reason, refuse to register any transfer of shares which are not fully paid provided that, where any such shares are admitted to the Official List of the Financial Conduct Authority or to trading on any recognised investment exchange, such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis.

The Directors may also refuse to register any instrument of transfer of a certificated share unless the instrument of transfer, duly stamped, is left at the office or at such other place as the Directors may decide, for registration, accompanied by the certificate for the shares to be transferred and such other evidence as the Directors may reasonably require to prove the right of the title of the intended transferor or his right to transfer the shares.

In addition, the Directors may refuse to register any transfer unless it is in respect of only one class of shares and without giving any reason for its decision, refuse to register any transfer of an uncertificated share where permitted by the Companies Act.

4.2.11 Unclaimed dividends

Any dividend unclaimed after a period of twelve years from the date when such dividend was declared payable shall be forfeited and shall revert to the Company.

4.2.12 Non-UK Shareholders

There are no limitations in the Articles of Association on the rights of non-UK Shareholders to hold or exercise voting rights attaching to Ordinary Shares. However, a Shareholder who has no registered address within the United Kingdom and has not given notice to the Company to register such an address shall not be entitled to receive any notices from the Company.

4.2.13 Untraceable Shareholders

Subject to the Statutes, the Company may sell at the best price reasonably obtainable at the time of sale any Share of a Shareholder or any Share to which a person is entitled by transmission if:

- (i) during a period of twelve years at least three cash dividends have become payable in respect of the Share to be sold and have been sent by the Company in accordance with the Articles of Association;
- (ii) during that period of twelve years no cash dividend payable in respect of the Share has been claimed, no cheque, warrant, order or other payment for a dividend has been cashed, no dividend sent by means of a funds transfer system has been paid and no communication has been received by the Company from the Shareholder or the person entitled by transmission to the share;
- (iii) on or after the expiry of that period of twelve years the Company has published advertisements both in a national newspaper and in a newspaper circulating in the area in which the last known address of the Shareholder or person entitled by transmission to the Share or the address at which notices may be given in accordance with the Articles of Association is located, in each case giving notice of its intention to sell the Share; and
- (iv) during the period of three months following the publication of those advertisements and after that period until the exercise of the power to sell the Share, the Company has not received any communication from the Shareholder or the person entitled by transmission to the Share.

The net proceeds of such sale shall be a permanent debt of the Company and the Company shall be deemed to be a debtor and not a trustee in respect of them for such Shareholder or other person. Such proceeds may either be employed in the business of the Company or invested in such investments (other than shares of the Company or its holding company (if any) as the Directors may from time to time think fit. The Company shall not be required to pay interest on such proceeds or to account for any amounts earned on such proceeds.

4.2.14 Borrowing powers

Subject as hereinafter provided the Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital and subject to the Statutes to issue debentures, debenture stocks and other securities, whether outright or as collateral security for any debt, liability, or obligation of the Company or of any third party.

The Directors 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 subsidiary companies (if any) so as to secure that the aggregate amount for the time being remaining undischarged of all moneys borrowed by the Group (exclusive of inter Group borrowings) shall not at any time without the previous sanction of an ordinary resolution of the Company exceed an amount equal to twice the aggregate of the nominal amount of the issued and paid-up share capital of the Company and the amount standing to the credit of the consolidated capital and revenue reserves (including any share premium account, capital redemption reserve and amount standing to the credit of the consolidated profit and loss account) all as calculated from a consolidation of the latest audited balance sheets of the Company and its subsidiaries but:

- (i) adjusted as may be necessary in respect of any variation in the paid up share capital, share premium account or capital redemption reserve of the Company since the date of its last audited balance sheet;
- (ii) excluding any sum set aside for future taxation and deducting any debit balance on profit and loss account; and
- (iii) excluding any interests of minority shareholders.

For the purpose of the said limit the issue of debentures shall be deemed to constitute borrowing notwithstanding that the same may be issued in whole or in part for a consideration other than cash. "The Group" shall mean the Company and all of its subsidiaries within the definition contained in Section 736 of the Companies Act 1985.

5. Mandatory bids and squeeze-out rules

Mandatory Bid

- (a) The Code is issued and administered by the Takeover Panel (the "**Panel**"). The Panel has been designated as the supervisory authority to carry out certain regulatory functions in relation to takeovers, pursuant to the Takeovers Directive (the "**Directive**"). Following the implementation of the Directive, the rules set out in the Code which are derived from the Directive now have a statutory basis.
- (b) Under Rule 9 of the Code, where (a) any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares in which persons acting in concert with him are interested) carries 30 per cent. or more of the voting rights of a company subject to the Code, or (b) any person who, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30 per cent. but does not hold more than 50 per cent. of the voting rights of such a company, and such person, or any person acting in concert with him acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested, then, except with the consent of the Panel, he and any person acting in concert with him, must make a general offer in cash to the other shareholders to acquire the balance of the shares not held by him and his concert party.

Compulsory Acquisition

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

under the Companies Act must, in general, be the same as the consideration that was available under the takeover offer.

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

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

6. Material contracts

The following are all of the contracts (not being entered into in the ordinary course of business) that have been entered into by the Company within the two years immediately preceding the date of this document or which are or may be, material to the Company at any time and contain obligations or entitlements which are, or may be, material to the Company as at the date of this document:

6.1 Management Agreement

Pursuant to the terms of the Management Agreement which is conditional on the Resolutions being passed, the Company has appointed the Proposed Manager to act as investment manager of the Company with responsibility to manage the assets of the Company and to advise the Company on a day to day basis in accordance with the Investment Policy and subject to the overall control and supervision of the Board. Under the terms of the Management Agreement, the Proposed Manager has discretion to buy, sell, retain, exchange or otherwise deal in investment assets for the account of the Company.

With effect from First Admission, the Proposed Manager shall be entitled to receive from the Company or any member of its group in respect of its services provided under the Management Agreement, a management fee payable monthly in arrears calculated at the rate of one-twelfth of one per cent. per calendar month of the Net Asset Value per annum for its services under the Management Agreement, save that its management fee will be reduced by such amount (being not more than the fees payable to the Proposed Manager in respect of any year (exclusive of VAT)) so as to seek to ensure that the Ongoing Charges Ratio of the Company does not exceed 2.5 per cent. per annum.

