

**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 Polar Capital Global Healthcare Growth and Income Trust plc (the “**Company**”) prepared in accordance with the Prospectus Rules. This document has been approved by the FSA and has been filed with the Financial Services Authority 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 Shares of the Company (issued and to be issued) to be admitted to 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 Shares will commence on 15 June 2010. All dealings in Ordinary Shares prior to the commencement of unconditional dealings will be at the sole risk of the parties concerned.

The 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.

The Company and each of the Directors, whose names appear on page 18 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 Prospectus and, in particular, the section headed “Risk Factors” beginning on page 7 when considering an investment in the Company.**

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## **POLAR CAPITAL GLOBAL HEALTHCARE GROWTH AND INCOME TRUST PLC**

*(Incorporated in England and Wales with Company No 07251471 and registered as an investment company under section 833 of the Companies Act 2006)*

**Placing and Offer for Subscription of up to 150 million\* Ordinary Shares (with Subscription Shares attached on a one for five basis) at 100 pence per Ordinary Share**

*Broker and Placing Agent*

**Matrix Corporate Capital LLP**

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Matrix Corporate Capital LLP and Religare Capital Markets (UK) Limited, which are authorised and regulated by the FSA, are 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 Matrix Corporate Capital LLP and Religare Capital Markets (UK) Limited or for affording advice in relation to the contents of this document or any matters referred to herein. Matrix Corporate Capital LLP and Religare Capital Markets (UK) Limited are not responsible for the contents of this document.

The Offer and the Placing will remain open until 11.00 a.m. and 3.00 p.m. respectively on 9 June 2010. Persons wishing to participate in the Offer should complete the Application Form set out in Appendix 1 to this document. To be valid, Application Forms must be completed and returned with the appropriate remittance so as to reach Equiniti Limited by post, or by hand (during business hours only), to Equiniti Limited Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA United Kingdom as soon as possible and in any event no later than 11.00 a.m. on 9 June 2010.

This document does not constitute an offer to sell, or the solicitation of an offer to acquire or subscribe for, 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, Matrix Corporate Capital LLP or Religare Capital Markets (UK) Limited. The offer and sale of Shares has not been and will not be registered under the applicable securities laws of Australia, Canada or Japan. Subject to certain exemptions, the Ordinary Shares may not be offered to or sold within Australia, Canada or Japan or to any national, resident or citizen of Australia, Canada or Japan.

*\*The Directors have reserved the right, in consultation with Matrix, to increase the size of the Issue to up to 250 million Ordinary Shares if overall demand exceeds 150 million Ordinary Shares, with any such increase being announced through a Regulatory Information Service.*

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## SUMMARY

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

### **The Company**

The Company was incorporated on 12 May 2010 and is a UK investment trust with a fixed life expiring in January 2018, established to generate capital growth and income by investing in a global portfolio of healthcare stocks.

The Company is proposing to raise up to £150 million, before expenses, through the Placing and Offer of up to 150 million Ordinary Shares (with Subscription Shares attached, on a one for five basis) at a price of 100 pence per Ordinary Share. In this document, the Placing and the Offer are together referred to as the Issue. The Directors have reserved the right, in consultation with Matrix, to increase the size of the Issue up to 250 million Ordinary Shares if overall demand exceeds 150 million Ordinary Shares.

Application has been made to the UK Listing Authority for all the Shares issued and to be issued pursuant to the Issue to be admitted to the Official List and to the London Stock Exchange for such Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and dealings will commence on 15 June 2010.

### **Summary investment objective, policy and strategy**

The Company's investment objective is to generate capital growth and income by investing in a global portfolio of healthcare stocks.

The Company will seek to achieve its objective by investing in a diversified global portfolio consisting primarily of listed equities issued by healthcare companies involved in pharmaceuticals, medical services, medical devices and biotechnology. The portfolio is expected to be diversified by the geographic location and size of the constituent companies.

The Company may invest through equities, index-linked, equity-linked and other debt securities, cash deposits, money market instruments, foreign currency exchange transactions, forward transactions, index options and other interests including derivative instruments. Forward transactions and derivatives (including puts and call options on individual positions or indices) may be used to gain exposure to the securities of companies falling within the Company's investment policy or to seek to generate income from the Company's position in such securities, as well as for efficient portfolio management. Any use of derivatives for investment purposes will be under the basis of the same principles of risk spreading and diversification that apply to the Company's direct investments, as described in its investment policy. The Company may hedge exposure to foreign currencies if considered appropriate for efficient portfolio management.

The Manager's investment process is primarily based on bottom-up fundamental analysis. The global universe of listed healthcare securities is estimated to encompass approximately 2,900 companies. The Manager uses a qualitative filter consisting of six key criteria to build up a watch-list of securities that is monitored on a regular basis. The coverage of securities is shared across the investment team based on sub-sector and geography. Due diligence is then carried out on the individual securities on the watch-list.

The Company will measure the Manager's performance against the MSCI ACWI/Health Care Index (total return, in Sterling), although it will not seek to replicate the index in constructing its portfolio. The portfolio may, therefore, diverge substantially from the constituents of this index.

### **Expected portfolio**

The Company will invest in pharmaceuticals, medical services, medical devices and biotechnology companies, with an emphasis on pharmaceutical stocks, which are initially expected to constitute at least 50 per cent. of Gross Assets. The portfolio is intended to be diversified by factors such as geography, industry sub-sector and investment size.

The Company expects that, by value, the majority of the companies in the initial portfolio will be US listed and/or headquartered in the US, around a quarter in Europe and the balance elsewhere. It is expected that the investment portfolio will be made up of interests in 50-80 companies, with no single investment normally accounting for more than 10 per cent. of the portfolio at the time of investment.

The portfolio will be structured to diversify stock-specific risk, both through the number of securities held and a global investment approach. Each individual holding will be assessed on its own merits in terms of risk/reward.

### **Directors**

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

### **Manager**

The Company's manager is Polar Capital LLP, the investment management business of Polar Capital Holdings PLC, a UK-quoted asset management firm. The Manager provides hedge funds and specialist long-only products to a variety of investors and had total funds under management of over US\$2.5 billion as at 31 March 2010, including the £390 million investment trust, Polar Capital Technology Trust plc.

Under the terms of the Management Agreement, the Manager will be entitled to a management fee together with reimbursement of reasonable expenses incurred by it in the performance of its duties. The Manager may also be entitled to a performance fee, to be paid in cash at the end of the Company's fixed life (except in the case of an earlier termination of the Management Agreement).

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

### **Dividend policy**

The Company intends to adopt a progressive dividend policy throughout its life. In any financial year, the Company intends to make distributions to Shareholders of substantially all of its income, net of costs, available for distribution in that year.

The Company intends to pay its first interim dividend on 30 November 2010 and, thereafter, to pay interim dividends on 28 February, 31 May, 31 August and 30 November in each year. The policy will be to increase the dividend (on an annualised basis) progressively, but there is no guarantee that this will be achieved. No forecast is made or should be inferred.

### **Borrowing powers**

It is not intended for the Company to incur borrowings on launch nor will it look to use bank borrowings to provide long-term structural gearing. The Company may borrow up to 15 per cent. of its Net Asset Value at the time of drawdown, and it is intended that any borrowing would only be used on a tactical basis on such occasions as the Company, as advised by the Manager, believes that gearing will enhance returns to Shareholders.

## **Principal risk factors**

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

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

- The Company has no operating history.
- The Company has no employees and is reliant on the performance of third party service providers.
- Investor returns will be dependent upon the performance of the portfolio.
- The target returns set out in this document are based on estimates and projections and the Company cannot guarantee that it will meet or exceed the targets in the future.
- The Company's portfolio diversification strategy may not mitigate portfolio risk and the Company's returns as a whole may be adversely affected by the unfavourable performance of healthcare stocks generally.
- The Company may experience fluctuations in its operating results.
- The Company may be adversely affected by currency movements.
- Changes in laws or regulations governing the Company's operations may adversely affect the Company's business.
- The Company's investment strategy may involve the use of leverage, which exposes the Company to risks associated with borrowings.

### *Risks relating to the Manager*

- The departure or reassignment of some or all of the Manager's investment professionals could prevent the Company from achieving its investment objectives.
- There can be no assurance that the Directors will be able to find a replacement manager if the Manager resigns.
- 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 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.
- Reputational risk in relation to the Manager may adversely affect the Company.
- Performance fees may create incentives for speculative investment by the Manager.
- Operational and reputational risks may disrupt the Manager's businesses, resulting in losses or limit the Company's growth.

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

- The due diligence process that the Manager undertakes in connection with the Company's investments may not reveal all facts that may be relevant in connection with an investment.
- The Company may use derivative instruments.
- Changes in the debt financing markets may negatively impact the ability of the Company's portfolio companies to obtain financing for their operations and may increase the cost of such financing if it is obtained.

### *Risks relating to investment in the healthcare sector*

- There are significant regulatory risks associated with the healthcare sector.
- The profitability of healthcare companies may be affected by failure to comply with applicable regulation.

- Regulatory and legislative changes may affect the profitability of healthcare companies.
- The successful development of healthcare products may be highly uncertain and requires significant expenditures.
- Protecting healthcare proprietary rights is difficult and costly.
- There are many factors that could adversely affect the performance of investee companies, including regulatory approvals and legislative developments, pricing decisions by investee companies and their competitors, the results of clinical trials, outcomes of patent applications and patent litigation, and product liability claims.
- The stock price of investee companies may be volatile.

*Risks relating to taxation*

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

*Risks relating to the Ordinary Shares*

- Investing in the Ordinary Shares may involve a high degree of risk.
- The Company is not, and does not intend to become, registered in the US as an investment company under the US Investment Company Act and related rules.
- The ordinary shares of investment trusts have a tendency to trade at a discount to net asset value and the Ordinary Shares may, similarly, trade at a discount to Net Asset Value.
- It may be difficult for Shareholders to realise their investment and there may not be a liquid market in the Ordinary Shares.

*Risks relating to the Subscription Shares (in addition to those relating to the Ordinary Shares)*

- The Subscription Shares may expire worthless.
- An active and liquid trading market for the Subscription Shares may not develop.

