

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

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

Application has been made to the UK Listing Authority and the London Stock Exchange for all of the C Shares now being offered to be admitted to the premium segment of the Official List and to trading on the London Stock Exchange’s main market for listed securities. It is expected that Admission will become effective and that dealings for normal settlement in the C Shares will commence on 26 June 2014.

If you have sold or otherwise transferred all of your Ordinary Shares, you should send this document (but not the accompanying personalised Open Offer Application Form) 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. If you have sold or transferred only part of your holding of Ordinary Shares prior to the ex-entitlement date you should retain these documents and contact your stockbroker, bank or other agent through whom the sale or transfer was effected.

The Company and each of the Directors, whose names appear on page 28 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

**Prospective investors should read the entire document and, in particular, the section headed “Risk Factors” beginning on page 15 when considering an investment in the Company.**

---

# THE DIVERSE INCOME TRUST PLC

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

## OPEN OFFER, PLACING AND OFFER FOR SUBSCRIPTION FOR A TARGET ISSUE IN EXCESS OF £30 MILLION AT AN ISSUE PRICE OF 50 PENCE PER C SHARE

*Manager*

**Miton Asset Management Limited**

*Sponsor and Placing Agent*

**Cenkos Securities plc**

---

Cenkos Securities plc, which is authorised and regulated by the FCA, is acting for the Company and for no-one else in connection with the Issue and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Cenkos Securities plc or for affording advice in relation to the contents of this document or any matters referred to herein. Cenkos Securities plc is not responsible for the contents of this document. This does not exclude or limit any responsibilities which Cenkos Securities plc may have under FSMA or the regulatory regime established thereunder.

Completed Application Forms and payments under the Open Offer must be received by 11.00 a.m. on 17 June 2014. The procedure for application and payments is set out on pages 60 to 70 of this document.

Completed Application Forms and payments under the Offer for Subscription must be received by 11.00 a.m. on 20 June 2014. The procedure for application and payments is set out on pages 77 to 83 of this document.

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

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

Dated: 30 May 2014

## CONTENTS

SUMMARY	3
RISK FACTORS	15
IMPORTANT NOTICES	23
EXPECTED TIMETABLE OF KEY EVENTS	26
ISSUE STATISTICS	27
DEALING CODES	27
DIRECTORS, MANAGER AND ADVISERS	28
PART 1 LETTER FROM THE CHAIRMAN	30
PART 2 THE ISSUE	41
PART 3 DETAILS OF THE C SHARES	46
PART 4 DIRECTORS AND MANAGEMENT	51
PART 5 FINANCIAL INFORMATION	56
PART 6 TERMS AND CONDITIONS OF THE ISSUE	59
PART 7 REDEMPTION OF ORDINARY SHARES	84
PART 8 TAXATION	92
PART 9 ADDITIONAL INFORMATION	97
PART 10 DEFINITIONS	115
APPENDIX OFFER FOR SUBSCRIPTION APPLICATION FORM	121

## SUMMARY

Summaries are made up of disclosure requirements known as “Elements”. These elements are numbered in Sections A—E (A.1—E.7). This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Some Elements are not required to be addressed which means there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted into the summary because of the type of 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***

<i>Element</i>	<i>Disclosure Requirement</i>	<i>Disclosure</i>
A.1.	Warning	This summary should be read as an introduction to this document. Any decision to invest in the securities should be based on consideration of the document as a whole by the investor. Where a claim relating to the information contained in this document is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating this document before the 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 this document or it does not provide, when read together with the other parts of this document, 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.

### ***Section B – Issuer***

<i>Element</i>	<i>Disclosure Requirement</i>	<i>Disclosure</i>
B.1.	Legal and commercial name	The Diverse Income Trust plc.
B.2.	Domicile and legal form	The Company was incorporated in England and Wales on 30 March 2011 with registered number 7584303 as a public company limited by shares under the Act. The principal legislation under which the Company operates is the Act.
B.5.	Group description	The Company is the holding company of a group consisting of the Company and DIT Income Services Limited, which was incorporated in England and Wales as a private limited company on 2 March 2011 with registered number 7548790. This subsidiary has the same registered office and directors as the Company. All of its issued share capital, which is fully paid, is held by the Company.

Element	Disclosure Requirement	Disclosure																																																																											
B.6.	Major shareholders	<p>So far as is known to the Company by virtue of the notifications made to it pursuant to the Disclosure and Transparency Rules, as at the Latest Practicable Date the following persons held directly or indirectly three per cent. or more of the Company's voting rights:</p> <table><thead><tr><th>Name</th><th>Number of voting rights held</th><th>% of voting rights</th></tr></thead><tbody><tr><td>Prudential plc</td><td>47,314,087</td><td>14.58</td></tr><tr><td>Investec Wealth &amp; Investment</td><td>26,949,605</td><td>8.31</td></tr><tr><td>Henderson Global Investors Limited</td><td>20,903,340</td><td>6.44</td></tr><tr><td>Smith &amp; Williamson Holdings Limited</td><td>19,864,718</td><td>6.12</td></tr><tr><td>Merseyside Pension Fund</td><td>18,118,000</td><td>5.59</td></tr></tbody></table> <p>All Shareholders have the same voting rights in respect of the share capital of the Company.</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>	Name	Number of voting rights held	% of voting rights	Prudential plc	47,314,087	14.58	Investec Wealth & Investment	26,949,605	8.31	Henderson Global Investors Limited	20,903,340	6.44	Smith & Williamson Holdings Limited	19,864,718	6.12	Merseyside Pension Fund	18,118,000	5.59																																																									
Name	Number of voting rights held	% of voting rights																																																																											
Prudential plc	47,314,087	14.58																																																																											
Investec Wealth & Investment	26,949,605	8.31																																																																											
Henderson Global Investors Limited	20,903,340	6.44																																																																											
Smith & Williamson Holdings Limited	19,864,718	6.12																																																																											
Merseyside Pension Fund	18,118,000	5.59																																																																											
B.7.	Key financial information	<p>The financial information below illustrates the audited net assets on a consolidated basis as at 31 May 2013 and as at 31 May 2012 pursuant to IFRS as well as the unaudited net assets on a consolidated basis as at 30 November 2013 and 30 November 2012:</p> <table><thead><tr><th></th><th>As at 30 November 2013 (unaudited) £'000</th><th>As at 31 May 2013 (audited) £'000</th><th>As at 30 November 2012 (unaudited) £'000</th><th>As at 31 May 2012 (audited) £'000</th></tr></thead><tbody><tr><td colspan="5"><b>Non-current assets:</b></td></tr><tr><td>Investments held at fair value through profit or loss</td><td>249,935</td><td>128,897</td><td>86,232</td><td>46,488</td></tr><tr><td colspan="5"><b>Current assets</b></td></tr><tr><td>Derivative instruments</td><td>3,616</td><td>0</td><td>0</td><td>0</td></tr><tr><td>Investments held for trading</td><td>222</td><td>0</td><td>170</td><td>151</td></tr><tr><td>Trade and other receivables</td><td>3,983</td><td>6,609</td><td>324</td><td>1,220</td></tr><tr><td>Cash and cash equivalents</td><td>0</td><td>893</td><td>1,034</td><td>767</td></tr><tr><td></td><td><u>7,821</u></td><td><u>7,502</u></td><td><u>1,528</u></td><td><u>2,138</u></td></tr><tr><td colspan="5"><b>Current liabilities</b></td></tr><tr><td>Trade and other payables</td><td>(571)</td><td>(490)</td><td>(2,060)</td><td>(800)</td></tr><tr><td>Bank overdraft</td><td>(5,391)</td><td>0</td><td>0</td><td>0</td></tr><tr><td></td><td><u>(5,962)</u></td><td><u>(490)</u></td><td><u>(2,060)</u></td><td><u>(800)</u></td></tr><tr><td><b>Net current assets</b></td><td>1,859</td><td>7,012</td><td>(532)</td><td>1,388</td></tr><tr><td>Total net assets</td><td><u>251,794</u></td><td><u>135,909</u></td><td><u>85,700</u></td><td><u>47,826</u></td></tr></tbody></table>		As at 30 November 2013 (unaudited) £'000	As at 31 May 2013 (audited) £'000	As at 30 November 2012 (unaudited) £'000	As at 31 May 2012 (audited) £'000	<b>Non-current assets:</b>					Investments held at fair value through profit or loss	249,935	128,897	86,232	46,488	<b>Current assets</b>					Derivative instruments	3,616	0	0	0	Investments held for trading	222	0	170	151	Trade and other receivables	3,983	6,609	324	1,220	Cash and cash equivalents	0	893	1,034	767		<u>7,821</u>	<u>7,502</u>	<u>1,528</u>	<u>2,138</u>	<b>Current liabilities</b>					Trade and other payables	(571)	(490)	(2,060)	(800)	Bank overdraft	(5,391)	0	0	0		<u>(5,962)</u>	<u>(490)</u>	<u>(2,060)</u>	<u>(800)</u>	<b>Net current assets</b>	1,859	7,012	(532)	1,388	Total net assets	<u>251,794</u>	<u>135,909</u>	<u>85,700</u>	<u>47,826</u>
	As at 30 November 2013 (unaudited) £'000	As at 31 May 2013 (audited) £'000	As at 30 November 2012 (unaudited) £'000	As at 31 May 2012 (audited) £'000																																																																									
<b>Non-current assets:</b>																																																																													
Investments held at fair value through profit or loss	249,935	128,897	86,232	46,488																																																																									
<b>Current assets</b>																																																																													
Derivative instruments	3,616	0	0	0																																																																									
Investments held for trading	222	0	170	151																																																																									
Trade and other receivables	3,983	6,609	324	1,220																																																																									
Cash and cash equivalents	0	893	1,034	767																																																																									
	<u>7,821</u>	<u>7,502</u>	<u>1,528</u>	<u>2,138</u>																																																																									
<b>Current liabilities</b>																																																																													
Trade and other payables	(571)	(490)	(2,060)	(800)																																																																									
Bank overdraft	(5,391)	0	0	0																																																																									
	<u>(5,962)</u>	<u>(490)</u>	<u>(2,060)</u>	<u>(800)</u>																																																																									
<b>Net current assets</b>	1,859	7,012	(532)	1,388																																																																									
Total net assets	<u>251,794</u>	<u>135,909</u>	<u>85,700</u>	<u>47,826</u>																																																																									

<i>Element</i>	<i>Disclosure Requirement</i>	<i>Disclosure</i>
		Save for: (i) the rise in the unaudited Net Asset Value of the Company from £251.794 million as at 30 November 2013 to £263.735 as at the Latest Practicable Date (which may be attributed to market movements in the value of investments) and: (ii) a dividend of 0.50 pence per Ordinary Share which was paid by the Company on 28 February 2014 resulting in a reduction in cash equivalents of £1,622,000, there has been no significant change in the financial condition or operating results of the Company or the Group during the period from incorporation to 31 May 2013 or since 30 November 2013, being the date to which the latest financial statements of the Company have been prepared.
B.8.	Key pro forma financial information	Not applicable.
B.9.	Profit forecast	Not applicable. No profit forecast or estimate made.
B.10.	Description of the nature of any qualifications in the audit report on the historical financial information	Not applicable.
B.11.	Insufficiency of working capital	Not applicable. In the opinion of the Company, the working capital available to the Group is sufficient for its present requirements, namely for at least the next 12 months from the date of this document.
B.34.	Investment objective and policy	<p>The Company's investment objective is to provide Shareholders with an attractive level of dividends coupled with capital growth over the long-term.</p> <p>The Company invests primarily in quoted or traded UK companies with a wide range of market capitalisations but a long-term bias toward small and mid-cap equities. The Company may also invest in large-cap companies, including FTSE 100 constituents, where it is believed that this may increase shareholder value.</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>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.</p> <p>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.</p>

<i>Element</i>	<i>Disclosure Requirement</i>	<i>Disclosure</i>
B.35.	Borrowing limits	The Board considers that long-term capital growth can be enhanced by the use of gearing which may be through bank borrowings and the use of derivative instruments such as contracts for differences. The Company may borrow (through bank facilities and derivative instruments) up to 15 per cent. of NAV (calculated at the time of borrowing).
B.36.	Regulatory status	As an investment trust, the Company is not regulated as a collective investment scheme by the Financial Conduct Authority. However, it is subject to the Listing Rules, Prospectus Rules and the Disclosure and Transparency Rules and the rules of the London Stock Exchange.
B.37.	Typical investor	The Issue is designed to be suitable for institutional investors and professionally-advised private investors seeking exposure to UK equities. The C Shares may also be suitable for investors who are financially sophisticated, non-advised private investors who are capable of evaluating the risks and merits of such an investment and who have sufficient resources to bear any loss which may result from such an investment. Such investors may wish to consult an independent financial adviser who specialises in advising on the acquisition of shares and other securities before investing in the Issue.
B.38.	Investment of 20 per cent. or more of gross assets in single underlying asset or investment company	Not applicable. 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.
B.39.	Investment of 40 per cent. or more of gross assets in single underlying asset or investment company	Not applicable. 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.
B.40.	Applicant's service providers	<p><i>Manager</i></p> <p>The Company's manager is Miton Asset Management Limited, a subsidiary company of Miton Group plc, an AIM-quoted asset management firm. Miton Group plc is the ultimate parent company of a fund management group. As at 31 December 2013, the Manager's group had total funds under management of approximately £3.098 billion.</p> <p>Gervais Williams, the Managing Director of Miton Group plc, is the lead manager of the Company's portfolio. Martin Turner is the co-fund manager.</p>

Element	Disclosure Requirement	Disclosure
		<p>Under the terms of the Management Agreement, the Manager is entitled to a management fee together with reimbursement of reasonable expenses incurred by it in the performance of its duties. The management fee is payable monthly in arrears and is at the rate of 1 per cent. per annum of the Company's Market Capitalisation where the Market Capitalisation is equal to or less than £300 million and, to the extent that the Market Capitalisation is greater than £300 million, the rate to be applied to such excess (and only such excess) shall instead be one-twelfth of 0.8 per cent. per calendar month. In addition to the basic management fee, and for so long as a Redemption Pool is in existence, the Manager is also entitled to receive from the Company a fee calculated at the rate of one-twelfth of 1 per cent. per calendar month of the net asset value of the Redemption Pool on the last Business Day of the relevant calendar month.</p> <p>Following implementation of the AIFMD, the Company will be required to appoint an alternative investment fund manager (an "<b>AIFM</b>") by 22 July 2014. Accordingly, it is proposed that the Management Agreement will be amended or replaced in due course to reflect the terms of the appointment of the Manager (or any other duly authorised member of the group of companies of which it forms part) to act as the Company's AIFM. It is envisaged that the key commercial terms on which the Manager is currently appointed will be carried forward in respect of its appointment as AIFM.</p> <p><i>Administrator and company secretary</i></p> <p>Capita Sinclair Henderson Limited acts as the company secretary and administrator of the Company. The Administrator is responsible for the day to day administration of the Company and general secretarial functions required by the Act. The Administrator is also responsible for the Company's general administrative functions, such as the calculation and publication of the Net Asset Value and maintenance of the Company's accounting and statutory records and ensures that the Company complies with its continuing obligations as an investment trust company.</p> <p>Under the terms of the Administration Agreement, the Administrator is currently entitled to an administration fee of £118,357 per annum (exclusive of VAT), subject to increase in line with the retail prices index.</p> <p><i>Registrar and receiving agent</i></p> <p>Capita Asset Services has been appointed as the Company's registrar to provide share registration services. In addition, Capita Asset Services acts as the receiving agent of the Company to provide receiving agent duties and services in respect of the Offer for Subscription. Under the terms of the Registrar Agreement, the Registrar is currently entitled to an annual maintenance fee of £1.84 per Shareholder account per annum, subject to a minimum fee of £4,725 per annum (exclusive of VAT). The fee is subject to increase in line with the retail prices index. The Registrar is also entitled to activity fees under the Registrar Agreement.</p> <p><i>Custodian</i></p> <p>HSBC Bank plc has been appointed as custodian to provide custody services to the Company. Under the terms of the Custody Agreement, the Custodian is entitled to be paid a custody charge based on the value of the assets of the Company and a transaction charge for transaction settlement subject to a minimum fee of £75,000 per annum (exclusive of VAT).</p>

	Disclosure Requirement	Disclosure																																																														
B.41.	Regulatory status of investment manager and custodian	The Manager is authorised and regulated by the FCA and as such is subject to its rules in the conduct of its investment business. The Custodian is authorised and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.																																																														
B.42.	Calculation and publication of Net Asset Value	The unaudited Net Asset Value per Share is calculated in sterling by the Administrator on a daily basis. Such calculations are published daily, on a cum-income and ex-income basis, through a Regulatory Information Service and are available through the Company's website.																																																														
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 investment in another collective investment undertaking.																																																														
B.44.	No financial statements have been made up	Not applicable.																																																														
B.45.	Portfolio	<p>As at the Latest Practicable Date, the Company's portfolio comprised 128 listed equity investments, 13 unquoted investments and 1 derivative contract with an aggregate value of £266.672 million.</p> <p>As at the Latest Practicable Date, the Company's top 40 investments were as follows:</p> <table><tr><th>Holding</th><th>% of portfolio</th></tr><tr><td>Charles Taylor Plc</td><td>1.93</td></tr><tr><td>SQS Software Quality Systems AG</td><td>1.92</td></tr><tr><td>Fairpoint Group Plc</td><td>1.91</td></tr><tr><td>Safestyle UK Plc</td><td>1.78</td></tr><tr><td>Stobart Group Ltd</td><td>1.61</td></tr><tr><td>Randall &amp; Quilter Investment Holdings Ltd</td><td>1.61</td></tr><tr><td>Bioventix Plc</td><td>1.55</td></tr><tr><td>Shoe Zone Plc</td><td>1.47</td></tr><tr><td>Secure Trust Bank Plc</td><td>1.44</td></tr><tr><td>Powerflute Oyj</td><td>1.41</td></tr><tr><td>DX (Group) Plc</td><td>1.41</td></tr><tr><td>St. Ives Plc</td><td>1.38</td></tr><tr><td>Conviviality Retail Plc</td><td>1.38</td></tr><tr><td>Cable &amp; Wireless Communications Plc</td><td>1.33</td></tr><tr><td>CML Microsystems Plc</td><td>1.32</td></tr><tr><td>UK Mail Group Plc</td><td>1.26</td></tr><tr><td>Interserve Plc</td><td>1.22</td></tr><tr><td>Provident Financial Plc</td><td>1.21</td></tr><tr><td>Personal Group Holdings Plc</td><td>1.18</td></tr><tr><td>Bloomsbury Publishing Plc</td><td>1.15</td></tr><tr><td>Mucklow (A &amp; J) Group Plc</td><td>1.15</td></tr><tr><td>Novae Group Plc</td><td>1.15</td></tr><tr><td>Talktalk Telecom Group Plc</td><td>1.11</td></tr><tr><td>Amlin Plc</td><td>1.10</td></tr><tr><td>KCOM Group Plc</td><td>1.08</td></tr><tr><td>RPC Group Plc</td><td>1.07</td></tr><tr><td>Amino Technologies Plc</td><td>1.07</td></tr><tr><td>Juridica Investments Limited</td><td>1.06</td></tr><tr><td>4imprint Group Plc</td><td>1.05</td></tr><tr><td>Catlin Group Ltd</td><td>1.05</td></tr></table>	Holding	% of portfolio	Charles Taylor Plc	1.93	SQS Software Quality Systems AG	1.92	Fairpoint Group Plc	1.91	Safestyle UK Plc	1.78	Stobart Group Ltd	1.61	Randall & Quilter Investment Holdings Ltd	1.61	Bioventix Plc	1.55	Shoe Zone Plc	1.47	Secure Trust Bank Plc	1.44	Powerflute Oyj	1.41	DX (Group) Plc	1.41	St. Ives Plc	1.38	Conviviality Retail Plc	1.38	Cable & Wireless Communications Plc	1.33	CML Microsystems Plc	1.32	UK Mail Group Plc	1.26	Interserve Plc	1.22	Provident Financial Plc	1.21	Personal Group Holdings Plc	1.18	Bloomsbury Publishing Plc	1.15	Mucklow (A & J) Group Plc	1.15	Novae Group Plc	1.15	Talktalk Telecom Group Plc	1.11	Amlin Plc	1.10	KCOM Group Plc	1.08	RPC Group Plc	1.07	Amino Technologies Plc	1.07	Juridica Investments Limited	1.06	4imprint Group Plc	1.05	Catlin Group Ltd	1.05
Holding	% of portfolio																																																															
Charles Taylor Plc	1.93																																																															
SQS Software Quality Systems AG	1.92																																																															
Fairpoint Group Plc	1.91																																																															
Safestyle UK Plc	1.78																																																															
Stobart Group Ltd	1.61																																																															
Randall & Quilter Investment Holdings Ltd	1.61																																																															
Bioventix Plc	1.55																																																															
Shoe Zone Plc	1.47																																																															
Secure Trust Bank Plc	1.44																																																															
Powerflute Oyj	1.41																																																															
DX (Group) Plc	1.41																																																															
St. Ives Plc	1.38																																																															
Conviviality Retail Plc	1.38																																																															
Cable & Wireless Communications Plc	1.33																																																															
CML Microsystems Plc	1.32																																																															
UK Mail Group Plc	1.26																																																															
Interserve Plc	1.22																																																															
Provident Financial Plc	1.21																																																															
Personal Group Holdings Plc	1.18																																																															
Bloomsbury Publishing Plc	1.15																																																															
Mucklow (A & J) Group Plc	1.15																																																															
Novae Group Plc	1.15																																																															
Talktalk Telecom Group Plc	1.11																																																															
Amlin Plc	1.10																																																															
KCOM Group Plc	1.08																																																															
RPC Group Plc	1.07																																																															
Amino Technologies Plc	1.07																																																															
Juridica Investments Limited	1.06																																																															
4imprint Group Plc	1.05																																																															
Catlin Group Ltd	1.05																																																															



<i>Element</i>	<i>Disclosure Requirement</i>	<i>Disclosure</i>
		<p><i>Holding</i> <span style="float: right;"><i>% of portfolio</i></span></p> <p>Dairy Crest Group Plc 1.04</p> <p>Macfarlane Group Plc 1.04</p> <p>Go-Ahead Group Plc 1.03</p> <p>Zotefoams Plc 1.02</p> <p>Esure Group Plc 1.02</p> <p>Lancashire Holdings Limited 1.01</p> <p>Direct Line Insurance Group Plc 0.98</p> <p>Segro Plc 0.97</p> <p>Huntsworth Plc 0.97</p> <p>Legal &amp; General Group Plc 0.97</p> <hr/> <p>Total 50.42</p> <hr/>
B.46.	Net Asset Value	As at the Latest Practicable Date, the Net Asset Value (including current period revenue) per Ordinary Share was 81.31 pence and the Net Asset Value (excluding current period revenue) per Ordinary Share was 80.35 pence.

### **Section C – Securities**

<i>Element</i>	<i>Disclosure Requirement</i>	<i>Disclosure</i>									
C.1.	Type and class of securities	<p>The Company intends to issue C Shares of nominal value 1 pence each pursuant to the Placing, Open Offer and Offer for Subscription.</p> <p>The ISIN of the Open Offer Entitlements will be GB00BLT2FQ48 and the ISIN of the C Shares will be GB00BLTVC930. The SEDOL of the Open Offer Entitlements will be BLT2FQ4 and the SEDOL of the C Shares will be BLTVC93.</p> <p>The ticker for the C Shares will be DITC.</p>									
C.2.	Currency denomination of C Shares and Ordinary Shares	Sterling.									
C.3.	Details of Share capital	<p>Set out below is the issued share capital of the Company as at the date of this document:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th><th style="text-align: right;"><i>Nominal Value</i> £</th><th style="text-align: right;"><i>Number</i></th></tr> </thead> <tbody> <tr> <td>Ordinary Shares of 0.1 pence each</td><td style="text-align: right;">324,377.45</td><td style="text-align: right;">324,377,450</td></tr> <tr> <td>Management shares of 100 pence each</td><td style="text-align: right;">50,000</td><td style="text-align: right;">50,000</td></tr> </tbody> </table> <p>The Ordinary Shares are fully paid up. The Management Shares are paid up as to one quarter of their nominal value.</p>		<i>Nominal Value</i> £	<i>Number</i>	Ordinary Shares of 0.1 pence each	324,377.45	324,377,450	Management shares of 100 pence each	50,000	50,000
	<i>Nominal Value</i> £	<i>Number</i>									
Ordinary Shares of 0.1 pence each	324,377.45	324,377,450									
Management shares of 100 pence each	50,000	50,000									

<i>Element</i>	<i>Disclosure Requirement</i>	<i>Disclosure</i>
C.4.	Rights attaching to the C Shares and Ordinary Shares	<p>The holders of the C Shares and Ordinary Shares shall only be entitled to receive, and to participate in, any dividends declared in relation to the relevant class of shares that they hold.</p> <p>On a winding-up or a return of capital by the Company, if there are C Shares in issue, the net assets of the Company attributable to the C Shares shall be divided <i>pro rata</i> among the holders of the C Shares. For so long as C Shares are in issue, and without prejudice to the Company's obligations under the Act, the assets attributable to the C Shares shall, at all times, be separately identified and shall have allocated to them such proportion of the expenses or liabilities of the Company as the Directors fairly consider to be attributable to the C Shares.</p> <p>The holders of Ordinary Shares shall be entitled to all of the Company's remaining net assets after taking into account any net assets attributable to the C Shares.</p> <p>The C Shares and the Ordinary Shares shall carry the right to receive notice of, attend and vote at general meetings of the Company.</p> <p>The consent of either the holders of C Shares or the holders of Ordinary Shares will be required for the variation of any rights attached to the relevant class of shares.</p>
C.5.	Restrictions on the free transferability of the securities	There are no restrictions on the free transferability of the Shares, subject to compliance with applicable securities laws.
C.6.	Admission	Application has been made to the UK Listing Authority and the London Stock Exchange for all of the C Shares now being offered to be admitted to the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and that dealings for normal settlement in the C Shares will commence at 8.00 a.m. on 26 June 2014. Applications will be made to the UKLA and the London Stock Exchange for all the Ordinary Shares arising on conversion of the C Shares to be admitted to the premium listing segment of the Official List and trading on the London Stock Exchange's main market for listed securities.
C.7.	Dividend policy	<p>At First Admission the Company's stated dividend policy was to target an annualised yield of 4 per cent. in respect of the period to which the first four quarterly dividends related, this being from First Admission to 31 May 2012. The Company seeks to grow the dividend progressively.</p> <p>The four quarterly dividends per Ordinary Share declared in respect of the year ending on 31 May 2013 were 0.3 pence in September 2012, 0.5 pence in December 2012, 0.46 pence in March 2013 and 0.84 pence in June 2013, being a total of 2.10 pence per Ordinary Share. In respect of the year ending on 31 May 2014, the Company has declared dividends of 0.3 pence in September 2013, 0.5 pence in December 2013 and 0.5 pence in March 2014 although portfolio revenue is heavily skewed towards the March to May period.</p>

Element	Disclosure Requirement	Disclosure
		<p>The Directors have considered the potential impact of the Issue on the payment of dividends to holders of Ordinary Shares and will take steps to ensure that it will not result in any material dilution of the dividends attributable to Ordinary Shareholders. The Directors may also declare an interim dividend payable to holders of the C Shares, should the revenue reserves attributable to the C Shares prior to Conversion (in the opinion of the Directors) constitute a material amount.</p> <p>In accordance with regulation 19 of the Investment Trust (Approved Company) (Tax) Regulations 2011, the Company will not retain more than 15 per cent. of its income in respect of an accounting period.</p>
C.22.	Information about the Ordinary Shares	<p>Following Conversion, the investments which were attributable to the C Shares will be merged with the Company's existing portfolio of investments. The new Ordinary Shares arising on Conversion of the C Shares will rank <i>pari passu</i> with the Ordinary Shares then in issue.</p> <p>The Ordinary Shares carry the right to receive all dividends declared by the Company or the Directors, subject to the rights of any Subscription Shares and C Shares in issue.</p> <p>On a winding-up, provided the Company has satisfied all of its liabilities and subject to the rights conferred by any C Shares in issue at that time to participate in the winding-up, the holders of Ordinary Shares are entitled to all of the surplus assets of the Company.</p> <p>Holders of Ordinary Shares are entitled to attend and vote at all general meetings of the Company and, on a poll, to one vote for each Ordinary Share held.</p> <p>The nominal value of the Ordinary Shares is 0.1 pence per Ordinary Share.</p> <p>The Ordinary Shares are in registered form, have been admitted to the premium listing segment of the Official List and are traded on the London Stock Exchange's main market for listed securities. The Company will use its reasonable endeavours to procure that, upon Conversion, the new Ordinary Shares are admitted to the premium listing segment of the Official List and admitted to trading on the London Stock Exchange's main market for listed securities.</p> <p>There are no restrictions on the free transferability of the Ordinary Shares, subject to compliance with applicable securities laws.</p>