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

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

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

6.2 Placing Agreement

Pursuant to the Placing Agreement, subject to certain conditions, Westhouse Securities has agreed to use its reasonable endeavours to procure subscribers for Ordinary Shares for both the Initial and Subsequent Placings, as part of the Placing Programme, at the Initial Placing Price or Placing Price respectively. The Placing Agreement may be terminated by Westhouse Securities in certain customary circumstances both prior to First Admission or in advance of the Subsequent Placings.

The obligation of the Company to issue the Initial Placing Shares and the obligation of Westhouse Securities to use its reasonable endeavours to procure subscribers for the Initial Placing Shares is conditional upon certain conditions that are typical for an agreement of this nature. These conditions include, among others: (i) the Resolutions and the Preference Share Resolution being passed; (ii) Admission of the Initial Placing Shares occurring and becoming effective by 8.00 a.m. London time on or prior to 31 July 2013 (or such later time and/or date, not being later than 30 September 2013, as the Company and Westhouse Securities may agree); and (iii) the Placing Agreement not having been terminated in accordance with its terms.

In consideration for its services in relation to the Initial Placing, Westhouse Securities will be paid (i) a corporate finance fee of £125,000; (ii) a commission equal to 2.0 per cent. of the aggregate value subscribed in the Initial Placing by investors introduced by Westhouse Securities; and (iii) a commission of 0.5 per cent. of the aggregate value subscribed in the Initial Placing by investors introduced by parties other than Westhouse Securities.

The obligation of the Company to issue the Subsequent Placing Shares and the obligation of Westhouse Securities to use its reasonable endeavours to procure subscribers for the Subsequent Placing Shares is conditional upon certain conditions that are typical for an agreement of this nature. These conditions include, among others: (i) the Resolutions and the Preference Share Resolution being passed; (ii) any Subsequent Admission in respect of the relevant Placing Shares occurring and becoming effective by 8.00 a.m. London time on the relevant date to be determined by the Company and Westhouse Securities or such later time and/or date, not being later than 30 May 2014, as the Company and Westhouse Securities may agree); and (iii) the Placing Agreement not having been terminated in accordance with its terms.

In consideration for its services in relation to the Subsequent Placings, Westhouse Securities will be paid a commission equal to one per cent. of the aggregate value subscribed in the Subsequent Placings by investors.

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

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

6.3 Registrar Agreement

Pursuant to an agreement dated 21 June 1996, the Company appointed the Registrar to act as registrar and transfer agent to the Company. The Registrar is entitled to receive an annual fee of £4,335, payable quarterly in arrears for its services under the Registrar Agreement. The Registrar is also entitled to reimbursement of all out of pocket expenses incurred on behalf of the Company.

Either party may terminate the Registrar Agreement on not less than six months' notice in writing to the other party. In addition, the Registrar has reserved the right to terminate the Registrar Agreement upon the expiry of seven days' written notice to the Company in the event that any fees, charges or

recoveries payable by the Company are outstanding for a period of more than 30 days after the date of the invoice.

The Company has granted the Registrar an indemnity in respect of any loss, damage, costs and expenses occasioned in the proper performance of the Registrar's duties, unless caused by the wilful default of the Registrar or its servants arising in connection with the performance or non-performance of its duties.

6.4 Administration Agreement

Pursuant to the Administration Agreement, the Administrator has agreed to provide administrative and accommodation services to the Company for an aggregate fee of £111,000 per annum exclusive of VAT. The Administrator has agreed to provide the Company with general administration services and financial support including the provision of Mr Harrison as company secretary, the calculation of quarterly valuations and custody services for the Company's investments including the collection of dividends, interest and other income due to the Company.

The Administration Agreement is terminable if either party commits a material breach of the agreement which is not remedied within 30 days or if either party has a receiver appointed or passes a resolution for winding-up.

7. Major shareholders

- 7.1 Insofar as it is known to the Company, as at the Latest Practicable Date, the following persons are interested directly or indirectly in three per cent. or more of the Company's issued share capital or voting rights:

<i>Shareholder</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Ordinary issued Share capital</i>
Miss J. B. Webb	475,886	25.05
Mrs J. P. Brown	212,343	11.18
Mrs S. Williams	212,343	11.18
Shirlstar Container Transport Limited Pension Fund	194,650	10.25
S. J. Cockburn	188,647	9.93
Sir David Thomson Bt.	57,000	3.00

Save as set out in this paragraph 7, the Company is not aware of any person who holds as shareholder (within the meaning of the Disclosure and Transparency Rules), directly or indirectly, three per cent. or more of the voting rights of the Company.

- 7.2 Major shareholders do not benefit from different voting rights.
- 7.3 The Company and the Directors are not aware of any person who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.
- 7.4 The Company and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Company.

8. Interests of the Directors

The interests of the Directors and the Proposed Director, their immediate families and related trusts and (insofar as is known to them or could with reasonable diligence be ascertained by them) persons connected with the Directors and the Proposed Director in the share capital of the Company (all of which are beneficial unless otherwise stated) as at the Latest Practicable Date, are set out in the following table:

	<i>Number of Preference Shares</i>	<i>Percentage of issued preference share capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued ordinary share capital</i>
Sir David Thomson Bt.	–	–	57,000	3.00
S. J. Cockburn	28,000	0.56	188,647	9.93
Miss J. B. Webb	204,800	4.10	475,886	25.05
P. S. Allen	–	–	20,000	1.05
P. A. Lovegrove	–	–	11,000	0.58
M. H. W. Perrin	–	–	3,250	0.17

9. Remuneration of the Directors

The Directors received the following emoluments in the form of fees and salaries for the year ended 31 March 2012:

	<i>Total (£)</i>	<i>Accrued (£)</i>
Sir David Thomson Bt.	14,000	–
S. J. Cockburn	64,000	25,000
Miss J. B. Webb	11,000	–
P. S. Allen	11,000	–
P. A. Lovegrove	14,000	–

None of the Directors has any other entitlement to remuneration for their services to the Company save as set out above.

10. Service agreements and letters of appointment

10.1 Employees

The Company has one part time employee who provides secretarial assistance.