## RISK FACTORS

**Investment in the Company should not be regarded as short-term in nature, and involves a high degree of risk. Accordingly, investors should consider carefully all of the information set out in the Prospectus and the risks attaching to an investment in the Company, including, in particular, the risks described below. The Directors believe that the risks described below are the 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 Shares. Investors should review the Prospectus carefully and in its entirety and consult with their professional advisers before making an application to participate in the Issue.**

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

#### ***The Company has no operating history***

The Company was incorporated on 12 May 2010. The Company has not commenced operations and has no operating history. No historical financial statements or other meaningful operating or financial data upon which prospective investors may base an evaluation of the likely performance of the Company have been made up. An investment in the Company is therefore subject to all the risks and uncertainties associated with a new business, including the risk that the Company will not achieve its investment objective and that the value of an investment in the Company could decline substantially as a consequence.

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

The Company has no employees and the Directors have all been appointed on a non-executive basis. Whilst the Company has taken all reasonable steps to establish and maintain adequate procedures, systems and controls to enable it to comply with its obligations, the Company is reliant upon the performance of third party service providers for its executive function. In particular, the Manager, the Administrator (to whom the Manager will delegate certain administrative functions), 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 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***

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 target returns included in this document are based on estimates and projections and the Company cannot guarantee that it will meet or exceed the targets in the future***

The target returns for investments in the portfolio included in this document are targets only and are based on estimates and performance projections of the Manager. Such estimates and projections have been made on the basis of the Company's investment policy and strategy, market conditions and

economic environment at the time of assessing the proposed targets, and are therefore subject to change. There is no guarantee that the target returns can be achieved at the levels set out in this document, or at all. A variety of factors, including changes in financial market conditions, interest rates, government regulations, the worldwide economic environment, or the occurrence of risks described elsewhere in this document could adversely impact the Company's ability to achieve its target returns. Potential investors should not place any reliance on such target returns in deciding whether to invest in the Company. A failure to achieve such target returns could adversely impact the value of the Company and thereby the Shares.

### ***Diversification***

The portfolio is intended to be diversified by factors such as geography, industry sub-sector and investment size. The Company may invest in companies in both mature and emerging markets and in a diverse range of healthcare sectors. Although the diversification of the Company's investments is intended to reduce the Company's exposure to adverse events associated with specific investments, the Company's returns as a whole may be adversely affected by the unfavourable performance of healthcare stocks generally.

### ***The Company may experience fluctuations in its operating results***

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.

### ***The Company may be adversely affected by currency movements***

The proceeds of the Issue will be denominated in Sterling and the Directors intend that all monies returned to Shareholders and the reported Net Asset Value will be denominated in Sterling. Investments in the portfolio may be made in currencies other than Sterling and distribution and income from or the proceeds from the disposal of certain investments in the portfolio may be realised in currencies other than the Sterling. In particular, the Company expects that a significant proportion of its investments will be made in US\$. Consequently, the value of investments in the portfolio made in non-Sterling currencies will be affected by currency movements and will fall as the Sterling currency appreciates against the currency in which such investments are denominated. There can be no assurance that any currency hedging undertaken by the Company will be effective and that the Company's financial condition will not be adversely affected by fluctuations in currency exchange rates. The Board and the Manager retain the right to vary the policy on currency hedging at their absolute discretion.

### ***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 trusts. In addition, the Company is subject to the continuing obligations imposed by the UK Listing Authority on all investment companies whose shares are listed on the Official List.

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

For regulatory, tax and other purposes, the Company and the Shares may potentially be treated in different ways in different jurisdictions. For instance, in certain jurisdictions and for certain purposes, the Shares may be treated as more akin to holding units in a collective investment scheme. Furthermore, in certain jurisdictions, the treatment of the Company and/or the Shares may be uncertain or subject to



change, or it may differ depending on the availability of certain information or disclosure by the Company of that information. While it will continue to comply with all regulatory requirements placed upon it, the Company may be constrained from disclosing or may find it unduly onerous to disclose any or all of such information or to prepare or disclose such information in a form or manner which satisfies the regulatory, tax or other authorities in certain overseas jurisdictions. Failure to disclose or make available information in the prescribed manner or format, or at all, may adversely impact the Company's investments in those jurisdictions.

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

The Company may utilise leverage in order to increase its investment exposure with a view to achieving its target returns within certain volatility parameters.

While leverage presents opportunities for increasing total returns, it can also have the opposite effect of increasing losses. If income and capital appreciation on investments made with borrowed funds are less than the costs of the leverage, the Net Asset Value of the Company will decrease. The effect of the use of leverage is to increase the investment exposure, the result of which is that, in a market that moves adversely, the possible resulting loss to investors' capital would be greater than if leverage were not used.

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.

**Risks relating to the Manager**

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

The Company depends on the diligence, skill, judgment and business contacts of the Manager's investment professionals 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, not to be given prior to the second anniversary of Admission. The Manager shall, from the date such notice takes effect, cease to make investments on behalf of the Company. The Directors would, in these circumstances, have to find a replacement manager for the Company and there can be no assurance that such a replacement with the necessary skills and experience could be appointed on terms acceptable to the Company. In this event, the Directors would have to formulate and put forward to Shareholders proposals for the future of the Company, which may include its merger with another investment company, reconstruction or winding up.

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

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

***Reputational risk in relation to the Manager may adversely affect the Company***

The Manager may be exposed to reputational risks. In particular, the Manager may be exposed to the risk that litigation, misconduct, operational failures, negative publicity and press speculation, whether or not it is valid, will harm its reputation. Any damage to the reputation of the Manager could result in potential counterparties and third parties being unwilling to deal with the Manager and by extension the Company. This could have an adverse impact on the ability of the Company to pursue its investment policy successfully.

***Performance fees may create incentives for speculative investment by the Manager***

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

***Operational and reputational risks may disrupt the Manager's businesses, result in losses or limit the Company's growth***

The Company relies heavily on the financial, accounting and other data processing systems of the Manager and the Administrator (to whom the Manager will delegate certain administrative functions). If any of these systems do not operate properly or are disabled, the Company could suffer financial loss, a disruption of the Manager's businesses, regulatory intervention or reputational damage. In addition, the Company may invest in businesses that are highly dependent on information systems and technology. A disaster or a disruption in the infrastructure that supports the Company's portfolio companies, including a disruption involving electronic communications or other services used by the Manager or third parties with whom the Company conducts business, or directly affecting its principal offices, could have a material adverse impact on its ability to continue to operate the Company's business without interruption. The disaster recovery programs used by the Manager or third parties with whom the Company conducts business may not be sufficient to mitigate the harm that may result from such a disaster or disruption. In addition, insurance and other safeguards might only partially reimburse the Company for its losses, if at all. It is also possible that, from time to time, the Manager or the Company will be named as parties to litigation, which could cause substantial reputational damage to the Company or disrupt its investment strategy, businesses or potential growth.

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

***The due diligence process that the Manager undertakes in connection with the Company's investments may not reveal all facts that may be relevant in connection with an investment***

Before making investments, the Manager conducts such due diligence as it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. There can be no assurance that due diligence investigations with respect to any investment opportunity will reveal or highlight all relevant facts that may be necessary or helpful in evaluating that investment opportunity.

Any failure by the Manager to identify relevant facts through the due diligence process may lead to inappropriate investment decisions, which could have a material adverse effect on the Company's profitability, Net Asset Value and Share price.

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

In pursuing the Company's investment objective and policy, the Manager may arrange for the Company to enter into synthetic and derivative contracts including options, swaps, and repurchase agreements. Where the Company does so 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 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.

***Changes in the debt financing markets may negatively impact the ability of the Company's portfolio companies to obtain financing for their operations and may increase the cost of such financing if it is obtained***

Since the onset of the current financial crisis in the second half of 2007, the markets for debt financing have contracted significantly. To the extent that the current credit markets have rendered such financing difficult to obtain or more expensive, this may negatively impact the operating performance of the companies within the Company's portfolio and, therefore, the investment returns on the Company's portfolio.

**Risks relating to investment in the healthcare sector**

***Regulatory risks associated with the healthcare sector***

Regulation by governmental authorities in the US, the UK and elsewhere is a significant factor in the healthcare sector as a whole, and particularly in research and development and marketing activities. Many healthcare products (particularly pharmaceutical products) require regulatory approval by governmental agencies prior to commercialisation. New drugs are generally subject to rigorous preclinical and clinical testing and other premarket approval requirements. Many jurisdictions also make healthcare companies subject to regulations governing manufacturing, safety, labelling, storage, and record keeping. The process of seeking these approvals and the subsequent compliance with applicable acts and regulations, require the expenditure of substantial resources and the extent of governmental regulation that might result from any legislative or administrative action cannot be accurately predicted.

***The profitability of healthcare companies may be affected by failure to comply with applicable regulation***

Any failure by any of the Company's investee companies to obtain or maintain, or any delay by any investee company in obtaining or maintaining, regulatory approvals could adversely affect the business of that investee company and thereby adversely affect the performance of the Company.

No investee company can be sure that it can obtain necessary regulatory approvals on a timely basis, if at all, for any of the products it is developing or manufacturing or that it can maintain necessary regulatory approvals for its existing products. Factors that could have a material adverse effect on the businesses of investee companies and, as a result, on the Company include delays in obtaining or failing to obtain required approvals, the loss of, or changes to, previously obtained approvals, failure to comply with existing or future regulatory requirements, and changes to manufacturing processes or manufacturing process standards following approval or changing interpretations of these factors.

***Regulatory and legislative changes may affect the profitability of healthcare companies***

The level of revenues and profitability of pharmaceutical companies may be affected by the efforts of governments and regulators to contain or reduce the cost to the public of healthcare through various means. Governments may directly control the cost of drugs and healthcare products or may establish

watchdogs to oversee pricing. The adoption of such legislative and regulatory approaches could have an adverse effect on the business and profitability of investee companies and therefore on the performance of the Company.

***The successful development of healthcare products may be highly uncertain and requires significant expenditures***

Successful development of healthcare products by investee companies, which may substantially affect the Company's performance, may be highly uncertain and is dependent on numerous factors, many of which are beyond the control of investee companies. Products that appear promising in the early phases of development may fail to reach the market for several reasons including the results of preclinical and clinical trials, failure to obtain necessary regulatory approvals, manufacturing and pricing issues, and the proprietary rights of others and their competing products and technologies that may prevent the product from being commercialised.

***Protecting healthcare proprietary rights is difficult and costly***

The patent positions of pharmaceutical and biotechnology companies can be highly uncertain and involve complex legal and factual questions. Accordingly, it is not possible to predict accurately the breadth of claims allowed in investee companies' patents. Patent disputes are frequent and can preclude the commercialisation of products. Patent litigation is costly in its own right and could subject investee companies to significant liabilities to third parties. In addition, an adverse decision could force investee companies to either obtain third-party licenses at a material cost or cease using the technology or commercialising the product in dispute.