### **Section D – Risks**

<i>Element</i>	<i>Disclosure Requirement</i>	<i>Disclosure</i>
D.1.	Key information on the key risks that are specific to the Company	<ul style="list-style-type: none"> <li>● The Company has no employees and is reliant on the performance of third party service providers. Failure by the Manager or any other third party service provider to perform in accordance with the terms of its appointment could have a material detrimental impact on the operation of the Company.</li> <li>● There can be no guarantee that the investment objective of the Company will be achieved. There is no guarantee that any dividends will be paid in respect of any financial year or period.</li> <li>● 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.</li> <li>● The departure of some or all of the Manager's investment professionals, in particular, Gervais Williams and Martin Turner, could prevent the Company from achieving its investment objective. The past performance of the Manager's investment professionals cannot be relied upon as an indication of the future performance of the Company.</li> <li>● Smaller companies can be expected, in comparison to larger companies, to have less mature businesses, a more restricted depth of management and a higher risk profile.</li> <li>● The Company may have 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.</li> <li>● Changes in economic conditions in the UK where the Company predominantly invests could substantially and adversely affect the Company's prospects.</li> <li>● Any change in the Company's tax status or in taxation legislation or practice generally could affect the value of the investments held by the Company, affect the Company's ability to provide returns to Shareholders, or alter the post-tax returns to Shareholders.</li> </ul>
D.3.	Key information on the key risks that are specific to the C Shares and the Ordinary Shares	<ul style="list-style-type: none"> <li>● The value of the Ordinary Shares and C Shares and the income derived from those shares (if any) can fluctuate and may go down as well as up.</li> <li>● The market price of the Ordinary Shares and C Shares, like shares in all investment trusts, 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 Shares and C Shares, market conditions and general investor sentiment.</li> </ul>

<i>Element</i>	<i>Disclosure Requirement</i>	<i>Disclosure</i>
		<ul style="list-style-type: none"> <li>● It may be difficult for Shareholders to realise their investment and there may not be a liquid market in the Ordinary Shares or the C Shares.</li> <li>● Shareholders should be aware that the operation of the redemption facility may lead to a more concentrated and less liquid portfolio which may adversely affect the Company's performance and value. Further, redemptions may also adversely affect the secondary market liquidity of the Ordinary Shares.</li> </ul>

### **Section E – Offer**

<i>Element</i>	<i>Disclosure Requirement</i>	<i>Disclosure</i>
E.1.	Proceeds and expenses of the Issue	<p>The net proceeds of the Issue are dependent on the level of subscriptions received pursuant to the Issue. Assuming the Gross Proceeds are £30 million, the Net Proceeds will be approximately £29.25 million.</p> <p>The costs and expenses of the Issue have been capped at a maximum of 2.5 per cent. of the Gross Proceeds and will be borne by holders of C Shares only.</p>
E.2.a.	Reasons for the Issue, use of proceeds and estimated net amount of proceeds	<p>In the period from First Admission to the Latest Practicable Date, the Ordinary Shares have delivered a total price return of approximately 78 per cent. with a NAV total return of approximately 82 per cent., outperforming the FTSE All-Share Index and ranking the Company as one of the top performing companies in the UK Equity Income sector over that period on an NAV total return basis. Further, as at the Latest Practicable Date, the Ordinary Shares traded at a premium to the prevailing cum income NAV of 1.46 per cent. as compared to an average discount for the UK Equity Income sector of 0.7 per cent.</p> <p>The Board, as advised by the Manager, believes that there are attractive opportunities for the Company to deliver value for Shareholders through exposure to UK companies with strong balance sheets. Taken together with the prevailing rating of the Ordinary Shares, and the support shown by existing Shareholders, the Board believes that it is appropriate to seek to increase the size of the Company.</p> <p>The Board currently, taking into account the views of the Manager, considers any further C Share fundraises unlikely based on the current and medium term investment outlook for the Company. The Board will continue to review this on a regular basis and see if this is in the overall interests of all Shareholders.</p> <p>The estimated Net Proceeds are £29.25 million assuming Gross Proceeds of £30 million are raised. The Directors intend to use the Net Proceeds of the Issue to acquire investments in accordance with the Company's investment objective and policy.</p>

<i>Element</i>	<i>Disclosure Requirement</i>	<i>Disclosure</i>
E.3.	Terms and conditions of the Issue	The Issue is conditional upon: (i) admission of the C Shares to be issued pursuant to the Issue to the Official List and to trading on the main market of the London Stock Exchange occurring on or before 8.00 a.m. (London time) on 26 June 2014 (or such time and/or date as the Company and Cenkos Securities may agree, being not later than 31 August 2014); and (ii) the placing and offer agreement between the Company and Cenkos Securities (pursuant to which Cenkos Securities has been appointed sponsor and placing agent to the Company in respect of the Issue) becoming otherwise unconditional in all respects (save for conditions relating to Admission) and not having been terminated in accordance with its terms before Admission.
E.4.	Material interests	Not applicable. There are no interests that are material to the Issue and no conflicting interests.
E.5.	Name of person selling securities	Not applicable. No person or entity is offering to sell Shares as part of the Issue.
E.6.	Dilution	<p>The C Shares issued pursuant to the Issue will convert into Ordinary Shares.</p> <p>The number of Ordinary Shares into which each C Share converts will be determined by the relative NAV per C Share and per Ordinary Share at the Conversion Date. As a result of Conversion, the percentage of the issued Ordinary Shares held by each existing holder of Ordinary Shares will be reduced to the extent that Shareholders do not take up their Open Offer Entitlement in full. However, Conversion will be NAV neutral to holders of Ordinary Shares.</p>
E.7.	Estimated expenses charged to the investor by the issuer	<p>The net proceeds of the Issue are dependent on the level of subscriptions received pursuant to the Issue. Assuming the Gross Proceeds are £30 million, the Net Proceeds will be £29.25 million.</p> <p>The costs and expenses of the Issue have been capped at a maximum of 2.5 per cent. of the Gross Proceeds and will be borne by holders of C Shares only.</p>

## RISK FACTORS

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

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

Prospective investors should note that the risks relating to the Group, its industry and the Shares summarised 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 Shares. However, as the risks which the Group 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.

The past performance of the Company and of investments which are referred to in this document are for information or illustrative purposes only and should not be interpreted as an indication, or as a guarantee, of future performance.

### **Risks relating to the Company and its investment strategy**

#### ***The Company may not meet its investment objective***

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

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

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

#### ***The 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, a 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.

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

The Company has no employees and the Directors have all been appointed on a non-executive basis. Whilst the Company has taken all reasonable steps to establish and maintain adequate procedures, systems and controls to enable it to comply with its obligations, the Company is reliant upon the performance of third party service providers for its executive function. In particular, the Manager, the Administrator and the Registrar will be performing services which are integral to the operation of the Company. Failure by any service provider to carry out its obligations to the Company in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Company.

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

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

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

Investors contemplating an investment in the 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 Shares.

The Company may experience fluctuations in its operating results due to a number of factors, including changes in the values of investments made by the Company, changes in the amount of distributions, dividends or interest paid by companies in the portfolio, changes in the Company's operating expenses and the operating expenses of the Manager, variations in and the timing of the recognition of realised and unrealised gains or losses, the degree to which the Company encounters competition and general economic and market conditions. Such variability may lead to volatility in the trading price of the 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 and the Disclosure and Transparency Rules. Any failure in future to comply with any future changes to the Listing Rules and the Disclosure and Transparency Rules may result in the Shares being suspended from listing.

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



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

The Company may use borrowings to seek to enhance investment returns. While the use of borrowings should enhance the total return on the 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 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 a Share). Any reduction in the number of Shares in issue (for example, as a result of buy backs or redemptions) will, in the absence of a corresponding reduction in borrowings, result in an increase in the Company's level of gearing.

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

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

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

The Company has entered into an overdraft facility. The Company has charged its assets in favour of the lender. In the event that the lender was entitled to call on the security it would have, amongst its other remedies, the opportunity to sell assets of the Company to pay off amounts owing to it and this may adversely affect the Net Asset Value.

***Alternative Investment Fund Managers Directive (AIFMD)***

The Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers (the "**AIFMD**") covers the management, administration and marketing of alternative investment funds ("**AIFs**"). The Company is an AIF for the purposes of the UK AIFMD Rules. The AIFMD's focus is on regulating the Alternative Investment Fund Manager ("**AIFM**") rather than the AIF. The AIFMD was implemented by the United Kingdom through a combination of national legislation, regulations and EU regulations made under the AIFMD that are directly applicable in the EU (the "**UK AIFMD Rules**").

The UK has implemented the AIFMD in a way that allows the continuation of certain activities after the date of transposition, provided that the authorisation conditions are met within a year after that date (the "**Transitional Period**"). At the date of this document, the Manager has the benefit of the Transitional Period and the Company has not yet appointed the Manager or any other entity as its AIFM. The Board has agreed in principle that it will appoint the Manager (or any other duly authorised member of the Manager's group) as its AIFM and Miton has made an application to the FCA for the relevant authorisation. It is envisaged that the key commercial terms on which the Manager is currently appointed will be carried forward in respect of its appointment as AIFM.

Under the UK AIFMD Rules, an AIFM must be able to ensure compliance by the Company, or by another entity on the Company's behalf, with certain UK AIFMD Rules for which the Company is responsible. To the extent that the Company is not in compliance with the relevant UK AIFMD Rules then the Company may incur additional costs and expenses and the role and the remuneration of existing service providers may have to be increased on or after 22 July 2014 in order to become compliant. If the Company's AIFM ceases to act or be unable to act as the Company's AIFM on or after 22 July 2014 (for example, if its application to act as an AIFM is refused) then the Company must appoint another suitably authorised person (in or outside the United Kingdom) as its AIFM (an "**external AIFM**") or the Company must be its own AIFM. Based on advice from the Manager, the Company currently anticipates that the Manager (or any other duly authorised member of the Manager's group) will be appointed as its AIFM by 22 July 2014.

In order for the Company to be its own AIFM it may be required to be authorised in the United Kingdom to act as an AIFM. The Company is not currently authorised to act as an AIFM and does not intend to apply for such authorisation to the extent that it is not required to do so. In the event that the Company does not have an external AIFM and is not permitted to act as an AIFM in the United Kingdom then the Company may not be able to operate or, as a minimum, the ability of the Company to operate will be adversely affected to a significant extent.

## **Risks relating to the Manager**

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

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

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

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

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

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

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

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

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

## **Risks relating to the Company's portfolio**

### ***Smaller companies***

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

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

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

### ***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:

- 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;
- may have limited financial resources and reduced access to financing sources;
- 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;
- 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
- generally have less predictable operating results and may require significant additional capital to support their operations, expansion or competitive position.

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

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

### ***The Company may use derivative instruments***

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

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

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

### ***Cash***

A proportion of the Company's portfolio may be held in cash, depending on the Manager's view of the market, from time to time. This proportion of the Company's assets will not be invested in the market and will not benefit from positive stock market movements. Although the Company's performance is measured in sterling, a proportion of the Company's assets may be either denominated in other currencies or be in investments with currency exposure.

### ***Risks relating to taxation***

#### ***Investment trust status***

It is the intention of the Directors to conduct the affairs of the Company so as to continue to satisfy the conditions of approval as an investment trust. Any change in the Company's tax status or in taxation legislation generally could affect the value of the investments held by the Company, affect the Company's ability to provide returns to Shareholders, lead the Company to lose its exemption from UK corporation tax on chargeable gains or alter the post-tax returns to Shareholders. It is not possible to guarantee that the Company will remain a non-close company, which is a requirement to maintain status as an investment trust, as the Shares are freely transferable, subject to applicable securities laws. The Company, in the unlikely event that it becomes aware that it is a close company, or otherwise fails to continue to meet the criteria for maintaining investment trust status, will, as soon as reasonably practicable, notify Shareholders of this fact.

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

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

## **Risks relating to the Shares**

### ***General risks affecting the Ordinary Shares and C 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 and C 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 and C 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 or a C Share may vary considerably from their respective NAVs.

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

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

While the Directors retain the right to effect redemptions and repurchases of Ordinary Shares in the manner described in this document, they are under no obligation to use such powers or to do so at any time and Ordinary Shareholders should not place any reliance on the willingness of the Directors so to act. Ordinary Shareholders wishing to realise their investment in the Company may therefore be required to dispose of their Ordinary Shares in 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.

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

### ***Redemption facility***

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

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

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

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

### **Risks relating to the Issue**

#### ***Holders of existing Ordinary Shares will experience a dilution of their percentage ownership of the Company's Ordinary Shares if they do not take up their Open Offer Entitlement***

Pursuant to Conversion, the C Shares issued pursuant to the Issue will convert into Ordinary Shares. The number of Ordinary Shares into which each C Share converts will be determined by the relative NAV per C Share and per Ordinary Share at the Conversion Date. As a result of Conversion, the percentage of the issued Ordinary Shares held by each existing holder of Ordinary Shares will be reduced to the extent that Shareholders do not take up their Open Offer Entitlement in full. However, Conversion will be NAV neutral to holders of Ordinary Shares.



## IMPORTANT NOTICES

### General

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

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

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

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

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

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

### Notice to prospective investors in the European Economic Area

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

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (c) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) and subject to obtaining the prior consent of Cenkos Securities for any such offer; or

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of C Shares shall result in a requirement for the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer to the public” in relation to any offer of C Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any C Shares to be offered so as to enable an investor to decide to purchase or subscribe for C Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression “Prospectus Directive” means Directive 2003/71/EC (and the amendments thereto, including Directive 2010/73/EU) (the “**2010 PD Amending Directive**”) to the extent implemented in the Relevant Member State and includes any relevant implementing measure in each Relevant Member State.

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

### **Notice to potential investors in Ireland**

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

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

### **Notice to potential investors in Guernsey**

C Shares in the Company may be offered directly only to those businesses holding licences under the Protection of Investors (Bailiwick of Guernsey) Law, 1987 as amended (“**POI**”), the Banking Supervision (Bailiwick of Guernsey) Law, 1994, the Regulation of Fiduciaries, Administration Businesses and Company Directors, etc. (Bailiwick of Guernsey) Law, 2000, the Insurance Business (Bailiwick of Guernsey) Law, 2002 or the Insurance Managers and Insurance Intermediaries (Bailiwick of Guernsey) Law, 2002. Private investors may be offered C Shares in the Company only by appropriately POI licensed businesses.

### **Notice to potential investors in Jersey**

This document may be circulated in Jersey only by persons who are registered by the Jersey Financial Services Commission in accordance with the Financial Services (Jersey) Law 1998, as amended (the “**FSL**”) for the conduct of financial services business and the distribution of this document, or are exempt from such registration in accordance with the FSL. In addition, this document may be circulated in Jersey only to persons similar to those to whom, and in a manner similar to that in which, it is for the time being circulated in the United Kingdom.

Consent for the circulation of this Prospectus in accordance with article 8 of the Control of Borrowing (Jersey) Order 1958, as amended, has not been sought from or given by the Jersey Financial Services Commission.

### **Website**

The contents of the Company's website at [www.mitongroup.com/dit](http://www.mitongroup.com/dit) do not form part of this document. Investors should base their decision whether or not to invest in C Shares on the contents of this document alone.



**Forward-looking statements**

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

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

Nothing in the preceding two paragraphs should be taken as limiting the working capital statement in paragraph 10 of Part 9 of this document.

## EXPECTED TIMETABLE OF KEY EVENTS

2014

Record Date for entitlements under the Open Offer	29 May
Placing, Open Offer and Offer for Subscription opens	30 May
Ex-entitlement date for Open Offer	8.00 a.m. on 2 June
Open Offer Entitlements credited to CREST stock accounts of CREST Shareholders	2 June
Recommended latest time and date for requesting withdrawal of Open Offer Entitlements into CREST	4.30 p.m. on 11 June
Latest time and date for depositing Open Offer Entitlements into CREST	3.00 p.m. on 13 June
Latest time and date for splitting of Open Offer Application Form (to satisfy bona fide market claims only)	3.00 p.m. on 13 June
Last time and date for receipt of completed Open Offer Application Forms and payment in full under the Open Offer or settlement of relevant CREST Instructions*	11.00 a.m. on 17 June
Last time and date for receipt of completed Offer for Subscription Application Forms and payment in full under the Offer for Subscription*	11.00 a.m. on 20 June
Latest time and date for commitments under the Placing	4.00 p.m. on 20 June
Publication of results of the Issue	24 June
<b>Admission and dealings in C Shares commence</b>	<b>8.00 a.m. on 26 June</b>
CREST accounts credited with uncertificated C Shares	26 June
Where applicable, definitive C Share certificates despatched by post in the week commencing	30 June

\* The Directors may, with the prior approval of Cenkos Securities, alter such date and thereby shorten or lengthen the Open Offer, Offer for Subscription and/or the Placing period. The Company will notify investors of any such change through the publication of a notice through a Regulatory Information Service.

The above times and/or dates may be subject to change and, in the event of such change, the revised times and or dates will be notified to Shareholders by an announcement through a Regulatory Information Service.

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

## ISSUE STATISTICS

Issue Price	50 pence
Gross Proceeds of the Issue*	£30 million
Estimated net proceeds of the Issue to be received by the Company*	£29.25 million
Expected Net Asset Value per C Share on Admission	48.75 pence

\* assuming that the Issue is subscribed as to 60 million C Shares. The target size of the Issue is in excess of £30 million. The number of C Shares to be issued pursuant to the Issue, and therefore the Gross Proceeds of the Issue and the Net Proceeds of the Issue, is not known as at the date of this document but will be notified by the Company via a Regulatory Information Service prior to Admission. The maximum number of C Shares that may be issued pursuant to the Issue is 108,125,817 C Shares.

## DEALING CODES

ISIN – Open Offer Entitlement	GB00BLT2FQ48
SEDOL – Open Offer Entitlement	BLT2FQ4
ISIN – C Shares	GB00BLTVC930
SEDOL – C Shares	BLTVC93
Ticker – C Shares	DITC
ISIN – Ordinary Shares	GB00B65TLW28
SEDOL – Ordinary Shares	B65TLW2
Ticker – Ordinary Shares	DIVI
AIC Sector	UK Equity Income

## DIRECTORS, MANAGER AND ADVISERS

### Directors

Michael Wrobel (*Non-Executive Chairman*)\*  
Tom Bartlam (*Non-Executive Director*)\*  
Paul Craig (*Non-Executive Director*)\*  
Lucinda Riches (*Non-Executive Director*)\*  
Jane Tufnell (*Non-Executive Director*)\*

\* all of the registered office below and all of whom are independent

### Registered Office

Beaufort House  
51 New North Road  
Exeter EX4 4EP  
United Kingdom  
Telephone: +44 (0)1392 412122

### Sponsor and Placing Agent

Cenkos Securities plc  
6.7.8 Tokenhouse Yard  
London EC2R 7AS  
United Kingdom

### Manager

Miton Asset Management Limited  
51 Moorgate  
London EC2R 6BH  
United Kingdom  
Telephone: +44 (0)203 714 1500

### Company Secretary and Administrator

Capita Sinclair Henderson Limited  
Beaufort House  
51 New North Road  
Exeter EX4 4EP  
United Kingdom

### Legal Adviser to the Company

Stephenson Harwood LLP  
1 Finsbury Circus  
London EC2M 7SH  
United Kingdom

### Legal Adviser to Cenkos Securities

Norton Rose Fulbright LLP  
3 More London Riverside  
London SE1 2AQ  
United Kingdom

### Custodian

HSBC Bank plc  
8 Canada Square  
London E14 5HQ  
United Kingdom

### Auditors

Ernst & Young LLP  
1 More London Place  
London SE1 2AF  
United Kingdom

### Receiving Agent

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

**Registrar**

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

## PART 1

### LETTER FROM THE CHAIRMAN

# THE DIVERSE INCOME TRUST PLC

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

*Directors:*

Michael Wrobel (*Chairman*)

Tom Bartlam

Paul Craig

Lucinda Riches

Jane Tufnell

*Registered Office:*

Beaufort House

51 New North Road

Exeter EX4 4EP

United Kingdom

30 May 2014

*To Ordinary Shareholders*

Dear Shareholders

### OPEN OFFER, PLACING AND OFFER FOR SUBSCRIPTION OF C SHARES

The Board announced on 19 May 2014 that it was considering scaling up the Company's capital base through a fully pre-emptive C Share issue targeting Gross Proceeds in excess of £30 million by way of an open offer, placing and offer for subscription. Priority will be given to Shareholders on the Register on the Record Date who will be entitled to apply for C Shares at the Issue Price *pro rata* to their holdings on the basis of one C Share for every three Ordinary Shares held and registered in their name on the Record Date. Any C Shares that are not taken up by Shareholders under the Open Offer will be made available to new and existing investors under the Placing and Offer for Subscription. The purpose of this letter is to set out the background to and the reasons for the Issue.

### Background to and reasons for the Issue

The Company is a closed-ended investment company incorporated in England and Wales on 30 March 2011 with an objective of providing Shareholders with an attractive level of dividends coupled with capital growth over the long-term. The Company carries on business as an investment trust within the meaning of Chapter 4 of Part 24 of the Corporation Tax Act 2010.

As at the Latest Practicable Date, the Company had unaudited net assets of £263.735 million (81.31 pence per Ordinary Share (including current period revenue) and 80.35 pence per Ordinary Share (excluding current period revenue)) and a market capitalisation of £267.611 million. Since the Company's launch, the Ordinary Shares have traded at an average premium to their NAV of 3.41 per cent. and, as at the Latest Practicable Date, were trading at a premium of 1.46 per cent. to the (cum income) NAV per Share of 81.31.

Since launch, the Company's NAV has outperformed the FTSE All-Share Index and most UK Equity Income investment companies, and has behaved in a resilient manner during a period of significant turbulence in global equity markets. The following table sets out the Company's NAV performance against the FTSE All-Share Index, the FTSE Small Cap Index, the FTSE AIM Index and the IMA UK Equity Income Sector for the period from the Company's launch to the Latest Practicable Date.

	<i>Performance, 28/4/11-27/04/14 (%)</i>
The Diverse Income Trust plc	71.58
FTSE All-Share	16.27
FTSE Small Cap	35.62
FTSE AIM	-12.42
IMA UK Equity Income	39.41

*Source: Bloomberg*

Taking into account the Company's performance since its launch, the current rating of its Ordinary Shares, the Manager's outlook for potential investee companies and the Company's underlying portfolio, the Board is proposing to increase the Company's capital base through a fully pre-emptive offer of C Shares to raise in excess of £30 million, before expenses, to invest in accordance with the Company's investment policy.

The Board currently, taking into account the views of the Manager, considers any further C Share fundraises unlikely based on the current and medium term investment outlook for the Company. The Board will continue to review this on a regular basis and see if this is in the overall interests of all Shareholders.

The Company is therefore proposing the Issue by way of an open offer, a placing and an offer for subscription. The Board believes that the Issue has the following principal benefits for Shareholders:

- the Board recognises the importance of pre-emption rights and, accordingly, the Open Offer enables existing Shareholders to be given priority to apply for C Shares at the Issue Price *pro rata* to their holdings on the basis of one C Share for every three Ordinary Shares, with any C Shares not taken up under the Open Offer being made available under the Placing and Offer for Subscription;
- the Open Offer also provides Shareholders with the ability to acquire Shares without incurring stamp duty, dealing costs or paying the current market premium for the Shares as well as potentially receiving a small enhancement to the NAV attributable to their holding;
- the market capitalisation will increase following the Issue, which will help meet investor demand for investment in the Company which cannot be met in the secondary market, as reflected by the prevailing premium to NAV at which the Ordinary Shares currently trade;
- an increase in the size of the Company is expected to improve market liquidity of the Company's Shares. This may enhance the marketability of the Company and may result in a broader investor base over the longer term; and
- an increase in the size of the Company will spread its fixed operating expenses over a larger issued share capital.

The Manager is currently entitled to a management fee payable monthly in arrears calculated at the rate of one-twelfth of 1 per cent. per calendar month of the Market Capitalisation. Pursuant to a side letter dated 30 May 2014, the Company and the Manager have agreed that a management fee calculated at the rate of one-twelfth of 1 per cent. per calendar month of the Market Capitalisation shall be payable where the Market Capitalisation is equal to or less than £300 million and, to the extent that the Market Capitalisation is greater than £300 million, the rate to be applied to such excess (and only such excess) shall instead be one-twelfth of 0.8 per cent. per calendar month.

Application has been made to the UK Listing Authority and to the London Stock Exchange for all the C Shares of the Company which are the subject of the Issue to be admitted to the Official List and to trading on the London Stock Exchange's main market for listed securities. Application will be made for the Ordinary Shares arising on Conversion to be admitted to the Official List with a premium listing and to the London Stock Exchange for trading on its main market for listed securities.

### **Investment objective**

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

### **Investment policy**

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

The Manager adopts a stock specific approach in managing the Company's portfolio and therefore sector weightings are of secondary consideration. As a result of this approach, the Company's portfolio does 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. Typically it is expected that the Company will hold a portfolio of between 80 and 140 securities, predominantly most of which will represent no more than 1.5 per cent. of the value of the Company's investment portfolio as at the time of acquisition. As at the Latest Practicable Date the Company held 142 investments in its portfolio.

The Company will not invest more than 10 per cent. of its Gross Assets, at the time of acquisition, in other listed closed-ended investment funds, whether managed by the Manager or not, except that this restriction shall not apply to investments in listed closed-ended investment funds which themselves have stated investment policies to invest no more than 15 per cent. of their gross assets in other listed closed-ended investment funds. In addition to this restriction, the Directors have further determined that no more than 15 per cent. of the Company's Gross Assets will, at the time of acquisition, be invested in other listed closed-ended investment funds (including investment trusts) notwithstanding whether or not such funds have stated policies to invest no more than 15 per cent. of their gross assets in other listed closed-ended investment funds.

### ***Unquoted investments***

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

### ***Borrowing and gearing policy***

The Board considers that long-term capital growth can be enhanced by the use of gearing which may be through bank borrowings and the use of derivative instruments such as contracts for differences. The Company may borrow (through bank facilities and derivative instruments) up to 15 per cent. of NAV (calculated at the time of borrowing). As at the Latest Practicable Date the Company's borrowings were approximately £2.837 million.

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

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

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

### ***Investment portfolio***

As at the Latest Practicable Date, the Company's portfolio comprised 128 listed equity investments, 13 unquoted investments and one derivative contract with an aggregate value of £266.672 million.

There has been no material change in the Company's investments since the close of business on the Latest Practicable Date and the date of this document.



As at the close of business on the Latest Practicable Date, the Company's top 40 investments, representing over 50 per cent. of the value of the total portfolio were as follows:

<i>Holding</i>	<i>% of portfolio</i>
Charles Taylor Plc	1.93
SQS Software Quality Systems AG	1.92
Fairpoint Group Plc	1.91
Safestyle UK Plc	1.78
Stobart Group Ltd	1.61
Randall & Quilter Investment Holdings Ltd	1.61
Bioventix Plc	1.55
Shoe Zone Plc	1.47
Secure Trust Bank Plc	1.44
Powerflute Oyj	1.41
DX (Group) Plc	1.41
St. Ives Plc	1.38
Conviviality Retail Plc	1.38
Cable & Wireless Communications Plc	1.33
CML Microsystems Plc	1.32
UK Mail Group Plc	1.26
Interserve Plc	1.22
Provident Financial Plc	1.21
Personal Group Holdings Plc	1.18
Bloomsbury Publishing Plc	1.15
Mucklow (A & J) Group Plc	1.15
Novae Group Plc	1.15
Talktalk Telecom Group Plc	1.11
Amlin Plc	1.10
KCOM Group Plc	1.08
RPC Group Plc	1.07
Amino Technologies Plc	1.07
Juridica Investments Limited	1.06
4imprint Group Plc	1.05
Catlin Group Ltd	1.05
Dairy Crest Group Plc	1.04
Macfarlane Group Plc	1.04
Go-Ahead Group Plc	1.03
Zotefoams Plc	1.02
Esure Group Plc	1.02
Lancashire Holdings Limited	1.01
Direct Line Insurance Group Plc	0.98
Segro Plc	0.97
Huntsworth Plc	0.97
Legal & General Group Plc	0.97
Total	50.42

*Source: unaudited management accounts.*

As at the close of business on the Latest Practicable Date, the Company's portfolio by asset allocation was as follows:

<i>Classification</i>	<i>% of portfolio</i>
AIM	40.0
FTSE 100	9.4
FTSE 250	22.1
FTSE Small Cap	17.1
FTSE Fledgling	6.3
Other	5.9
Cash & Fixed Interest	-0.8
Total	100

*Source: unaudited management accounts.*

As at the close of business on the Latest Practicable Date, the Company's portfolio by spread of investment income was as follows:

<i>Classification</i>	<i>% of portfolio</i>
AIM	28.7
FTSE 100	11.5
FTSE 250	35.7
FTSE Small Cap	16.6
FTSE Fledgling	5.3
Other	1.1
Cash & Fixed Interest	1.0
Total	100

*Source: unaudited management accounts.*

As at the close of business on the Latest Practicable Date, the Company's portfolio by sector was as follows:

<i>Sector</i>	<i>% of portfolio</i>
Basic Materials	4.5
Consumer Goods	6.1
Consumer Services	17.1
Financials	31.2
Health Care	4.3
Industrials	20.4
Oil & Gas	1.7
Technology	6.8
Telecommunications	6.1
Utilities	0.9
Cash & Other	0.9
Total	100

*Source: unaudited management accounts.*

## **Market outlook**

The Board, as advised by the Manager, believes that the multi capitalisation approach to investment, together with a more diversified portfolio, is well suited to equity market conditions beyond the credit boom. The Company's portfolio is currently positioned for a "low growth" economic environment. The Board, as advised by the Manager, believes that the Company may continue to deliver an attractive level of income

and total return whilst minimising volatility and mitigating risk through stock selection and an unconstrained investment approach. The Manager aims to invest in companies that have greater resilience to grow in spite of a challenging macroeconomic environment. In particular, with a multi capitalisation universe from which to select, the Manager is able to prioritise stocks with strong balance sheets, to seek to minimise financial risk for the Company.