10.2 Executive Director

Pursuant to the Services Agreement, Stephen Cockburn Limited (a company incorporated in England and Wales with registered number 01974822) ("**SCL**") agreed to provide the services of Mr Cockburn as managing director of the Company. In consideration for the services provided thereunder, the Company pay SCL a fee of £50,000 in respect of Mr Cockburn's annual remuneration as managing director in addition to a director's fee of £14,000. The agreement is terminable on 12 months' written notice.

Conditional on the Resolutions being passed and with effect from First Admission, SCL has agreed to terminate the Services Agreement without notice. In such circumstances, Mr Cockburn has agreed to take up a non-executive appointment as set out below.

10.3 Non-executive Directors

Conditional on First Admission, Mr Cockburn and the Proposed Director, Mr Perrin, have each been appointed as a non-executive Director pursuant to the terms of letters of appointment dated 31 May 2013. Each of Sir David Thomson Bt., and Mr Allen have also entered into a letter of appointment dated 31 May 2013 which confirms the terms of their appointment as a non-executive Director. In each case, the appointment (which is subject to retirement by rotation in accordance with the Articles) is for an initial term of three years. The Company has the right to terminate each appointment without compensation if the relevant Director is required to vacate office in accordance

with the Articles and may terminate the appointment with immediate effect if the relevant Director has committed a serious breach of its obligations to the Company or has been guilty of dishonesty, fraud or serious misconduct. The remuneration set out in the letters of appointment, which is conditional on First Admission, is £14,000 each per annum.

Miss Webb and Mr Lovegrove have each indicated that they will not stand for re-election at the Company's next annual general meeting. Accordingly, their appointment will continue in accordance with the Articles but they have not entered into a letter of appointment with the Company. Mr Lovegrove is currently entitled to remuneration of £14,000 per annum and Miss Webb is currently entitled to remuneration of £11,000 per annum.

The fees will be reviewed regularly by the Board and may be increased in line with usual market rates within the limits set out in the Articles. No amounts have been set aside by the Company to provide pension, retirement or similar benefits. Save as set out in this paragraph 10, there are no existing or proposed service contracts or letters of engagement between any Director and the Company.

11. Conflicts of interest

11.1 Mr Cockburn is a director and shareholder of the Administrator.

11.2 Mr Perrin, the Proposed Director, is a director and shareholder of the Administrator.

11.3 Save as set out in paragraphs 11.1 and 11.2 above:

11.3.1 there are no actual or potential conflicts of interest in respect of any of the Directors between any duties they have to the Company and the private interests and/or other duties they may also have;

11.3.2 there are no contracts or arrangements subsisting at the date of this document in which a Director of the Company is materially interested and which are significant in relation to the business of the Company; and

11.3.3 the Directors are not aware of any other interest that is material to the Placing Programme.

12. Directorships and partnerships

Save as set out below, the Directors and the Proposed Director have not held any directorships in any company, other than the Company, or been a partner in a partnership at any time in the five years prior to the date of this document.

Sir David Thomson Bt.

Current

Danae Investment Trust plc (*in voluntary liquidation*)
Holylee Farms
Holylee Properties Ltd
Jove Investment Trust plc (*in voluntary liquidation*)
Meacock Capital plc
Meacock Underwriting Ltd
Nomina 025 LLP
S A Meacock & Company Ltd
Through Transport Mutual Insurance Association Ltd
TT Club Mutual Insurance Limited

Past

Brittania Steamship Insurance Association Ltd
Douglas Knitwear Ltd

S. J. Cockburn*Current*

Abport Ltd
 Cumnor House School Trust
 Danae Investment Trust plc (*in members' voluntary liquidation*)
 Fiske plc
 Garro Finance Ltd
 Ionian Investment Management Ltd
 Ionian Nominees Ltd
 Jove Investment Trust plc (*in members' voluntary liquidation*)
 Key Brand International Holdings LP
 Nesco Investments Ltd
 New Centurion Trust Ltd
 Nomina No 459 LLP
 Rivermoor Securities Ltd (*in members' voluntary liquidation*)

Past

59 Eaton Place Ltd
 Bucklersoak Investments Ltd
 Cumnor House School (Sussex) Ltd
 Cumnor House Leisure Services Ltd
 Dartless Ltd
 Dartmoor Investment Trust plc
 Ionian Corporate Finance Ltd
 Ionian Group Ltd
 Key Brand Entertainment LLP
 Lightening Graphics Ltd
 Perseus Finance Ltd
 Rivermoor Investments Ltd

Miss J. B. Webb*Current*

Mimram Place Management Limited

Past

New Centurion Trust Limited

P. S. Allen*Current*

Aboyne-Clyde Rubber Estates of Ceylon Ltd
 Gilt Fund Securities Ltd

*Past***P. A. Lovegrove***Current*

Palgrove Investments Ltd
 Rivermoor Securities Ltd (*in members' voluntary liquidation*)

Past

Moor Park Golf Club Ltd
 Rivermoor Investments Ltd

M. H. W. Perrin*Current*

Muir Finance Company Limited
 Fairfax Perrin Limited
 Fiske plc
 Fivar Finance Limited
 Fivar Limited
 Vipera plc

Past

Advance Cornhill Limited
 Advanced Renewable Energy Limited
 CarbonDesk Group Plc
 Salisbury Assets Limited
 Snowball Asset Management Limited
 Ticketable Systems Limited
 Webb Capital Advisory Limited

13. Directors' confirmations

13.1 No Director or the Proposed Director has, in the five years preceding the date of this document:

13.1.1 had any convictions in relation to fraudulent offences; or

13.1.2 been declared bankrupt or been subject to any individual voluntary arrangement or been associated with any bankruptcy, receivership or liquidation in his capacity as member of the administrative, management or supervisory bodies or member of senior management of a company; or

13.1.3 been subject to any official public incrimination and/or sanctioned by any statutory or regulatory authorities (including designated professional bodies) or been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.

13.2 No loan has been granted to, nor any guarantee provided for the benefit of, any Director by the Company. No Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company which has been effected by the Company since its incorporation.