The presence of patents or other proprietary rights belonging to other parties may lead to termination of the research and development of a particular product.

***There are many factors that could adversely affect the performance of investee companies***

Factors that could affect the performance of investee companies include, but are not limited to the timing of regulatory approval, if any, of competitive products; pricing decisions, including a decision to increase or decrease the price of a product, and the pricing decisions of competitors; government and third-party payer reimbursement and coverage decisions that affect the utilisation of relevant products and services; negative data from new clinical studies could cause the utilisation and sale of relevant products to decrease; the degree of patent protection afforded to relevant products by patents granted to investee companies and by the outcome of litigation involving investee companies' patents; the outcome of litigation involving patents of other companies concerning investee companies' products or processes related to production and formulation of those products or uses of those products; the increasing use and development of alternate therapies; and the rate of market penetration by competing products. The testing and marketing of medical products entail an inherent risk of product liability. Liability exposures for pharmaceutical and other healthcare products could be extremely large and pose a material risk. The value of the Company's investments in a healthcare company may be materially and adversely affected by a successful product liability claim in relation to that company.

***The stock price of investee companies may be volatile***

The market prices for securities of companies in the healthcare sector may be highly volatile. In addition, factors that may have a significant impact on the stock price of investee companies include announcements of technological innovations or new commercial products by investee companies or their competitors; publicity regarding actual or potential test results relating to products under development or being commercialised by investee companies or their competitors; developments or the outcome of litigation, including litigation regarding proprietary and patent rights; regulatory developments or delay; and issues concerning the safety of healthcare products generally.

## **Risks relating to taxation**

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

Any change in the Company's tax status, or in taxation legislation or practice in the UK or elsewhere, could affect the value of the investments in the Company's portfolio and the Company's ability to achieve its investment objective, or alter the post-tax returns to Shareholders. It is expected that UK capital gains tax rates and rules will change (with rates rising) following the recent change of government in the UK.

Existing and potential investors should consult their tax advisers with respect to their particular tax situations and the tax effects of an investment in the Company.

## **Risks relating to the Ordinary Shares**

### ***Investing in the Ordinary Shares may involve a high degree of risk***

There can be no guarantee that the Company will be successful in pursuing its investment policy. The Company's ability to do so may be adversely affected in the event of significant or sustained changes in market conditions. Potential investors should not regard an investment in the Ordinary Shares as short-term in nature. Investors may not recover the full amount initially invested, or any amount at all.

The market price of the Ordinary Shares may fluctuate significantly and Shareholders may not be able to resell their Ordinary Shares at or above the price at which they purchased them. Factors that may cause the price of the Ordinary Shares to vary include changes in the Company's financial performance and prospects or in the financial performance and prospects of companies within the Company's portfolio or those which are engaged in businesses that are similar to the Company's business; the termination of the Management Agreement or the departure of some or all of the Manager's investment professionals; changes in laws or regulations, or new interpretations or applications of laws and regulations, that are applicable to the Company's business or to the companies in which the Company makes investments; sales of Ordinary Shares by Shareholders; general economic trends and other external factors, including those resulting from war, incidents of terrorism or responses to such events; poor performance in any of the Manager's other activities or any event that affects the Manager's reputation; and speculation in the press or investment community regarding the Company's business or investments or factors or events that may directly or indirectly affect the Company's business or investments.

Securities markets in general have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. Any broad market fluctuations may adversely affect the trading price of the Ordinary Shares. Furthermore, investors should be aware that a liquid secondary market in the Ordinary Shares cannot be assured.

As with any investment, the Company's investments may fall in value with the maximum loss on such investments being equal to or greater than the value of the initial investment and, where relevant, any gains or subsequent investments made.

### ***The Company is not, and does not intend to become, registered in the US as an investment company under the US Investment Company Act and related rules***

The Company has not, does not intend to, and may be unable to, become registered in the United States as an investment company under the US Investment Company Act. The US Investment Company Act provides certain protections to US investors and imposes certain restrictions on companies that are registered as investment companies. As the Company is not so registered, and does not intend to register, none of these protections or restrictions is or will be applicable to the Company.

### ***The Ordinary Shares may trade at a discount to Net Asset Value***

The ordinary shares of investment trusts have a tendency to trade at a discount to net asset value and the Ordinary Shares could in future trade at a discount to Net Asset Value for a variety of reasons, including due to market conditions or an imbalance between supply and demand for the Ordinary Shares. The price at which the Ordinary Shares trade is not the same as their Net Asset Value (although they are related) and therefore investors may realise returns that are lower or higher than the change in NAV.

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

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

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

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

**Risks relating to the Subscription Shares (in addition to those relating to the Ordinary Shares)**

***The Subscription Shares may expire worthless***

The Subscription Shares will have a limited life and will expire after the Subscription Date. After this date, Subscription Shares can no longer be traded or exercised. Holders of Subscription Shares should note that Subscription Shares experience time decay or erosion of their value over time throughout their life. This rate of decay accelerates as the Subscription Shares near expiry and the Subscription Shares may expire worthless.

***An active and liquid trading market for those Subscription Shares may not develop***

The Company has applied for the Subscription Shares to be admitted to the Official List and to trading on the London Stock Exchange's main market for listed securities. The Company cannot predict the extent to which, if the Subscription Shares are admitted to trading, investor interest will lead to the development of an active and liquid trading market for those Subscription Shares or, if such a market develops, whether it will be maintained. The Company cannot predict the effects on the price of the Subscription Shares if a liquid and active trading market for those Subscription Shares does not develop. In addition, if such a market does not develop, relatively small sales may have a significant negative impact on the price of the Subscription Shares, and sales of a significant number of those Subscription Shares may be difficult to execute at a stable price.

The market price of the Subscription Shares may rise or fall rapidly. Before dealing in Subscription Shares, holders of Subscription Shares should carefully consider, among other things, the prevailing trading price of the Subscription Shares; the Subscription Price; the value and volatility of the underlying Ordinary Shares; the time remaining to the Subscription Date; the liquidity of the underlying Ordinary Shares; any related transaction costs; and the Company's creditworthiness.

In addition, general movement in local and international stock markets, prevailing and anticipated economic conditions and interest rates, investor sentiment and general economic conditions could all affect the market price of the Subscription Shares.

## IMPORTANT NOTICES

### General

The distribution of this document in jurisdictions other than the UK 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 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, investments 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 Shares are being offered and issued outside the United States in reliance on Regulation S. Neither the Ordinary Shares nor the Subscription Shares have been or 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. Neither the Ordinary Shares nor the Subscription Shares have 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 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 Shares in the United States may constitute a violation of US law.

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

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

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

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) and subject to obtaining the prior consent of Matrix for any such offer; or
- (d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Ordinary Shares (with Subscription Shares attached) shall result in a requirement for the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

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

During the period up to but excluding the date on which the Prospectus Directive is implemented in member states of the European Economic Area, this document may not be used for, or in connection with, and does not constitute, any offer of Ordinary Shares (with Subscription Shares attached) or an invitation to purchase or subscribe for any Ordinary Shares (with Subscription Shares attached) in any member state of the European Economic Area in which such offer or invitation would be unlawful.

#### **Forward-looking statements**

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

Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward-looking statements. These forward-looking statements speak only as at the date of this 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.



## EXPECTED TIMETABLE OF KEY EVENTS

	<i>2010</i>
Latest time and date for applications under the Offer	11.00 a.m. on 9 June
Latest time and dates for commitments under the Placing	3.00 p.m. on 9 June
Publication of results of the Placing and the Offer for Subscription	14 June
Admission and dealings in Ordinary Shares and Subscription Shares commence	15 June
CREST Accounts credited with uncertificated Ordinary Shares and Subscription Shares	15 June
Where applicable, definitive share certificates despatched by post in the week commencing	21 June

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

## ISSUE STATISTICS

Issue Price	100 pence
Gross Proceeds of the Issue*	£150 million
Estimated net proceeds of the Issue to be received by the Company*	£147 million
Expected Net Asset Value per Ordinary Share on Admission	98 pence

\* *assuming that the Issue is subscribed as to 150 million Ordinary Shares.*

## DEALING CODES

### *Ordinary Shares*

ISIN	GB00B6832P16
SEDOL	B6832P1
Ticker	PCGH

### *Subscription Shares*

ISIN	GB00B68VXC96
SEDOL	B68VXC9
Ticker	PCGS

## DIRECTORS, MANAGER AND ADVISERS

### Directors

James Robinson (*Chairman*)

John Aston, OBE

Anthony Brampton

Antony Milford

### Registered Office

4 Matthew Parker Street

London SW1H 9NP

### Manager

Polar Capital LLP

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London SW1H 9NP

### Broker and Placing Agent

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London W1J 0AH

### Legal advisers to the Company

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Exchange House

Primrose Street

London EC2A 2HS

### Auditors

Pricewaterhouse Coopers LLP

Hay's Galleria

1 Hay's Lane

London SE1 2RD

### Receiving Agent

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Corporate Actions

Aspect House

Spencer Road

Lancing

West Sussex BN99 6DA

### UKLA Sponsor

Religare Capital Markets (UK) Limited

100 Cannon Street

London EC4N 6EU

### Legal advisers to the Issue

Ashurst LLP

Broadwalk House

5 Appold Street

London EC2A 2HA

### Custodian

HSBC Bank plc

8 Canada Square

London E14 5HQ

### Registrar

Equiniti Limited

Aspect House

Spencer Road

Lancing

West Sussex BN99 6DA

## PART I

### INFORMATION ON THE COMPANY

#### **Introduction**

The Company was incorporated on 12 May 2010 and is a UK investment trust with a fixed life expiring in January 2018. Ordinary Shares (with Subscription Shares attached, on a one for five basis) are available to investors through the Placing and Offer, in both cases at 100 pence per Share.

The Company's manager is Polar Capital LLP, the investment management business of Polar Capital Holdings PLC, a UK-quoted asset management firm. The Manager provides hedge funds and specialist long-only products to a variety of investors and has total funds under management of over US\$2.5 billion as at 31 March 2010, including the £390 million investment trust, Polar Capital Technology Trust plc.