### **Dividend policy**

At First Admission the Company's stated dividend policy was to target an annualised yield of 4 per cent. in respect of the period to which the first four quarterly dividends related, this being from First Admission to 31 May 2012, and to seek to grow the dividend progressively.

The four quarterly dividends per Ordinary Share declared in respect of the year ending on 31 May 2013 were 0.3 pence in September 2012, 0.5 pence in December 2012, 0.46 pence in March 2013 and 0.84 pence in June 2013, being a total of 2.10 pence per Ordinary Share. In respect of the year ending on 31 May 2014, the Company has declared dividends of 0.3 pence in September 2013, 0.5 pence in December 2013 and 0.5 pence in March 2014, although portfolio revenue is heavily skewed towards the March to May period.

The Directors have considered the potential impact of the Issue on the payment of dividends to holders of Ordinary Shares and will take steps to ensure that it will not result in any material dilution of the dividends attributable to Ordinary Shareholders. The Directors may also declare an interim dividend payable to holders of the C Shares, should the revenue reserves attributable to the C Shares prior to Conversion constitute a material amount (in the opinion of the Directors). Any such dividend would be announced via a Regulatory Information Service and would be payable to holders of C Shares on the Register at a record date preceding as close as practicable the Conversion Date.

In accordance with regulation 19 of the Investment Trust (Approved Company) (Tax) Regulations 2011, the Company will not retain more than 15 per cent. of its income in respect of an accounting period.

### **Conversion of C Shares**

The Net Proceeds and the investments made with the Net Proceeds will be accounted for and managed as a separate pool of assets until the Calculation Date, being a date determined by the Directors occurring not more than 10 Business Days after the day on which the Manager shall have given notice to the Directors that at least 90 per cent. of the Net Proceeds (or such other percentage as the Directors and the Manager shall agree) shall have been invested (or, if earlier, six months after the date of issue of the C Shares). It is expected that the Net Proceeds will be invested in cash and cash equivalents whilst opportunities for investment are sought by the Manager. The Manager expects the Net Proceeds to be largely fully invested within 3 months of Admission.

The Conversion Ratio will then be calculated (to four decimal places) and the C Shares in issue will convert into a number of Ordinary Shares calculated by reference to the net assets then attributable to the C Shares compared to the net assets at the same time attributable to the Ordinary Shares then in issue. Entitlements to Ordinary Shares will be rounded down to the nearest whole number. The C Shares will convert into Ordinary Shares on the Conversion Date, being the close of business on such Business Day as may be selected by the Directors falling not more than 10 Business Days after the Calculation Date.

Further details on the rights attaching to the C Shares are set out in Part 3 of this document.

### **Investment strategy**

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

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

## **Share rating management**

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

## **Premium management**

In the event that the Ordinary Shares trade at a premium to NAV, the Company may consider issuing new Ordinary Shares. At the Company's annual general meeting held on 22 October 2013, the Directors were granted authority to allot Ordinary Shares representing approximately 10 per cent. of the Company's then issued ordinary share capital without being obliged to first offer such new Ordinary Shares to Shareholders on a *pro rata* basis. The reason for seeking such authority was to retain flexibility to issue new Ordinary Shares to investors. No Ordinary Shares will be issued at a price less than the Net Asset Value per existing Ordinary Share at the time of their issue.

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

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

## *Treasury shares*

The Act allows companies to hold shares acquired by way of market purchase as treasury shares, rather than having to cancel them. This would give the Company the ability to re-issue Ordinary Shares quickly and cost effectively, thereby improving liquidity and providing the Company with additional flexibility in the management of its capital base. The Company was granted authority at the annual general meeting held on 22 October 2013 to make market purchases of up to 14.99 per cent. of the Company's then issued share capital. No Ordinary Shares will be sold from treasury at a price less than the Net Asset Value per existing Ordinary Share at the time of their sale.

## **Discount management**

### *Share buybacks*

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

The Company may purchase Ordinary Shares in the market at prices which represent a discount to the prevailing NAV per Ordinary Share so as to enhance the NAV per Ordinary Share for the remaining holders of Ordinary Shares.

Purchases of Ordinary Shares will be made within guidelines established from time to time by the Board. Any purchase of Ordinary Shares would be made only out of the available cash resources of the Company. Ordinary Shares purchased by the Company may be held in treasury or cancelled. As at the date of this document, no Ordinary Shares were held in treasury.

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

### *Redemption facility*

The Company has a redemption facility through which Ordinary Shareholders will be entitled to request the redemption of all or part of their holding of Ordinary Shares on an annual basis. The next Redemption Point for the Ordinary Shares will be 29 May 2015.

## **The redemption facility is not available in respect of the C Shares**

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

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

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

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

The Directors may elect to calculate the Redemption Price by reference to the amount generated upon the realisation of a Redemption Pool created for the purpose of funding the redemption. In these circumstances the Redemption Price shall be calculated in the manner specified in paragraph 8 of Part 7 of this document.

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

Ordinary Shareholders wishing to redeem all or any of their Ordinary Shares should follow the procedures outlined in Part 7 of this document.

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

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

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

Investors should note that the Board may, at its absolute discretion, elect not to operate the annual redemption facility on any given Redemption Point, or to decline in whole or part any Redemption Request, although the Board does not generally expect to exercise this discretion, save in the interests of Shareholders as a whole. Examples of circumstances where the annual redemption facility might not be operated are described in paragraph 2 of Part 7 of this document.

Details of the tax treatment of redemptions and share buybacks can be found in Part 8 of this document. In particular, individuals and certain trustees who are liable to UK income tax should note that redemption of the Ordinary Shares could give rise to adverse tax consequences which would not arise if the Ordinary Shares were sold in the market.

## **Profile of typical investor**

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

## **Net Asset Value publication**

As at the Latest Practicable Date, the Company had an unaudited NAV of approximately £263.735 million. The Net Asset Value (including current period revenue) per Ordinary Share was 81.31 pence and the Net Asset Value (excluding current period revenue) per Ordinary Share was 80.35 pence.

The unaudited Net Asset Value per Share is calculated in sterling by the Administrator on a daily basis, as described below. Such calculations are notified daily, on a cum-income and ex-income basis, through a Regulatory Information Service and are 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 the Association of Investment Companies' valuation guidelines and in accordance with applicable accounting standards. Publicly traded securities are valued by reference to their bid price or last traded price, if applicable, on the relevant exchange. Where trading in the securities of an investee company is suspended, the investment is valued at the Board's estimate of its net realisable value. Unquoted investments are valued by the Board. In making its valuations, the Board takes into account, where appropriate, latest dealing prices, valuations from reliable sources, asset values and other relevant factors.

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

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

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

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

## **Meetings, reports and accounts**

The Company holds an annual general meeting in or around October each year. The annual report and accounts of the Company are made up to 31 May in each year with copies expected to be sent to Shareholders within the following four months. The Company publishes unaudited half-yearly reports to 30 November with copies expected to be sent to Shareholders within the following two months. In addition, the Company publishes interim management statements in respect of the other two quarters in accordance with the Disclosure and Transparency Rules.

The Group's financial statements are prepared in accordance with IFRS and reported in sterling.

## The Takeover Code

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

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

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

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

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

## Taxation

Potential investors are referred to Part 8 of this document for details of the taxation of the Company and of Shareholders resident for tax purposes in the UK. Investors who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than the UK are strongly advised to consult their own professional advisers immediately.

**Details of the tax treatment of redemptions and share buybacks can be found in Part 8 of this document. In particular, individuals and certain trustees who are liable to UK income tax should note that redemption of the Ordinary Shares could give rise to adverse tax consequences which would not arise if the Ordinary Shares were sold in the market.**

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

## Risk factors

The Company's business is dependent on many factors and potential investors should read the whole of this document and in particular the section entitled "Risk Factors" on pages 15 to 22 of this document.

## Action to be taken in respect of the Open Offer

If you are a Non-CREST Shareholder, you will find enclosed with this document an Open Offer Application Form to apply for C Shares under the Open Offer. If you wish to take up any or all of your entitlement to C Shares under the Open Offer, you should complete the enclosed Application Form in accordance with



the procedure for application set out in paragraph 4.1 of Section A of Part 6 (*Terms and Conditions of the Issue*) of this document and in the Open Offer Application Form. Completed Open Offer Application Forms, accompanied by full payment in accordance with the instructions in paragraph 4.1 of Section A of Part 6 (*Terms and Conditions of the Issue*) of this document should be returned by post or by hand (during normal business hours only) to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, in either case as soon as possible and in any event so as to arrive by no later than 11.00 a.m. on 17 June 2014.

If you are a CREST Shareholder, no Application Form is enclosed and you will receive a credit to your appropriate stock account in CREST in respect of your Open Offer Entitlement. You should refer to the procedure for application set out in paragraph 4.2 of Section A of Part 6 (*Terms and Conditions of the Issue*) of this document.

The latest time for applications under the Open Offer to be received whether from Non-CREST Shareholders or from CREST Shareholders is 11.00 a.m. on 17 June 2014. The procedure for application and payment depends on whether you hold your Ordinary Shares in certificated or uncertificated form. The procedures for application and payment are set out in Part 6 (*Terms and Conditions of the Issue*) of this document. Further details also appear in the Application Forms which have been sent to Non-CREST Shareholders.

CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Open Offer. The CREST sponsor only will be able to take the necessary action to apply under the Open Offer. CREST members who wish to apply under the Open Offer in respect of their Open Offer Entitlements in CREST should refer to the CREST manual for further information.

The attention of Overseas Shareholders is drawn to paragraph 6 of Section A of Part 6 (*Terms and Conditions of the Issue*) of this document.

Further details of the Open Offer are set out, in the case of Non-CREST Shareholders, in the Application Form.

### **Actions to be taken in respect of the Offer for Subscription**

If you wish to apply for more C Shares than those available to you under the Open Offer, you are able to do so by completing and returning the Offer for Subscription Application Form, which can be found at the end of this document, in accordance with the related instructions.

The latest time and date for receipt of applications under the Offer for Subscription is 11.00 a.m. on 20 June 2014 or such later time and date as the Directors may decide but not being later than 31 August 2014. If the latest time and date for receipt of applications under the Offer for Subscription is extended beyond 11.00 a.m. on 20 June 2014, the Company will announce this through a Regulatory Information Service. The procedure for application and payment are set out in Part 6 (*Terms and Conditions of the Issue*) of this document. Further details are also available on the Offer for Subscription Application Form.

If you are in any doubt as to what action you should take, you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under FSMA immediately if you are in the United Kingdom or, if you are not, from another appropriately authorised independent professional adviser.

### **Directors' intention to subscribe**

Each of Michael Wrobel, Tom Bartlam, Lucinda Riches and Jane Tufnell intend to take up their entitlements in full by subscribing for C Shares pursuant to the Open Offer. In addition, Tom Bartlam intends to subscribe for a further 100,000 C Shares pursuant to the Offer for Subscription.

Yours faithfully

**Michael Wrobel**  
*Chairman*



## PART 2

### THE ISSUE

#### **The Issue and use of proceeds**

The target size of the Issue is in excess of £30 million, before expenses. The actual number of C Shares to be issued pursuant to the Issue, and therefore the Gross Proceeds, are not known as at the date of this document but will be notified by the Company via a Regulatory Information Service prior to Admission. The maximum number of C Shares which may be issued pursuant to the Issue is 108,125,817 to raise Gross Proceeds of approximately £54 million.

All of the C Shares are being initially offered to existing Shareholders by way of a fully pre-emptive Open Offer. The Open Offer provides an opportunity for Shareholders to participate in the fundraising by subscribing for their Open Offer Entitlements.

To the extent that valid applications are not received in respect of all of the C Shares under the Open Offer, such unallocated C Shares will be made available under the Offer for Subscription and the Placing.

The Issue has not been underwritten.

The Directors intend to use the net proceeds of the Issue to acquire investments in accordance with the Company's investment objective and policy.

#### **C Shares**

The Issue will be of a new class of shares, C Shares, which will be issued at the Issue Price. An issue of C Shares is designed to overcome the potential disadvantages for existing Ordinary Shareholders which could arise out of a conventional fixed price issue of further Ordinary Shares for cash. In particular:

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

The new Ordinary Shares arising on Conversion of the C Shares will rank *pari passu* with the Ordinary Shares then in issue and will have the rights set out in the Articles which are summarised in Part 9 of this document.

#### **Conversion of C Shares**

The Net Proceeds and the investments made with the Net Proceeds will be accounted for and managed as a separate pool of assets until the date on which at least 90 per cent. of the Net Proceeds (or such other percentage as the Directors and Manager shall agree) has been invested in accordance with the Company's investment policy (or, if earlier, six months after the date of issue of the C Shares). The Conversion Ratio will then be calculated (calculated to four decimal places (with 0.00005 being rounded down)) and the C Shares in issue will convert into a number of Ordinary Shares calculated by reference to

the net assets then attributable to C Shares compared to the net assets at the same time attributable to Ordinary Shares then in issue. Entitlements to Ordinary Shares will be rounded down to the nearest whole number.

The following example is provided for the purpose of illustrating the basis on which the number of new Ordinary Shares arising on Conversion will be calculated. The example is not, and is not intended to be, a profit forecast or a forecast of the number of Ordinary Shares which will arise on Conversion.

The example illustrates the number of Ordinary Shares which would arise in respect of the Conversion of 1,000 C Shares held at the Calculation Date, using assumed Net Asset Values attributable to the C Shares and the existing Ordinary Shares, in each case as at the Calculation Date. The assumed Net Asset Values attributable to the existing Ordinary Shares are those at the close of business on the Latest Practicable Date, being 80.35 pence per Ordinary Share (excluding current period revenue). The assumed Net Asset Value attributable to the C Shares is calculated on the basis that there are no returns on the net proceeds of the Issue in the expected short period from Admission to the Calculation Date.

Number of C Shares subscribed	1,000
Amount subscribed	£500
Net Asset Value attributable to a C Share at the Calculation Date	£0.4875
Net Asset Value attributable to an Ordinary Share at the Calculation Date	£0.8035
Conversion Ratio	1.00: 0.6067
Number of new Ordinary Shares arising on Conversion	606

The detailed calculation methodology for the Conversion Ratio is set out in Part 3 of this document. Pursuant to the Articles, the Directors may make such adjustments to the terms and timing of Conversion as they in their discretion consider are fair and reasonable having regard to the interests of all Shareholders. At the date of this document, no such adjustments are expected to be made. However, any adjustments to the terms and timing of Conversion would be announced via a Regulatory Information Service.

## Overview of the Issue

The Issue Price for the C Shares is 50 pence per C Share. The Open Offer, Offer for Subscription and Placing are conditional on, *inter alia*, (i) Admission having become effective at or before 8.00 a.m. on 26 June 2014 or such later time and/or date as the Company, Cenkos Securities and the Manager may agree; and (ii) the Placing and Offer Agreement becoming unconditional in all respects and not having been terminated in accordance with its terms prior to Admission of the C Shares issued under the Open Offer, Offer for Subscription and Placing.

Certain restrictions that apply to the distribution of this document and the C Shares being issued under the Open Offer, Offer for Subscription and Placing in certain jurisdictions are described in the section headed "Important Notices" on pages 23 to 25 (inclusive) of this document.

## The Open Offer

Shareholders are being offered the opportunity, under the Open Offer, to apply for C Shares at the Issue Price *pro rata* to their holdings, on the following basis:

### one C Share for every three Ordinary Shares

held and registered in their name at the close of business on the Record Date.

Open Offer Entitlements will be rounded down to the nearest whole number and any fractional entitlements to C Shares will not be allocated and will not be made available under the Placing and the Offer for Subscription.

If you have sold or otherwise transferred all of your existing Ordinary Shares before the ex-entitlement date for the Open Offer (being 2 June 2014), you are not entitled to participate in the Open Offer.

Shareholders may also subscribe for C Shares in excess of their Open Offer Entitlement under the Offer for Subscription described below.

### *Applications under the Open Offer*

Non-CREST Shareholders wishing to apply for C Shares under the Open Offer are able to do so by completing and returning the Open Offer Application Form enclosed with this document in accordance with the related instructions. The latest time and date for receipt of Open Offer Application Forms from Non-CREST Shareholders is 11.00 a.m. on 17 June 2014 or such other later time and date as the Company, Cenkos Securities and the Manager may agree. If the latest time and date for receipt of Application Forms under the Open Offer is extended beyond 11.00 a.m. on 17 June 2014, the Company will announce this through a Regulatory Information Service.

CREST Shareholders who are CREST members wishing to apply for C Shares may do so by sending (and in the case of CREST sponsored members, by procuring that their CREST sponsor sends) a USE Instruction to Euroclear in respect of their Open Offer Entitlements to settle on or before 11.00 a.m. on 17 June 2014. If the latest time and date for settlement under the Open Offer for CREST Shareholders is extended beyond 11.00 a.m. on 17 June 2014, the Company will announce this through a Regulatory Information Service.

Applications under the Open Offer are not subject to any minimum subscription requirement.

The Open Offer is subject to the terms and conditions of the Open Offer which are set out in Part 6 of this document and should be read carefully before an application is made under the Open Offer. Shareholders should consult an independent financial adviser if they are in doubt about the contents of this document or the action they should take.

### **Placing and Offer for Subscription**

Any C Shares that are available under the Open Offer and are not taken up by Shareholders pursuant to their Open Offer Entitlements will be made available under the Placing and the Offer for Subscription. If applications under the Placing and the Offer for Subscription are for more C Shares than the C Shares not taken up under the Open Offer, applications will be scaled back at the discretion of Cenkos Securities, following consultation with the Company and the Manager.

### **Offer for Subscription**

The Offer for Subscription is being made to Shareholders who are not resident in the United States or a Restricted Jurisdiction and otherwise and commences as at the date of this document. Application Forms must be received by 11.00 a.m. on 20 June 2014 or such other later time and date as Company, Cenkos Securities and the Manager may agree. Individual investors may apply for C Shares through their existing financial advisers or ISA or share plan managers.

Applications under the Offer for Subscription must be for a minimum of £1,000. Applications in excess of the minimum subscription amount should be in multiples of £10. All application monies must be received in sterling. The Directors may, in their absolute discretion after taking into account the demand for C Shares under the Open Offer, Offer for Subscription and Placing and economic and market conditions, waive the minimum initial application requirement in respect of any particular application under the Offer for Subscription. Multiple subscriptions under the Offer for Subscription by individual investors will not be accepted, but Shareholders may apply under each of the Open Offer, the Placing and the Offer for Subscription.

Application Forms, accompanied by a cheque or banker's draft payable to "Capita Registrars Limited re: The Diverse Income Trust plc OFS A/C" and crossed "a/c payee only" for the appropriate sum, should be returned to the Receiving Agent by 11.00 a.m. on 20 June 2014. Payments must be made by cheque or banker's draft in sterling, drawn on a branch in the United Kingdom with cleared funds. Such cheques or banker's drafts must bear the appropriate sort code in the top right hand corner. Cheques must be drawn on the personal account of the individual investor where they have a sole or joint title to the funds. Third party cheques will not be accepted with the exception of building society cheques or bankers' drafts where the building society or bank has confirmed the name of the account holder on the back of the cheque/draft by endorsing the cheque/draft to such effect. Any cheques or banker's drafts may be cashed on receipt.

To the extent that the amount of any cheque accompanying an Application Form exceeds the aggregate value of the C Shares allocated to such application, the balance will be returned by cheque to the applicant concerned without any interest.

The Offer for Subscription is made subject to the terms and conditions of the Offer for Subscription which are set out in Part 6 (*Terms and Conditions of the Issue*). These terms and conditions should be read carefully before an application is made. Potential investors should consult an independent financial adviser if they are in doubt about the contents of this document or the action they should take.

## **Placing**

The Company, the Manager and Cenkos Securities have entered into a Placing and Offer Agreement pursuant to which Cenkos Securities has agreed, subject to certain conditions, to use its reasonable endeavours to procure subscribers for the C Shares made available under the Placing (being the C Shares not allocated under the Open Offer).

The Open Offer, Offer for Subscription and Placing will lapse if the Placing and Offer Agreement is terminated in accordance with its terms prior to Admission, in which case any amounts received in respect of the Open Offer, Offer for Subscription or Placing will be returned to the applicants without interest.

The Placing commences as at the date of this document and commitments under the Placing must be received by Cenkos Securities (acting on behalf of the Company) no later than 4.00 p.m. on 20 June 2014. The Directors may, with the prior approval of the Manager and Cenkos Securities, alter the closing date of the Placing and thereby shorten or lengthen the placing period, to a date no later than 31 August 2014.

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

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

Further details of the Placing and Offer Agreement are set out in paragraph 7.1 of Part 9 (*Additional Information*) of this document.

To the extent the time for applications and settlement under the Open Offer and Offer for Subscription and placing period under the Placing are shortened or lengthened, the Company will notify Shareholders and other investors through the publication of a notice through a Regulatory Information Service.

## **Allocations of C Shares**

The basis of allocation will be as follows:

- (i) valid applications under the Open Offer will be accepted and allocated in full; and
- (ii) any C Shares not taken up under the Open Offer will be made available under the Placing and the Offer for Subscription, with applications allocated and, if necessary, scaled back in the discretion of Cenkos Securities, following consultation with the Company and the Manager.

## **Dealings**

Application has been made for the C Shares to be admitted to the main market for listed securities of the London Stock Exchange. It is expected that allotment of C Shares will take place, conditional on Admission, on or around 23 June 2014. Admission will become effective and unconditional dealings in the C Shares will commence at 8.00 a.m. on 26 June 2014.

## **CREST**

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

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

The Open Offer Entitlements will be registered with ISIN GB00BLT2FQ48 and SEDOL code BLT2FQ4.

When admitted to trading, the C Shares will be registered with ISIN number GB00BLTVC930 and SEDOL code BLTVC93. It is expected that CREST accounts will be credited with C Shares on 26 June 2014. The names of subscribers or their nominees that invest through CREST will be entered directly on to the share register of the Company. Dealings in C Shares in advance of the crediting of the relevant stock account shall be at the risk of the person concerned.

## **Money laundering**

Pursuant to anti-money laundering laws and regulations with which the Company must comply in the United Kingdom, the Company and its agents, Cenkos Securities or Capita Asset Services, may require evidence of the identity of each investor in connection with any application for C Shares, including further identification of the applicant(s), before any C Shares are issued.

## **Distribution and transfer restrictions**

No action has been or will be taken in any jurisdiction that would permit a public offering of the C Shares outside the United Kingdom, or the possession, circulation or distribution of this document or any other material relating to the Company or the C Shares in any jurisdiction where action for that purpose is required. Accordingly, the C Shares may not be offered or sold, directly or indirectly, and neither this document nor any other offering material or advertisements in connection with the Offer for Subscription and Placing may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

## **Dilution**

Pursuant to the Conversion, the C Shares issued pursuant to the Issue will convert into Ordinary Shares.

The number of Ordinary Shares into which each C Share converts will be determined by the relative NAV per C Share and per Ordinary Share at the Conversion Date. As a result of Conversion, the percentage of the issued Ordinary Shares held by each existing holder of Ordinary Shares will be reduced to the extent that Shareholders do not take up their Open Offer Entitlement in full. However, Conversion will be NAV neutral to holders of Ordinary Shares.

## PART 3

### DETAILS OF THE C SHARES

The rights and restrictions attaching to the C Shares and the Deferred Shares arising on Conversion are set out in the Articles and are summarised below.

- (l) The following definitions apply (for the purposes of this Part 3 of this document only) in addition to, or (where applicable) in substitution for, the definitions applicable elsewhere in this document:

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

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

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

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

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

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

Where:

**C** is the aggregate of:

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



**D** is the amount (to the extent not otherwise deducted from the assets attributable to the C Shares) which, in the Directors' opinion, fairly reflects the amount of the liabilities of the Company attributable to the C Shares on the Calculation Date;

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

**F** is the aggregate of:

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

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

**H** is the number of Ordinary Shares in issue on the Calculation Date (excluding any Ordinary Shares held in treasury),

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

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

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

**Force Majeure Circumstances** means (i) any political and/or economic circumstances and/or actual or anticipated changes in fiscal or other legislation which, in the reasonable opinion of the Directors, renders Conversion necessary or desirable; (ii) the issue of any proceedings challenging, or seeking to challenge, the power of the Company and/or its Directors to issue the C Shares with the rights proposed to be attached to them and/or to the persons to whom they are, and/or the terms upon which they are proposed to be, issued; or (iii) the giving of notice of any general meeting of the Company at which a resolution is to be proposed to wind up the Company, whichever shall happen earliest; and

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

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

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

- (II) The holders of the Ordinary Shares, the C Shares and the Deferred Shares shall, subject to the provisions of the Articles, have the following rights to be paid dividends:
- (a) the Deferred Shares (to the extent that any are in issue and extant) shall entitle the holders thereof to a non-cumulative dividend at a fixed rate of one per cent. of the nominal amount thereof (the "Deferred Dividend") on the date six months after the Conversion Date on which such Deferred Shares were created in accordance with paragraph (VIII) (the "Relevant Conversion Date") and on each anniversary of such date payable to the holders thereof on the register of members on that date as holders of Deferred Shares but shall confer no other right, save as provided herein, on the holders thereof to share in the profits of the Company. The Deferred Dividend shall not accrue or become payable in any way until the date six months after the Conversion Date and shall then only be payable to those holders of Deferred Shares registered in the register of members of the Company as holders of Deferred Shares on that date. It should be noted that given the proposed repurchase of the Deferred Shares as described below, it is not expected that any dividends will accrue or be paid on such shares;
  - (b) the C Shareholders shall be entitled to receive in that capacity such dividends as the Directors may resolve to pay out of net assets attributable to the C Shares and from income received and accrued which is attributable to the C Shares;
  - (c) the Existing Ordinary Shares shall confer the right to dividends declared in accordance with the Articles;
  - (d) the Ordinary Shares into which C Shares shall convert shall rank *pari passu* with the Existing Ordinary Shares for dividends and other distributions made or declared by reference to a record date falling after the Calculation Date; and
  - (e) no dividend or other distribution shall be made or paid by the Company on any of its shares (other than any Deferred Shares for the time being in issue) between the Calculation Date and the Conversion Date (both dates inclusive) and no such dividend shall be declared with a record date falling between the Calculation Date and the Conversion Date (both dates inclusive).
- (III) The holders of the Ordinary Shares, the C Shares and the Deferred Shares shall, subject to the provisions of the Articles, have the following rights as to capital:
- (a) the surplus capital and assets of the Company shall on a winding-up or on a return of capital (otherwise than on a purchase by the Company of any of its shares) at a time when any C Shares are for the time being in issue and prior to the Conversion Date be applied amongst the holders of the Existing Ordinary Shares *pro rata* according to the nominal capital paid up on their holdings of Existing Ordinary Shares, after having deducted therefrom an amount equivalent to (C-D) using the methods of calculation of C and D given in the definition of Conversion Ratio, which amount shall be applied amongst the C shareholders *pro rata* according to the nominal capital paid up on their holdings of C Shares. For the purposes of this paragraph (III)(a) the Calculation Date shall be such date as the liquidator may determine; and
  - (b) the surplus capital and assets of the Company shall on a winding-up or on a return of capital (otherwise than on a purchase by the Company of any of its shares) at a time when no C Shares are for the time being in issue be applied as follows:
    - (i) first, if there are Deferred Shares in issue, in paying to the deferred shareholders one pence in aggregate in respect of every one million Deferred Shares (or part thereof) of which they are respectively the holders; and
    - (ii) secondly, the surplus shall be divided amongst the ordinary shareholders *pro rata* according to the nominal capital paid up on their holdings of Ordinary Shares.
- (IV) As regards voting:
- (a) the C Shares shall carry the right to receive notice of and to attend and vote at any general meeting of the Company. The voting rights of holders of C Shares will be the same as that applying to holders of Existing Ordinary Shares as set out in the Articles as if the C Shares and Existing Ordinary Shares were a single class; and
  - (b) the Deferred Shares shall not carry any right to receive notice of nor to attend or vote at any general meeting of the Company.