14. Corporate governance

The Group is committed to high standards of corporate governance and the principles of good governance set out in the UK Corporate Governance Code. The Directors have reviewed the detailed principles and recommendations contained in the UK Corporate Governance Code and believe that, to the extent that they are relevant to the Group's business, they have complied with the provisions of the UK Corporate Governance Code during the year ended 31 March 2012 and that the Group's current practice is, in all material respects, consistent with the principles of the UK Corporate Governance Code. However, no formal policy or procedures have been documented as the Directors do not, at present, consider that such practice is appropriate for the Group.

Conditional on the Resolutions being passed and with effect from First Admission, the Board considers it appropriate to set out a formal approach to corporate governance. The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to Shareholders.

The UK Corporate Governance Code includes provisions relating to:

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

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

The Company's Audit Committee is chaired by Mr Lovegrove and consists of Mr Lovegrove and Sir David Thomson Bt. The Committee meets at least twice a year. The Board considers that the members of the Audit Committee have the requisite skills and experience to fulfil the responsibilities of the Audit Committee. The Audit Committee examines the effectiveness of the Company's control systems. It reviews the half-yearly and annual reports and also reviews the scope, results, cost effectiveness, independence and objectivity of the external auditor.

In light of the Proposed Manager's appointment, the Company has established a Management Engagement Committee with effect from First Admission which will be chaired by Sir David Thomson Bt. and consists of all the Directors. The Management Engagement Committee will meet at least once a year or more often if required. Its principal duties will be to consider the terms of appointment of the Proposed Manager and it will annually review that appointment and the terms of the Management Agreement.

15. Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings pending or threatened of which the Company is aware) which may have or have had a significant effect on Group's financial position or profitability during the 12 months preceding the date of this document.

16. Costs and Expenses

The costs of the Proposals, excluding Subsequent Placing costs, will be borne out of the proceeds of the Initial Placing. Assuming the Initial Placing is fully subscribed, it is expected that the total costs of the Initial Placing (including any commissions) will be 8.7 per cent. of the gross proceeds of the Initial Placing.

The costs of the Subsequent Placings will be borne out of the proceeds of the Subsequent Placings. Assuming the Subsequent Placings are fully subscribed, it is expected that the total costs of the Subsequent Placings (including any commissions) will be one per cent. of the gross proceeds of the Subsequent Placings.

17. Investor Profile

Any investment in the Company is suitable only for investors capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss (including total loss) which may result from the investment. An investment in the Company will not be suitable for investors seeking an index-linked return on their investment.

An investment in the Company should constitute part of a diversified investment portfolio. Typical investors in the Company are expected to be institutional investors, private client fund managers and private client brokers, as well as private individuals who have received advice from their fund manager or broker regarding investment in the Ordinary Shares, or who have sufficient experience to enable them to evaluate themselves the risks and merits of such investment. Investors should consult their stockbroker, bank manager, solicitor, accountant or other financial adviser before making an investment in the Company. Investment in the Company should be regarded as long-term in nature and may not be suitable as a short-term investment.

18. General

- 18.1 Westhouse Securities has given and has not withdrawn its written consent to the publication of this document and the inclusion herein of its name and the references to it in the form and context in which they appear.
- 18.2 The Proposed Manager has given and has not withdrawn its written consent to the publication of this document and the inclusion herein of its name and the references to it in the form and context in which they appear.
- 18.3 Saffery Champness has given and has not withdrawn its written consent to the inclusion in Part VI of this document of its report in the form and context in which it appears and has authorised the contents of its report for the purposes of Prospectus Rule 5.5.3 R(2)(f).
- 18.4 In relation to information provided by third parties, the Company confirms that that information has been accurately reproduced and so far as the Company is aware and able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

19. Third party information

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

20. Documents available for inspection

Copies of the following documents will be available for inspection at the registered office of the Company, 3rd Floor, Suite 539, Salisbury House, London Wall, London EC2M 5QS, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) until 30 May 2014:

- (a) the Memorandum and current Articles of Association of the Company;
- (b) the proposed amended and restated Articles of Association;
- (c) the consent letters referred to in paragraph 18 of this Part VIII;
- (d) the audited consolidated accounts of the Company for the three years ended 31 March 2012 referred to in Part V of this document;

- (e) the published interim reports for the Company for the six month period ended 30 September 2012 and the twelve month period ended 31 March 2013;
- (f) the material contracts referred to in paragraph 6 of this Part VIII; and
- (g) this document.

Copies of this document are available for inspection from the National Storage Mechanism and will shortly be available for inspection at: <http://www.hemscott.com/nsm.do>.

PART IX

DEFINITIONS

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

“Administration Agreement”	the services agreement made between the Company and Fiske further details of which are set out at paragraph 6 of Part VIII of this document
“Administrator”	Fiske
“Amendment to the Articles”	the proposed amendments to the Articles of Association as described in paragraph 6 of Part I of this document;
“Articles of Association” or “Articles”	the articles of association of the Company
“Assumptions”	the principal bases and assumptions set out in paragraph 3 of Part VI of this document
“Auditors”	Saffery Champness
“Board” or “the Directors”	the board of directors of the Company, or a duly constituted committee thereof
“Business Day”	any day (other than a Saturday or Sunday or public holiday) on which banks are generally open for business in London
“Calculation Date”	close of business on 18 June 2013 or such other date as the Company and Westhouse may agree;
“Capita Registrars”	a trading name of Capita Registrars Limited
“certificated” or “certificated form”	a share or security which is not in uncertificated form (that is, not in CREST)
“Class Meeting”	the class meeting of the Preference Shareholders, notice of which is set out on pages 92 to 93 of this document, or any adjournment of that meeting
“Code”	the Code on Takeovers and Mergers
“Companies Act”	The Companies Act 2006, as amended
“Company”	The Investment Company plc, a company incorporated in England and Wales with registered number 4205
“Conversion Shares”	the Preference Shares proposed to be converted into Ordinary Shares but not including the Deferred Shares as described in paragraph 5 of Part I of this document
“Conversion”	the conversion of the Preference Shares into Ordinary Shares and Deferred Shares as described in paragraph 5 of Part I of this document
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 01/3755), as amended
“CREST”	the relevant system for the paperless settlement of trades and the holding of uncertificated securities operated by Euroclear UK & Ireland Limited in accordance with the CREST Regulations