Application has been made to the UK Listing Authority for all the Shares issued and to be issued pursuant to the Issue to be admitted to the Official List and to the London Stock Exchange for such Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and dealings will commence on 15 June 2010.

#### **Investment objective**

The Company's investment objective is to generate capital growth and income by investing in a global portfolio of healthcare stocks.

#### **Investment policy**

The Company will seek to achieve its objective by investing in a diversified global portfolio consisting primarily of listed equities issued by healthcare companies involved in pharmaceuticals, medical services, medical devices and biotechnology, with an emphasis on pharmaceutical stocks, which are initially expected to constitute at least 50 per cent. of Gross Assets. Stocks will be selected for inclusion in the portfolio after a due diligence process. The portfolio is expected to be diversified by factors such as geography, industry sub-sector and investment size.

The Company will aim to maintain geographic diversification and expects that the majority of the companies in the initial portfolio will be US listed and/or headquartered in the US, around a quarter in Europe and the balance elsewhere. No more than 15 per cent. of the initial portfolio is expected to comprise companies with a premium listing in London. The portfolio is expected to have a bias towards large-capitalisation companies, with approximately 75 per cent. of the initial portfolio comprising companies with a market capitalisation in excess of US\$5 billion, and the balance in mid and smaller capitalisation companies. Exposure to companies with a market capitalisation below US\$200 million is not expected to exceed 5 per cent. of gross assets at the time of investment. The Company does not expect to have any material exposure to unlisted companies and, in aggregate, any such investments will not exceed 5 per cent. of Gross Assets at the time of investment.

The investment portfolio will be made up of interests in 50-80 companies, with no single investment normally accounting for more than 10 per cent. of the portfolio at the time of investment.

The portfolio composition described above, in each case by reference to market capitalisation rather than number of companies, describes the expected characteristics of the Company's initial portfolio and, save for the limit on exposure to unlisted companies described above, is not prescriptive.

It is not intended for the Company to incur borrowings on launch nor will it look to use bank borrowings to provide long-term structural gearing. The Company may borrow up to 15 per cent. of its Net Asset Value at the time of drawdown, and it is intended that any borrowing would only be used on a tactical basis on such occasions as the Company, as advised by the Manager, believes that gearing will enhance returns to Shareholders.

The Company may invest through equities, index linked, equity linked and other debt securities, cash deposits, money market instruments, foreign currency exchange transactions, forward transactions, index options and other interests including derivative instruments. Forward transactions and derivatives (including puts and call options on individual positions or indices) may be used to gain exposure to the securities of companies falling within the Company's investment policy or to seek to generate income from the Company's position in such securities, as well as for efficient portfolio management. 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 in its investment policy. The Company may hedge exposure to foreign currencies if considered appropriate for efficient portfolio management.

### **Investment strategy**

The Manager's investment process is primarily based on bottom-up fundamental analysis. The global universe of listed healthcare securities is estimated to be approximately 2,900 companies. The Manager uses a qualitative filter consisting of six key criteria to build up a watch-list of securities that is monitored on a regular basis. The coverage of securities is shared across the investment team based on sub-sector and geography. Due diligence is then carried out on the individual securities on the watch-list.

The Company's portfolio will comprise a single pool of investments, but for operational purposes the Manager will maintain an income portfolio and a growth portfolio, with the initial allocation expected to be in the order of 80:20. Of the companies in the initial income portfolio, it is expected that the majority will have a market capitalisation in excess of US\$5 billion and greater than 60 per cent. will be in the pharmaceutical sector. Of the companies in the initial growth portfolio, it is expected that the majority will have a market capitalisation below US\$10 billion. The growth portfolio is also expected to give exposure to small capitalisation medical services, medical devices and biotechnology companies.

The portfolio will be structured to diversify stock-specific risk through the number of securities held and a global investment approach. Each individual holding will be assessed on its own merits in terms of risk/reward.

While the Company expects normally to be fully or substantially invested according to the above policy, the Company may hold cash or money market instruments pending deployment in the investment portfolio. In addition it will have the flexibility, when the Manager perceives there to be actual or expected adverse equity market conditions, to maintain cash holdings as it deems appropriate.

The Company will measure the Manager's performance against the MSCI ACWI/Health Care Index (total return, in Sterling). This will be used to measure the performance of the Company, which will not seek to replicate the index in constructing its portfolio. The portfolio may, therefore, diverge substantially from the constituents of this index.

### **Dividend policy**

The Company intends to adopt a progressive dividend policy throughout its life.

In any financial year, the Company intends to make distributions to Shareholders of substantially all of its income, net of costs, available for distribution in that year.

In respect of the period from Admission to 30 September 2011, the Company will aim to pay four interim dividends totalling not less than 3 pence per Ordinary Share. This is a target only and not a profit forecast and there can be no assurance that it will be met. These interim dividends will not necessarily be of equal amounts because the dividends from the Company's underlying investments are expected to arrive irregularly throughout the financial year.

The Company intends to pay its first interim dividend on 30 November 2010 and, thereafter, to pay interim dividends on or about 28 February, 31 May, 31 August and 30 November in each year. The policy will be to increase the dividend (on an annual basis) progressively, but there is no guarantee that this will be achieved.

**Investment trends and outlook**

**Background**

Healthcare spending globally equates to approximately 9 per cent. of global domestic product. The healthcare sector is the fifth largest sector in the US market, representing approximately 11 per cent. of the market capitalisation of the Standard and Poor’s 500. In terms of exposure to the economic cycle, the healthcare sector is regarded as non-cyclical and secular in terms of growth. The Manager expects demand for healthcare in the developed world to grow at a rate faster than GDP growth, driven by the shifting demographic towards the elderly, who typically have a higher utilisation of healthcare. The Manager also expects increased healthcare consumption in emerging markets, as rising GDP per capita makes it more affordable. This environment creates a favourable dynamic for investment in the sector.

Opportunities exist for investment in the stocks of both product and service companies. Product companies exist in three sub-sectors, namely pharmaceuticals (including generic manufacturers), medical devices (including diagnostics) and biotechnology. The key parameters when investing in product companies are the opportunities for revenue growth driven by current products and new product launches, innovation, pricing power and distribution capabilities.

Service companies operate in a number of different fields, including hospitals, healthcare insurance, pharmacy benefit management, home healthcare, and nursing homes. The key parameters for service companies are patient demand, reimbursement (whether it be through private payers or government) and the control of variable costs which tend to dominate these businesses. Scale, efficiency and effective use of information technology are critical to their success.

**Market valuations and healthcare reform in the USA**

The healthcare sector is now the one of cheapest sectors in the Standard and Poor’s 500 Index based on consensus profit-to-earnings estimates for 2010 (source: Bloomberg). The sector has, in particular, seen a significant de-rating over the last 12 months, primarily as a result of negative investor attitudes to the process of healthcare reform in the United States. The sector is now close to being the cheapest it has been for 30 years based on both price-to-book value and price-to-forward earnings relative to the market. This is demonstrated in the graph below which shows the price-to-forward earnings ratio of the S&P 500 Healthcare Sector Index to the S&P 500 Index.



At the end of March 2010, the Patient Protection and Affordable Care Act (the “PPACA”) was passed into law in the United States. The Manager believes that the healthcare industry should benefit in the long term as insurance coverage is extended to another 30 million US citizens and that healthcare reform,

despite the de-rating for the sector in the stock market, is actually positive for a number of sub-sectors. For example, the increase in insurance coverage should prove to be a major positive for hospitals, independent laboratories and outsourced medical service providers and also in terms of volume growth for pharmaceutical, biotechnology and device companies.

With the PPACA having been passed into law, the Manager believes that there is now potential for an increase in valuation for the sector. Healthcare companies have previously traded at a significant premium to the market and return on invested capital for the industry has historically been twice that of the overall market. The recent devaluation of the sector, and now the potential re-rating, mirrors the experience in the early 1990s when President Clinton attempted to reform the United States healthcare system; this can be seen in the graph above. While investors appear to be valuing healthcare stocks currently as though returns are set to decline significantly, the Manager believes this not to be the case for the reasons given below.

### ***The income opportunity***

The de-rating of the healthcare sector, particularly amongst large capitalisation stocks, has created a situation where many healthcare companies offer dividend yields which are attractive at a time of low interest rates. This should provide an opportunity for the Manager to construct a healthcare portfolio containing a combination of income and growth stocks.

Most of the larger capitalisation pharmaceutical companies now offer yields of between 4 per cent. and 5 per cent., and large capitalisation service and medical device companies offer yields at a slightly lower level of between 2 per cent. and 3 per cent. The Manager believes that out of a global universe of approximately 2,900 publicly listed healthcare companies, a significant number currently offer attractive yields.

### ***The turnaround opportunity in pharmaceutical stocks***

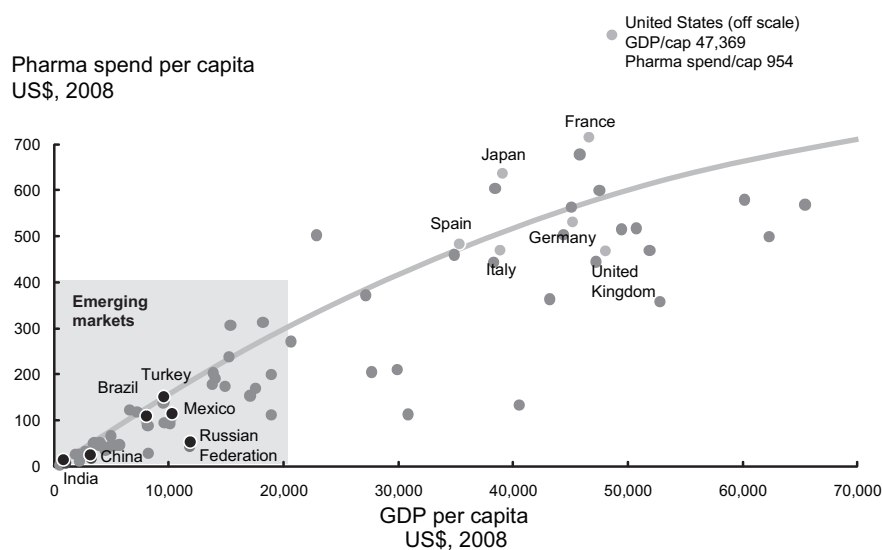
While dividend yield may be considered an attraction for investors, the Manager believes that there is potential positive market re-rating for pharmaceutical stocks in the short to medium term, helped by the potential return to growth driven by diversification strategies and the possibility of drug pipeline success.