- (V) The following shall apply to the Deferred Shares:
- (a) the C Shares shall be issued on such terms that the Deferred Shares arising upon Conversion (but not the Ordinary Shares arising on Conversion) may be repurchased by the Company in accordance with the terms set out herein;
  - (b) immediately upon Conversion, the Company shall repurchase all of the Deferred Shares which arise as a result of Conversion for an aggregate consideration of one pence for every 1,000,000 Deferred Shares and the notice referred to in paragraph (VIII)(b) below shall be deemed to constitute notice to each C Shareholder (and any person or persons having rights to acquire or acquiring C Shares on or after the Calculation Date) that the Deferred Shares shall be repurchased immediately upon Conversion for an aggregate consideration of one pence for each holding of 1,000,000 Deferred Shares. On repurchase, each Deferred Share shall be treated as cancelled in accordance with section 706 of the Companies Act 2006 without further resolution or consent; and
  - (c) the Company shall not be obliged to: (i) issue share certificates to the deferred shareholders in respect of the Deferred Shares; or (ii) account to any deferred shareholder for the repurchase moneys in respect of such Deferred Shares.
- (VI) Without prejudice to the generality of the Articles, for so long as any C Shares are for the time being in issue it shall be a special right attaching to the Existing Ordinary Shares as a class and to the C Shares as a separate class that without the sanction or consent of such holders given in accordance with the Company's Articles:
- (a) no alteration shall be made to the Articles of the Company;
  - (b) no allotment or issue will be made of any security convertible into or carrying a right to subscribe for any share capital of the Company other than the allotment or issue of further C Shares; and
  - (c) no resolution of the Company shall be passed to wind-up the Company.

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

- (i) the issue of further Ordinary Shares ranking *pari passu* in all respects with the Existing Ordinary Shares (otherwise than in respect of any dividend or other distribution declared, paid or made on the Existing Ordinary Shares by the issue of such further Ordinary Shares); or
  - (ii) the sale of any shares held as treasury shares (as such term is defined in section 724 of the Companies Act 2006) in accordance with sections 727 and 731 of the Companies Act 2006 or the purchase or redemption of any shares by the Company (whether or not such shares are to be held in treasury).
- (VII) For so long as any C Shares are for the time being in issue, until Conversion of such C Shares and without prejudice to its obligations under applicable laws the Company shall:
- (a) procure that the Company's records, and bank and custody accounts shall be operated so that the assets attributable to the C Shares can, at all times, be separately identified and, in particular but without prejudice to the generality of the foregoing, the Company shall, without prejudice to any obligations pursuant to applicable laws, procure that separate cash accounts, broker settlement accounts and investment ledger accounts shall be created and maintained in the books of the Company for the assets attributable to the C Shares;
  - (b) allocate to the assets attributable to the C Shares such proportion of the income, expenses and liabilities of the Company incurred or accrued between the date on which the Company first receives the Net Proceeds and the Calculation Date relating to such C Shares (both dates inclusive) as the Directors fairly consider to be attributable to the C Shares; and
  - (c) give appropriate instructions to the Manager to manage the Company's assets so that such undertakings can be complied with by the Company.

- (VIII) The C Shares for the time being in issue shall be sub-divided and converted into Ordinary Shares and Deferred Shares on the Conversion Date in accordance with the following provisions of this paragraph (VIII):
- (a) the Directors shall procure that within 10 Business Days of the Calculation Date:
    - (i) the Conversion Ratio as at the Calculation Date and the numbers of Ordinary Shares and Deferred Shares to which each C Shareholder shall be entitled on Conversion shall be calculated; and
    - (ii) the Auditors shall be requested to confirm that such calculations as have been made by the Company have, in their opinion, been performed in accordance with the Articles and are arithmetically accurate whereupon such calculations shall become final and binding on the Company and all holders of the Company's shares and any other securities issued by the Company which are convertible into the Company's shares, subject to the proviso immediately after the definition of H in paragraph (I) above.
  - (b) The Directors shall procure that, as soon as practicable following such confirmation and in any event within 10 Business Days of the Calculation Date, a notice is sent to each C shareholder advising such C shareholder of the Conversion Date, the Conversion Ratio and the numbers of Ordinary Shares and Deferred Shares to which such C shareholder will be entitled on Conversion.
  - (c) On conversion each C Share shall automatically subdivide into 10 conversion shares of 0.1p each and such conversion shares of 0.1p each shall automatically convert into such number of Ordinary Shares and Deferred Shares as shall be necessary to ensure that, upon such Conversion being completed:
    - (i) the aggregate number of Ordinary Shares into which the same number of conversion shares of 0.1p each are converted equals the number of C Shares in issue on the Calculation Date multiplied by the Conversion Ratio (rounded down to the nearest whole Ordinary Share); and
    - (ii) each conversion share of 0.1p which does not so convert into an Ordinary Share shall convert into one Deferred Share.
  - (d) The Ordinary Shares and Deferred Shares arising upon Conversion shall be divided amongst the former C shareholders *pro rata* according to their respective former holdings of C Shares (provided always that the Directors may deal in such manner as they think fit with fractional entitlements to Ordinary Shares and Deferred Shares arising upon Conversion including, without prejudice to the generality of the foregoing, selling any Ordinary Shares representing such fractional entitlements and retaining the proceeds for the benefit of the Company).
  - (e) Forthwith upon Conversion, the share certificates relating to the C Shares shall be cancelled and the Company shall issue to each former C Shareholder new certificates in respect of the Ordinary Shares which have arisen upon Conversion to which he or she is entitled. Share certificates in respect of the Deferred Shares will not be issued.
  - (f) The Directors may make such adjustments to the terms and timing of Conversion as they in their discretion consider are fair and reasonable having regard to the interests of all Shareholders.

## **PART 4**

### **DIRECTORS AND MANAGEMENT**

#### **Directors**

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

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

The Directors are as follows:

#### ***Michael Wrobel (Chairman) (aged 58)***

Michael Wrobel is an Independent Investment Adviser to Rio Tinto plc. He is also a Trustee of British American Tobacco Pension Fund and Chairman of Thornton's Plc pension fund. Mr Wrobel was formerly Group Adviser Pension Investments at Rio Tinto plc, a director of JPMorgan European Smaller Companies Trust plc and Gartmore Investment Management plc and was Head of Investment Trusts at F&C Asset Management. He was previously an investment manager at Fidelity and Morgan Grenfell.

#### ***Tom Bartlam (aged 66)***

Tom Bartlam was formerly a founder and managing director of Intermediate Capital Group plc, a leading independent mezzanine provider and investor in Europe, prior to which he was a director of Charterhouse Bank where he was involved in their corporate finance and private equity activities. He is a chartered accountant with more than 30 years' experience in the investment and financial services industry. He is currently chairman of Pantheon International Participations plc, Jupiter Primadona Growth Trust plc and Polar Capital Holdings plc.

#### ***Paul Craig (aged 44)***

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

#### ***Lucinda Riches (aged 52)***

Lucinda Riches was formerly an investment banker. She began her career at Chase Manhattan Bank. Ms Riches worked at UBS and its predecessor firms for 21 years. At UBS, she was a Managing Director, Global Head of Equity Capital Markets and a member of the Board of the Investment Bank. Ms Riches is currently a non-executive director of UK Financial Investments Limited, The Graphite Enterprise Trust plc, and The British Standards Institution. She is also a non-executive director of King and Wood Mallesons LLP (formerly SJ Berwin LLP) and a Trustee of Sue Ryder.

#### ***Jane Tufnell (aged 50)***

Jane Tufnell was a founder member of Ruffer Investment Management Limited in 1994 and will be working at Ruffer LLP until June 2014. Jane has 25 years of investment experience, joining County NatWest in 1987 where she ran the NatWest pension fund exposure to UK small companies. She is also a non-executive director of TR European Growth Trust plc and J.P. Morgan Claverhouse Investment Trust plc. Jane has been appointed as the Senior Independent Director.

## **Manager**

The Company's manager is Miton Asset Management Limited, a subsidiary company of Miton Group plc, an AIM-quoted asset management firm.

Miton Group plc has offices in London and Reading.

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

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

As at 31 December 2013, the Manager's group had total funds under management of approximately £3.098 billion.

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

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

## **Gervais Williams**

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

He won Investor of the Year as awarded by Grant Thornton at their Quoted Company dinner in both 2009 and 2010. He has sat on two DTI committees on the quoted small cap sector, is a member of the AIM Advisory Council and is joining the Board of the Quoted Companies Alliance. Gervais is also the fund manager of CF Miton UK Multicap Income Fund, CF Miton UK Smaller Companies Fund, both UK-based OEICs and PSigma Income, a UK unit trust. He is joint manager of The Investment Company plc.

## **Martin Turner**

Martin Turner joined Miton Group plc in May 2011. Prior to joining Miton Group plc, 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. He is joint manager of CF Miton UK Multicap Income Fund, CF Miton UK Smaller Companies Fund and The Investment Company plc.

## **Management Agreement**

The Company and the Manager have entered into a Management Agreement, a summary of which is set out in paragraph 7.10 of Part 9 of this document, under which the Manager has been given sole responsibility for the discretionary management of the Company's assets (including uninvested cash) in accordance with the Company's investment policy, subject to the overall control and supervision of the Directors.

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

### **Administration of the Company**

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

### **Fees and expenses**

#### ***Issue expenses***

The costs and expenses incurred by the Company in connection with the Issue have been capped at a maximum of 2.5 per cent. of the Gross Proceeds and will be attributed to the C Shareholders. Accordingly, it is expected that the initial NAV per C Share will be a minimum of 48.75 pence.

#### ***Ongoing annual expenses***

Ongoing annual expenses include the following:

(i) *Manager*

The Manager is entitled to receive from the Company or any member of its group in respect of its services provided under the Management Agreement, a management fee payable monthly in arrears calculated at the rate of one-twelfth of 1 per cent. per calendar month of the Market Capitalisation. The Manager is currently entitled to a management fee payable monthly in arrears calculated at the rate of one-twelfth of 1 per cent. per calendar month of the Market Capitalisation. Pursuant to a side letter dated 30 May 2014, the Company and the Manager have agreed that a management fee calculated at the rate of one-twelfth of 1 per cent. per calendar month of the Market Capitalisation shall be payable where the Market Capitalisation is equal to or less than £300 million and, to the extent that the Market Capitalisation is greater than £300 million, the rate to be applied to such excess (and only such excess) shall instead be one-twelfth of 0.8 per cent. per calendar month.

In addition to the basic management fee, and for so long as a Redemption Pool is in existence, the Manager is entitled to receive from the Company a fee calculated at the rate of one-twelfth of 1 per cent. per calendar month of the net asset value of the Redemption Pool on the last Business Day of the relevant calendar month. In accordance with the Directors’ policy on the allocation of expenses between income and capital, in each financial year 75 per cent. of the management fee payable is expected to be charged to capital and the remaining 25 per cent. to income.

(ii) *Administration*

Under the terms of the Administration Agreement, the Administrator is currently entitled to an administration fee of £118,357 per annum (exclusive of VAT) in respect of the year ending on 31 May 2014. The fee is subject to increase in line with the retail prices index.

(iii) *Registrar*

Under the terms of the Registrar Agreement, the Registrar is entitled to an annual maintenance fee of £1.84 per Shareholder account per annum, subject to a minimum fee of £4,725 per annum (exclusive of VAT). The fee is subject to increase in line with the retail prices index. The Registrar is also entitled to activity fees under the Registrar Agreement.

(iv) *Custodian*

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

Following the implementation of the AIFMD, the Company will be required to appoint a depository and is currently in negotiation for the provision of these services. It is likely that any entity that is appointed as the Company's depository will also be appointed as the Company's custodian although the Company does not expect the terms on which such custodian is appointed to differ materially from the arrangements which are currently in place. Any such appointment will be notified through a Regulatory Information Service as soon as is reasonably practicable.

(v) *Directors*

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

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

(vi) *Other operational expenses*

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

## **Conflicts of interest**

The Manager and its officers and employees may from time to time act for other clients or manage other funds, which may have similar investment objectives and policies to that of the Company. Circumstances may arise where investment opportunities will be available to the Company which are also suitable for one or more of such clients of the Manager or such other funds. The Directors have satisfied themselves that the Manager has procedures in place to address potential conflicts of interest and that, where a conflict arises, the Manager will allocate the opportunity on a fair basis and in accordance with the Management Agreement described in paragraph 7.10 of Part 9 of this document.

## **Corporate governance**

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

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 Financial Reporting Council ("**FRC**"), the UK's independent regulator for corporate reporting and governance responsible for the UK Corporate Governance Code, has endorsed the AIC Code and the AIC Guide. The terms of the FRC's endorsement mean that AIC members who report against the AIC Code and the AIC Guide meet fully their obligations under the UK Corporate Governance Code and the related disclosure requirements contained in the Listing Rules.

As at the date of this document, the Company complies with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below.

The UK Corporate Governance Code includes provisions relating to: the role of the chief executive; executive directors' remuneration; and the need for an internal audit function. For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the Board considers these

provisions are not relevant to the position of the Company, being an externally managed investment company and the Company does not therefore comply with them.

The Company's Audit Committee is chaired by Tom Bartlam and consists of all the Directors and 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 receives information from the Manager. It also reviews the scope, results, cost effectiveness, independence and objectivity of the external auditor.

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

Jane Tufnell has been appointed as the Senior Independent Director.



## PART 5

### FINANCIAL INFORMATION

The statutory financial statements for the Group for the year ending on 31 May 2013 (the “**2013 Annual Report and Accounts**”) and for the financial period ending on 31 May 2012 (the “**2012 Annual Report and Accounts**”) were audited by Ernst & Young LLP, whose report was unqualified and did not contain any statements under sub-sections 498(2) and 498(3) of the Act.

The financial statements for the Group for the six-month period ended 30 November 2013 (the “**2013 Interim Accounts**”) and for the six-month period ended 30 November 2012 (the “**2012 Interim Accounts**”) are unaudited.

#### 1. Selected Financial Information

	<i>2013 Interim Report and Accounts (Unaudited)</i>	<i>2013 Annual Report and Accounts (Audited)</i>	<i>2012 Interim Report and Accounts (Unaudited)</i>	<i>2012 Annual Report and Accounts (Audited)</i>
Total net assets less current liabilities (£'000)	251,794	135,909	85,700	47,826
NAV per Ordinary Share (p)	77.62	65.12	54.76	47.83

#### 2. Operating and financial review

The Group’s 2013 Interim Accounts, 2013 Annual Report and Accounts, 2012 Interim Accounts and the 2012 Annual Report and Accounts (which have been incorporated in this document by reference) included, on the pages specified in the table below, descriptions of the Group’s financial condition (in both capital and revenue terms); details of the Group’s investment activity and portfolio exposure; and changes in its financial condition for that period.

<i>Nature of information</i>	<i>2013 Interim Report and Accounts (Unaudited) Page no(s)</i>	<i>2013 Annual Report and Accounts (Audited) Page no(s)</i>	<i>2012 Interim Report and Accounts (Unaudited) Page no(s)</i>	<i>2012 Annual Report and Accounts (Audited) Page no(s)</i>
Chairman’s Statement	8	10	3	4
Manager’s Report	10	12	4	5
Forty Largest Holdings	14	14	6	7
Structure of Portfolio	15	15	7	8



### 3. Availability of annual reports and accounts for inspection

The Group's 2013 Interim Accounts, 2013 Annual Report and Accounts, 2012 Interim Accounts and the 2012 Annual Report and Accounts are available online at [www.mitongroup.com/dit](http://www.mitongroup.com/dit) and [www.morningstar.co.uk/uk/nsm](http://www.morningstar.co.uk/uk/nsm) and are also available for inspection at the address referred to in paragraph 12 of Part 6 of this document.

	<i>2013 Interim Report Page no(s)</i>	<i>2013 Annual Report and Accounts Page no(s)</i>	<i>2012 Interim Report Page no(s)</i>	<i>2012 Annual Report and Accounts Page no(s)</i>
Independent Auditor's Report	–	38	–	24
Income Statement	17	40	9	26
Balance Sheet	19	43	11	28
Statement of Changes in Equity	18	41	10	27
Cash Flow Statement	20	44	12	29
Notes to the Accounts	21	45	13	30

The Group's 2013 Interim Accounts, 2013 Annual Report and Accounts, 2012 Interim Accounts and the 2012 Annual Report and Accounts have been prepared in accordance with IFRS and the Statement of Recommended Practice, issued by the Association of Investment Companies in January 2009.

### 4. Capitalisation and indebtedness

The following table, sourced from the Company's internal accounting records, shows the Group's unaudited indebtedness (distinguishing between guaranteed and unguaranteed, secured and unsecured indebtedness) as at the Latest Practicable Date and the Group's unaudited capitalisation as at 30 November 2013 (being the latest date in respect of which the Group has published financial information):

	<i>27 May 2014 (unaudited) £000</i>
Total Current Debt	2,967
Guaranteed	–
Secured	2,967
Unguaranteed/Unsecured	–
Total Non-Current Debt (excluding current portion of long-term debt)	–
Guaranteed	–
Secured	–
Unguaranteed/Unsecured	–
	<i>30 November 2013 (unaudited) £'000</i>
Shareholders' Equity:	251,794
Share capital	324
Share premium account	143,562
Special reserve	48,558
Capital reserve	56,718
Revenue reserve	2,632

The following table shows the Group's unaudited net indebtedness as at the Latest Practicable Date.

	27 May 2014 (unaudited) £'000
A. Cash	130
B. Cash equivalent	Nil
C. Securities	1,286
D. Liquidity (A+B+C)	1,416
E. Current financial receivables	1,859
F. Current bank debt	2,967
G. Current portion of non-current debt	Nil
H. Other current financial debt	Nil
I. Current financial debt (F+G+H)	2,967
J. Net current financial indebtedness (I-E-D)	178
K. Non-current bank loans	Nil
L. Bonds issued	Nil
M. Other non-current loans	Nil
N. Non-current financial indebtedness (K+L+M)	Nil
O. Net financial indebtedness (J+N)	178
P. Other current liabilities	1,959

## PART 6

### TERMS AND CONDITIONS OF THE ISSUE

#### A. TERMS AND CONDITIONS OF OPEN OFFER

##### 1. Introduction

As explained in the letter set out in Part 1 (Letter from the Chairman) of this document, the Company may issue up to 108,125,817 C Shares at the Issue Price under the Open Offer.

The Open Offer is an opportunity for Shareholders to apply for C Shares *pro rata* to their holdings as at the Record Date at the Issue Price on the basis of one C Share for every three Ordinary Shares held at the Record Date in accordance with the terms of the Open Offer.

The Record Date for entitlements, under the Open Offer for CREST Shareholders and Non-CREST Shareholders is the close of business on 29 May 2014. Open Offer Application Forms for Non-CREST Shareholders accompany this document.

The latest time and date for receipt of completed Open Offer Application Forms and payment in full under the Open Offer and settlement of relevant instructions (as appropriate) is expected to be 11.00 a.m. on 17 June 2014 with Admission and commencement of dealings in C Shares expected to take place at 8.00 a.m. on 26 June 2014.

This document and, for Non-CREST Shareholders only, the Open Offer Application Forms contain the formal terms and conditions of the Open Offer. Your attention is drawn to paragraphs 4.1 and 4.2 of this Section A of this Part 6 (*Terms and Conditions of the Issue*) which gives details of the procedure for application and payment for the C Shares under the Open Offer.

Application has been made to the FCA for the C Shares to be admitted to listing on the Official List, and to the London Stock Exchange to be admitted to trading on the London Stock Exchange's main market for listed securities.

Any Shareholder who has sold or transferred all or part of his/her registered holding(s) of Ordinary Shares prior to 8.00 a.m. on 2 June 2014 (being the ex-entitlement date for the Open Offer) is advised to consult his or her stockbroker, bank or other agent through or to whom the sale or transfer was effected as soon as possible since the invitation to apply for C Shares under the Open Offer may be a benefit which may be claimed from him/her by the purchasers under the rules of the London Stock Exchange.

##### 2. The Open Offer

Subject to the terms and conditions set out below (and, in the case of Non-CREST Shareholders, in the Application Form), Shareholders are being given the opportunity under the Open Offer to apply for C Shares at the Issue Price *pro rata* to their holdings as at the Record Date, on the following basis:

#### **one C Share for every three Ordinary Shares**

held and registered in their name at the close of business on the Record Date. Fractions of C Shares will not be allotted to Shareholders in the Open Offer and entitlements under the Open Offer will be rounded down to the nearest whole number of C Shares.

**Holdings of Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Open Offer, as will holdings under different designations and in different accounts.**

If you are a Non-CREST Shareholder, the Application Form shows the number of C Shares available to you under your Open Offer Entitlement (in Box 3).

CREST Shareholders will have Open Offer Entitlements credited to their stock accounts in CREST and should refer to paragraph 4.2 of this Section A of Part 6 (*Terms and Conditions of the Issue*) of this document for information on the relevant CREST procedures. CREST Shareholders can also refer to the CREST Manual for further information on the relevant CREST procedures.

**Shareholders should be aware that the Open Offer is not a rights issue. Non-CREST Shareholders should also note that their respective Open Offer Application Forms are not negotiable documents and cannot be traded. CREST Shareholders should note that, although the Open Offer Entitlements will be credited to CREST and be enabled for settlement, applications in respect of entitlements under the Open Offer may only be made by the Shareholder originally entitled or by a person entitled by virtue of a bona fide market claim raised by CREST's Claims Processing Unit. C Shares not applied for under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer and Shareholders who do not apply to take up C Shares will have no rights under the Open Offer. Any C Shares which are not applied for by Shareholders under their Open Offer Entitlements will be made available under the Placing and the Offer for Subscription (with the proceeds in each case being retained for the benefit of the Company).**

Application will be made for the Open Offer Entitlements to be credited to CREST Shareholders' CREST accounts. The Open Offer Entitlements are expected to be credited to CREST accounts as soon as possible after 8.00 a.m. on 2 June 2014.

The Ordinary Shares are already admitted to CREST. All Ordinary Shares arising on Conversion may be held and transferred by means of CREST.

### **3. Conditions and further terms of the Open Offer**

The Open Offer is conditional upon, amongst other things, the Placing and Offer Agreement becoming unconditional in all respects (other than as to Admission) and Admission becoming effective by not later than 8.00 am on 26 June 2014 (or such later time and/or date as the Company, Cenkos Securities and the Manager may agree, not being later than 8.00 a.m. on 31 August 2014). A summary of the Placing and Offer Agreement is set out in paragraph 7.1 of Part 9 (Additional Information) of this document.

Accordingly, if these conditions are not satisfied or waived (where capable of waiver), the Open Offer will not proceed and any applications made by Shareholders will be rejected. In such circumstances, application monies will be returned (at the applicant's sole risk), without interest, as soon as practicable thereafter.

No temporary documents of title will be issued. Definitive certificates in respect of C Shares are expected to be posted to those Shareholders who have validly elected to hold their C Shares in certificated form in the week commencing 30 June 2014. In respect of those Shareholders who have validly elected to hold their C Shares (and the Ordinary Shares into which they will convert) in uncertificated form, the C Shares are expected to be credited to their stock accounts maintained in CREST on 26 June 2014.

Application has been made for the C Shares to be admitted to listing on the Official List and to be admitted to trading on the London Stock Exchange's main market for listed securities. Admission is expected to occur on 26 June 2014, when dealings in the C Shares are expected to begin.

All monies received by the Receiving Agent in respect of C Shares will be credited to a non-interest bearing account by the Receiving Agent.

If for any reason it becomes necessary to adjust the expected timetable as set out in this document, the Company will notify the UKLA and make an appropriate announcement to a Regulatory Information Service giving details of the revised dates.

### **4. Procedure for application and payment in respect of the Open Offer**

The action to be taken by you in respect of the Open Offer depends on whether you hold your Ordinary Shares in certificated or uncertificated form.

Shareholders who hold all their Ordinary Shares in certificated form will receive the Open Offer Application Form enclosed with this document. The Open Offer Application Form shows Shareholders the number of C Shares available under their Open Offer Entitlement that can be allotted in certificated form. Shareholders who hold all their Ordinary Shares in CREST will be allotted C Shares in CREST. Shareholders who hold part of their Ordinary Shares in uncertificated form will be allotted C Shares in uncertificated form to the extent that their entitlement to C Shares arises as a result of holding Ordinary Shares in uncertificated form. However, it will be possible for Shareholders to deposit Open Offer Entitlements into, and withdraw them from, CREST. Further information on deposit and withdrawal from CREST is set out in paragraph 4.2.5 of this Section A of Part 6 (*Terms and Conditions of the Open Offer*) of this document.

CREST sponsored members should refer to their CREST sponsor as only their CREST sponsor will be able to take the necessary action specified below to apply under the Open Offer in respect of the Open Offer Entitlements of such members held in CREST. CREST members who wish to apply for C Shares in respect of their Open Offer Entitlements in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below.

**Shareholders who do not wish to apply for the C Shares under the Open Offer should take no action and should not complete or return the Open Offer Application Form, or send a USE message through CREST.**

#### **4.1 *If you have an Open Offer Application Form in respect of your Open Offer Entitlement under the Open Offer***

##### **4.1.1 *General***

Subject as provided in paragraph 6 of Section A of this Part 6 (*Terms and Conditions of the Issue*) of this document in relation to certain Overseas Shareholders, Non-CREST Shareholders will receive an Open Offer Application Form. The Open Offer Application Form shows the number of C Shares available to them under their Open Offer Entitlement in Box 3. Entitlements to C Shares are rounded down to the nearest whole number and fractional Open Offer Entitlements have therefore also been rounded down. Box 4 shows how much they would need to pay if they wish to take up their Open Offer Entitlement in full. Non-CREST Shareholders may apply for less than their entitlement should they wish to do so. Non-CREST Shareholders may also hold such an Application Form by virtue of a *bona fide* market claim.

The instructions and other terms set out in the Open Offer Application Form form part of the terms of the Open Offer in relation to Non-CREST Shareholders.

##### **4.1.2 *Bona fide market claims***

Applications to acquire C Shares under the Open Offer may only be made on the Open Offer Application Form and may only be made by the Non-CREST Shareholder named in it or by a person entitled by virtue of a *bona fide* market claim in relation to a purchase of Ordinary Shares through the market prior to the date upon which the Ordinary Shares were marked “ex” the entitlement to participate in the Open Offer (being 8.00 a.m. on 2 June 2014). Open Offer Application Forms may not be assigned, transferred or split, except to satisfy *bona fide* market claims up to 3.00 p.m. on 13 June 2014. The Open Offer Application Form is not a negotiable document and cannot be separately traded. A Non-CREST Shareholder who has sold or otherwise transferred all or part of his holding of Ordinary Shares prior to the date upon which the Ordinary Shares were marked “ex” the entitlement to participate in the Open Offer, should consult his broker or other professional adviser as soon as possible, as the invitation to acquire C Shares under the Open Offer may be a benefit which may be claimed by the transferee. Non-CREST Shareholders who have sold all or part of their registered holdings should, if the market claim is to be settled outside CREST, complete Box 8 on the Open Offer Application Form and immediately send it to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. The Open Offer Application Form should not, however be forwarded to or transmitted in or into the United States or any Restricted Jurisdiction. If the market claim is to be settled outside CREST, the beneficiary of the claim should follow the procedures set out in the accompanying Open Offer Application Form. If the market claim is to be settled in

CREST, the beneficiary of the claim should follow the procedure set out in paragraph 4.2.2 below.

#### 4.1.3 *Application procedures*

Non-CREST Shareholders wishing to apply to acquire C Shares (whether in respect of all or part of their Open Offer Entitlement) should complete the Open Offer Application Form in accordance with the instructions printed on it.

Completed Application Forms should be posted in the accompanying pre-paid envelope or returned by post or by hand (during normal business hours only) to the Receiving Agent, Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU (who will act as Receiving Agent in relation to the Open Offer) so as to be received by the Receiving Agent by no later than 11.00 a.m. on 17 June 2014, after which time Application Forms will not be valid. Non-CREST Shareholders should note that applications, once made, will be irrevocable and receipt thereof will not be acknowledged. If an Application Form is being sent by first-class post in the UK, Shareholders are recommended to allow at least four working days for delivery.

All payments must be in pounds sterling and made by cheque or banker's draft made payable to "Capita Registrars Limited re: The Diverse Income Trust plc Open Offer A/C and crossed "a/c payee only". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-band corner and must be for the full amount payable on application. Third party cheques will not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque or draft to confirm that the relevant Shareholder has title to the underlying funds. The account name should be the same as that shown on the application. Post-dated cheques will not be accepted.

Cheques or bankers drafts will be presented for payment upon receipt. The Company reserves the right to instruct the Receiving Agent to seek special clearance of cheques and banker's drafts to allow the Company to obtain value for remittances at the earliest opportunity (and withhold definitive share certificates (or crediting to the relevant member account, as applicable) pending clearance thereof). No interest will be paid on payments made before they are due. It is a term of the Open Offer that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured. All documents, cheques and banker's drafts sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted.

If cheques or banker's drafts are presented for payment before the conditions of the Issue are fulfilled, the application monies will be credited to a non-interest bearing account by the Receiving Agent. If the Issue does not become unconditional, no C Shares will be issued and all monies will be returned (at the applicant's sole risk), without payment of interest, to applicants as soon as practicable following the lapse of the Issue.

The Company may in its sole discretion, but shall not be obliged to, treat an Application Form as valid and binding on the person by whom or on whose behalf it is lodged, even if not completed in accordance with the relevant instructions or not accompanied by a valid power of attorney where required, or if it otherwise does not strictly comply with the terms and conditions of the Open Offer. The Company further reserves the right (but shall not be obliged) to accept either:

- (a) Application Forms received after 11.00 a.m. on 17 June 2014; or

- (b) applications in respect of which remittances are received before 11.00 a.m. on 17 June 2014 from authorised persons (as defined in FSMA) specifying the C Shares applied for and undertaking to lodge the Application Form in due course but, in any event, within two Business Days.