“Custodian”	Fiske
“Deferred Shares”	the deferred shares proposed to be created on the Conversion of the Preference Shares to Ordinary Shares as described in paragraph 5 of Part I of this document
“Earnings per Share”	the earnings per share of the Company determined in accordance with the Company’s normal accounting policies
“Euroclear”	Euroclear UK & Ireland Limited, the operator of CREST
“Excluded Territories”	Australia, Canada, Japan, the Republic of South Africa and the United States and each other jurisdiction outside the United Kingdom where the extension or availability of the Placing Programme would breach any applicable law and each an “Excluded Territory”
“Existing Ordinary Shares”	the Ordinary Shares in issue prior to the implementation of the Proposals
“FCA”	the Financial Conduct Authority
“First Admission”	admission of the Conversion Shares and the Initial Placing Shares (as applicable) to the premium segment of the Official List in accordance with the Listing Rules and admission of the Conversion Shares and the Initial Placing Shares (as applicable) to trading on the London Stock Exchange’s main market for listed securities in accordance with the Admission and Disclosure Standards
“Fiske”	Fiske plc
“Fixed Rate Preference Shares”	the fixed rate preference shares of 0.01p each having the rights set out in paragraph 6 of Part I of this document
“Form of Proxy”	each form of proxy enclosed with this document and to be used in connection with the General Meeting or the Class Meeting, as the context requires
“FSMA”	the Financial Services and Markets Act 2000, as amended
“General Meeting” or “GM”	the general meeting of the Company, notice of which is set out on pages 94 to 98 of this document or any adjournment of that meeting
“Group”	the Company and its subsidiaries from time to time
“HMRC”	HM Revenue & Customs
“IFRS”	International Financial Reporting Standards
“Initial Placing Price”	the Pro Forma NAV per Ordinary Share as at the Calculation Date less 5 per cent.
“Initial Placing Shares”	the new Ordinary Shares in the Company proposed to be issued pursuant to the Initial Placing
“Initial Placing”	the placing by Westhouse Securities to raise up to £5 million through the issue of Initial Placing Shares at the Initial Placing Price as part of the Placing Programme, as described in this document
“Investment Policy”	the investment policy of the Company from time to time

“Latest Practicable Date”	close of business on 29 May 2013 (being the latest practicable date prior to the publication of this document)
“Legacy Portfolio”	that part of the Company’s existing portfolio that comprises preference shares, interest-bearing loans and bonds
“London Stock Exchange”	London Stock Exchange plc
“Luxembourg Stock Exchange”	Bourse de Luxembourg
“Management Agreement”	the management agreement dated 31 May 2013 between the Proposed Manager and the Company, a summary of which is set out in paragraph 6 of Part VIII of this document
“Memorandum of Association”	the memorandum of association of the Company
“Miton Group”	Miton Group plc, a company incorporated in England and Wales with registered number 05160210
“NCT”	New Centurion Trust Limited, a subsidiary of the Company
“Net Asset Value per Ordinary Share” or “NAV per Ordinary Share”	the net asset value of the Company, determined in accordance with the Company’s normal accounting policies, adjusted by deducting the premium attributable to Preference Shareholders and divided by the number of Ordinary Shares in issue
“Net Asset Value” or “NAV”	the net asset value of the Company determined in accordance with the Company’s normal accounting policies
“Non-Voting Ordinary Shares”	non-voting ordinary shares of 50p each, having the rights set out in the Articles
“Notice of Class Meeting”	the notice of class meeting, set out on pages 92 to 93 of this document
“Notice of General Meeting”	the notice of general meeting, set out on pages 94 to 98 of this document
“Official List”	the official list maintained by the Financial Conduct Authority
“Ongoing Charges Ratio”	in relation to the Company the ratio of annualised ongoing charges to the average undiluted Net Asset Value in any period as calculated in accordance with the methodology published by the Association of Investment Companies from time to time
“Ordinary Shareholder”	a holder of Ordinary Shares
“Ordinary Shares”	ordinary shares of 50p each in the capital of the Company
“Overseas Persons”	persons who are resident in, ordinarily resident in, or citizens of, jurisdictions outside the UK
“Overseas Shareholders”	Shareholders who are resident in, ordinarily resident in, or citizens of, jurisdictions outside the UK
“Placing Agreement”	the placing agreement dated 31 May 2013 between the Company, the Proposed Manager and Westhouse Securities, a summary of which is set out in paragraph 6 of Part VIII of this document

“Placing Price”	the price at which new Ordinary Shares will be issued pursuant to the Placing Programme to placees, being not less than the prevailing Net Asset Value per Ordinary Share plus any expenses incurred in connection with such Placing, other than new Ordinary Shares issued pursuant to the Initial Placing which will be issued at the Initial Placing Price
“Placing Programme”	the proposed programme of placings of up to 7 million new Ordinary Shares in aggregate, as described in this document
“Placing Shares”	the new Ordinary Shares in the Company proposed to be issued pursuant to the Placing Programme
“Preference Share Conversion Ratio”	the aggregate number of Ordinary Shares to be issued on the Conversion of the Preference Shares divided by the aggregate number of Preference Shares in issue
“Preference Share Resolution”	the resolution to be proposed at the Class Meeting, as set out in the Notice of Class Meeting
“Preference Shareholder”	a holder of Preference Shares
“Preference Shares”	participating preference shares of 50p each, having the rights set out in the Articles
“Pro Forma NAV as at the Calculation Date”	the Net Asset Value as at the Calculation Date adjusted by adding the aggregate value of the paid up capital of all the Preference Shares (amounting to £2,497,403 and the net proceeds of the Initial Placing
“Pro Forma NAV per Ordinary Share as at the Calculation Date”	the Pro Forma NAV as at the Calculation Date divided by the Pro Forma Ordinary Shares as at the Calculation Date
“Pro Forma Ordinary Shares as at the Calculation Date”	the Existing Ordinary Shares of the Company in issue as at the date of this document together with the aggregate number of Ordinary Shares to be issued on the Conversion of the Preference Shares and the number of Ordinary Shares to be issued under the Initial Placing
“Proposals”	the proposals for the future of the Company which comprise the appointment of the Proposed Manager, the amendment to the Investment Policy, the Share Capital Reorganisation, the Amendment to the Articles, the Placing Programme (including the Initial Placing and the Subsequent Placings) and the application to obtain investment trust status as described in this Prospectus
“Proposed Director”	Martin Perrin
“Proposed Manager”	Miton Capital Partners Limited
“Prospectus Rules”	the prospectus rules made under Part VI of FSMA (as set out in the FCA Handbook), as amended
“Prospectus”	this document
“Record Date”	close of business on 26 June 2013
“Re-designated Shares”	the Non-Voting Ordinary Shares proposed to be re-designated as Fixed Rate Preference Shares