Although the US government's efforts at healthcare reform and the large number of forthcoming patent expiries amongst branded pharmaceuticals have contributed to the sector's de-rating, the Manager believes that with limited valuation downside and solid yield support, the following drivers offer a more optimistic outlook for these companies:

- Investors have been pessimistic on the outlook for pharmaceutical companies for a number of years. Research and development productivity has declined over the last 20 years, causing investors to question the ability of those companies to replace lost revenues from patent expiries in the 2010 to 2015 period and to grow in the future. However, in response to such market doubts, pharmaceutical companies are now addressing their business models and a number of companies are increasingly focused on diversifying with increased investment and acquisitions in the areas of consumer health, vaccines, biologics and branded generics.
- Management teams are focused on shareholder returns and appreciate the importance of the sustainability and growth of their dividend. The Manager's own estimates for the financial year 2010 are for an average free cash flow yield across the sector which should be greater than 10 per cent., providing a little over 2 times cover of dividend yields ranging from 4 per cent. to 5 per cent. Management teams are focused on cutting costs in the short term and on addressing productivity in research and development and improving cash-cycle management. The Manager believes these strategies should support earnings and dividend growth in the short to medium term.
- The cash-flow generated by these companies is sufficient not only to cover dividend payments and share buy backs but also to enable management teams to boost product pipelines by in-licensing, that is to say, by distributing drugs licensed from other manufacturers and acquisitions.

- The final, major driver of growth for pharmaceutical companies is the potential in emerging markets. Pharmaceutical spending per capita in emerging markets is lower than in developed markets, as demonstrated in the graph below. The Manager expects, however, this spending to grow as economic growth continues and the wealth of the middle classes increases.

### GDP vs pharmaceuticals spending



Source: World Market Monitor, IMS, AstraZeneca

Some emerging market governments, including that of China, are increasing spending significantly to expand access to healthcare across their populations. Emerging market revenues currently represent 10 to 20 per cent. of sales at the larger global pharmaceutical companies (source: Polar Capital), but with growth rates superior to those in developed markets, these companies are focused on growing in these areas. IMS Health, an independent consultancy group, estimates that by 2020 the value of pharmaceutical markets in emerging markets will equate to the value of the current markets in the US and Western Europe, i.e. greater than US\$500 billion.

#### ***Drivers for the growth opportunity in healthcare***

The Manager believes there are significant growth opportunities which apply not only to pharmaceutical companies but across the whole of the healthcare sector and, in order to access this, focuses on three themes: inefficiency reduction, innovation and infrastructure.

*Inefficiency reduction:* In developed markets, consumers and governments are looking at ways to make healthcare more cost-effective, but attempts to achieve this have so far met with limited success. Public sector healthcare systems in these markets remain highly inefficient, and there are strong arguments to support the view that private sector providers are leading the process of generating advanced solutions to make healthcare more cost-effective. The Manager sees potential for significant structural change over the coming years in the delivery of healthcare in countries like the UK, Germany, the United States and Japan. It expects there to be a focus on value-for-money and that the private sector, including suppliers of generic pharmaceutical products, diagnostics, information technology and the providers of outsourced services, will feature prominently in the changing environment for healthcare delivery. For example, the patent expiries in the 2010 to 2015 period discussed earlier, whilst challenging for many pharmaceutical companies, offer a significant opportunity for companies that either manufacture generic products, or are part of the supply chain for generic manufacturers like pharmacies and distributors.

*Innovation:* Innovation is still a fundamental driver for the growth of pharmaceutical, biotechnology and medical device companies. New breakthrough products that provide a major benefit to patients in areas of high un-met need should prove profitable even in a tougher economic environment. The current pipeline at pharmaceutical and biotechnology companies is the largest ever (source: Pharmaprojects.com) and the potential gains resulting from successful research and development can significantly exceed costs. The Manager believes that the pharmaceutical sector management teams' refocused development efforts are now aimed at bringing new medicines to markets that should see great demand. Innovation also covers

those companies with products and services that improve clinical outcomes and/or reduce costs. This is most important in terms of the overall value proposition of healthcare. For example the next wave of “personalised therapies” are set to utilise diagnostic tools that will enable healthcare to be “rationalised”. That is, only patients who are likely to respond to a treatment will receive it.

*Infrastructure:* Emerging markets are expected to witness significant growth in healthcare infrastructure to meet the growth in demand for healthcare. There is also a significant opportunity in developed markets, where the private sector is considered a solution for outsourcing the provision of healthcare by governments. The Manager considers this to be a major opportunity for companies that operate as healthcare providers and believes that the role of the private sector, particularly in Europe, is at a very early stage, with significant growth ahead.

In summary, the Manager believes that a portfolio which is invested in stocks that are geared to the themes described above has the potential to generate significant capital growth.

### **Discount management provisions**

The shares of investment trusts have a tendency to trade at a discount to the underlying net asset value per share. Whilst the rating which the market applies to the Ordinary Shares is not in the control of the Company itself, the Directors believe that, subject always to wider market conditions, the rating will tend to benefit from strong investment performance coupled with active marketing of the Company. The Directors also believe that the fixed life of the Company and its dividend yield should assist in providing support for the rating of the Ordinary Shares.

The Directors will consider deploying share repurchases to assist in limiting discount volatility and potentially providing an additional source of liquidity when the Ordinary Shares trade at a level which makes their repurchase attractive.

Shares will only be repurchased at a discount to diluted Net Asset Value per Share. Repurchased Shares will be cancelled or may alternatively be held in treasury. Shares may only be re-issued from treasury at a price which represents not less than the diluted Net Asset Value per Share at the relevant time.

All share repurchases will be conducted in accordance with the Listing Rules applicable from time to time and will be announced to the market on the same or the following day.

The exercise by the Directors of the Company’s powers to repurchase Shares and the timing and structure of any such purchases is entirely discretionary and no expectation or reliance should be placed on the Directors exercising such discretion.

### **Further issues of Ordinary Shares**

It is not expected that the Company will issue any further Ordinary Shares, with the exception of: (i) Ordinary Shares issued pursuant to the exercise of Subscription Rights; and (ii) issues of Ordinary Shares otherwise than pursuant to the exercise of Subscription Shares which in aggregate in any year represent no more than 10 per cent. of the total number of Ordinary Shares previously in issue.

Any such new Ordinary Shares (and any Ordinary Shares issued from treasury) will be issued only at a premium to the Company’s NAV per Ordinary Share (diluted where applicable), and will not have Subscription Shares attached.

### **Capital structure**

The Company’s issued share capital on Admission will comprise Ordinary Shares and Subscription Shares which will be issued pursuant to the Placing and Offer. The Ordinary Shares and the Subscription Shares will be traded on the main market of the London Stock Exchange. Further details of each class of share are set out below.

### ***Characteristics of the Ordinary Shares***

The Ordinary Shares carry the right to receive all dividends declared by the Company.

On a winding up, provided the Company has satisfied all of its liabilities and subject to the participation in the winding up of any outstanding Subscription Shares (or the Deferred Subscriber Shares referred to in paragraph 2 of Part VII of the document, until their cancellation becomes effective), the Ordinary Shares are entitled to all of the surplus assets of the Company.



Ordinary Shareholders will be entitled to attend and vote at all general meetings of the Company and, on a poll, to one vote for each Ordinary Share held.

### ***Characteristics of the Subscription Shares***

The Company is proposing to issue Subscription Shares to all subscribers on the basis of one Subscription Share for every five Ordinary Shares subscribed. Each Subscription Share will confer the right (but not the obligation) to subscribe for one Ordinary Share upon exercise of the Subscription Rights and on payment of the Subscription Price of 100 pence.

Notice to exercise the Subscription Rights may be given by Subscription Shareholders during the 30 days prior to the Subscription Date of 31 January 2014, after which the Subscription Rights will lapse. The Articles provide that the Subscription Price is subject to adjustment upon the occurrence of certain events affecting the Company before 31 January 2014. The relevant events include consolidations or sub-divisions of share capital, pre-emptive offers of securities to Ordinary Shareholders, takeover offers and the liquidation of the Company. Such adjustments serve to protect either the intrinsic value or the time value of the Subscription Shares, or both.

If there are Subscription Shares outstanding on any winding up of the Company, they will participate in any surplus assets of the Company as set out in paragraph 3(i) of Part VI of this document.

Holders of Subscription Shares will not be entitled to attend and vote at general meetings of the Company. Certain corporate actions that may affect the rights or interests of the holders of Subscription Shares do, however, require their consent by special resolution, as set out in Part VI of this document.

### **The Issue**

Up to 150 million Ordinary Shares (with Subscription Shares attached on a one for five basis) are available under the Issue. The Issue Price of the Ordinary Shares is 100 pence each payable in full on subscription.

Applications under the Placing and the Offer for Subscription must be for a minimum subscription amount of £2,500 and thereafter in multiples of £1,000. No commission will be payable to financial intermediaries. The maximum number of Ordinary Shares available under the Issue should not be taken as an indication of the final number of Ordinary Shares to be issued and the number of Ordinary Shares actually issued may be less than the maximum number.

Application has been made to the UK Listing Authority for all Ordinary Shares and Subscription Shares (issued and to be issued under the Issue) to be admitted to the Official List of the UK Listing Authority and to the London Stock Exchange for all of the Ordinary Shares and Subscription Shares (issued and to be issued under the issue) to be admitted to trading on the main market for listed securities of the London Stock Exchange. It is expected that such Admission will become effective on 15 June 2010.

The net proceeds of the Issue will be invested in accordance with the Company's investment policy.

### **Scaling back**

The Directors have reserved the right, in consultation with Matrix, to increase the size of the Issue to up to 250 million Ordinary Shares if overall demand exceeds 150 million Ordinary Shares. In the event that commitments under the Placing and valid applications under the Offer for Subscription exceed the maximum number of Ordinary Shares available, applications under the Placing and Offer will be scaled back at the Directors' discretion (in consultation with Matrix and the Manager) and thereafter no further commitments or applications will be accepted and the Placing and Offer will be closed.

### **Life of the Company**

The Articles of Association require the Directors to put forward at the seventh Annual General Meeting a resolution to place the Company into liquidation. The Articles of Association provide that voting on that resolution will be enhanced such that, provided any single vote is cast in favour, the resolution will be passed. In light of this the Company is referred to in this document as having a fixed life.