Multiple applications will not be accepted. All documents and remittances sent by post by or to an applicant (or as the applicant may direct) will be sent at the applicant's own risk.

If C Shares have already been allotted to a Non-CREST Shareholder and such Non-CREST Shareholder's cheque or banker's draft is not honoured upon first presentation or such Non-CREST Shareholder's application is subsequently otherwise deemed to be invalid, Cenkos Securities shall be authorised (in its absolute discretion as to manner, timing and terms) to make arrangements, on behalf of the Company, for the sale of such Non-CREST Shareholder's C Shares and for the proceeds of sale (which for these purposes shall be deemed to be payments in respect of successful applications) to be paid to and retained by the Company. Neither Cenkos Securities nor the Company nor any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by such Non-CREST Shareholders.

#### 4.1.4 *Effect of application*

By completing and delivering an Open Offer Application Form the applicant:

- (a) represents and warrants to the Company and Cenkos Securities that he has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his rights, and perform his obligations under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for C Shares or acting on behalf of any such person on a non-discretionary basis;
- (b) agrees with the Company and Cenkos Securities that all applications under the Open Offer and contracts resulting therefrom shall be governed by and construed in accordance with the laws of England;
- (c) confirms to the Company and Cenkos Securities that in making the application he is not relying on any information or representation in relation to the Company other than that contained in this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and further agrees that, having had the opportunity to read this document, he will be deemed to have had notice of all information in relation to the Company contained in this document (including matters incorporated by reference);
- (d) represents and warrants to the Company and Cenkos Securities that he is the Shareholder originally entitled to his Open Offer Entitlement or that he received such Open Offer Entitlement by virtue of a *bona fide* market claim;
- (e) represents and warrants to the Company and Cenkos Securities that if he has received some or all of his Open Offer Entitlement from a person other than the Company he is entitled to apply under the Open Offer in relation to such Open Offer Entitlement by virtue of a *bona fide* market claim;
- (f) requests that the C Shares, to which he will become entitled, be issued to him on the terms set out in this document and the Open Offer Application Form subject to the Articles of Association of the Company;
- (g) represents and warrants to the Company and Cenkos Securities that he is not, nor is he applying on behalf of, any person who is in, or is a citizen or resident, or is a corporation, partnership or other entity created or organised in or under any laws, of the United States or any Restricted Jurisdiction or any jurisdiction in which the application



for C Shares is prevented by law and he is not applying with a view to re-offering, re-selling, transferring or delivering any of the C Shares which are the subject of his application in or to, or for the benefit of, a person who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of the United States or any Restricted Jurisdiction or any jurisdiction in which the application for C Shares is prevented by law (except where proof satisfactory to the Company has been provided to the Company that he is able to accept the invitation by the Company free of any requirement which the Company (in its absolute discretion) regards as unduly burdensome), nor acting on behalf of any such person on a non-discretionary basis nor person(s) otherwise prevented by legal or regulatory restrictions from applying for C Shares under the Open Offer;

- (h) represents and warrants to the Company and Cenkos Securities that he is not, and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 93 (depository receipts) or section 96 (clearance services) of the Finance Act 1986; and
- (i) confirms that in making the application he is not relying and has not relied on Cenkos Securities or any person affiliated with Cenkos Securities in connection with any investigation of the accuracy of any information contained in this document or his investment decision.

#### 4.1.5 *Incorrect or incomplete applications*

If an Open Offer Application Form includes a payment for an incorrect sum, the Company reserves the right:

- (a) to reject the application in full and refund the payment to the applicant (without interest);
- (b) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of C Shares as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the applicant (without interest); and
- (c) in the case that an excess sum is paid, to treat the application as a valid application for all the C Shares referred to in the Open Offer Application Form, refunding any unutilised sum to the applicant (without interest).

All enquiries in connection with the procedure for application and completion of the Open Offer Application Form should be addressed to the Receiving Agent, Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or you can contact the Receiving Agent on 0871 664 0321 between 9.00 a.m. and 5.30 p.m. (London time) Monday to Friday from within the UK or +44 (0)20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute from a BT landline. Other network providers' costs may vary. 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. Please note the Receiving Agent cannot provide advice on the merits of the Open Offer or as to whether applicants should take up their Open Offer Entitlements or give any financial, legal or tax advice.

Non-CREST Shareholders who do not wish to take up or apply for the C Shares under the Open Offer should take no action and should not complete or return the Open Offer Application Form.

A Non-CREST Shareholder who is also a CREST member may elect to receive the C Shares to which he is entitled in uncertificated form in CREST (please see paragraph 4.2.1 below for more information).

#### 4.2 ***If you have Open Offer Entitlements credited to your stock account in CREST in respect of your entitlement under the Open Offer***

##### 4.2.1 *General*

Subject as provided in paragraph 6 of Section A of this Part 6 (*Terms and Conditions of the Issue*) in relation to certain Overseas Shareholders, each CREST Shareholder will receive a credit to his stock account in CREST of his Open Offer Entitlement equal to the maximum number of C Shares for which he is entitled to apply to acquire under the Open Offer. Entitlements to C Shares will be rounded down to the nearest whole number and any Open Offer Entitlements have therefore also been rounded down.

The CREST stock account to be credited will be an account under the participant ID and member account ID specified in the section headed “Expected Timetable of Principal Events” and below.

If for any reason the Open Offer Entitlement cannot be admitted to CREST by, or the stock accounts of CREST Shareholders cannot be credited by 3.00 p.m. on 2 June 2014, or such later time and/or date as the Company may decide, an Open Offer Application Form will be sent to each CREST Shareholder in substitution for the Open Offer Entitlements which should have been credited to his stock account in CREST. In these circumstances the expected timetable as set out in this document will be adjusted as appropriate and the provisions of this document applicable to Non-CREST Shareholders with Open Offer Application Forms will apply to CREST Shareholders who receive such Open Offer Application Forms.

CREST members who wish to apply to acquire some or all of their entitlements to C Shares should refer to the CREST Manual for further information on the CREST procedures referred to below. Should you need advice with regard to these procedures, please contact the Receiving Agent on telephone number 0871 664 0321, between 9.00 a.m. and 5.30 p.m. (London time) Monday to Friday from within the UK, calls to this number are charged at 10 pence per minute from a BT landline, other telephone provider costs may vary, or if calling from overseas +44 (0)20 8639 3399. Calls to the helpline from outside the UK will be charged at the applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note the Receiving Agent cannot provide financial advice on the merits of the Open Offer or as to whether applicants should take up their Open Offer Entitlements nor give any financial, legal or tax advice. If you are a CREST sponsored member you should consult your CREST sponsor if you wish to apply for C Shares as only your CREST sponsor will be able to take the necessary action to make this application in CREST.

##### 4.2.2 *Market claims*

The Open Offer Entitlements will constitute a separate security for the purposes of CREST. Although Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Open Offer Entitlements may only be made by the Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim transaction. Transactions identified by the CREST Claims Processing Unit as “cum” the Open Offer Entitlements will generate an appropriate market claim transaction and the relevant Open Offer Entitlement(s) will thereafter be transferred accordingly.

##### 4.2.3 *Unmatched Stock Event (“USE”) instructions*

CREST Shareholders who are CREST members and who want to apply for C Shares in respect of all or some of their Open Offer Entitlements must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) a USE instruction to Euroclear which, on its settlement, will have the following effect:

- (a) the crediting of a stock account of the Receiving Agent under the participant ID and member account ID specified below, with a number of Open Offer Entitlements corresponding to the number of C Shares applied for; and

- (b) the creation of a CREST payment, in accordance with the CREST payment arrangements in favour of the payment bank of the Receiving Agent in respect of the amount specified in the USE Instruction which must be the full amount payable on application for the number of C Shares referred to in (a) above.

#### 4.2.4 *Content of USE instruction in respect of Open Offer Entitlements*

The USE instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (a) the number of C Shares for which application is being made (and hence the number of the Open Offer Entitlement(s) being delivered to the Receiving Agent);
- (b) the ISIN of the Open Offer Entitlement. This is GB00BLT2FQ48;
- (c) the CREST participant ID of the accepting CREST member;
- (d) the CREST member account ID of the accepting CREST member from which the Open Offer Entitlements are to be debited;
- (e) the participant ID of the Receiving Agent in its capacity as a CREST receiving agent. This is 7RA33;
- (f) the member account ID of the Receiving Agent in its capacity as a CREST receiving agent. This is 28251DIV;
- (g) the amount payable by means of a CREST payment on settlement of the USE Instruction. This must be the full amount payable on application for the number of C Shares referred to in (a) above;
- (h) the intended settlement date. This must be on or before 11.00 a.m. on 17 June 2014; and
- (i) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE Instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 17 June 2014.

In order to assist prompt settlement of the USE Instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE Instruction:

- (i) a contact name and telephone number (in the free format shared note field); and
- (ii) a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE Instruction may settle on 17 June 2014 in order to be valid is 11.00 a.m. on that day.

In the event that the Issue does not become unconditional by 8.00 a.m. on 26 June 2014 or such later time and date as the Company, Cenkos Securities and the Manager may agree (being no later than 8.00 a.m. on 31 August 2014), the Issue will lapse, the Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by a CREST Shareholder by way of a CREST payment, without interest, as soon as practicable thereafter.

#### 4.2.5 *Deposit of Open Offer Entitlements into, and withdrawal from, CREST*

A Non-CREST Shareholder's entitlement under the Open Offer as shown by the number of Open Offer Entitlements set out in his Open Offer Application Form may be deposited into CREST (either into the account of the Shareholder named in the Application Form or into the name of a person entitled by virtue of a *bona fide* market claim), provided that such Non-CREST Shareholder is also a CREST member. Similarly, Open Offer Entitlements held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer is reflected in an Open Offer Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal, subject (in the case of a deposit into CREST) as set out in the Open Offer Application Form.

A holder of an Open Offer Application Form who is proposing to deposit the entitlement set out in such form into CREST is recommended to ensure that the deposit procedures are implemented in sufficient time to enable the person holding or acquiring the Open Offer Entitlements following their deposit into CREST to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 17 June 2014.

In particular, having regard to normal processing times in CREST and on the part of the Receiving Agent, (i) the recommended latest time for receipt by Euroclear of a dematerialised instruction requesting withdrawal of Open Offer Entitlements from CREST is 4.30 p.m. on 11 June 2014, and (ii) the recommended latest time for depositing an Open Offer Application Form with the CREST Courier and Sorting Service, where the person entitled wishes to hold the entitlement under the Open Offer set out in such Open Offer Application Form as Open Offer Entitlements in CREST is 3.00 p.m. on 13 June 2014 — in either case so as to enable, the person acquiring or (as appropriate) holding the Open Offer Entitlements following the deposit or withdrawal (whether as shown in an Open Offer Application Form or held in CREST) to take all necessary steps in connection with applying in respect of the Open Offer Entitlements, as the case may be, prior to 11.00 a.m. on 17 June 2014.

Delivery of an Open Offer Application Form with the CREST deposit form duly completed whether in respect of a deposit into the account of the Shareholder named in the Open Offer Application Form or into the name of another person, shall constitute a representation and warranty to the Company and the Receiving Agent by the relevant CREST member(s) that it/they is/are not in breach of the provisions of the notes under the paragraph headed "Instructions for depositing entitlements under the Open Offer into CREST" on page 2 of the Open Offer Application Form, and a declaration to the Company and the Receiving Agent from the relevant CREST member(s) that it/they is/are not in, or citizen(s) or resident(s) of, the United States or any Restricted Jurisdiction or any jurisdiction in which the application for C Shares is prevented by law and, where such deposit is made by a beneficiary of a market claim, a representation and warranty that the relevant CREST member(s) is/are entitled to apply under the Open Offer by virtue of a *bona fide* market claim.

#### 4.2.6 *Validity of application*

A USE instruction complying with the requirements as to authentication and contents set out above which settles by no later than 11.00 a.m. on 17 June 2014 will constitute a valid application under the Open Offer.

#### 4.2.7 *CREST procedures and timings*

CREST members and (where applicable) their CREST sponsors should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE instruction and its settlement in connection with the Open Offer. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST sponsor takes) such action as shall be necessary to ensure that a valid application is made as stated above and settled by 11.00 a.m. on 17 June 2014. In this connection CREST members and (where applicable) their CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

#### 4.2.8 *Incorrect or incomplete applications*

If a USE instruction includes a CREST payment for an incorrect sum, the Company, through the Registrar, reserves the right:

- (a) to reject the application in full and refund the payment to the CREST member in question (without interest);
- (b) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of C Shares as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the CREST member in question (without interest); and
- (c) in the case that an excess sum is paid, to treat the application as a valid application for all the C Shares referred to in the USE instruction, refunding any unutilised sum to the CREST member in question (without interest).

#### 4.2.9 *Effect of valid application*

A CREST member who makes or is treated as making a valid application in accordance with the above procedures thereby:

- (a) represents and warrants to the Company and Cenkos Securities that he has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his rights, and perform his obligations under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for C Shares or acting on behalf of any such person on a non-discretionary basis;
- (b) agrees with the Company and Cenkos Securities to pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to the Receiving Agent's payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST member to pay to the Company the amount payable on application);
- (c) agrees with the Company and Cenkos Securities that all applications and contracts resulting therefrom under the Open Offer shall be governed by, and construed in accordance with, the laws of England;
- (d) confirms to the Company and Cenkos Securities that in making the application he is not relying on any information or representation in relation to the Company other than that contained in this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and further agrees that, having had the opportunity to read this document, he will be deemed to have had notice of all the information in relation to the Company contained in this document (including matters incorporated by reference);
- (e) represents and warrants to the Company and Cenkos Securities that he is the Shareholder originally entitled to the Open Offer Entitlement or that he has received such Open Offer Entitlement by virtue of a *bona fide* market claim;
- (f) represents and warrants to the Company and Cenkos Securities that if he has received some or all his Open Offer Entitlement from a person other than the Company, he is entitled to apply under the Open Offer in relation to such Open Offer Entitlement by virtue of a *bona fide* market claim;
- (g) requests that the C Shares to which he will become entitled be issued to him on the terms set out in this document, subject to the Articles of Association of the Company;

- (h) represents and warrants to the Company and Cenkos Securities that he is not, nor is he applying on behalf of anyone who is in, or is a citizen or resident, or is a corporation, partnership or other entity created or organised in or under any laws of, the United States or any Restricted Jurisdiction or any jurisdiction in which the application for C Shares is prevented by law and he is not applying with a view to re-offering, re-selling, transferring or delivering any of the C Shares which are the subject of his application in or to, or for the benefit of, any person who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of the United States or any Restricted Jurisdiction or any jurisdiction in which the application for C Shares is prevented by law (except where proof satisfactory to the Company has been provided to the Company that he is able to accept the invitation by the Company free of any requirement which the Company (in its absolute discretion) regards as unduly burdensome), nor acting on behalf of my such person on a non-discretionary basis nor (a) person(s) otherwise prevented by legal or regulatory restrictions from applying for C Shares under the Open Offer;
- (i) represents and warrants to the Company and Cenkos Securities that he is not, and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 93 (depository receipts) or section 96 (clearance services) of the Finance Act 1986; and
- (j) confirms that in making the application he is not relying and has not relied on Cenkos Securities or any person affiliated with Cenkos Securities in connection with any investigation of the accuracy of any information contained in this document or his investment decision.

#### 4.2.10 *Company's discretion as to the rejection and validity of applications*

The Company may in its sole discretion:

- (a) treat as valid (and binding on the CREST member concerned) an application which does not comply in all respects with the requirements as to validity set out or referred to in this Part 6 (*Terms and Conditions of the Issue*);
- (b) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid application in substitution for or in addition to a USE instruction and subject to such further terms and conditions as the Company may determine;
- (c) treat a properly authenticated dematerialised instruction (in this sub-paragraph the “**first instruction**”) as not constituting a valid application if, at the time at which the Registrar receives a properly authenticated dematerialised instruction giving details of the first instruction or thereafter, either the Company or the Receiving Agent has received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) of the CREST Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- (d) accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for settlement of a USE instruction or any alternative instruction or notification, in the event that, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to apply for C Shares by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by the Receiving Agent in connection with CREST.



#### 4.2.11 *Lapse of the Open Offer*

In the event that the Issue does not become unconditional by 8.00 a.m. on 26 June 2014 or such later time and date as the Company, Cenkos Securities and the Manager may agree (being no later than 8.00 a.m. on 31 August 2014), the Issue will lapse, the Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by a CREST Shareholder by way of a CREST payment, without interest, as soon as practicable thereafter.

## 5. **Money Laundering Regulations**

### 5.1 **Holders of Application Forms**

To ensure compliance with the Money Laundering Regulations, the Receiving Agent may require, at its absolute discretion, verification of the identity of the person by whom or on whose behalf the Open Offer Application Form is lodged with payment (which requirements are referred to below as the “**verification of identity requirements**”). If the Open Offer Application Form is submitted by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of the Receiving Agent. In such case, the lodging agent’s stamp should be inserted on the Open Offer Application Form.

The person lodging the Open Offer Application Form with payment and in accordance with the other terms as described above (the “**acceptor**”), including any person who appears to the Receiving Agent to be acting on behalf of some other person, accepts the Open Offer in respect of such number of C Shares as is referred to therein (for the purposes of this paragraph 5 the “**relevant C Shares**”) and shall thereby be deemed to agree to provide the Receiving Agent with such information and other evidence as the Receiving Agent may require to satisfy the verification of identity requirements.

If the Receiving Agent determines that the verification of identity requirements apply to any acceptor or application, the relevant C Shares (notwithstanding any other term of the Open Offer) will not be issued to the relevant acceptor unless and until the verification of identity requirements have been satisfied in respect of that acceptor or application. The Receiving Agent is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any acceptor or application and whether such requirements have been satisfied, and neither the Receiving Agent nor the Company will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays in the despatch of share certificates or in crediting CREST accounts. If, within a reasonable time following a request for verification of identity, the Receiving Agent has not received evidence satisfactory to it as aforesaid, the Company may, in its absolute discretion, treat the relevant application as invalid, in which event the monies payable on acceptance of the Open Offer will be returned (at the acceptors risk) without interest to the account of the bank or building society on which the relevant cheque or banker’s draft was drawn.

**Submission of an Open Offer Application Form with the appropriate remittance will constitute a warranty to each of the Company, the Receiving Agent and Cenkos Securities from the applicant that the Money Laundering Regulations will not be breached by application of such remittance.**

The verification of identity requirements will not usually apply:

- (a) if the applicant is an organisation required to comply with the Money Laundering Directive (the Council Directive on prevention of the use of the financial system for the purpose of money laundering (no. 91/308/EEC));
- (b) if the acceptor is a regulated United Kingdom broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations;



- (c) if the applicant (not being an applicant who delivers his application in person) makes payment by way of a cheque drawn on an account in the applicant's name; or
- (d) if the aggregate subscription price for the C Shares is less than Euro 15,000 (approximately £12,150).

In other cases the verification of identity requirements may apply. Satisfaction of these requirements may be facilitated in the following ways:

- (a) if payment is made by cheque or banker's draft in sterling drawn on a branch in the United Kingdom of a bank or building society which bears a UK bank sort code number in the top right hand corner the following applies. Cheques should be made payable to "Capita Registrars Limited re: The Diverse Income Trust plc Open Offer A/C" and crossed "a/c payee only". Third party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque/banker's draft to such effect. The account name should be the same as that shown on the Application Form; or
- (b) if the Application Form is lodged with payment by an agent which is an organisation of the kind referred to in (a) above or which is subject to anti-money laundering regulation in a country which is a member of the Financial Action Task Force (the non-European Union members of which are Argentina, Australia, Brazil, Canada, China, Hong Kong, Iceland, India, Japan, Mexico, New Zealand, Norway, Russian Federation, Singapore, the Republic of Korea, the Republic of South Africa, Switzerland, Turkey, UK Crown Dependencies and the USA and, by virtue of their membership of the Gulf Cooperation Council, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), the agent should provide with the Application Form written confirmation that it has that status and a written assurance that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to the Registrar. If the agent is not such an organisation, it should contact the Registrar at the address set out on page 29 of this document.

To confirm the acceptability of any written assurance referred to in (b) above, or in any other case, the acceptor should contact the Receiving Agent. The telephone number of Capita Asset Services is 0871 664 0321 if calling from within the UK or on +44 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute from a BT landline. Other network providers' costs may vary. Lines are open 9.00 a.m. to 5.30 p.m. (London Time) Monday to Friday. Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Open Offer nor give any financial, legal or tax advice.

If the Application Form(s) is/are in respect of C Shares under the Open Offer with an aggregate subscription price of the sterling equivalent of €15,000 (approximately £12,150) or more and is/are lodged by hand by the acceptor in person, or if the Application Form(s) in respect of C Shares is/are lodged by hand by the acceptor and the accompanying payment is not the acceptor's own cheque, he or she should ensure that he or she has with him or her evidence of identity bearing his or her photograph (for example, his or her passport) and separate evidence of his or her address.

If, within a reasonable period of time following a request for verification of identity, and in any case by no later than 20 June 2014, the Receiving Agent has not received evidence satisfactory to it as aforesaid, the Receiving Agent under instructions from the Company may, at its discretion, reject the relevant application, in which event the monies submitted in respect of that application will be returned without interest to the account at the drawee bank from which such monies were originally debited (without prejudice to the rights of the Company to undertake proceedings to recover monies in respect of the loss suffered by it as a result of the failure to produce satisfactory evidence as aforesaid).

## 5.2 **Open Offer Entitlements in CREST**

If you hold your Open Offer Entitlement in CREST and apply for C Shares in respect of some or all of your Open Offer Entitlement as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a UK financial institution), then, irrespective of the value of the application, the Receiving Agent is obliged to take reasonable measures to establish the identity of the person or persons on whose behalf you are making the application. You must therefore contact the Receiving Agent before sending any USE or other instruction so that appropriate measures may be taken.

Submission of a USE instruction which on its settlement constitutes a valid application as described above constitutes a warranty and undertaking by the applicant to the Company, the Receiving Agent and Cenkos Securities to provide promptly to the Receiving Agent such information as may be specified by the Receiving Agent as being required for the purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to the Receiving Agent as to identity, the Receiving Agent may in its absolute discretion take, or omit to take, such action as it may determine to prevent or delay issue of the C Shares concerned. If satisfactory evidence of identity has not been provided within a reasonable time, then the application for the C Shares represented by the USE instruction will not be valid. This is without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure to provide satisfactory evidence.

## 6. **Overseas Shareholders**

This document has been approved by the FCA, being the competent authority in the United Kingdom. The comments set out in this paragraph 6 are intended as a general guide only and any Overseas Shareholders who are in any doubt as to their position should consult their professional advisers without delay.

### 6.1 **General**

**The distribution of this document and the making of the Open Offer to persons who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, or which are corporations, partnerships or other entities created or organised under the laws of countries other than the United Kingdom or to persons who are nominees of or custodians, trustees or guardians for citizens, residents in or nationals of countries other than the United Kingdom may be affected by the laws or regulatory requirements of the relevant jurisdictions. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any applicable legal requirements or other formalities to enable them to apply for C Shares under the Open Offer.**

No action has been or will be taken by the Company or Cenkos Securities or any other person, to permit a public offering or distribution of this document (or any other offering or publicity materials or application form(s) relating to the C Shares under the Open Offer or C Shares to be issued under the Offer for Subscription) in any jurisdiction where action for that purpose may be required.

No public offer of C Shares is being made by virtue of this document or the Open Offer Application Form into the United States or any Restricted Jurisdiction.

Receipt of this document and/or an Open Offer Application Form and/or a credit of Open Offer Entitlements to a stock account in CREST will not constitute an invitation or offer of securities for subscription, sale or purchase in those jurisdictions in which it would be illegal to make such an invitation or offer and, in those circumstances, this document and/or the Open Offer Application Form must be treated as sent for information only and should not be copied or redistributed.

Open Offer Application Forms will not be sent to, and Open Offer Entitlements will not be credited to stock accounts in CREST of, persons with registered addresses in the United States or a Restricted Jurisdiction or their agent or intermediary, except where the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

No person receiving a copy of this document and/or an Open Offer Application Form and/or a credit of Open Offer Entitlements to a stock account in CREST in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him or her, nor should he

or she in any event use any such Open Offer Application Form and/or credit of Open Offer Entitlements to a stock account in CREST unless, in the relevant territory, such an invitation or offer could lawfully be made to him or her and such Open Offer Application Form and/or credit of Open Offer Entitlements to a stock account in CREST could lawfully be used, and any transaction resulting from such use could be effected, without contravention of any registration or other legal or regulatory requirements. In circumstances where an invitation or offer would contravene any registration or other legal or regulatory requirements, this document and/or the Open Offer Application Form must be treated as sent for information only and should not be copied or redistributed.

It is the responsibility of any person (including, without limitation, custodians, agent, nominees and trustees) outside the United Kingdom wishing to apply for C Shares under the Open Offer to satisfy himself or herself as to the full observance of the laws of any relevant territory in connection therewith, including obtaining any governmental or other consents that may be required, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes due in such territory.

None of the Company nor Cenkos Securities, nor any of their respective representatives is making any representation to any offeree or purchaser of the C Shares regarding the legality of an investment in the C Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser.

Persons (including, without limitation, custodians, agents, nominees and trustees) receiving a copy of this document and/or an Open Offer Application Form and/or a credit of Open Offer Entitlements to a stock account in CREST, in connection with the Open Offer or otherwise, should not distribute or send either of those documents nor transfer Open Offer Entitlements in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If a copy of this document and/or an Open Offer Application Form and/or a credit of Open Offer Entitlements to a stock account in CREST is received by any person in any such territory, or by his or her custodian, agent, nominee or trustee, he or she must not seek to apply for C Shares in respect of the Open Offer unless the Company or Cenkos Securities determine that such action would not violate applicable legal or regulatory requirements. Any person (including, without limitation, custodians, agents, nominees and trustees) who does forward a copy of this document and/or an Open Offer Application Form and/or transfers Open Offer Entitlements into any such territory, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this Part 6 (Terms and Conditions of the Issue) and specifically the contents of this paragraph 6.

The Company reserves the right to treat as invalid any application or purported application for C Shares that appears to the Company or its agents to have been executed, effected, or dispatched from or in relation to the United States or a Restricted Jurisdiction or in a manner that may involve a breach of the laws or regulations of any jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements or if it provides an address for delivery of the share certificates relating to C Shares (or in the case of a credit of Open Offer Entitlements to a stock account in CREST, to a CREST member whose registered address would be), in the United States or a Restricted Jurisdiction or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates or make such a credit.

Notwithstanding any other provision of this document or the relevant Application Form, the Company reserves the right to permit any person to apply for C Shares in respect of the Open Offer if the Company, in its sole and absolute discretion, is satisfied that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question.

Overseas Shareholders who wish, and are permitted, to apply for C Shares should note that payment must be made in sterling denominated cheques or banker's drafts or where such Overseas Shareholder is a CREST Shareholder, through CREST.

## 6.2 **United States**

The C 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 and, accordingly, may not be offered or sold, re-sold, taken up, transferred, delivered or distributed, directly or indirectly, within the United States except in reliance on an exemption from the registration requirements of the

Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

Accordingly, the Company is not extending the Open Offer into the United States and neither this document nor the Open Offer Application Form constitutes or will constitute an offer or an invitation to apply for or an offer or an invitation to acquire any C Shares in the United States. Neither this document nor an Open Offer Application Form, will be sent to, and no C Shares will be credited to, a stock account in CREST of, any Shareholder with a registered address in the United States. Open Offer Application Forms sent from or postmarked in the United States will be deemed to be invalid and all persons acquiring C Shares and wishing to hold such C Shares in registered form must provide an address for registration of the C Shares issued upon exercise thereof outside the United States.

Any person who acquires C Shares will be deemed to have declared, warranted and agreed, by accepting delivery of this document or the Open Offer Application Form and delivery of the C Shares, that they are not, and that at the time of acquiring the C Shares they will not be, in the United States or acting on behalf of, or for the account or benefit of a person on a non-discretionary basis in the United States or any state of the United States.

The Company reserves the right to treat as invalid any Open Offer Application Form that appears to the Company or its agents to have been executed in, or despatched from, the United States, or that provides an address in the United States for the receipt of C Shares, or which does not make the warranty set out in the Open Offer Application Form to the effect that the person completing the Application Form does not have a registered address and is not otherwise located in the United States and is not acquiring the C Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such C Shares in the United States or where the Company believes acceptance of such Application Form may infringe applicable legal or regulatory requirements.

The Company will not be bound to allot or issue any C Shares to any person with an address in, or who is otherwise located in, the United States in whose favour an Open Offer Application Form or any C Shares may be transferred. In addition, the Company and Cenkos Securities reserve the right to reject any USE instruction sent by or on behalf of any CREST member with a registered address in the United States in respect of the C Shares.