“Re-designation”	the re-designation of the Non-Voting Ordinary Shares into Fixed Rate Preference Shares as described in paragraph 5 of Part I of this document
“Register”	the register of members of the Company
“Registrar Agreement”	the registrar agreement dated 21 June 1996 made between the Company and the Registrar further details of which are set out at paragraph 6 of Part VIII of this document
“Registrar”	Capita Registrars Limited (previously known as Independent Registrars Group Limited)
“Regulatory Information Service”	a regulatory information service approved by the London Stock Exchange for the distribution to the public of announcements and included within the list maintained on the London Stock Exchange’s website
“Resolutions”	the resolutions to be proposed at the General Meeting, as set out in the Notice of General Meeting
“SCL”	Stephen Cockburn Limited (a company incorporated in England and Wales with registered number 01974822)
“SEC”	the United States Securities and Exchange Commission
“Services Agreement”	the agreement dated 29 November 2006 made between the Company and SCL, further details of which are set out at paragraph 10.2 of Part VIII of this document
“Share Capital Reorganisation”	the proposed Conversion and Re-designation as described in paragraph 5 of Part I of this document
“Shareholder”	a holder of Shares
“Shares”	Ordinary Shares, Non-Voting Ordinary Shares and/or Preference Shares as the context requires
“Statutes”	the Companies Act 2006, every statutory modification or re-enactment of that act for the time being in force and every other act or statutory instrument for the time being in force concerning limited companies and affecting the Company
“Sterling” or “£”	the lawful currency of the United Kingdom for the time being
“Subsequent Admission”	admission of those Placing Shares not issued pursuant to the Initial Placing to the premium segment of the Official List in accordance with the Listing Rules and admission of those Placing Shares not issued pursuant to the Initial Placing to trading on the London Stock Exchange’s main market for listed securities in accordance with the Admission and Disclosure Standards
“Subsequent Placing Shares”	the new Ordinary Shares in the Company proposed to be issued pursuant to the Subsequent Placings
“Subsequent Placings”	placings of Ordinary Shares under the Placing Programme other than the Initial Placing

“uncertificated” or “uncertificated form”	recorded on the relevant register or other record of the share or other security concerned as being held in uncertificated form in CREST and title to which, by virtue of the Regulations, may be transferred by means of CREST
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“United States” or “US”	the United States of America, its territories and possessions and any state of the United States of America and the District of Columbia
“US Advisers Act”	the United States Investment Advisers Act of 1940
“US Person”	has the same meaning as is defined in Regulation S under the US Securities Act
“US Securities Act”	the United States Securities Act of 1933, as amended
“Westhouse Securities”	Westhouse Securities Limited, a company incorporated in England and Wales with registered number 00762818

THE INVESTMENT COMPANY PLC

(a company incorporated in England and Wales with registered number 4205)

NOTICE OF CLASS MEETING OF PREFERENCE SHAREHOLDERS

Notice is hereby given that a **Class Meeting** of the Preference Shareholders of the Company will be held at the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London EC2M 7SH on 24 June 2013 at 11.00 a.m. to consider and, if thought fit, pass the following resolution as a special resolution:

That the holders of the Preference Shares hereby sanction and consent to the passing and carrying into effect, as an ordinary resolution of the Company, of Resolution 2 contained in the notice of general meeting of the Company dated 31 May 2013 and any variation or abrogation and/or deemed variation or abrogation of the rights attached to the Preference Shares which will, or may, result from the passing and carrying into effect of such resolution.

Words and expressions defined in the Prospectus shall, save where the context otherwise requires, have the same meanings in this resolution.

Registered Office:

3rd Floor, Suite 539
Salisbury House
London Wall
London EC2M 5QS

By Order of the Board

31 May 2013

Notes:

Entitlement to attend and vote

1. Only those members holding Preference Shares registered on the Company's register of members at:
 - 6.00 p.m. on 20 June 2013; or,
 - if this Meeting is adjourned, at 6.00 pm on the day two Business Days prior to the adjourned meeting,shall be entitled to attend and vote at the Meeting.

Appointment of proxies

2. If you are a holder of Preference Shares at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. If you are not a holder of Preference Shares but you have been nominated by a holder of Preference Shares to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in this "Appointment of proxies" section. Please read the section "Nominated persons" below.
4. A proxy does not need to be a holder of Preference Shares but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
5. To allow effective constitution of the meeting, if it is apparent to the chairman that no shareholders will be present in person or by proxy, other than by proxy in the chairman's favour, then the chairman may appoint a substitute to act as proxy in his stead for any shareholder, provided that such substitute proxy shall vote on the same basis as the chairman.
6. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact Capita Registrars on 0871 664 0300 from within the UK or +44 20 8639 3399 if calling from outside the UK between 9.00 a.m. and 5.30 p.m. (London time) Monday to Friday. Calls to the 0871 664 0300 number cost 10 pence per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide any financial, legal or tax advice.
7. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

Appointment of proxy using hard copy proxy form

8. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

To appoint a proxy using the proxy form, the form must be:

- completed and signed;
- sent or delivered to Capita Registrars at PXS, 34 Beckenham Road, Beckenham BR3 4TU; and
- received by Capita Registrars Limited no later than 11.00 a.m. on 20 June 2013.

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

Appointment of proxy by joint members

9. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

Changing proxy instructions

10. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Capita Registrars on 0871 664 0300 from within the UK or +44 20 8639 3399 if calling from outside the UK between 9.00 a.m. and 5.30 p.m. (London time) Monday to Friday. Calls to the 0871 664 0300 number cost 10 pence per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide any financial, legal or tax advice.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

11. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Registrars at PXS, 34 Beckenham Road, Beckenham BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

The revocation notice must be received by Capita Registrars no later than 11.00 a.m. on 20 June 2013.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

Corporate representatives

12. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

Issued shares and total voting rights

13. As at 5.00 p.m. on 29 May 2013, the Company's issued preference share capital comprised 4,994,805 Preference Shares of 50 pence each. Each Preference Share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights attaching to the Preference Shares as at 5.00 p.m. on 29 May 2013 is 4,994,805.