### **Profile of typical investor**

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

### **Net Asset Value publication**

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

The Net Asset Value will be the value of all assets of the Company less liabilities to creditors (including provisions for such liabilities) determined in accordance with the Association of Investment Companies' valuation guidelines and in accordance with applicable accounting standards. Publicly traded securities will be valued by reference to their bid prices on the relevant exchange.

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 of Net Asset Value during a period when, 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 Net Asset Value cannot be fairly calculated; there is a breakdown of the means of communication normally employed in determining the calculation of Net Asset Value; or it is not reasonably practicable to determine the Net Asset Value on an accurate and timely basis. Any suspension in the calculation of the Net Asset Value, to the extent required under the Articles or by the Listing Rules will be notified through a Regulatory Information Service as soon as practicable after any such suspension occurs.

### **Meetings, reports and accounts**

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

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

### **Taxation**

Potential investors are referred to Part V of this document for details of the taxation of the Company and of Shareholders in the UK.

Investors who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than the UK are strongly advised to consult their own professional advisers immediately.

### **Risk factors**

The Company's business is dependent on many factors and potential investors should read the whole of this prospectus and in particular the section entitled "Risk Factors" on pages 7 to 14.

## PART II

### DIRECTORS AND MANAGEMENT

#### **Directors**

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

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

The Directors are as follows:

#### ***James Robinson (Chairman), aged 56***

James was chief investment officer, investment trusts and director of hedge funds at Henderson Global Investors prior to his retirement in 2005. A chartered accountant, he has 30 years' investment experience and is currently a director of Aberdeen New Thai Investment Trust PLC, Invesco Asia Trust plc and Fidelity European Values PLC. He is also a Council member of the British Heart Foundation and an adviser to BOCM Pauls Ltd.

#### ***John Aston, OBE, aged 55***

John was chief financial officer at Astex Therapeutics Ltd between January 2007 and May 2010. Before joining Astex, John was chief financial officer of Cambridge Antibody Technology for ten years, where he played a central role in its development into one of Europe's most important biotechnology companies. Prior to this, John was a director in investment banking with Schroders in London and previously worked for British Technology Group and Price Waterhouse. He is a qualified Chartered Accountant and has a degree in Mathematics from Cambridge University.

#### ***Anthony Brampton, aged 53***

Tony has a BA and a MSc in Biochemistry from Oxford University. He joined Fielding, Newson-Smith & Co. as an analyst in 1985, then worked at Wood Mackenzie & Co. and Morgan Stanley International. In 1989 he joined Cazenove & Co. and became a partner in 1999. He was managing director, corporate finance at JPMorgan Cazenove, with responsibility for healthcare, prior to his retirement in June 2006. He is currently a partner at Sudbrook Associates LLP and a non-executive director of Polytherics Limited.

#### ***Antony Milford, aged 69***

After studying classics at Oxford and graduating with an honours degree, Antony joined the stockbroking firm Laurence Keen & Gardner as an analyst in 1967. He started managing funds for Framlington in 1971 where, for many years, he managed the Health Fund and the Biotechnology Fund.

#### **Management Team**

The Company's manager is Polar Capital LLP, the investment management business of Polar Capital Holdings PLC, a UK-quoted asset management firm. The Manager provides hedge funds and specialist long-only products to a variety of investors and had total funds under management of over US\$2.5 billion as at 31 March 2010, including the £390 million investment trust, Polar Capital Technology Trust plc.

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

The management team for the Company's portfolio, will be:

#### ***Gareth Powell CFA – Fund Manager***

Gareth joined Polar Capital LLP in 2007 to set up its Healthcare Investment Management Department. He has over 10 years' investment experience in the healthcare sector, with 8 years as a portfolio manager. He joined Framlington in 1999 becoming a portfolio manager for the Framlington Health

Fund. He ran, both as co-manager and then manager, the Framlington Biotech Fund for three and a half years. In 2007, he received both a “highly commended” designation from Investment Week and Framlington was rated “Best for Biotechnology” in the Extel European buy-side survey. Gareth became a CFA charterholder in 2003.

Gareth currently acts as co-manager of the Polar Capital Healthcare Opportunities Fund alongside Dr. Mahony. This fund was launched in late 2007 and assets under management are now approaching US\$80 million. Gareth has primary responsibility for the pharmaceuticals, specialty pharmaceuticals, generics, biotech and life science tools sectors in the developed markets. He studied Biochemistry at Oxford University from 1995 to 1999 and during that time worked at Astellas, the Sir William Dunn School of Pathology, the Wolfson Institute for Biomedical Research and the Oxford Business School.

***Daniel Mahony PhD – Fund Manager***

Dan is a portfolio manager and co-head of the Healthcare Business Unit at Polar Capital LLP. Dan joined Polar Capital LLP to set up its Healthcare Investment Management Department in 2007. He has more than 11 years’ investment experience in the healthcare sector, with over 2 years as a portfolio manager and 9 years as a sell-side analyst. Prior to joining Polar Capital LLP, he was head of the European healthcare research team at Morgan Stanley, which covered the European biotechnology, medical technology and healthcare services industries. Dan was ranked second in the Institutional Investor Magazine All-Europe Research Team survey in 2003. He also previously worked in New York for ING Barings Furman Selz following the US Biotechnology sector. Before working in the investment field, Dan worked as a research scientist for 7 years with the majority of his time at Schering Plough Corporation in California.

Dan currently acts as co-manager of the Polar Capital Healthcare Opportunities Fund alongside Gareth Powell. He has primary responsibility for medical devices, diagnostics, and healthcare services company sectors on a global basis. Dan received a first class honours degree in Biochemistry from Oxford University in 1991 and his PhD from Cambridge University in 1995. Dan was involved in the recent UK government review of the biotechnology industry and is currently advising the UK Trade & Industry Department on its life sciences marketing strategy initiative.

***Anna Sizova MBA – Analyst***

Anna joined the Polar Capital Healthcare Investment Management Department in February 2009 as a specialist analyst covering the medical technology and medical services sectors. She has nearly 4 years’ investment experience in the healthcare sector that started with her time at Morgan Stanley as a healthcare analyst covering the European medical technology sector. Before entering investment management, she spent 5 years at Johnson & Johnson, the world-leading medical devices and diagnostics group, working in both the marketing and finance departments.

Anna currently has responsibility for healthcare IT (including software) and medical technology (such as heart valves, pacemakers and stents) and healthcare sectors in emerging markets. Anna holds an MBA from the London Business School and a degree in Theoretical and Applied Linguistics from Moscow State University.

**Management Agreement**

The Company and the Manager have entered into a Management Agreement, a summary of which is set out in paragraph 8.2 of Part VII 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 Manager will procure or provide the day to day administration of the Company and general secretarial functions required by the Act. The Manager will also be responsible for the Company’s general administrative functions, such as the calculation and publication of the Net Asset Value and maintenance of

the Company's accounting and statutory records. The Manager has, with the consent of the Directors, delegated the provision of certain of these administrative functions to the Administrator and to Polar Capital Secretarial Services Limited, but will remain liable for the acts of any such third party. The fees of the Administrator and Polar Capital Secretarial Services in providing such services will be for the account of the Company. However, to the extent that payment of the Administrator's fees by the Company would result in the Company being unable to pay aggregate dividends in the relevant year of at least 3 pence per Ordinary Share out of its net income, such excess fees will be borne by the Manager.

## **Fees and expenses**

### ***Formation and initial expenses***

The formation and initial expenses of the Company are those which are necessary for the incorporation of the Company, Admission and the Issue. These expenses include fees and commissions payable under the Placing and Offer Agreement, Receiving Agent's fees, admission fees, printing, legal and accounting fees and any other applicable expenses which will be met by the Company and paid on or around Admission out of the gross proceeds of the Issue. The expenses will be written off to capital in the Company's first accounting period.

Pursuant to the Placing and Offer Agreement, the Company will bear the formation and initial expenses of the Issue up to a sum equal to 2 per cent. of the gross proceeds of the Issue including irrevocable VAT. In the event that such expenses exceed 2 per cent. of such gross proceeds, the Manager will pay the excess. In the event that such expenses are less than 2 per cent. of the gross proceeds the Manager shall, at its discretion, be entitled to be paid for its benefit a sum equal to the difference between 2 per cent. of the gross proceeds and the actual expenses incurred.

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

The Company will also incur ongoing annual expenses, which are expected to be between 1.35 per cent. and 1.45 per cent. of net assets, based on the assumption that the Company will have assets under management of £80 million.

Ongoing annual expenses will include the following:

(i) *Manager*

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

The management fee is payable monthly in arrear and will be at the rate of 0.85 per cent. per annum of the lower of the Company's Market Capitalisation and the Company's Net Asset Value. In accordance with the Directors' policy on the allocation of expenses between income and capital, in each financial year 80 per cent. of the management fee payable is expected to be charged to capital and the remaining 20 per cent. to income.

The Manager may be entitled to a performance fee. The performance fee will be paid in cash at the end of the Company's fixed life (except in the case of an earlier termination of the Management Agreement) and will be an amount equal to 10 per cent. of excess return (based on the Adjusted Net Asset Value per Ordinary Share at that time) over the performance fee hurdle. The performance fee hurdle will be 100 pence, increased or decreased (as the case may be) by reference to the return on the Benchmark Index plus 15 pence, the 15 pence equating approximately to a simple 2 per cent. per annum return on the opening Net Asset Value per share over the period from Admission to the expiry of the Company's fixed life. The adjustments that will be applied are set out in detail in paragraph 8.2 of Part VII of this document. In particular, for the purposes of measuring performance against the benchmark, dividends paid out by the Company will be added back and assumed to have been reinvested in Ordinary Shares at Net Asset Value.

There is one further important proviso. If at the end of the Company's fixed life the amount available for distribution of Shareholders is less than 100 pence per Share, no performance fee will be payable. If the amount is more than 100 pence per Share but payment of the performance fee in full would reduce it below that level, then the performance fee will be reduced such that Shareholders receive exactly 100 pence per Share.

(ii) *Administration*

The Manager has delegated certain administrative functions to the Administrator under the terms of the Administration Delegation Agreement. For these services, the Administrator is entitled to an administration fee calculated on an agreed tariff for the functions that it undertakes. However, to the extent that payment of the Administrator's fees by the Company would result in the Company being unable to pay aggregate dividends in the relevant year of at least 3 pence per Ordinary Share out of its net income, such excess fees will be borne by the Manager.