### 6.3 ***Restricted Jurisdictions***

The C Shares have not been and will not be registered under the relevant laws of any Restricted Jurisdiction or any state, province or territory thereof and may not be offered, sold, resold, delivered or distributed, directly or indirectly, in or into any Restricted Jurisdiction or to, or for the account or benefit of, any person with a registered address in, or who is resident or ordinarily resident in, or a citizen of, any Restricted Jurisdiction except pursuant to an applicable exemption. No offer of C Shares is being made by virtue of this document or the Application Forms into any Restricted Jurisdiction.

### 6.4 ***Other overseas territories***

Open Offer Application Forms will be sent to Non-CREST Shareholders and Open Offer Entitlements will be credited to the stock account in CREST of CREST Shareholders. Shareholders in jurisdictions other than the United Kingdom may, subject to the laws of their relevant jurisdiction, take up C Shares under the Open Offer in accordance with the instructions set out in this document and the Open Offer Application Form.

**Shareholders who have registered addresses in, or who are resident or ordinarily resident in, or citizens of countries other than the United Kingdom should consult appropriate professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to apply for any C Shares in respect of the Open Offer.**

## 6.5 **Representations and warranties relating to Overseas Shareholders**

### 6.5.1 *Non-CREST Shareholders*

Any person completing and returning an Open Offer Application Form or requesting registration of the C Shares comprised therein represents and warrants to the Company, Cenkos Securities and the Registrar that, except where proof has been provided to the Company's satisfaction that such person's use of the Application Form will not result in the contravention of any applicable legal requirements in any jurisdiction: (i) such person is not requesting registration of the relevant C Shares from within the United States or any Restricted Jurisdiction; (ii) such person is not in any territory in which it is unlawful to make or accept an offer to acquire C Shares in respect of the Open Offer or to use the Application Form in any manner in which such person has used or will use it; (iii) such person is not acting on a non-discretionary basis for a person located within any Restricted Jurisdiction (except as agreed with the Company) or any territory referred to in (ii) above at the time the instruction to accept was given; and (iv) such person is not acquiring C Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such C Shares into any of the above territories. The Company and/or the Registrar may treat as invalid any acceptance or purported acceptance of the allotment of C Shares comprised in an Application Form if it: (i) appears to the Company or its agents to have been executed, effected or dispatched from the United States or a Restricted Jurisdiction or in a manner that may involve a breach of the laws or regulations of any jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements; or (ii) provides an address in the United States or a Restricted Jurisdiction for delivery of the share certificates of Ordinary Shares arising on Conversion (or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates); or (iii) purports to exclude the warranty required by this sub-paragraph 6.5.1.

### 6.5.2 *CREST Shareholders*

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this Part 6 (Terms and Conditions of the Issue) represents and warrants to the Company, Cenkos Securities and the Receiving Agent that, except where proof has been provided to the Company's satisfaction that such person's acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction: (i) he or she is not within the United States or any Restricted Jurisdiction; (ii) he or she is not in any territory in which it is unlawful to make or accept an offer to acquire C Shares; (iii) he or she is not accepting on a non-discretionary basis for a persons located within any Restricted Jurisdiction (except as otherwise agreed with the Company) or any territory referred to in (ii) above at the time the instruction to accept was given; and (iv) he or she is not acquiring any C Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such C Shares into any of the above territories.

## 6.6 **Waiver**

The provisions of this paragraph 6 and of any other terms of the Open Offer relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Company and/or Cenkos Securities in their absolute discretion. Subject to this, the provisions of this paragraph 6 supersede any terms of the Open Offer inconsistent herewith. References in this paragraph 6 to Shareholders shall include references to the person or persons executing an Application Form and, in the event of more than one person executing an Application Form, the provisions of this paragraph 6 shall apply to them jointly and to each of them.

## 7. **Withdrawal rights**

There are only limited rights of withdrawal associated with the Issue. Shareholders wishing to exercise or direct the exercise of statutory withdrawal rights pursuant to section 87Q (4) of FSMA after the issue by the Company of a prospectus supplementary to this document must do so by lodging a written notice of withdrawal within two Business Days commencing on the Business Day after the date on which the supplementary prospectus is published. The withdrawal notice must include the full name and address of the person wishing to exercise statutory withdrawal rights and, if such person is a CREST member, the



participant ID and the member account ID of such CREST member. The notice of withdrawal must be deposited by post or by hand only (during normal business hours only) with the Receiving Agent, Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU or by email to [withdraw@capitaregistrars.com](mailto:withdraw@capitaregistrars.com) to the Receiving Agent so as to be received before the end of the withdrawal period. Please call Capita Asset Services on 0871 664 0321 from within the UK or on +44 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute from a BT landline. Other network providers' costs may vary. Lines are open 9.00 a.m. to 5.30 p.m. (London Time) Monday to Friday. Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Open Offer nor give any financial, legal or tax advice. Notice of withdrawal given by any other means or which is deposited with the Registrar after expiry of such period will not constitute a valid withdrawal, provided that the Company will not permit the exercise of withdrawal rights after payment by the relevant person for the C Shares applied for in full and the allotment of such C Shares to such person becoming unconditional save to the extent required by statute. In such event, Shareholders are advised to seek independent legal advice.

## **8. Admission, Conversion, settlement and dealings**

The result of the Issue is expected to be announced on 24 June 2014. Application has been made to the UK Listing Authority for the C Shares to be admitted to listing on the Official List and to the London Stock Exchange to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and that dealings in the C Shares, fully paid, will commence at 8.00 a.m. on 26 June 2014.

The Ordinary Shares are already admitted to CREST. No further application for admission to CREST is accordingly required for the C Shares. All such shares, when issued and fully paid, may be held and transferred by means of CREST.

Open Offer Entitlements held in CREST are expected to be disabled in all respects after 11.00 a.m. on 17 June 2014 (the latest date for applications under the Open Offer). If the condition(s) to the Open Offer described above are satisfied, C Shares will be issued in uncertificated form to those persons who submitted a valid application for C Shares by utilising the CREST application procedures and whose applications have been accepted by the Company. On 26 June 2014, Capita Asset Services will instruct Euroclear to credit the appropriate stock accounts of such persons with such persons' entitlements to C Shares with effect from Admission (expected to be at 8.00 a.m. on 26 June 2014). The stock accounts to be credited will be accounts under the same CREST participant IDs and CREST member account IDs in respect of which the USE instruction was given.

Notwithstanding any other provision of this document, the Company reserves the right to send CREST Shareholders an Open Offer Application Form instead of crediting the relevant stock account with Open Offer Entitlements, and to allot and/or issue any C Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of the facilities and/or systems operated by the Registrar in connection with CREST.

For Non-CREST Shareholders who have applied by using an Open Offer Application Form, share certificates in respect of the Ordinary Shares arising on Conversion are expected to be despatched in the week commencing 30 June 2014. No temporary documents of title will be issued and, pending the issue of definitive certificates, transfers will be certified against the UK share register of the Company. All documents or remittances sent by or to applicants or as they may direct, will be sent through the post at their own risk. For more information as to the procedure for application, Non-CREST Shareholders are referred to paragraph 4.1 above and their respective Open Offer Application Form.

## **9. Times and Dates**

The Company shall, in agreement with Cenkos Securities and after consultation with its financial and legal advisers, be entitled to amend the dates that Application Forms are despatched or amend or extend the latest date for acceptance under the Open Offer and all related dates set out in this document and in such

circumstances shall notify the UKLA and make an announcement on a Regulatory Information Service approved by the UKLA and, if appropriate, by Shareholders but Shareholders may not receive any further written communication.

## **10. Taxation**

Certain statements regarding United Kingdom taxation in respect of the C Shares and the Open Offer are set out in Part 8 (Taxation) of this document. Shareholders who are in any doubt as to their tax position in relation to taking up their entitlements under the Open Offer or who are subject to tax in any jurisdiction other than the United Kingdom, should immediately consult a suitable professional adviser.

## **11. Further information**

Your attention is drawn to the further information set out in this document and also, in the case of Non-CREST Shareholders and other Shareholders to whom the Company has sent Open Offer Application Forms, to the terms, conditions and other information printed on the accompanying Open Offer Application Form.

## **12. Governing law and jurisdiction**

The terms and conditions of the Open Offer as set out in this document, the Open Offer Application Form and any non-contractual obligation related thereto shall be governed by, and construed in accordance with, English law. The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Open Offer, this document or the Application Form. By taking up C Shares by way of their Open Offer Entitlement, in accordance with the instructions set out in this document and, where applicable, the Application Form, Shareholders irrevocably submit to the jurisdiction of the courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

# **B. TERMS AND CONDITIONS OF APPLICATION UNDER THE OFFER FOR SUBSCRIPTION**

## **13. Introduction**

These terms and conditions apply to persons making an offer to subscribe for C Shares under the Offer for Subscription. They do not apply to the Open Offer, the terms and conditions relating to which, are set out in section A of this Part 6 (*Terms and Conditions of the Issue*) of this document.

C Shares will only be available under the Offer for Subscription to the extent that all of the C Shares available under the Open Offer are not the subject of valid applications under the Open Offer. In addition, if applications under the Placing and the Offer for Subscription are for more C Shares than the C Shares not taken up under the Open Offer, applications will be scaled back at the discretion of Cenkos Securities, following consultation with the Company and the Manager.

If you apply for C Shares under the Offer for Subscription, you will be agreeing with the Company and Capita Asset Services (for itself and as agent for the Company) as follows:

## **14. Priority of Application**

The allocation of C Shares under the Offer for Subscription will be made at the discretion of Cenkos Securities, in consultation with the Company and the Manager. To the extent valid applications under the Placing and the Offer for Subscription are for more C Shares than the C Shares not taken up under the Open Offer the applications will be scaled back in the discretion of Cenkos Securities, in consultation with the Company and the Manager.

## **15. Offer to Acquire C Shares**

15.1 Applications must be made on the Offer for Subscription Application Form attached at the end of this document or otherwise published by the Company. By completing and delivering an Application Form



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

- 15.1.1 offer to subscribe for such number of C Shares at 50 pence per C Share as may be purchased by the subscription amount specified in Box 1 on your Application Form on the terms, and subject to the conditions set out in this document including these “Terms and Conditions of Application under the Offer for Subscription” and the Articles of Association of the Company;
- 15.1.2 agree that, in consideration of the Company agreeing that they will not, prior to the date of Admission, offer for subscription any C Shares to any person other than by means of the procedures referred to in this document, your application may not be revoked and that this paragraph shall constitute a collateral contract between you and the Company which will become binding upon receipt by Capita Asset Services as Receiving Agent;
- 15.1.3 undertake to pay the subscription amount specified in Box 1 on your Application Form in full on application and warrant that the remittance accompanying your Application Form will be honoured on first presentation and agree that if such remittance is not so honoured you will not be entitled to commence dealings in C Shares applied for in uncertificated form or to enjoy or receive any rights in respect of such C Shares unless and until you make payment in cleared funds for such C Shares and such payment is accepted by Capita Asset Services (which acceptance shall be in its absolute discretion and on the basis that you indemnify Capita Asset Services and the Company against all costs, damages, losses, expenses and liabilities arising out of, or in connection with, the failure of your remittance to be honoured on first presentation) and the Company may (without prejudice to any other rights it may have) avoid the agreement to allot the C Shares and may allot them to some other person, in which case you will not be entitled to any refund or payment in respect thereof (other than the refund of any proceeds of the remittance which accompanied your Application Form, in accordance with paragraph 18 below);
- 15.1.4 agree that, where on your Application Form a request is made for C Shares to be deposited into a CREST Account, the Company may in its absolute discretion amend the form so that such C Shares may be issued in certificated form registered in the name(s) of the holder(s) specified in your Application Form (and recognise that Capita Asset Services will so amend the form if there is any delay in satisfying the identity of the applicant or the owner of the CREST Account or in receiving your remittance in cleared funds or if the participant's registered name in respect of the CREST Account is not the same as the registered name of the applicant(s) in the Application Form);
- 15.1.5 agree, in respect of applications for C Shares in certificated form (or where the Company exercises its discretion pursuant to paragraph 15.1.4 to issue C Shares in certificated form), that any share certificate to which you or, in the case of joint applicants, any of the persons specified by you in your Application Form, may become entitled (and any monies returnable to you) may be retained by Capita Asset Services;
  - (a) pending clearance of your remittance;
  - (b) pending investigation of any suspected breach of the warranties contained in paragraph 19 below or any other suspected breach of these “Terms and Conditions of Application under the Offer for Subscription”; or
  - (c) pending any verification of identity which is, or which Capita Asset Services considers may be, required for the purpose of the Money Laundering Regulations 2007 and any other regulation applicable thereto, and any interest accruing on such retained monies shall accrue to and for the benefit of the Company;
- 15.1.6 agree, on the request of Capita Asset Services, to disclose promptly in writing to them such information as Capita Asset Services may request in connection with your application and authorise Capita Asset Services to disclose any information relating to your application which they may consider appropriate;

- 15.1.7 agree that, if evidence of identity satisfactory to Capita Asset Services is not provided to Capita Asset Services within a reasonable time (in the opinion of Capita Asset Services) following a request therefor, Capita Asset Services or the Company may terminate the agreement with you to allot C Shares and, in such case, the C Shares which would otherwise have been allotted to you may be reallocated or sold to some other party and the lesser of your application monies or such proceeds of sale (as the case may be, with the proceeds of any gain derived from a sale accruing to the Company) will be returned in accordance with paragraph 18 below;
- 15.1.8 agree that you are not applying on behalf of a person engaged in money laundering;
- 15.1.9 undertake to ensure that, in the case of an application signed by someone else on your behalf, the original of the relevant power of attorney (or a complete copy certified by a solicitor or notary) is enclosed with your Application Form together with full identity documents for the person so signing;
- 15.1.10 undertake to pay interest at the rate described in paragraph 16.3 if the remittance accompanying your Application Form is not honoured on first presentation;
- 15.1.11 authorise Capita Asset Services to procure that there be sent to you definitive certificates in respect of the number of C Shares for which your application is accepted or if you have completed section 2 on your Application Form, but subject to paragraph 15.1.4 above, to deliver the number of Shares for which your application is accepted into CREST and/or to return any monies in accordance with paragraph 18 below;
- 15.1.12 confirm that you have read and complied with paragraph 21;
- 15.1.13 agree that all subscription cheques and payments will be processed through a bank account (the "Acceptance Account" in the name of "Capita Registrars Limited re: The Diverse Income Trust plc OFS A/C" and crossed "a/c payee only", in respect of which ensure that all payments made out of the Acceptance Account are either (a) the return of applicants' subscription monies in accordance with paragraph 18 below, or (b) paid to the Company or otherwise in accordance with instructions of the Company; and further agree to indemnify Capita Asset Services against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation and/or the repayment by Capita Asset Services of returnable moneys in accordance with paragraph 18 below; and
- 15.1.14 agree that your Application Form is addressed to the Company and Capita Asset Services.
- 15.2 Any application may be rejected in whole or in Part 1n the discretion of the Company.

## **16. Acceptance of your Offer**

- 16.1 Capita Asset Services may, on behalf of the Company, accept your offer to subscribe (if your application is received, valid (or treated as valid), processed and not rejected) on the terms notified by the Company to the UK Listing Authority regarding the basis of allocation (in which case the acceptance will be on that basis).
- 16.2 The basis of allocation will be determined by Cenkos Securities, in consultation with the Company and the Manager. The right is reserved notwithstanding the basis (as so determined) to reject in whole or in part and/or scale back any application. The right is reserved to treat as valid any application not complying fully with these "Terms and Conditions of Application under the Offer for Subscription" or not in any respects completed or delivered in accordance with the instructions accompanying the Application Form. Fractions of C Shares will not be allocated to Shareholders but will be aggregated and sold for the benefit of the Company. In particular, but without limitation, Cenkos Securities, in consultation with the Company and the Manager, may accept an application made otherwise than by completion of an Application Form where the applicant has agreed with Cenkos Securities, in consultation with the Company and the Manager, in some other manner to apply in accordance with these "Terms and Conditions of Application under the Offer for Subscription". The Company reserves

the right (but shall not be obliged) to accept Application Forms and accompanying remittances which are received through the post after 11.00 a.m. on 20 June 2014.

- 16.3 Capita Asset Services will present all cheques, bankers drafts and building society cheques for payment on receipt and will retain documents of title and surplus monies pending clearance of successful applicants' payment. Capita Asset Services may, as agent of the Company, require you to pay interest or its other resulting costs (or both) if the payment accompanying your application is not honoured on first presentation. If you are required to pay interest you will be obliged to pay the amount determined by the Company to be the interest on the amount of the payment from the date on which all payments in cleared funds are due to be received until the date of receipt of cleared funds. The rate of interest will be the then published bank base rate of Barclays Bank plc plus two per cent. per annum. The right is also reserved to reject in whole or in part, or to scale down or limit, any application.

## **17. Conditions**

- 17.1 The contracts created by the acceptance of applications (in whole or in part) under the Offer for Subscription will be conditional upon;

17.1.1 admission of the C Shares, issued and to be issued pursuant to the Issue, to listing on the Official List and to trading on the London Stock Exchange in accordance with their respective roles by 8.00 a.m. on 26 June 2014 (or such later time or date, not being later than 8.00 a.m. on 31 August 2014, as the Company, Cenkos Securities and the Manager may agree); and

17.1.2 the Placing and Offer Agreement becoming unconditional and the obligations of Cenkos Securities thereunder not being terminated.

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

## **18. Return of Application Monies**

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

## **19. Warranties**

By completing an Offer for Subscription Application Form, you:

- 19.1 warrant that, if you sign the Application Form on behalf of a corporation, you have due authority to do so on behalf of that corporation and that such corporation will be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in these "Terms and Conditions of Application under the Offer for Subscription" and undertake to enclose your evidence of due authority or a complete copy thereof duly certified by a solicitor, notary or bank;

- 19.2 warrant, if the laws of any territory or jurisdiction outside the United Kingdom are applicable on your application, that you have complied with all such laws, obtained all governmental and other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your application in any territory and that you have not taken any action or omitted to take any action which will result in the Company or Capita Asset Services or any of their respective officers, agents or employees acting in breach of the regulatory or legal requirements, directly or indirectly, of any territory or jurisdiction outside of the United Kingdom in connection with the Offer for Subscription in respect of your application;

- 19.3 confirm that in making an application you are not relying on any information or representations in relation to the Company other than those contained in this document (on the basis of which alone your application is made) and accordingly you agree that no person responsible solely or jointly for this document or any part thereof shall have any liability for any such other information or representation;
- 19.4 agree that, having had the opportunity to read this document, you shall be deemed to have had notice of all information and representations contained therein;
- 19.5 acknowledge that no person is authorised in connection with the Offer for Subscription to give any information or make any representation other than as contained in this document and, if given or made, any information or representation must not be relied upon as having been authorised by the Company or Capita Asset Services;
- 19.6 warrant that you are not under the age of 18 on the date of your application;
- 19.7 agree that all documents (including share certificates) and monies sent by post to, by or on behalf of the Company or Capita Asset Services will be sent at your risk and, in the case of documents and returned application cheques and payments to be sent to you, may be sent to you at your address (or, in the case of joint applicants, the address of the first named applicant) as set out in your Application Form;
- 19.8 confirm that you have reviewed the restrictions contained in paragraphs 21.1 and 21.2 below and warrant, to the extent relevant, that you (and any person on whose behalf you apply) comply or have complied with the provisions therein; and
- 19.9 declare that a loan has not been made to you or any associate, which would not have been made or not have been made on the same terms, but for your offering to subscribe for, or acquiring C Shares and that the C Shares are being acquired for *bona fide* commercial purposes and not as part of a scheme or arrangement the main purpose of which is the avoidance of tax.

## **20. Money Laundering**

- 20.1 You agree that, in order to ensure compliance with the Money Laundering Regulations 2007, Capita Asset Services, the Company or the Administrator may respectively in its absolute discretion require verification of identity of you the applicant(s) lodging an Application Form and further may request from you and you will assist in providing identification on:
- 20.1.1 the owner(s) and/or controller(s) (the “**payor**”) of any bank account not in the name of the applicant(s) on which is drawn a payment by way of banker’s draft or building society cheque; or
- 20.1.2 where it appears to the Receiving Agent that an applicant or the payor is acting on behalf of some other person or persons, such person or persons.

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

- 20.2 Without prejudice to the generality of paragraph 3.1 under the Money Laundering Regulations 2007, Capita Asset Services may be required to check the identity of persons who subscribe for in excess of the sterling equivalent of Euro 15,000 of C Shares (approximately £12,150).

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

Payments must be made by cheque or bankers’ draft in pounds sterling drawn on a branch in the United Kingdom, of a bank or building society Cheques, which must be drawn on the personal account of the individual investor where they have sole or joint title to the funds, should be made

payable to Capita Registrars Limited re: The Diverse Income Trust plc Offer for Subscription A/C” and crossed “a/c payee only”. Third party cheques will not be accepted with the exception of building society cheques or bankers’ drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the building society cheque/bankers’ draft to such effect.

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

- 20.3 An applicant making an application for C Shares will not be considered as forming a business relationship with either the Company or with Capita Asset Services but will be considered as effecting a one-off transaction with either the Company or with Capita Asset Services.
- 20.4 The applicant submitting an application for C Shares will ordinarily be considered to be acting as principal in the transaction unless Capita Asset Services determines otherwise, whereupon you may be required to provide the necessary evidence of identity of the underlying beneficial owner(s).
- 20.5 If the amount being subscribed exceeds the sterling equivalent of Euro 15,000 of C Shares (approximately £12,150) you must provide with the Offer for Subscription Application Form the identity documentation detailed in section 7 of the Application Form for each underlying beneficial owner.

## **21. Non United Kingdom Investors**

- 21.1 If you receive a copy of this document or an Offer for Subscription Application Form in any territory other than the United Kingdom you may not treat it as constituting an invitation or offer to you, nor should you, in any event, use an Offer for Subscription Application Form unless, in the relevant territory, such an imitation or offer could lawfully be made to you or an Offer for Subscription Application Form could lawfully be used without contravention of any registration or other legal requirements. It is your responsibility, if you are outside the United Kingdom and wish to make an application for C Shares under the Offer for Subscription, to satisfy yourself as to full observance of the laws of any relevant territory or jurisdiction in connection with your application, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
- 21.2 None of the C Shares have been or will be registered under the laws of Canada, Japan, the Republic of South Africa or Australia, nor under the United States Securities Act of 1933, as amended, or with any securities regulatory authority of any state or other political subdivision of the United States, Canada, Japan, the Republic of South Africa or Australia. Accordingly, unless an exemption under such Act or laws is applicable, the C Shares may not be offered, sold or delivered, directly or indirectly, within Canada, Japan, the Republic of South Africa, Australia or the United States. If you subscribe for C Shares you will, unless the Company and Capita Asset Services agree otherwise in writing, be deemed to represent and warrant to the Company that you are not a US Person or a resident of Canada, Japan, the Republic of South Africa or Australia or a corporation, partnership or other entity organised under the laws of any such jurisdiction (or any state or other political subdivision of it) and that you are not subscribing for such C Shares for the account of any US Person or resident of Canada, Japan, the Republic of South Africa or Australia and will not offer, sell, renounce, transfer or deliver, directly or indirectly, any of the C Shares in or into the United States, Canada, Japan, the Republic of South Africa or Australia or to any US Person or resident in Canada, Japan, South Africa or Australia. No application will be accepted if it shows the applicant or payor having an address in the United States, Canada, Japan, the Republic of South Africa or Australia.

## **22. Summary of Terms and Conditions of Application**

- 22.1 To the extent permitted by law, all representations, warranties and conditions, express or implied and whether statutory or otherwise (including, without limitation, pre-contractual representations but excluding any fraudulent representations), other than of the Applicant are expressly excluded in relation to the C Shares and the Offer for Subscription.
- 22.2 The rights and remedies of the Company and Capita Asset Services under these “Terms and Conditions of Application under the Offer for Subscription” are in addition to any rights and remedies

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

- 22.3 The Company reserves the right to delay the closing time of the Offer for Subscription from 11.00 a.m. on 20 June 2014 by giving notice to the UK Listing Authority. In this event, the revised closing time will be published in such manner as the Company in consultation with Capita Asset Services determines subject, and having regard, to the requirements of the UK Listing Authority.
- 22.4 The Company may terminate the Offer for Subscription in its absolute discretion at any time prior to Admission. If such right is exercised, the Offer for Subscription will lapse and any monies will be returned as indicated without interest.
- 22.5 You agree that Capita Asset Services is acting for the Company and Cenkos Securities in connection with the Issue and for no one else and that Capita Asset Services will not treat you as its customer by virtue of such application being accepted or owe you any duties concerning the price of C Shares or concerning the suitability of C Shares for you or otherwise in relation to the Issue.
- 22.6 You authorise Capita Asset Services or any person authorised by them or the Company, as your agent, to do all things necessary to effect registration of any C Shares subscribed by you into your name(s) and authorise any representatives of Capita Asset Services to execute and/or complete any document required in this regard.
- 22.7 You agree that all applications, acceptances of applications and contracts resulting therefrom under the Offer for Subscription shall be governed by and construed in accordance with English law and that you submit to the jurisdiction of the English Courts and agree that nothing shall limit the right of the Company to bring any action, suit or proceedings arising out of or in connection with any such applications, acceptances and contracts in any other manner permitted by law or in any court of competent jurisdiction.

Save where the context requires otherwise, terms used in these “Terms and Conditions of Application under the Offer for Subscription” have the same meaning as where used in this document.



## **PART 7**

### **REDEMPTION OF ORDINARY SHARES**

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

#### **1. Redemption procedure**

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

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

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

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

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

Redemption Requests must contain, inter alia, the following:

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

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

Shareholders holding Ordinary Shares in uncertificated form (that is, in CREST) shall also be required to deliver with their Redemption Request such other evidence or information as the Directors may request, and the due execution by him of the Redemption Request or, if the Redemption Request is executed by some other person on his behalf, the authority of that other person to do so. In addition, such Shareholders must also send a properly authenticated Transfer to Escrow ("TTE") instruction to effect the transfer of the number of Ordinary Shares which the Shareholder wishes to redeem from his CREST account to the Receiving Agent's specified CREST account. The transfer to the Receiving Agent's CREST stock account must be effected no later than 3.00 p.m. on the day falling 20 Business Days before the relevant Redemption Point. Such transfers of Ordinary Shares shall be at the risk and the expense of the relevant Shareholder. Following the transfer to the Receiving Agent's CREST stock account and pending redemption of all or part of the Ordinary Shares, Shareholders shall not be entitled to dispose of, encumber, charge or deal in any way whatsoever with the Ordinary Shares which have been so transferred except in the circumstances described below. In order for a TTE instruction to be valid, it will need to comply with the requirements set out in paragraph 6 of this Part 7.

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



Other than during any period of suspension of trading of the Ordinary Shares or during any period when the calculation of the NAV of the Company's Ordinary Shares is suspended, a Redemption Request once given may not be withdrawn otherwise than with the prior consent of the Company (which the Directors shall be entitled in their absolute discretion to withhold), but shall only be deemed to have effect in relation to the next Redemption Point following its valid delivery and receipt and not in relation to any subsequent Redemption Point.

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

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

## **2. Directors' discretion**

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

The Ordinary Shares may only be redeemed or purchased by the Company out of distributable reserves or the proceeds of a fresh issue of shares made for that purpose. In order to maintain its status as an investment trust, in accordance with regulation 19 of the Investment Trust (Approved Company) (Tax) Regulations 2011, the Company must retain not more than 15 per cent. of the income it receives in an accounting period and accordingly to the extent such income is required to be distributed by way of dividend it will not be available to fund redemptions or repurchases of the Ordinary Shares.

## **3. Redemption Price**

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

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

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

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

The Directors may elect to calculate the Redemption Price by reference to the amount generated upon the realisation of a Redemption Pool created for the purpose of funding the redemption. In these circumstances the Redemption Price shall be calculated in the manner specified in paragraph 8 of this Part 7.

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

#### **4. Settlement of Redemption Requests**

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

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

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

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

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

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

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

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

#### **5. Matched bargains**

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

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

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

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

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

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

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

**Shareholders should note that certain Shareholders may experience a different tax treatment depending on whether they have their Ordinary Shares redeemed by the Company or purchased by incoming investors under the matched bargain facility. Shareholders who are in any doubt as to their tax position should refer to Part 8 of this document and seek professional advice from their own independent financial adviser authorised under the Financial Services and Markets Act 2000.**

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

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

- 6.1.1 the ISIN number for the Ordinary Shares. This is GB00B65TLW28;
- 6.1.2 the number of Ordinary Shares being tendered for redemption;
- 6.1.3 the participant ID of the holder of the Ordinary Shares;
- 6.1.4 the member account ID of the holder of the Ordinary Shares, being the account from which the Ordinary Shares are to be debited;
- 6.1.5 the participant account ID of the Receiving Agent (RA10);
- 6.1.6 the member account ID of the Receiving Agent. This is DIVERSE;
- 6.1.7 the corporate action number allocated by Euroclear;
- 6.1.8 the intended settlement date which must be on or before 3.00 p.m. on the day falling 20 Business Days before the relevant Redemption Point;
- 6.1.9 a delivery priority of 80; and
- 6.1.10 a contact number in the shared note field.