Nominated persons

14. If you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights (Nominated Person):
- You may have a right under an agreement between you and the holder of Preference Shares who has nominated you to have information rights (Relevant Member) to be appointed or to have someone else appointed as a proxy for the Meeting.
 - If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights.

Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps, your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.

THE INVESTMENT COMPANY PLC

(a company incorporated in England and Wales with registered number 4205)

NOTICE OF GENERAL MEETING

Notice is hereby given that a **General Meeting** of the Company will be held at the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London EC2M 7SH on 24 June 2013 at 11.15 a.m. to consider and, if thought fit, pass the following Resolutions of which Resolutions 1-3 will be proposed as ordinary resolutions and Resolutions 4-6 will be proposed as special resolutions:

ORDINARY RESOLUTIONS

1. **That**, conditional on the passing of the other resolutions set out in this Notice of General Meeting and conditional on the passing of the resolution set out in the Notice of Class Meeting, the proposed new investment objective and policy of the Company as described in Part I of the prospectus dated 31 May 2013 (the “**Prospectus**”) of which this notice forms part be adopted as the investment objective and policy of the Company with effect from Admission and the existing investment objective and policy be and is hereby replaced.
2. **That** conditional on the passing of the other resolutions set out in this Notice of General Meeting and conditional on the passing of the resolution set out in the Notice of Class Meeting, the directors of the Company (the “**Directors**”) be authorised to effect conversion of the participating preference shares of 50 pence each in the capital of the Company (the “**Preference Shares**”) into ordinary shares of 50 pence each in the capital of the Company (the “**Ordinary Shares**”) in accordance with the articles of association of the Company (the “**Articles**”) in any manner permitted by law without the need for any further resolution of the Company and **that** the Directors may elect to effect such conversion by:
 - (a) consolidating the 4,994,805 Preference Shares, in accordance with section 618 of the Companies Act 2006 (the “**Companies Act**”), into one Preference Share with a nominal value of £2,497,402.50 (the “**Consolidated Preference Share**”);
 - (b) sub-dividing the Consolidated Preference Share, in accordance with section 618 of the Companies Act, into: (i) such number of Preference Shares of 50 pence each in the issued share capital of the Company which equals 4,994,805 multiplied by the Preference Share Conversion Ratio (the “**Sub-divided Preference Shares**”) and (ii) a balancing number of deferred shares of £0.01 each in the capital of the Company, having the rights set out below (the “**Deferred Shares**”):
 - (i) as regards income, the holders of the Deferred Shares shall not be entitled to receive any dividend out of the profits of the Company available for distribution and resolved to be distributed in respect of any financial year or any other distribution or income or right to participate therein;
 - (ii) as regards capital, on a distribution of assets on a winding-up or other return of capital (otherwise than on conversion or redemption or purchase by the Company of any of its shares) the holders of the Deferred Shares shall be entitled to receive the nominal amount paid up on their shares after there shall have been distributed (in cash or specie) to the holders of the Ordinary Shares the amount of £1,000,000 in respect of each Ordinary Share held by them respectively. For this purpose distributions in a currency other than sterling shall be treated as converted into sterling, in each case in such manner as the Directors or the Company in general meeting may approve. The Deferred Shares shall not entitle the holders thereof to any further or other right of participation in the assets of the Company;
 - (iii) as regards voting, the holders of the Deferred Shares shall not be entitled to receive notice of or to attend (either personally or by proxy) any general meeting of the Company or to vote (either personally or by proxy) on any resolution to be proposed thereat;
 - (iv) the rights attached to the Deferred Shares shall not be nor shall they be deemed to be, varied, or abrogated by the creation or issue of any new shares ranking in priority to or *pari passu* with or subsequent to such shares. In addition, neither the passing by the Company

of any resolution for the cancellation of the Deferred Shares for no consideration by means of a reduction of capital requiring the confirmation of the Court nor the obtaining by the Company nor the making by the Court of any order confirming any such reduction of capital nor the becoming effective of any such order shall constitute a variation, modification or abrogation of the rights attaching to the Deferred Shares and accordingly the Deferred Shares may at any time be cancelled for no consideration by means of a reduction of capital effected in accordance with applicable legislation without sanction on the part of the holders of the Deferred Shares;

- (v) the Company shall have the power and authority at any time to purchase all or any of the Deferred Shares for an aggregate consideration of £1;
- (vi) the Deferred Shares shall not be capable of transfer at any time without the prior written consent of the Directors. The Company shall have irrevocable authority to appoint any person to execute on behalf of the holders of the Deferred Shares a transfer and/or cancellation of the Deferred Shares and/or an agreement to transfer and/or cancel the same, without making any payment to the holders of the Deferred Shares and in the case of a transfer, to such person or persons as the Company may determine as custodian thereof and, pending such transfer and/or cancellation, to retain the certificate (if any) for such shares. The Company may, at its option and subject to compliance with the provisions of applicable legislation, at any time after the adoption of this Article cancel such shares by way of reduction of capital for no consideration;
- (vii) notwithstanding any other provision of these Articles, and unless specifically required by the provisions of applicable legislation, the Company shall not be required to issue any certificates or other documents of title in respect of the Deferred Shares;
- (c) re-designating the Sub-divided Preference Shares, in accordance with section 630 of the Companies Act, as Ordinary Shares, such shares having the same rights and being subject to the same restrictions as the Existing Ordinary Shares; and
- (d) purchasing all or any of the Deferred Shares for an aggregate consideration of £1, following which such shares shall be immediately cancelled,

or in any other manner permitted by law.