(iii) *Registrar*

Under the terms of the Registrar Agreement, the Registrar is entitled to an annual maintenance fee of £1.05 per Shareholder account per annum, subject to a minimum fee of £3,250 per annum. The Registrar is also entitled to activity fees under the Registrar Agreement.

(iv) *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 and the Chairman of the Audit Committee, the initial fees will be £20,000 for each Director per annum. The Chairman's initial fee will be £30,000 per annum and that of the Chairman of the Audit Committee will be £25,000 per annum.

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

(v) *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, due diligence and legal fees. These expenses will be deducted from the assets of the Company and are estimated to be in the region of £335,000 per annum based on the assumption that there will be £80 million assets under management. All out of pocket expenses of the Manager, the Administrator (to whom the Manager will delegate certain administrative functions), the Registrar, the Custodian and the Directors relating to the Company will be borne by the Company.

### **Conflicts of interest**

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

The Manager is required to consult and discuss with the Board, prior to launch by the Manager, the likely impact on the Company of any new products or funds with the same or a similar investment objective and policy to that of the Company.

## **Corporate governance**

The Board 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 Section 1 of the Combined Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Combined Code), will provide better information to shareholders. The Company complies with the recommendations of the AIC Code and the relevant provisions of Section 1 of the Combined Code.

For the reasons set out in the AIC Guide, and in the preamble to the Combined Code, the Board considers the provisions below 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 separation of the roles of the chief executive and Chairman as all the Directors are non-executive;
- the need for an internal audit function as the Manager, overseen by the Board, is responsible for monitoring all accounting or control operations, whether outsourced or otherwise;
- as all the Directors are independent and non-executive, it is proposed that the functions of the Nomination or Remuneration committee will be undertaken by the full Board;
- the Company does not have a policy on length of service for Directors due to its expected seven year life; and
- due to the structure of the Board it is considered unnecessary to identify a senior non-executive Director.

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

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

## PART III

### ISSUE ARRANGEMENTS

#### **Introduction**

The Company is proposing to raise up to £150 million, before expenses, through the Placing and Offer of up to 150 million Ordinary Shares (with Subscription Shares attached on a one for five basis) at a price of 100 pence per Ordinary Share. In this document, the Placing and the Offer are together referred to as the Issue. The Directors have reserved the right, in consultation with Matrix, to increase the size of the Issue to up to 250 million Ordinary Shares if overall demand exceeds 150 million Ordinary Shares. The Issue has not been underwritten.

The aggregate proceeds of the Issue, after deduction of expenses, are expected to be approximately £147 million on the assumption that gross proceeds are £150 million.

Matrix has agreed to use its reasonable endeavours to procure subscribers pursuant to the Placing for the Placing Shares on the terms and subject to the conditions set out in the Placing and Offer Agreement. Details of the Placing and Offer Agreement are set out in paragraph 8.1 of Part VII of this document.

The Offer Shares are being made available under the Offer at the Issue Price, subject to the terms and conditions of application under the Offer set out in Part IV of this document. These terms and conditions, and the Application Form set out at Appendix 1 to this document, should be read carefully before an application is made. The Offer will close at 11.00 a.m. on 9 June 2010 (or such later date, not being later than 16 July 2010, as the Company and Matrix may agree). If the Placing and Offer are extended, the revised timetable will be notified through a Regulatory Information Service.

Applications under the Offer must be for Ordinary Shares with a minimum subscription amount of £2,500 and thereafter in multiples of £1,000.

Completed Application Forms accompanied by a cheque or banker's draft in relation to the Offer must be posted or delivered by hand (during normal business hours) to the Receiving Agent, Equiniti Limited so as to be received as soon as possible and, in any event, no later than 11.00 a.m. on 9 June 2010. It is expected that the results of the Issue will be notified through a Regulatory Information Service on 14 June 2010.

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

- (i) the Placing and Offer Agreement becoming wholly unconditional (save as to Admission) and not having been terminated in accordance with its terms prior to Admission;
- (ii) Admission occurring by 8.00 a.m. on 15 June 2010 (or such later date, not being later than 30 July 2010, as the Company and Matrix may agree); and
- (iii) the gross proceeds of the Issue being at least £80 million, or such other amount, not being materially lower than £80 million, as the Directors, the Manager and Matrix may agree.

#### **The Placing and Offer Agreement**

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

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

Further details of the terms of the Placing and Offer Agreement are set out in paragraph 8.1 of Part VII of this document.



**Admission**

Admission is expected to take place at 8.00 a.m. on 15 June 2010. Where applicable, definitive share certificates in respect of the Ordinary Shares are expected to be despatched, by post at the risk of the recipients, to the relevant holders, in the week beginning 21 June 2010. The Shares are in registered form and can also be held in uncertificated form. Prior to the despatch of definitive share certificates in respect of any Shares which are held in certificated form, transfers of those Shares will be certified against the Register. No temporary documents of title will be issued.

**CREST**

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. The Articles permit the holding of Shares under the CREST system. The Company has applied for the Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the 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 Shares in the Issue may elect to receive Shares in uncertificated form if such investor is a system-member (as defined in the CREST Regulations) in relation to CREST.

**Use of proceeds**

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

**Overseas Persons**

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

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

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

Persons (including, without limitation, nominees and trustees) receiving this document should not distribute or send it to any US Person or in or into the United States or any other jurisdiction where to do so would or might contravene local securities laws or regulations. In particular, investors should note that the Company has not, and will not be, registered under the US Investment Company Act and the offer, issue and sale of the Shares have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any State or other jurisdiction of the United States. Accordingly, the Shares are only being offered and sold outside the United States to non-US Persons in reliance on the exemption from registration provided by Regulation S. The Shares may not be offered, sold, pledged or otherwise transferred or delivered, directly or indirectly, within the United States or to, or for the account or benefit of, any US Person.

Investors should additionally consider the provisions set out under the heading Important Notices on page 15 of this document.

In addition, until 40 days after the commencement of the Issue, an offer or sale of the Shares within the United States by any dealer (whether or not participating in the Issue) may violate the registration requirements of the Securities Act.

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

**United States transfer restrictions**

Each of Matrix and the Manager has acknowledged and warranted in the Placing and Offer Agreement that it will not offer or sell or procure the offer or sale of the Shares except in compliance with Regulation S. The Shares have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any State or other jurisdiction of the United States. Accordingly, investors may not reoffer, resell, pledge or otherwise transfer or deliver, directly or indirectly, within the United States, or to, or for the account or benefit of, any US Person except in transactions that are exempt from registration under the Securities Act and under circumstances which will not require the Company to register as an investment company under the US Investment Company Act.

## PART IV

### TERMS AND CONDITIONS OF APPLICATION UNDER THE OFFER

#### 1. Introduction

Ordinary Shares (with Subscription Shares attached on a one for five basis) are available under the Offer at a price of 100 pence per Ordinary Share. The Offer Shares will, when issued and fully paid, include the right to receive all dividends or other distributions made, paid or declared, if any, by reference to a record date after the date of their issue.

Applications to acquire Offer Shares must be made on the Application Form attached as Appendix 1 to this document or otherwise published by the Company.

#### 2. Effect of application

##### 2.1 *Offer to acquire shares*

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

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

respect of, the number of Ordinary Shares (with Subscription Shares attached) for which your application is accepted, and/or a crossed cheque for any monies returnable, by post at your risk to your address set out on your Application Form.

- (e) agree, in respect of applications for Ordinary Shares (with Subscription Shares attached) in certificated form (or where the Receiving Agent exercises its discretion pursuant to paragraph (d) of this paragraph 2.1 to issue Ordinary Shares in certificated form), that any share certificate to which you or, in the case of joint applicants, any of the persons specified by you in your Application Form may become entitled (and any monies returnable to you) may be retained by the Receiving Agent:
  - (i) pending clearance of your remittance,
  - (ii) pending investigation of any suspected breach of the warranties contained in paragraphs 2.5(a), (b), (f), (h), (m), (o) or (p) below or any other suspected breach of these Terms and Conditions of Application, or
  - (iii) pending any verification of identity which is, or which the Receiving Agent considers may be, required for the purpose of the Money Laundering Regulations and any other regulations applicable thereto, and any interest accruing on such retained monies shall accrue to and for the benefit of the Company;
- (f) agree, on the request of the Receiving Agent, to disclose promptly in writing to it such information as the Receiving Agent may request in connection with your application and authorise the Receiving Agent to disclose any information relating to your application which it may consider appropriate;
- (g) agree that if evidence of identity satisfactory to the Receiving Agent is not provided to the Receiving Agent within a reasonable time (in the opinion of the Receiving Agent) following a request therefor, the Receiving Agent or the Company may terminate the agreement with you to allot Shares and, in such case, the Ordinary Shares (with Subscription Shares attached) which would otherwise have been allotted to you may be re-allotted or sold to some other party and the lesser of your application monies or such proceeds of sale (as the case may be, with the proceeds of any gain derived from a sale accruing to the Company) will be returned by a cheque drawn on a branch of a UK clearing bank to the bank account name on which the payment accompanying the application was first drawn without interest and at your risk;
- (h) agree that you are not applying on behalf of a person engaged in money laundering;
- (i) undertake to ensure that, in the case of an application signed by someone else on your behalf, the original of the relevant power of attorney (or a complete copy certified by a solicitor or notary) is enclosed with your Application Form together with full identity documents for the person so signing;
- (j) undertake to pay interest at the rate described in paragraph 2.2 below if the remittance accompanying your Application Form is not honoured on first presentation;
- (k) authorise the Receiving Agent to procure that there be sent to you definitive certificates in respect of the number of Ordinary Shares (and related Subscription Shares) for which your application is accepted or if you have completed section 2B on your Application Form, but subject to paragraph 2.1(d) above, to deliver the number of Ordinary Shares (and related Subscription Shares) for which your application is accepted into CREST, and/or to return any monies returnable by a cheque drawn on a branch of a UK clearing bank to the bank account name from which such monies were first received without interest and at your risk;
- (l) confirm that you have read and complied with paragraph 2.7 below;
- (m) agree that all subscription cheques and payments will be processed through a bank account (the "Acceptance Account") in the name of Equiniti Limited re Polar Capital Global Healthcare Offer opened by the Receiving Agent;

- (n) agree that your Application Form is addressed to the Company and the Receiving Agent; and
- (o) agree that any application may be rejected in whole or in part at the sole discretion of the Company.