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

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

6.2 The Company in its sole discretion may:

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

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

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

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

## **7. Calculation of Dealing Value**

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

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

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

(a) securities trading on a stock exchange are to be valued generally at the latest available bid-market price quoted on such exchange or, in the absence of such bid-market price, the last known price quoted on such exchange;

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

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

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

7.2 The Dealing Value per Ordinary Share shall be the Dealing Value of the Company at the relevant Valuation Point applicable to the relevant Redemption Point divided by the number of Ordinary Shares in issue or deemed to be in issue at the Valuation Point. For this purpose:

- (a) Ordinary Shares which have been allotted shall be deemed to be in issue from the close of business on the Redemption Point on which they are allotted;
- (b) Ordinary Shares which have been repurchased (whether or not held in treasury) or redeemed shall be deemed to cease to be in issue at the close of business on the Redemption Point on which they are repurchased or redeemed;

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

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

- 8.1 Where the Board has decided to fund redemptions through the use of a Redemption Pool, in accordance with the Articles, the Company will notionally divide its assets and liabilities into two pools (in addition to any pool of assets and liabilities attributable to any C Shares for the time being in issue):
- (a) the Redemption Pool, which will consist of cash, assets and liabilities attributable to the Ordinary Shares which are the subject of valid Redemption Requests and which the Directors have exercised their discretion to redeem on the relevant Redemption Point; and
  - (b) the Continuing Pool, which will contain all the other cash, assets and liabilities of the Company other than those attributable to any C Shares for the time being in issue.
- 8.2 The Redemption Pool and the Continuing Pool will include a proportionate share of each investment held by the Company (excluding any investment attributable to any C Shares for the time being in issue). The Manager will be entitled to transfer assets between the pools at fair market value.
- 8.3 The investment portfolios of the Continuing Pool and the Redemption Pool will be reorganised in the period leading up to the date on which the Redemption Price is settled as follows:
- (a) the assets of the Redemption Pool shall be liquidated and the proceeds retained solely as cash in sterling; and
  - (b) the assets of the Continuing Pool shall be adjusted so that the Continuing Pool complies with the investment policy of the Company.
- 8.4 The liabilities attributable to the Redemption Pool, to the extent that they cannot be satisfied prior to the date on which the Redemption Price is to be settled, will be transferred to the Continuing Pool together with an equivalent amount in cash. In calculating such liabilities any debt liability that the Company may have from time to time will be valued on a pre-payment basis, including any early repayment costs.



- 8.5 The costs of the portfolio reorganisations (including costs relating to the sale of the assets and tax liabilities that may arise, or be deemed to arise, as a result of the sale of those assets) will be borne by the relevant pool, together with a *pro rata* share of costs and expenses of the Company not attributable to a particular pool. Such costs, as determined by the Board in its sole discretion, will be deducted before payments are made to the relevant Shareholders whose Ordinary Shares are being redeemed.
- 8.6 The Redemption Price per Ordinary Share when calculated by reference to the Redemption Pool shall be equal to the aggregate cash received by the Company upon the realisation of the Redemption Pool (less the costs) in accordance with paragraph 8.3(a) less the costs and liabilities referred to in paragraphs 8.4 and 8.5 above divided by the number of Ordinary Shares to be redeemed on the relevant Redemption Point.

## **9. Liability**

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



## PART 8

### TAXATION

#### UK Taxation

***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 and non-exhaustive guide and may not apply to certain Shareholders, such as dealers in securities, insurance companies, collective investment schemes or Shareholders who have (or are deemed to have) acquired their Shares by virtue of an office or employment, who may be subject to special rules. They apply only to Shareholders who are resident (and, in the case of individuals only, domiciled) for UK tax purposes in the UK (except in so far as express reference is made to the treatment of non-UK residents), who hold Ordinary Shares and/or C Shares as an investment rather than trading stock and who are the absolute beneficial owners of those Ordinary Shares and/or C Shares.***

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

#### The Company

It is the intention of the Directors to conduct the affairs of the Company so that it satisfies and continues to satisfy the conditions necessary for it to be approved by HMRC as an investment trust. The issue of C Shares and their subsequent Conversion will not prejudice the Company's ability to satisfy such conditions. However, neither the Manager nor the Directors can guarantee that this approval will be maintained.

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

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

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

#### Shareholders

##### ***Taxation of chargeable gains***

##### ***(i) C Shares acquired pursuant to the Issue***

As a matter of UK tax law, the acquisition of C Shares pursuant to the Open Offer may not, strictly speaking, constitute a reorganisation of share capital for the purposes of UK taxation of chargeable gains. The published practice of HMRC to date has been to treat any subscription of shares by an existing shareholder which is equal to or less than the shareholder's minimum entitlement pursuant to the terms of an open offer as a reorganisation, but it is not certain that HMRC will apply this practice. HMRC's treatment of the Open Offer cannot therefore be guaranteed and specific confirmation has not been requested in relation to the Open Offer.

To the extent that the acquisition of the C Shares is regarded as a reorganisation of the share capital of the Company for the purposes of UK taxation of chargeable gains, C Shares subscribed for by a Shareholder will be treated as the same asset as, and as having been acquired at the same time as, that Shareholder's holding of existing Ordinary Shares on the Record Date (his or her "**Existing Holding**"). The amount of subscription monies paid for the C Shares will be added to the base cost of the Shareholder's Existing Holding. For the purposes of a disposal or part disposal of Ordinary Shares or C Shares taking place on or prior to Conversion, the Shareholder's original base cost in his or her Existing Holding, together with the subscription monies paid for the C Shares, will be apportioned between his or her Existing Shares and the C Shares by reference to their respective market values on the day of Admission.

To the extent that the acquisition of C Shares under the Open Offer is not regarded as a reorganisation, the C Shares will, for the purposes of UK taxation of chargeable gains, be treated as having been newly acquired and the price paid for those C Shares will constitute their base cost.

The issue of C Shares under the Placing or the Offer for Subscription will not constitute a reorganisation of share capital for the purposes of UK taxation of chargeable gains and, accordingly, any C Shares so acquired will be treated as acquired as part of a separate acquisition of shares.

(ii) *Conversion of C Shares and disposals of C Shares and/or Ordinary Shares*

The Conversion should constitute a reorganisation of share capital for the purposes of UK taxation of chargeable gains. To the extent that the subscription for C Shares is treated as a reorganisation of the share capital of the Company for the purposes of UK taxation of chargeable gains, then:

- (a) upon Conversion, a Shareholder's Existing Holding and the new Ordinary Shares and deferred shares resulting from the Conversion will be treated as the same asset as, and as having been acquired at the same time as, that Shareholder's Existing Holding; and
- (b) for the purposes of a disposal or part disposal of Ordinary Shares or deferred shares taking place after Conversion, the base cost in his or her Existing Holding and C Shares will be apportioned between his or her Ordinary Shares and the deferred shares by reference to their respective market values on the day on which Conversion takes place.

To the extent that the subscription for C Shares is not treated as a reorganisation of the share capital of the Company for the purposes of UK taxation of chargeable gains, then:

- (a) a Shareholder's new Ordinary Shares and deferred shares resulting from the Conversion will be treated as the same asset as, and as having been acquired at the same time as, that Shareholder's holding of C Shares on the date of Conversion, and the new Ordinary Shares into which the C Shares will be converted will be treated as having been acquired at a different time from the Existing Holding; and
- (b) for the purposes of a disposal or part disposal of Ordinary Shares or deferred shares taking place after Conversion, the Shareholder's base cost in his or her C Shares will be apportioned between the Ordinary Shares arising on Conversion and the deferred shares arising on Conversion by reference to their respective market values on the day on which Conversion takes place.

To the extent that a Shareholder receives a payment in respect of a fractional entitlement on Conversion, such payment may be treated as a part disposal of a Shareholder's C Shares. Notwithstanding this, if the proceeds resulting from such disposal are 'small' as compared to:

- (a) (to the extent that the acquisition of C Shares is treated as a reorganisation of share capital) the value of the Existing Holding and the C Shares held; or
- (b) (to the extent that the acquisition of C Shares is not treated as a reorganisation of share capital for the purposes of UK taxation of chargeable gains) the value of the C Shares held,

there should be no part disposal of the C Shares and on a subsequent disposal of Ordinary Shares (or deferred shares if any base cost is allocated to the deferred shares) the amount of the payment will be deducted from the base cost of such Ordinary Shares (or deferred shares) for the purposes of computing any chargeable gain or allowable loss. HMRC will normally treat the amount (if any)

received by a holder as 'small' if the amount either: (i) does not exceed 5 per cent. of the market value of the value of (a) the Existing Holding and the C Shares held, or (b) the value of the C Shares held, as applicable and in each case measured immediately before the Conversion; or (ii) does not exceed £3,000.

(iii) *Redemption of Ordinary Shares*

Individuals and trustees

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

A redemption of Ordinary Shares is treated as a disposal for capital gains tax purposes by individuals and trustees resident in the UK (or individuals who are not so resident but who carry on a trade, profession or vocation in the UK through a branch or agency with which their Ordinary Shares are connected). However, any amount taxed as a distribution would be left out of account in the capital gains tax computation.

Investors who have any doubt about the tax consequences of a redemption of Ordinary Shares should consult their own professional advisers.

Corporate Shareholders

A UK resident corporate Shareholder which holds Ordinary Shares otherwise than as trading stock will normally be exempt from corporation tax on income in respect of the distribution element of a redemption of Ordinary Shares. Any distribution made by the Company out of a reserve arising from a reduction of share capital (or share premium where share capital was issued at a premium) would be treated as a distribution for corporation tax purposes.

A redemption of shares involves a disposal for the purposes of corporation tax on chargeable gains as a capital distribution but that capital distribution is not subject to corporation tax as a capital gain to the extent that it is subject to corporation tax on income (or would be but for being exempt).

(iv) *Buyback of Ordinary Shares*

The tax treatment of a direct buy-back by the Company of Ordinary Shares would be the same as outlined above in relation to the redemption of Ordinary Shares, except that, for corporate Shareholders, the amount of the exempt distribution element of the disposal would also be included in computing any chargeable gains subject to corporation tax.

**Taxation of dividends**

(A) *Distributions other than "interest distributions"*

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

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

An individual Shareholder who is resident in the UK for tax purposes and who receives a dividend from the Company should generally be entitled to a notional tax credit which may be set off against the Shareholder's total income tax liability on the dividend. An individual UK resident shareholder will be liable to income tax on the sum of the tax credit and the dividend (the "gross dividend") which will be treated as the top slice of the individual's income for UK income tax purposes. The tax credit equals 10 per cent. of the gross dividend. The tax credit therefore also equals one-ninth of the cash dividend received.

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

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

A dividend tax rate of 37.5 per cent. applies to the extent that dividends, when treated as the top slice of the Shareholder's income, fall above the threshold for additional rate income tax. After taking into account the 10 per cent. tax credit, such Shareholders will have an effective dividend tax rate of approximately 30.56 per cent. of the cash dividend received.

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

(B) *"Interest distributions"*

Should the Directors elect to apply the streaming regime to any dividends paid by the Company, a UK resident Shareholder in receipt of such a dividend would be treated as though they had received a payment of interest. Such a Shareholder would be subject to UK income tax at the current rates of 20 per cent., 40 per cent. or 45 per cent., depending on the level of the Shareholder's income. Such distributions would be paid to the individual Shareholder after the deduction of 20 per cent. income tax.

(C) *Other Shareholders*

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

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

***Stamp duty and stamp duty reserve tax ("SDRT")***

No charge to stamp duty or SDRT will arise on the issue of C Shares pursuant to the Issue.

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

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

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

There is an exemption for stamp duty and SDRT where the consideration for the transfer, and any related transactions, does not exceed £1,000.

***ISAs, SIPPs and SSASs***

C Shares acquired by a UK resident individual Shareholder in the Open Offer or the Offer for Subscription (but not the Placing) should be eligible to be held in an ISA, subject to applicable annual subscription limits. The same applies to Ordinary Shares received on Conversion of C Shares.

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

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

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

## PART 9

### ADDITIONAL INFORMATION

#### 1. The Company and the Manager

- 1.1 The Company was incorporated in England and Wales as a public limited company on 30 March 2011. The Company is registered as an investment company under section 833 of the Act with registered number 7584303. The Company is domiciled in England and Wales and currently has no employees.
- 1.2 The Company is the holding company of a group consisting of the Company and DIT Income Services Limited, which was incorporated in England and Wales as a private limited company on 2 March 2011 with registered number 7548790. This subsidiary has the same registered office and directors as the Company. All of its issued share capital, which is fully paid, is held by the Company. The principal activity of the Company and the Group is to invest primarily in quoted or traded UK companies with a wide range of market capitalisations but a long-term bias toward small and mid-cap equities with a view to achieving the Company's investment objective.
- 1.3 The Company operates under the Act and is not regulated as a collective investment scheme by the FCA. Its registered office and principal place of business is at Beaufort House, 51 New North Road, Exeter EX4 4EP, United Kingdom. The Company's telephone number is +44 (0)1392 412122.
- 1.4 The existing Ordinary Shares in the Company are in registered form and are admitted to the premium segment of the Official List of the UK Listing Authority and are traded on the London Stock Exchange's main market for listed securities. The Company is therefore subject to the Listing Rules, the Prospectus Rules and the Disclosure and Transparency Rules and to the rules of the London Stock Exchange.
- 1.5 The Company intends at all times to conduct its affairs so as to enable it to qualify as an investment trust for the purposes of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011. In summary, the conditions that must be met for approval by HMRC for any given accounting period as an investment trust are that:
  - the Company is not a close company at any time during the accounting period for which approval is sought;
  - the Company is resident in the UK throughout that accounting period;
  - each class of the Company's ordinary share capital is included on a regulated market (e.g. the London Stock Exchange) throughout the accounting period; and
  - the Company must not retain in respect of the accounting period an amount greater than 15 per cent. of its income.
- 1.6 The Manager is a private limited company incorporated in England and Wales with registered number 01949322. The Manager is authorised and regulated by the FCA. The address of the registered office of the Manager is 51 Moorgate, London, United Kingdom EC2R 6BH and its telephone number is +44 (0)203 714 1500.

#### 2. Share Capital

- 2.1 On incorporation, the issued share capital of the Company was £50,000 represented by 50,000 Management Shares of nominal value of £1 each, which were subscribed for by Milton Group plc, the parent company of the Manager. On 28 April 2011, 100 million Ordinary Shares of nominal value of 0.1 pence each were issued at 50 pence per share in the First Placing and Offer.
- 2.2 On 19 July 2012, 60,000,000 C Shares of nominal value of 1 pence each were issued at 50 pence per share. These C Shares converted into 56,507,978 Ordinary Shares on 2 October 2012.



- 2.3 On 17 December 2012, 62,000,000 C Shares of nominal value of 1 pence each were issued at 50 pence per share. These C Shares converted into 52,185,329 Ordinary Shares on 26 March 2013.
- 2.4 On 1 October 2013, 115,684,143 Ordinary Shares of nominal value of 1 pence each were issued for the purposes of acquiring the assets of Miton Income Opportunities Trust plc, an investment trust then managed by the Manager's group, which is now in members' voluntary liquidation.
- 2.5 Set out below is the issued share capital of the Company as at the date of this document:

	<i>Nominal Value (£)</i>	<i>Number</i>
Ordinary Shares	324,377.45	324,377,450
Management Shares	50,000	50,000

Set out below is the issued share capital of the Company as it will be following the Issue but before Conversion (assuming that all of the C Shares available under the Issue are allotted):

	<i>Nominal Value (£)</i>	<i>Number</i>
C Shares	1,081,258.17	108,125,817
Ordinary Shares	324,377.45	324,377,450
Management Shares	50,000	50,000

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

- 2.6 By an ordinary resolution passed on 22 October 2013 at the Company's annual general meeting the Directors were generally and unconditionally authorised in accordance with section 551 of the Act to exercise all the powers of the Company to allot C Shares up to an aggregate nominal amount of £2,380,000, such authority to expire at the conclusion of the Company's annual general meeting to be held in 2014 (unless previously renewed, varied or revoked by the Company in general meeting) but so that the Company may, at any time prior to the expiry of such period, make offers or agreements which would or might require equity securities to be allotted after the expiry of such period and the Directors may allot equity securities in pursuance of such offers or agreements as if the authority had not expired.
- 2.7 It is expected that the C Shares in respect of the Issue will be allotted pursuant to a resolution of the Board to be passed on or around 23 June 2014, conditional upon Admission.
- 2.8 The provisions of section 561 of the Act (which, to the extent not disapplied pursuant to section 570 of the Act, confer on Shareholders rights of pre-emption in respect of the allotment or sale of equity securities for cash) shall apply to any unissued share capital of the Company.
- 2.9 No share or loan capital of the Company has been issued or agreed to be issued, or is now proposed to be issued for cash or any other consideration and no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any such capital and no share or loan capital of the Company is under option or agreed, conditionally or unconditionally, to be put under option.
- 2.10 On 22 February 2012, the share premium account of the Company outstanding at that time was cancelled by order of the Court.
- 2.11 The C Shares will be in registered form. Temporary documents of title will not be issued. The ISIN of the C Shares will be GB00BLTVC930.
- 2.12 Applicants who have signed and returned Application Forms in respect of the Issue may not withdraw their applications for C Shares subject to their statutory right of withdrawal in the event of the publication of a supplementary prospectus.



### **3. Articles of Association**

A summary of the main provisions of the Articles are set out below. In addition to the provisions summarised below, the Articles also contain details of the rights attaching to the Management Shares and the C Shares. Further details on the C Shares can be found in Part 3 of this document.

#### **3.1 Objects**

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

#### **3.2 Variation of rights**

Subject to the provisions of the Act as amended and every other statute for the time being in force concerning companies and affecting the Company (the "Statutes"), if at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class may be varied either with the consent in writing of the holders of three-quarters in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the shares of that class (but not otherwise) and may be so varied either whilst the Company is a going concern or during or in contemplation of a winding-up. At every such separate general meeting the necessary quorum shall be at least two persons holding or representing by proxy at least one-third in nominal value of the issued shares of the class in question (but at any adjourned meeting any holder of shares of the class present in person or by proxy shall be a quorum), any holder of shares of the class present in person or by proxy may demand a poll and every such holder shall on a poll have one vote for every share of the class held by him. Where the rights of some only of the shares of any class are to be varied, the foregoing provisions apply as if each group of shares of the class differently treated formed a separate class whose rights are to be varied.

#### **3.3 Alteration of share capital**

The Company may by ordinary resolution:

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

#### **3.4 Issue of shares**

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

#### **3.5 Dividends**

Subject to the provisions of the Act, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the shareholders but no dividends shall exceed the amount recommended by the Directors. Subject to the provisions of the Act, the Directors may pay interim dividends, or dividends payable at a fixed rate, if it appears to them that they are justified by the profits of the Company available for distribution. If the Directors act in good faith they shall not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on any shares having deferred or non-preferred rights.

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

proportionately to the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid.

### 3.6 ***Voting rights***

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

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

### 3.7 ***Transfer of shares***

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

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

- is lodged, duly stamped, at the registered office of the Company or such other place as the Directors may appoint and is accompanied by the certificate for the share to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- is in respect of only one class of share; and
- is not in favour of more than four transferees.

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

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

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

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

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

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

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

### **3.10 Untraced shareholders**

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

### **3.11 Appointment of Directors**

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

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

### **3.12 Powers of Directors**

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

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

### **3.13 Voting at board meetings**

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

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

### **3.14 Restrictions on voting**

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

### 3.15 ***Directors' interests***

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

### 3.16 ***Indemnity***

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

### 3.17 ***General meetings***

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

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

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

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

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

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

## 4. City Code on Takeovers and Mergers

### 4.1 **Mandatory bid**

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

- (i) a person acquires an interest in Shares which, when taken together with Shares already held by him or persons acting in concert with him, carry 30 per cent. or more of the voting rights in the Company; or
- (ii) a person who, together with persons acting in concert with him, is interested in not less than 30 per cent. and not more than 50 per cent. of the voting rights in the Company acquires additional interests in Shares which increase the percentage of Shares carrying voting rights in which that person is interested,

the acquirer and, depending on the circumstances, its concert parties, would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding Shares at a price not less than the highest price paid for any interests in the Shares by the acquirer or its concert parties during the previous 12 months.

### 4.2 **Compulsory acquisition**

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

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

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

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

- 5.1 At the Latest Practicable Date, the Directors held the following interests in the share capital of the Company:

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>% of issued Ordinary Share capital</i>
Michael Wrobel	200,000	0.06
Tom Bartlam	71,965	0.02
Paul Craig	42,625	0.01
Lucinda Riches	82,769	0.03
Jane Tufnell	142,085	0.04

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

<i>Name</i>	<i>Number of C Shares</i>	<i>% of issued C Share capital*</i>
Michael Wrobel	66,666	0.11
Tom Bartlam	123,988	0.21
Paul Craig	–	–
Lucinda Riches	27,589	0.05
Jane Tufnell	47,361	0.08

\* Assuming that the Issue is subscribed as to 60,000,000 C Shares.

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

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

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

- 5.3 The Directors' current level of remuneration is £25,000 per annum for each Director other than the Chairman, who receives £30,000 per annum. The total remuneration receivable by the Directors and paid by the Company to the Directors in respect of the Company's accounting period ending on 31 May 2013 was £105,000.

It is estimated that the aggregate remuneration and benefits in kind payable by the Company to the Directors for the financial year ending 31 May 2014 will amount to £120,000.

There are no amounts set aside or accrued by the Company to provide pension, retirement or similar benefits.

- 5.4 The Company has not made any loans to the Directors which are outstanding, nor has it ever provided any guarantees for the benefit of any Director or the Directors collectively.
- 5.5 Over the five years preceding the date of this document, the Directors hold or have held the following directorships (apart from their directorships of the Company and its subsidiary) or memberships of the following administrative, management or supervisory bodies and/or partnerships:

<i>Name</i>	<i>Current</i>	<i>Previous</i>
Michael Wrobel	British American Tobacco Pension Fund Trustee Limited Thornton's plc Wrobel Investments Ltd	JP Morgan European Smaller Companies Trust plc
Tom Bartlam	Blounce Farms Limited Jupiter Primadonna Growth Trust plc Pantheon International Participations plc Polar Capital Holdings plc 39 Acres SW Limited	F&C UK Select Trust plc (in members' voluntary liquidation) Intermediate Capital Group plc Leonard Cheshire Disability Miton Income Opportunities Trust plc (in members' voluntary liquidation) Numis Corporation plc

<i>Name</i>	<i>Current</i>	<i>Previous</i>
Paul Craig	Aberdeen Emerging Markets Smaller Companies Trust plc Ground Rents Income Fund Limited The Healthcare REIT Limited	F&C Barrow Hanley US Trust Limited Golden Prospect Precious Metals Limited New Star Asset Management Limited
Lucinda Riches	Inside Track 1 LLP Inside Track 2 LLP King and Wood Mallesons LLP Sue Ryder The British Standards Institution The Graphite Enterprise Trust plc UK Financial Investments Limited	Ingenious Film Partners 2 LLP The Mill Street Partnership No. 2 LLP (liquidated)
Jane Tufnell	JP Morgan Claverhouse Investment Trust plc Ruffer Asia Limited Ruffer LLP Ruffer Management Limited TR European Growth Trust plc	None

5.6 Save as disclosed below, the Directors in the five years before the date of this document:

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

Tom Bartlam was a director of F&C UK Select Trust plc which was placed into members' voluntary liquidation on 23 June 2010 and a director of Miton Income Opportunities Trust plc which was placed into members' voluntary liquidation on 30 September 2013. Lucinda Riches was a member of The Mill Street Partnership No. 2 LLP which went into creditors' voluntary liquidation on 11 July 2012 and was dissolved on 21 September 2013.

5.7 So far as is known to the Company by virtue of the notifications made to it pursuant to the Disclosure and Transparency Rules, as at the Latest Practicable Date the following persons held directly or indirectly three per cent. or more of the Company's voting rights:

<i>Name</i>	<i>Number of voting rights held</i>	<i>% of voting rights</i>
Prudential plc	47,314,087	14.58
Investec Wealth & Investment	26,949,605	8.31
Henderson Global Investors Limited	20,903,340	6.44
Smith & Williamson Holdings Limited	19,864,718	6.12
Merseyside Pension Fund	18,118,000	5.59

Save as set out in this paragraph 5.7, 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.

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



- 5.9 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.
- 5.10 The Company and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Company.
- 5.11 Save as disclosed in note 18 on page 59 of the Company's annual report and accounts for the period ending on 31 May 2013, which are incorporated by reference into this document, there have been no related party transactions entered into by the Company at any time during the period from incorporation to the Latest Practicable Date.
- 5.12 Paul Craig is an employee of Henderson Global Investors Limited ("**HGI**"). HGI holds Ordinary Shares in the Company on behalf of clients to which HGI acts as discretionary investment manager.
- 5.13 Save as disclosed in paragraphs 5.1, 5.3 and 5.12, none of the Directors has any conflict of interest or potential conflicts of interest between any duties to the Company and his private interests and any other duties.
- 5.14 The Manager, any of its directors, officers, employees, agents and affiliates and the Directors and any person or company with whom they are affiliated or by whom they are employed (each an "**Interested Party**") may be involved in other financial, investment or other professional activities which may cause conflicts of interest with the Company. In particular, Interested Parties may provide services similar to those provided to the Company to other entities and shall not be liable to account for any profit from any such services. For example, an Interested Party may acquire on behalf of a client an investment in which the Company may invest.

## **6. Investment restrictions**

The Company will at all times invest and manage its assets with the objective of spreading risk and in accordance with its published investment policy as set out in Part 1 of this document.

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

In the event of a breach of the investment policy set out in Part 1 of this document and the investment restrictions set out therein, the Manager shall inform the Board upon becoming aware of the same and if the Board considers the breach to be material, notification will be made to a Regulatory Information Service.

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

## **7. Material contracts**

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

### **7.1 *Placing and Offer Agreement***

The Placing and Offer Agreement dated 30 May 2014 between the Company, the Manager and Cenkos Securities, pursuant to which, subject to certain conditions, Cenkos Securities has agreed to use all reasonable endeavours as agent of the Company to procure subscribers for C Shares at the Issue Price.

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

The obligation of the Company to issue the C Shares and the obligation of Cenkos Securities to use its reasonable endeavours to procure subscribers for C Shares is conditional upon certain conditions that are typical for an agreement of this nature. These conditions include, among others: (i) Admission occurring and becoming effective by 8.00 a.m. London time on or prior to 26 June 2014 (or such later time and/or date, not being later than 31 August 2014, as the Company, Cenkos Securities and the Manager may agree); and (ii) the Placing and Offer Agreement not having been terminated in accordance with its terms.

In consideration for its services in relation to the Issue and conditional upon completion of the Issue, Cenkos Securities will be paid (i) a corporate finance fee; and (ii) a commission based on the Gross Proceeds receivable from Placees and subscribers for C Shares under the Open Offer and the Offer for Subscription (together with applicable VAT).

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

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

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

## 7.2 **Receiving Agent Agreement**

The receiving agent agreement between the Company and Capita Asset Services dated 30 May 2014, pursuant to which the Receiving Agent has agreed to provide receiving agent duties and services to the Company in respect of the Issue. Under the terms of the agreement, the Receiving Agent is entitled to a fee at an hourly rate (subject to a minimum fee of £2,500), plus a processing fee per application. The Receiving Agent will also be entitled to reimbursement of all out of pocket expenses reasonably incurred by it in connection with its duties. These fees will be for the account of the Company.

The agreement also contains a provision whereby the Company indemnifies the Receiving Agent against any loss, liability or expense resulting from the Company's breach of the agreement or any third party claims in connection with the provision of the Receiving Agent's services under the agreement, save where due to fraud or wilful default on the part of the Receiving Agent.

The agreement is governed by the laws of England.

## 7.3 **Transfer Agreement**

Pursuant to letters of undertaking from: (i) the liquidators to Miton Income Opportunities Trust plc ("**MIOT**") (the "**Liquidators**"), dated on or around 30 August 2013; and (ii) the Company to MIOT dated on or around 30 August 2013, the liquidators and the Company each irrevocably undertook (subject to certain conditions) to enter into a transfer agreement (the "**Transfer Agreement**") between the Company, the Liquidators and MIOT in connection with the acquisition of MIOT's assets (the "**MIOT Scheme**"). Under the terms of the Transfer Agreement, a pool of MIOT's assets (the "**Rollover Fund**") were transferred to the Company in consideration for the allotment by the Company of the new Ordinary Shares to the Liquidators (as nominees for the qualifying MIOT shareholders). Thereafter, the Liquidators agreed to renounce the allotments of the new Ordinary Shares in favour of the qualifying MIOT shareholders, and such new Ordinary Shares were issued by the Company to the qualifying MIOT shareholders pursuant to the MIOT Scheme.

The Transfer Agreement excluded any liability on the part of the Liquidators for entering into or carrying into effect the Transfer Agreement.

#### **7.4 *Placing and Offer Agreement***

Under a placing and offer agreement dated 20 November 2012 between the Company, the Manager and Cenkos Securities, Cenkos Securities agreed, as agent for the Company, to use reasonable endeavours to procure subscribers for C Shares at 50 pence per C Share. For its services, the Company gave certain warranties and indemnities to Cenkos Securities concerning, inter alia, the accuracy of the information contained in the prospectus published in connection with that placing and offer.