3. **That**, conditional on the passing of the other resolutions set out in this Notice of General Meeting and conditional on the passing of the resolution set out in the Notice of Class Meeting, the Non-Voting Ordinary Shares be re-designated as fixed rate preference shares, having the rights set out below (the **"Fixed Rate Preference Shares"**):

- (a) as regards income, the holders of the Fixed Rate Preference Shares shall be entitled in priority to the payment of any dividend to the holders of all or any other shares in the capital of the Company to a fixed cumulative cash dividend at the rate of 0.01 pence per annum per each Fixed Rate Preference Share, the same to be distributed rateably amongst them according to the amounts paid up or credited as paid up on the Fixed Rate Preference Shares, and to accrue on a daily basis and to be paid out of the profits of the Company available for distribution. Such distribution shall be paid annually;
- (b) as regards capital, on a distribution of assets on a winding-up or other return of capital (otherwise than on conversion or redemption or purchase by the Company of any of its shares) the holders of the Fixed Rate Preference Shares shall be entitled to receive the nominal amount paid up or credited as paid up on their shares, together with all dividends accrued thereon and thereafter the Fixed Rate Preference Shares shall not be entitled to share or participate further or otherwise in such surplus assets;
- (c) as regards voting, the holders of the Fixed Rate Preference Shares shall not be entitled to receive notice of or to attend (either personally or by proxy) any general meeting of the Company or to vote (either personally or by proxy) on any resolution to be proposed thereat; and
- (d) the rights attached to the Fixed Rate Preference Shares shall not be nor shall they be deemed to be, varied, or abrogated by the creation or issue of any new shares ranking in priority to or *pari passu* with or subsequent to such shares.

SPECIAL RESOLUTIONS

4. **That**, conditional on the passing of the other resolutions set out in this Notice of General Meeting and conditional on the passing of the resolution set out in the Notice of Class Meeting, the amended and restated articles of association produced to the meeting and initialled by the Chairman for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.
5. **That**, conditional on the passing of the other resolutions set out in this Notice of General Meeting and conditional on the passing of the resolution set out in the Notice of Class Meeting, the Directors be and are hereby authorised to implement the issue of the new Ordinary Shares by way of one or more placings described in Part I of the Prospectus at the Placing Price and in connection with such issue, and **that**:
- (a) the directors be and they are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act to exercise all powers of the Company to allot equity securities (as defined in section 560 of the Companies Act) provided that this authority shall be limited to the allotment of up to 7 million new Ordinary Shares of 50 pence each in the capital of the Company in connection with the Placing Programme (as defined in the Prospectus), and unless previously renewed, revoked, varied or extended, this authority shall expire on the date which is 18 months from the date of the passing of this resolution except that the Company may at any time before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such an offer or agreement as if this authority had not expired; and
 - (b) in substitution for any existing power given to the directors pursuant to section 570 of the Companies Act, the directors be and they are empowered pursuant to section 570(1) of the Companies Act to allot equity securities (as defined in section 560 of the Companies Act) of the Company for cash pursuant to the authority of the directors under section 551 of the Companies Act, as if section 561(1) of the Companies Act did not apply to such allotment provided that the power conferred by this resolution shall be limited to the allotment of up to 7 million new Ordinary Shares of 50 pence each in the capital of the Company in connection with the Placing Programme and unless previously renewed, revoked, varied or extended this power shall expire on the date falling 18 months after the date of the passing of this resolution except that the Company may before the expiry of this power make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if this power had not expired.
6. **That**, conditional on the passing of the other resolutions set out in this Notice of General Meeting and conditional on the passing of the resolution set out in the Notice of Class Meeting, the Company be and is hereby authorised to issue Ordinary Shares at a discount to the prevailing Net Asset Value per Ordinary Share for the purposes of the Initial Placing. The Initial Placing Price will be at the Pro Forma NAV per Ordinary Share as at the Calculation Date less 5 per cent.

Words and expressions defined in the Prospectus shall, save where the context otherwise requires, have the same meanings in this resolution.

Registered Office:
3rd Floor, Suite 539
Salisbury House
London Wall
London EC2M 5QS

By Order of the Board

31 May 2013

Notes:

Entitlement to attend and vote

1. Only those members registered on the Company's register of members at:
 - 6.00 p.m. on 20 June 2013; or,
 - if this Meeting is adjourned, at 6.00 p.m. on the day two Business Days prior to the adjourned meeting,

shall be entitled to attend and vote at the Meeting.

Appointment of proxies

2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in this "Appointment of proxies" section. Please read the section "Nominated persons" below.
4. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
5. To allow effective constitution of the meeting, if it is apparent to the chairman that no shareholders will be present in person or by proxy, other than by proxy in the chairman's favour, then the chairman may appoint a substitute to act as proxy in his stead for any shareholder, provided that such substitute proxy shall vote on the same basis as the chairman.
6. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact Capita Registrars on 0871 664 0300 from within the UK or +44 20 8639 3399 if calling from outside the UK between 9.00 a.m. and 5.30 p.m. (London time) Monday to Friday. Calls to the 0871 664 0300 number cost 10 pence per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide any financial, legal or tax advice.
7. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

Appointment of proxy using hard copy proxy form

8. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

To appoint a proxy using the proxy form, the form must be:

- completed and signed;
- sent or delivered to Capita Registrars at PXS, 34 Beckenham Road, Beckenham BR3 4TU; and
- received by Capita Registrars Limited no later than 11.15 a.m. on 20 June 2013.

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

Appointment of proxy by joint members

9. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

Changing proxy instructions

10. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Capita Registrars on 0871 664 0300 from within the UK or +44 20 8639 3399 if calling from outside the UK between 9.00 a.m. and 5.30 p.m. (London time) Monday to Friday. Calls to the 0871 664 0300 number cost 10 pence per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide any financial, legal or tax advice.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

11. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

The revocation notice must be received by Capita Registrars no later than 11.15 a.m. on 20 June 2013.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

Corporate representatives

12. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

Issued shares and total voting rights

13. As at 5.00 p.m. on 29 May 2013, the Company's issued share capital comprised 1,899,891 ordinary shares of 50 pence each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 5.00 p.m. on 29 May 2013 is 1,899,891.

Nominated persons

14. If you are a person who has been nominated under section 146 of the Companies Act to enjoy information rights (Nominated Person):
- You may have a right under an agreement between you and the member of the Company who has nominated you to have information rights (Relevant Member) to be appointed or to have someone else appointed as a proxy for the Meeting.
 - If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights.
 - Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps, your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.