#### **7.5 *Receiving Agent Agreement***

Under a receiving agent agreement dated 15 November 2012 between the Company and Capita Asset Services, Capita Asset Services agreed to provide receiving agent duties and services to the Company in respect of the Company's second placing and offer of C Shares. For its services in connection with the placing and offer, the Company gave an indemnity to Capita Asset Services in respect of any loss or liability, save where due to the fraud or wilful default of Capita Asset Services, arising out of or in connection with its duties pursuant to the agreement.

#### **7.6 *Placing and Offer Agreement***

Under a placing and offer agreement dated 27 June 2012 between the Company, the Manager and Cenkos Securities, Cenkos Securities agreed, as agent for the Company, to use reasonable endeavours to procure subscribers for C Shares at 50 pence per C Share. For its services in connection with the placing and offer, the Company gave certain warranties and indemnities to Cenkos Securities concerning, inter alia, the accuracy of the information contained in the prospectus published in connection with that placing and offer.

#### **7.7 *Receiving Agent Agreement***

Under a receiving agent agreement dated 17 June 2012 between the Company and Capita Asset Services, Capita Asset Services agreed to provide receiving agent duties and services to the Company in respect of its first placing and offer of C Shares. For its services in connection with the placing and offer, the Company gave an indemnity to Capita Asset Services in respect of any loss or liability, save where due to the fraud, wilful default or negligence on the part of Capita Asset Services, arising out of or in connection with its duties pursuant to the agreement.

#### **7.8 *Facility Agreement***

A facility agreement dated 5 July 2011 (as amended on 22 June 2012) between the Company as borrower and HSBC Bank plc as lender in respect of an overdraft facility made available by HSBC Bank plc to the Company in an amount not exceeding the lesser of (a) £7,500,000 and (b) 15 per cent. of assets under custody, for the purpose of providing liquidity. Interest is charged monthly in arrears on any amounts outstanding under the facility at a rate which is the aggregate of HSBC Bank plc's base rate plus 1.75 per cent. A fee is also payable by the Company at the rate of £15,000 per annum.

#### **7.9 *Charge Agreement***

A charge dated 5 July 2011 between the Company as chargor and HSBC Bank plc as the secured party pursuant to which the Company has charged its assets in favour of HSBC Bank plc.

#### **7.10 *Management Agreement***

The management agreement dated 7 April 2011 between the Company and Miton Capital Partners Limited, which was novated to the Manager pursuant to a novation agreement dated 1 January 2014 (the "**Management Agreement**"). Pursuant to the Management Agreement, the Manager is appointed to act as investment manager of the Company with responsibility to manage the assets of the Company and to advise the Company on a day to day basis in accordance with the investment policy of the Company and subject to the overall control and supervision of the Board. Under the terms of the Management Agreement, the Manager has discretion to buy, sell, retain, exchange or otherwise deal in investment assets for the account of the Company.

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

The Manager is entitled to receive from the Company or any member of its group in respect of its services provided under the Management Agreement, a management fee payable monthly in arrears calculated at the rate of one-twelfth of 1 per cent. per calendar month of the Market Capitalisation. Pursuant to a side letter dated 30 May 2014, the Company and the Manager have agreed that a management fee calculated at the rate of one-twelfth of 1 per cent. per calendar month of the Market Capitalisation shall be payable where the Market Capitalisation is equal to or less than £300 million and, to the extent that the Market Capitalisation is greater than £300 million, the rate to be applied to such excess (and only such excess) shall instead be one-twelfth of 0.8 per cent. per calendar month.

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

In the event of a conflict of interest arising, the Manager is required to take reasonable steps to ensure that the conflict is resolved fairly, in accordance (so far as applicable in the circumstances) with applicable rules of the FCA.

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

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

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

Following the implementation of the AIFMD, the Company will be required to appoint an alternative investment fund manager (an "AIFM") by 22 July 2014. Accordingly, it is proposed that the Management Agreement will be amended or replaced in due course to reflect the terms of the appointment of the Manager (or any other duly authorised member of the group of companies of which it forms part) to act as the Company's AIFM. It is envisaged that the key commercial terms on which the Manager is currently appointed will be carried forward in respect of its appointment as AIFM.

#### **7.11 Administration and Company Secretarial Agreement**

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

Under the agreement, the Administrator provides general fund administration services (including calculation of the daily NAV), book-keeping and accounts preparation services.

Under the terms of the Administration and Company Secretarial Agreement, the Administrator is currently entitled to an annual fee of £118,357 (exclusive of VAT) payable monthly in advance. The Administrator is also entitled to reimbursement of all reasonable out of pocket expenses incurred by it in connection with its duties.

The Administrator is entitled to increase the fees on the one year anniversary of the agreement, and annually thereafter in January of each year at the rate of the Retail Prices Index prevailing at that time. In addition, the Administrator may increase the fees at any time by an amount exceeding the Retail Prices Index as a result of a change in applicable requirements which affect the obligations of the Administrator or for any other reason. In such event, the Administrator shall give thirty days' written notice to the Company and the revised fees shall apply from the expiry of such notice. In the event that the Company objects to such increase within the 30 day period, it will have the right to terminate the agreement, as more particularly described below.

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

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

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

#### **7.12 Registrar Agreement**

The Registrar Agreement between the Company and Capita Asset Services dated 7 April 2011, pursuant to which the Registrar has been appointed as registrar to the Company. The Registrar is entitled to receive an annual registration fee from the Company, subject to an annual minimum charge of £4,471 (exclusive of any VAT). The fee is subject to increase in line with the retail prices index. The Registrar is also entitled to reimbursement of all out of pocket costs, expenses and charges properly 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, provided that such termination shall not be effective prior to 28 April 2014. In addition, either party may terminate the Registrar Agreement:

- (i) by service of 3 months' written notice should the parties not reach an agreement regarding any increase of the fees payable under the Registrar Agreement; or
- (ii) upon service of written notice if the other party commits a material breach of its obligations under the Registrar Agreement (including any payment default) which that party has failed to remedy within 45 days of receipt of a written notice to do so from the first party; or
- (iii) upon service of written notice if a resolution is passed or an order made for the winding-up, dissolution or administration of the other party, or if the other party is declared insolvent or if an administrator, administrative receiver, manager or provisional liquidator (or similar officer to any of the foregoing in the relevant jurisdiction) is appointed over the whole of or a substantial part of the other party or its assets or undertakings.

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

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

### **7.13 Custody Agreement**

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

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

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

The Custody Agreement does not expressly provide for the Custodian to hold securities in a fiduciary capacity. All cash held by the Custodian in the cash account(s) maintained for the Company will be held by the Custodian in its capacity as a banker, not as a trustee. As a result, such cash will not be held in accordance with the FCA's client money rules.

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

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

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

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

## **8. Litigation**

There have been no governmental, legal or arbitration proceedings, and the Company is not aware of any governmental, legal or arbitration proceedings pending or threatened, during the 12 months preceding the date of this document which may have, or have had in the recent past, a significant effect on the financial position or profitability of the Company or the Group.

## **9. Significant change**

Save as disclosed below, as at the date of this document, there has been no significant change in the financial or trading position of the Company or the Group since 30 November 2013, being the end of the last period for which financial statements have been published.

The unaudited Net Asset Value of the Company increased from £251.794 million as at 30 November 2013 to £263.735 as at the Latest Practicable Date (which may be attributed to market movements in the value of investments).



A dividend of 0.50 pence per Ordinary Share was paid by the Company on 28 February 2014 resulting in a reduction in cash equivalents of £1,622,000.

## **10. Working capital**

In the opinion of the Company the working capital available to the Group is sufficient for its present requirements, namely for at least the next 12 months from the date of this document.

## **11. General**

- 11.1 Where information has been sourced from third parties, the Company confirms that this information has been accurately reproduced and that, so far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 11.2 Cenkos Securities has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear.
- 11.3 Miton Asset Management Limited has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear.
- 11.4 Assuming the Issue is subscribed as to £30 million, the estimated net proceeds of the Issue are £29.25 million. The proceeds will be applied as described in the sections headed "Investment objective" and "Investment policy" in Part 1 of this document. The effect of the Issue will be to increase the net assets of the Company. On the assumption that the Issue is subscribed as to 60 million C Shares, the Issue will increase the net assets of the Company by approximately £29.25 million, equivalent to 11.09 per cent. of the net assets of the Company of £263.735 million as at the Latest Practicable Date. Upon Conversion, the Company's net assets will not be materially affected. It is not expected that there will be any material impact on the earnings and liabilities per Share as the net proceeds of the Issue are expected to be invested in investments consistent with the investment objective and policy of the Company.

## **12. Auditors**

The auditors to the Company are Ernst & Young LLP of 1 More London Place, London SE1 2AF. Ernst & Young LLP is registered to carry on audit work by The Institute of Chartered Accountants in England and Wales (ICAEW). The firm is a member of the ICAEW Practice Assurance scheme and is subject to the jurisdiction of The Accountancy and Actuarial Discipline Board. Ernst & Young LLP have audited the Company's annual accounts for the periods ending on 31 May 2012 and 31 May 2013 and no other information contained in this document.

## **13. Custodian**

The Custodian is HSBC Bank plc, a public limited company incorporated in England and Wales on 1 July 1880 under company number 14259. Its registered office is at 8 Canada Square, London E14 5HQ, telephone number +44 (0)20 7991 8888. The Custodian is authorised and regulated by the FCA for the conduct of its investment business in the United Kingdom.

## **14. Documents on display**

The following documents will be available for inspection during usual business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London EC2M 7SH until the date of Admission:

14.1 this document;

14.2 the Articles;



14.3 the audited accounts of the Company for the financial periods ending on 31 May 2013 and 31 May 2012; and

14.4 the unaudited half-yearly reports to 30 November 2013 and 30 November 2012.

## 15. Documents incorporated by reference

This document should be read and construed in conjunction with the following documents, which have been previously published and filed with the FCA, which are available for download from the Company's website at [www.mitongroup.com](http://www.mitongroup.com) and which are available for inspection in accordance with paragraph 14 above:

<i>Reference document</i>	<i>Information incorporated by reference</i>	<i>Page number in the document</i>
2012 Annual Report and Accounts	Investment Objective and Policy	1
	Company Summary	2
	Summary of Results	2
	Directors and Advisers	3
	Chairman's Statement	4
	Manager's Report	5
	Portfolio Information	7
	Report of Directors	9
	Corporate Governance Statement	16
	Directors' Remuneration Report	21
	Statement of Directors' Responsibilities	23
	Independent Auditor's Report	24
	Consolidated Income Statement	26
	Consolidated and Parent Company Statements of Changes in Equity	27
	Consolidated and Parent Company Balance Sheets	28
	Consolidated and Parent Company Cash Flow Statements	29
	Notes to the Consolidated Financial Statements	30
2012 Interim Report	Shareholder Information	42
	Glossary of Terms	44
	Investment Objective and Policy	1
	Highlights and Financial Calendar	2
	Chairman's Statement	3
	Manager's Report	4
	Portfolio Information	6
	Interim Management Report and Directors' Responsibility Statement	8
	Condensed Consolidated Income	9
	Condensed Consolidated Changes in Equity	10
	Condensed Consolidated Balance Sheet	11
	Condensed Consolidated Cash Flow Statement	12
	Notes to the Condensed Consolidated Financial Statements	13
	Directors and Advisers	16

<i>Reference document</i>	<i>Information incorporated by reference</i>	<i>Page number in the document</i>
2013 Annual Report and Accounts	What makes Diverse different	2
	What Miton brings to the Company	4
	The advantages of multi cap	6
	Results for the year to 31 May 2013	8
	Financial Performance Indicators	9
	Chairman's Statement	10
	Manager's Report	12
	Portfolio Information	14
	Questions and Answers	16
	Directors	18
	Report of the Directors	19
	Corporate Governance Statement	29
	Directors' Remuneration Report	35
	Statement of Directors' Responsibilities	37
	Independent Auditor's Report	38
	Income Statement	40
	Statements of Changes in Equity	41
	Balance Sheets	43
	Cash Flow Statements	44
	Notes to the Consolidated Financial Statements	45
	Redemption of Ordinary Shares	60
	Shareholder Information	61
	Glossary of Terms	64
	Notice of Annual General Meeting	65
	Contact Details of the Advisers	71
2013 Interim Report	What makes Diverse different	2
	The advantages of multi-cap	4
	Results for the half year to 30 November 2013	6
	Chairman's statement	8
	Manager's report	10
	What are the advantages of using a put option as part of the Diverse strategy?	12
	Portfolio information	14
	Interim Management Report and Directors' Responsibility Statement	16
	Condensed Consolidated Income	17
	Condensed Consolidated Changes in Equity	18
	Condensed Consolidated Balance Sheet	19
	Condensed Consolidated Cash Flow Statement	20
	Notes to the Condensed Consolidated Financial Statements	21
	Investment objective and policy	25
	Shareholder information	26
	Directors and Advisers	28

Those parts of the documents incorporated by reference which are not specifically incorporated by reference in this Prospectus are either not relevant for prospective investors or the information is included elsewhere in this Prospectus.

Dated: 30 May 2014

## PART 10

### DEFINITIONS

<b>“Act”</b>	the Companies Act 2006, as amended from time to time
<b>“Administration and Company Secretarial Agreement”</b>	the administration and company secretarial agreement dated 7 April 2011, between the Company and the Administrator summarised in paragraph 7.11 of Part 9 of this document
<b>“Administrator”</b>	Capita Sinclair Henderson Limited
<b>“Admission”</b>	the admission of the C Shares: (i) to the premium segment of the Official List; and (ii) to trading on the London Stock Exchange’s main market for listed securities, becoming effective in accordance with the Listing Rules and the admission and disclosure standards of the London Stock Exchange
<b>“AIC Code”</b>	the Association of Investment Companies’ Code of Corporate Governance, as amended from time to time
<b>“AIC Guide”</b>	the Association of Investment Companies’ Corporate Governance Guide for Investment Companies, as amended from time to time
<b>“AIFMD”</b>	the EU Directive on Alternative Investment Fund Managers
<b>“Application Forms”</b> and each an <b>“Application Form”</b>	the Offer for Subscription Application Form and/or the Open Offer Application Form as the context requires
<b>“Articles”</b>	the articles of association of the Company as at the date of this document
<b>“Auditors”</b>	Ernst & Young LLP or such other auditor as the Company may appoint from time to time
<b>“Business Day”</b>	a day (excluding Saturdays and Sundays or public holidays in England and Wales) on which banks generally are open for business in London for the transaction of normal business
<b>“Calculation Date”</b>	the time and date referred to in paragraph (l) of Part 3 of this document
<b>“Capita Asset Services”</b>	a trading name of Capita Registrars Limited
<b>“C Shares”</b>	C shares of 1 pence each in the capital of the Company having the rights and restrictions set out in Part 3 of this document
<b>“Cenkos Securities”</b>	Cenkos Securities plc
<b>“certified”</b> or <b>“in certificated form”</b>	not in uncertificated form
<b>“Company”</b>	The Diverse Income Trust plc

<b>“Continuing Pool”</b>	the cash, assets and liabilities of the Company other than those constituting the Redemption Pool, as more particularly described in Part 7 of this document
<b>“Conversion”</b>	the conversion of C Shares into new Ordinary Shares, as described in Part 3 of this document
<b>“Conversion Date”</b>	the time and date referred to in paragraph (l) of Part 3 of this document
<b>“Conversion Ratio”</b>	the ratio at which the C Shares convert into new Ordinary Shares
<b>“CREST”</b>	the relevant system as defined in the CREST Regulations in respect of which Euroclear is the operator (as defined in the CREST Regulations) in accordance with which securities may be held in uncertificated form
<b>“CREST Manual”</b>	the compendium of documents entitled CREST Manual issued by Euroclear from time to time comprising the CREST Reference Manual, the CREST Central Counterparty Services Manual, the CREST International Manual, CREST Rules, CCSS Operations Manual and CREST Glossary of Terms
<b>“CREST Regulations”</b>	the Uncertificated Securities Regulations 2001 (SI 2001 No. 2001/3755), as amended
<b>“Custodian”</b>	HSBC Bank plc
<b>“Custody Agreement”</b>	the custody agreement dated 7 April 2011, between the Company and the Custodian summarised in paragraph 7.13 of Part 9 of this document
<b>“Dealing Value of the Company”</b>	the value of the Company calculated in accordance with paragraph 7 of Part 7 of this document
<b>“Dealing Value per Ordinary Share”</b>	the value by reference to which Ordinary Shares may be redeemed on a Redemption Point calculated in accordance with paragraph 7 of Part 7 of this document
<b>“Deferred Shares”</b>	deferred shares of 0.1 pence each in the capital of the Company arising on Conversion
<b>“Directors” or “Board”</b>	the board of directors of the Company
<b>“Disclosure and Transparency Rules”</b>	the disclosure and transparency rules made by the FCA under Part 5 of FSMA
<b>“Euro” or “€”</b>	the currency of the Member States of the European Union that adopt the single currency
<b>“Euroclear”</b>	Euroclear UK & Ireland Limited
<b>“First Admission”</b>	the admission of the existing Ordinary Shares issued in connection with the First Placing and Offer (i) to the premium segment of the Official List; and (ii) to trading on the London Stock Exchange’s main market for listed securities on 28 April 2011

<b>“First Placing and Offer”</b>	the placing and offer for subscription of Ordinary Shares in April 2011
<b>“FCA”</b>	the Financial Conduct Authority, being the single regulatory authority for the UK financial services industry
<b>“FSMA”</b>	the UK Financial Services and Markets Act 2000, as amended
<b>“Gross Assets”</b>	the gross assets of the Company as determined in accordance with the accounting principles adopted by the Company from time to time
<b>“Gross Proceeds”</b>	means an amount in sterling equal to the aggregate, before any deductions or payments of fees or commissions, of the total gross proceeds raised under the Issue equal to the number of C Shares issued at the Issue Price pursuant to the Issue
<b>“Group”</b>	the Company and its subsidiary undertaking(s)
<b>“HMRC”</b>	HM Revenue & Customs
<b>“IFRS”</b>	International Financial Reporting Standards
<b>“ISA”</b>	an individual savings account maintained in accordance with the UK Individual Savings Account Regulations 1998 (as amended from time to time)
<b>“Issue”</b>	the Open Offer, the Offer for Subscription and the Placing
<b>“Issue Price”</b>	50 pence per C Share
<b>“Latest Practicable Date”</b>	close of business on 27 May 2014, being the latest practicable date prior to the date of this document for ascertaining certain information contained herein
<b>“Listing Rules”</b>	the listing rules made by the UK Listing Authority under section 73A of FSMA
<b>“London Stock Exchange”</b>	London Stock Exchange plc
<b>“Management Agreement”</b>	the management agreement between the Manager and the Company summarised in paragraph 7.10 of Part 9 of this document
<b>“Management Shares”</b>	non-redeemable shares of 100 pence each in the capital of the Company held by Miton Group plc, the parent company of the Manager
<b>“Manager”</b>	Miton Asset Management Limited
<b>“Market Capitalisation”</b>	the average of the mid-market prices for an Ordinary Share and a C Share, respectively, as derived from the Daily Official List of the London Stock Exchange on each Business Day in the relevant calendar month multiplied by the number of Ordinary Shares and C Shares, respectively, in issue on the last Business Day of the relevant calendar month excluding any Ordinary Shares or C Shares held by the Company in treasury

<b>“Member State”</b>	any member state of the European Economic Area
<b>“Miton”</b>	the Manager and its parent and subsidiary undertakings, from time to time
<b>“Money Laundering Regulations”</b>	the Money Laundering Regulations 2007
<b>“NAV” or “Net Asset Value”</b>	the value of the assets of the Company less its liabilities, determined in accordance with the accounting principles adopted by the Company from time to time and the Articles
<b>“Net Proceeds”</b>	the net proceeds of the Issue as defined at paragraph (l) of Part 3 of this document
<b>“Non-CREST Shareholders”</b>	Shareholders holding existing Ordinary Shares in certificated form
<b>“Offer for Subscription”</b>	the offer for subscription to the public in the UK to subscribe for C Shares at the Issue Price on the terms and conditions as described in this document
<b>“Offer for Subscription Application Form”</b>	the form of application as appended to this document by which application may be made under the Offer for Subscription
<b>“Official List”</b>	the official list maintained by the UK Listing Authority
<b>“Open Offer”</b>	the offer to Shareholders, constituting an invitation to apply for C Shares, on the terms and subject to the conditions set out in this document and, in the case of Non-CREST Shareholders, the Open Offer Application Form
<b>“Open Offer Application Form”</b>	the application form on which Non-CREST Shareholders who are registered on the register of members of the Company as at the Record Date may apply for C Shares under the Open Offer
<b>“Open Offer Entitlement”</b>	the entitlement of Shareholders to apply for C Shares pursuant to the Open Offer on the basis of one C Share for every three existing Ordinary Shares held and registered in their names at the close of business on the Record Date
<b>“Ordinary Shareholder”</b>	a holder of Ordinary Shares
<b>“Ordinary Shares”</b>	ordinary redeemable shares of nominal value 0.1 pence each in the capital of the Company
<b>“Overseas Shareholders”</b>	a person who is not resident in, or who is outside, or who has a registered address outside, the United Kingdom
<b>“Placing”</b>	the conditional placing of C Shares by Cenkos Securities at the Issue Price pursuant to the Placing and Offer Agreement
<b>“Placing and Offer Agreement”</b>	the conditional agreement between the Company, the Manager and Cenkos Securities summarised in paragraph 7.1 of Part 9 of this document
<b>“Prospectus Rules”</b>	the rules and regulations made by the FCA under Part 5 of FSMA

<b>“Receiving Agent”</b>	Capita Asset Services
<b>“Record Date”</b>	29 May 2014
<b>“Redemption Point”</b>	5.00 p.m. on the last Business Day in May each year on which date holders of Ordinary Shares which have submitted valid Redemption Requests to have their Ordinary Shares redeemed will be considered for redemption at the discretion of the Board
<b>“Redemption Pool”</b>	the pool of cash, assets and liabilities to be created in respect of a particular Redemption Point and allocated to the Ordinary Shares which are the subject of Redemption Requests for that Redemption Point, as more particularly described in Part 7 of this document
<b>“Redemption Price”</b>	the price for which Ordinary Shares are redeemed on a Redemption Point as determined by reference to the Dealing Value per Ordinary Share or a Redemption Pool, as more particularly described in Part 7 of this document
<b>“Redemption Request”</b>	a written notice in the form from time to time prescribed by the Company and available upon request from the Administrator
<b>“Register”</b>	the register of members of the Company
<b>“Registrar”</b>	Capita Asset Services
<b>“Regulation S”</b>	Regulation S under the Securities Act
<b>“Regulatory Information Service” or “RIS”</b>	a service authorised by the UK Listing Authority to release regulatory announcements to the London Stock Exchange
<b>“Relevant Member State”</b>	each Member State which has implemented the Prospectus Directive or where the Prospectus Directive is applied by the regulator
<b>“Restricted Jurisdiction”</b>	each of Australia, Canada, Japan and the Republic of South Africa
<b>“Securities Act”</b>	the United States Securities Act of 1933, as amended
<b>“Shareholder”</b>	a holder of Ordinary Shares and/or C Shares, as the context requires
<b>“Shares”</b>	Ordinary Shares and/or C Shares, as the context requires or permits
<b>“SIPP”</b>	a self-invested personal pension as defined in Regulation 3 of the Retirement Benefits Schemes (Restriction on Discretion to Approve) (Permitted Investments) Regulations 2001 of the UK
<b>“SSAS”</b>	a small self administered scheme as defined in Regulation 2 of the Retirement Benefits Schemes (Restriction on Discretion to Approve) (Small Self-Administered Schemes) Regulations 1991 of the UK
<b>“sterling” or “£”</b>	pounds sterling, the lawful currency of the UK



<b>“Takeover Code”</b>	The City Code on Takeovers and Mergers
<b>“UK”</b>	the United Kingdom of Great Britain and Northern Ireland
<b>“UK Listing Authority”</b>	the FCA acting in its capacity as the competent authority for the purposes of admissions to the Official List
<b>“uncertificated” or “in uncertificated form”</b>	a Share recorded on the Register as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
<b>“United States” or “US”</b>	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
<b>“US Investment Company Act”</b>	the United States Investment Company Act of 1940, as amended
<b>“US Person”</b>	a US Person as defined for the purposes of Regulation S
<b>“Valuation Point”</b>	close of business on the Business Day immediately preceding the relevant Redemption Point

## OFFER FOR SUBSCRIPTION APPLICATION FORM

Before completing this Offer for Subscription Application Form you should read the Prospectus, including the terms and conditions set out in Part 6 of the Prospectus (Terms and Conditions of Application under the Offer for Subscription). If you are a Non-CREST Shareholder wishing to take up any or all of your entitlement to C Shares under the Open Offer, you should not complete this form and instead complete the enclosed Open Offer Application Form in accordance with the procedure for application set out in Part 6 of the Prospectus (Terms and Conditions of Open Offer) and in the Open Offer Application Form.

Please make your cheque or banker's draft payable to "Capita Registrars Limited re: The Diverse Income Trust plc OFS A/C" (crossed A/C payee only) and return it together with this form by post or by hand (during normal business hours only) to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to arrive by no later than 11.00 a.m. on 20 June 2014.

**Box 1 – Application and Amount Payable (Applications must be for a minimum of 2,000 C Shares and thereafter in multiples of 20 C Shares).**

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

[illegible][illegible][illegible][illegible]

### Box 4 – Corporate Registration Details

[illegible]

### Box 5 – CREST

If you would like your C Shares to be credited to your CREST account please provide details below.

The CREST account must be in same name(s) as the Applicant Details provided in Boxes 2, 3 or 4 above.

Participant ID						Member Account								
----------------	--	--	--	--	--	----------------	--	--	--	--	--	--	--	--

### Box 6 – Signature

By completing Box 6 below you are deemed to have read the Prospectus and agreed to the terms and conditions in Section B of Part 6 of the Prospectus (*Terms and Conditions of Application under the Offer for Subscription*) and to have given the warranties and undertakings set out therein.

Execution by Individuals:

First Applicant Signature		Date	
Second Applicant Signature		Date	
Third Applicant Signature		Date	
Fourth Applicant Signature		Date	

Execution by a Company:

Executed by (Name of Company):				Date	
Name of Director:		Signature:		Date	
Name of Director/Secretary:		Signature:		Date	



BOX 7 MUST BE COMPLETED BY AUTHORISED FINANCIAL INTERMEDIARIES ONLY

#### Box 7 – Authorised Financial Intermediaries Details

By completing and stamping Box 7 below you are deemed to have read the Prospectus and agreed to the terms and conditions in Section B of Part 6 of the Prospectus (*Terms and Conditions of Application under the Offer for Subscription*) and to have given the warranty and undertaking set out therein and in Note 7 of the accompanying Notes on Completion of the Application Form.

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

**X**

**PLEASE AFFIX YOUR CHEQUE OR BANKER'S DRAFT HERE**



## Notes on Completion of the Offer for Subscription Application Form

---

It is essential that you complete all parts of the Offer for Subscription Application Form in accordance with the following instructions. Authorised Financial Intermediaries MUST read Note 9 of these notes.

### 1. Application and Amount Payable

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

Your application must be for a minimum of 2,000 C Shares and thereafter in multiples of 20 C Shares.

### 2. Payment

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

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

### 3. Money Laundering Regulations

Under the Money Laundering Regulations 2007, Capita Asset Services (Capita) may be required to check the identity of persons who subscribe for in excess of the sterling equivalent of €15,000 (approximately £12,150) of C Shares.

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

### 4. Applicant Details

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

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

### 5. Joint Applicants

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

### 6. Corporate Details

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

### 7. CREST

If you would like to receive your C Shares in uncertificated form please insert your Participant ID and Member Account number in Box 5. The CREST account must be in same name(s) as the Applicant(s) Details provided in Box(es) 2, 3 or 4 above. If you are not a CREST Participant or CREST Sponsored

Member you should leave Box 5 blank and you will automatically receive a share certificate for your C Shares.

## **8. Signature**

By signing the Application Form you are deemed to have read the Prospectus and agreed to the terms and conditions in Part 6 of the Prospectus (Terms and Conditions of Application under the Offer) and to have given the warranties and undertakings set out therein.

Execution by Individuals:

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

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

Execution by a Company:

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

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

## NOTES FOR AUTHORISED FINANCIAL INTERMEDIARIES ONLY

### 9. Authorised Financial Intermediaries Details

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

#### Money Laundering Regulations

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

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

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

If you have any queries regarding the procedure for application and payment please call the  
**Capita Asset Services Helpline on 0871 664 0321 (within the UK) or +44 208 639 3399 (outside the UK)**

Calls to the 0871 664 0321 number cost 10 pence per minute from a BT landline. Calls to the helpline from outside the UK will be charged at the applicable international rate. Other network providers' costs may vary. Lines are open 9.00 a.m. to 5.30 p.m. (London time) Monday to Friday. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Offer for Subscription nor give any financial, legal or tax advice.

Return this form by post or by hand (during normal business hours only) to  
**Capita Asset Services, Corporate Actions,  
The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU**

to arrive by no later than 11.00 a.m. on 20 June 2014