## 2.2 *Acceptance of your offer*

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

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

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

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

## 2.3 *Conditions*

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

- (a) Admission occurring by 8.00 a.m. on 15 June 2010 (or such later time or date as the Company and Matrix and may agree (not being later than 30 July 2010)); and
- (b) the Placing and Offer Agreement becoming otherwise unconditional in all respects, and not being terminated in accordance with its terms before Admission.

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

## 2.4 *Return of Application Monies*

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

## 2.5 *Warranties*

By completing an Application Form, you:

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

- (j) agree that all applications, acceptances of applications and contracts resulting therefrom under the Offer shall be governed by and construed in accordance with the laws of England and Wales and that you submit to the jurisdiction of the English Courts and agree that nothing shall limit the right of the Company to bring any action, suit or proceedings arising out of or in connection with any such applications, acceptances of applications and contracts in any other manner permitted by law or in any court of competent jurisdiction;
- (k) irrevocably authorise the Company, Matrix or the Receiving Agent or any other person authorised by any of them, as your agent, to do all things necessary to effect registration of any Shares subscribed by or issued to you into your name and authorise any representatives of the Company and/or Matrix and/or the Receiving Agent to execute any documents required therefore and to enter your name on the Register;
- (l) agree to provide the Company with any information which it or Matrix may request in connection with your application or to comply with any other relevant legislation (as the same may be amended from time to time) including without limitation satisfactory evidence of identity to ensure compliance with the Money Laundering Regulations;
- (m) warrant that, in connection with your application, you have observed the laws of all requisite territories, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your application in any territory and that you have not taken any action which will or may result in the Company, Matrix, Religare Capital Markets or the Receiving Agent acting in breach of the regulatory or legal requirements of any territory in connection with the Offer or your application;
- (n) agree that Matrix, Religare Capital Markets and the Receiving Agent are acting for the Company in connection with the Offer and for no-one else and that they will not treat you as their customer by virtue of such application being accepted or owe you any duties or responsibilities concerning the price of the Shares or concerning the suitability of the Shares for you or be responsible to you for the protections afforded to their customers;
- (o) warrant that you are not subscribing for the Ordinary Shares (with Subscription Shares attached) using a loan which would not have been given to you or any associate or not given to you on such favourable terms, if you had not been proposing to subscribe for the Shares;
- (p) warrant that the information contained in the Application Form is true and accurate; and
- (q) agree that if you request that Shares are issued to you on a date other than Admission and such Shares are not issued on such date that the Company and its agents and Directors will have not liability to you arising from the issue of such Shares on a different date.

## 2.6 *Money Laundering*

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

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

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

Without prejudice to the generality of this paragraph 2.6, verification of the identity of holders and payors will be required if the value of the Ordinary Shares (with Subscription Shares attached) applied for, whether in one or more applications considered to be connected, exceeds

€15,000 (approximately £12,000). If, in such circumstances, you use a building society cheque or banker's draft you should ensure that the bank or building society issuing the payment enters the name, address and account number of the person whose account is being debited on the reverse of the cheque, banker's draft and adds its stamp. If, in such circumstances, the person whose account is being debited is not a holder you will be required to provide for both the holder and payer an original or copy of that person's passport or driving licence certified by a solicitor and an original or certified copy of two of the following documents, no more than 3 months old, a gas, electricity, water or telephone (not mobile) bill, a recent bank statement or a council tax bill, in their name and showing their current address (which originals will be returned by post at the addressee's risk) together with a signed declaration as to the relationship between the payor and you the holder.

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

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

If the amount being subscribed exceeds €15,000 (approximately £12,000) you should endeavour to have the declaration contained in section 5 of the Application Form signed by an appropriate firm as described in that section. If you cannot have that declaration signed and the amount being subscribed exceeds €15,000 (approximately £12,000) then you must provide with the Application Form the identity documentation detailed in section 7 of the Application Form for each underlying beneficial owner.

## **2.7 *Non United Kingdom investors***

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

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



## 2.8 *The Data Protection Act*

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

Such personal data held is used by the Registrar to maintain the Register and mailing lists and this may include sharing such data with third parties in one or more of the countries mentioned below when (a) effecting the payment of dividends and other distributions to Shareholders and (b) filing returns of Shareholders and their respective transactions in Shares with statutory bodies and regulatory authorities. Personal data may be retained on record for a period exceeding six years after it is no longer used.

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

## 2.9 *Miscellaneous*

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

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

The Company reserves the right to extend the closing time and/or date of the Offer from 11.00 a.m. on 9 June 2010. In that event, the new closing time and/or date will be notified through a Regulatory Information Service.

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

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

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

## PART V

### TAXATION

#### **UK Taxation**

##### ***Introduction***

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

**The information contained in this document relating to taxation matters is a summary of the taxation matters which the Directors consider should be brought to the attention of prospective investors and is based upon the law and published practice currently in force and is subject to changes therein. 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 selling 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 under section 1158 of the Corporation Tax Act 2010 (previously section 842 of the Income and Corporation Taxes Act 1988). However, neither the Manager nor the Directors can guarantee that this approval will be maintained. One of the conditions for a company to qualify as an investment trust is that it is not a close company. The Directors consider that the Company should not be a close company immediately following Admission. In respect of each accounting period for which the Company continues to be approved by HMRC as an investment trust the Company will be exempt from UK taxation on its capital gains. The Company will, however, (subject to what follows) be liable to UK corporation tax on its income in the normal way.

Since 1 September 2009 an investment trust approved under section 1158 of the Corporation Tax Act 2010, or one that intends to seek such approval, has been able to elect to take advantage of modified UK tax treatment in respect of its “qualifying interest income” for an accounting period (referred to here as the “streaming” regime). Under regulations made pursuant to Finance Act 2009, the Company may, if it so chooses, designate as an “interest distribution” all or part of the amount it distributes to Shareholders as dividends, to the extent that it has “qualifying interest income” for the accounting period. Were the Company to designate any dividend it pays in this manner, it would be able to deduct such interest distributions from its income in calculating its taxable profit for the relevant accounting period.

As a result of further changes introduced by Finance Act 2009, the Company should in practice be exempt from UK corporation tax on dividend income received, provided that such dividends (whether from UK or non-UK companies) fall within one of the “exempt classes” in the new Part 9A of the Corporation Tax Act 2009.

##### ***Shareholders***

###### ***The Shares***

The Issue Price paid for Ordinary Shares will be apportioned between those Ordinary Shares and any Subscription Shares attaching thereto by reference to their respective market values on the date of Admission.

On the exercise of the right to convert any Subscription Shares into Ordinary Shares, the Ordinary Shares issued pursuant to the Subscription Rights should be treated as the same asset as the Subscription Shares in respect of which the Subscription Rights are exercised. The base cost of each such Share will be the deemed base cost of the Subscription Share that it replaces, calculated as described above, plus the Subscription Price.

#### *Taxation of chargeable gains*

Individual Shareholders who are resident or ordinarily resident in the UK for tax purposes will generally be subject to capital gains tax in respect of any gain arising on a disposal of their Ordinary Shares or Subscription Shares. Each such individual has an annual exemption, such that capital gains tax is chargeable only on gains arising from all sources during the tax year in excess of this figure. The annual exemption is £10,100 for the tax year 2010 – 2011. Capital gains tax chargeable will be at the current flat rate of 18 per cent. during the tax year 2010 – 2011. It is expected that UK capital gains tax rates and rules will change (with rates rising) following the change of government in the UK.

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

Corporate Shareholders who are resident in the UK for tax purposes will generally be subject to corporation tax on chargeable gains arising on a disposal of their Ordinary Shares or Subscription Shares. The indexation allowance may reduce the amount of chargeable gain that is subject to corporation tax but may not create or increase any allowable loss.

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

#### *Taxation of dividends*

##### (A) Non “interest distributions”

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

The 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. In the case of such Shareholder's liability, 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) to the extent that it falls above the threshold for current higher rate income tax.

Since 6 April 2010, a new additional rate of income tax of 50 per cent. applies for individual Shareholders with income over £150,000. A dividend tax rate of 42.5 per cent. applies, to the extent that dividends, when treated as the top slice of the Shareholder's income, fall above the new threshold. After taking into account the 10 per cent. tax credit, such Shareholders will have an effective dividend tax rate of 36.11 per cent. of the cash dividend received.

There will be no repayment of all or part of the tax credit to an individual Shareholder whose liability to income tax on all or part of the gross dividend is less than the amount of the tax credit. This will include a Shareholder who holds Ordinary Shares through an ISA.

(B) "Interest distributions"

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

(C) Other Shareholders

UK resident taxpayers who are not liable to UK tax on dividends, including pension funds and charities, will not be entitled to claim a repayment of the tax credit attaching to dividends paid by the Company.

UK resident corporate Shareholders will not generally in practice (as a result of the new rules from 1 July 2009) be subject to corporation tax on dividends paid by the Company but will not be able to claim a repayment of the tax credit attaching to the dividends. If, however, the Directors did elect for the new "streaming" rules to apply, and such corporate Shareholders were to receive dividends designated by the Company as "interest distributions", they would be subject to corporation tax on any such amounts received.

Non-UK resident Shareholders will not generally be able to claim repayment from HMRC of any part of the tax credit attaching to dividends paid by the Company. A Shareholder resident outside the UK may also be subject to foreign taxation on dividend income under local law.

**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*

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

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

Paperless transfers of Ordinary Shares and Subscription 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 Shares into CREST will not generally be subject to SDRT, unless the transfer into CREST is itself for consideration.

Historically, where shares have been issued or transferred (a) to, or to a nominee for, a person whose business is or includes the provision of clearance services or (b) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts, stamp duty or SDRT has been payable at the higher rate of 1.5 per cent. of the amount or value of the consideration given or, in certain circumstances, the value of the shares. This liability for stamp duty or SDRT has strictly been payable by the clearance service or depositary receipt operator or their nominee, as the case may be, but has, in practice, been payable by the participants in the clearance service or depositary receipt scheme.

With effect from 1 October 2009, HMRC announced that this 1.5 per cent. SDRT charge on the issue of shares into a clearance service within the European Union was to be suspended. Whether the wider 1.5 per cent. charge remains compatible with European Union law is uncertain.

#### *ISAs, SIPPs and SSASs*

Ordinary Shares and Subscription Shares acquired by a UK resident individual Shareholder in the Offer or on the secondary market (but not the Placing) should be eligible to be held in a stocks and shares ISA, subject to applicable annual subscription limits (£10,200 in the tax year 2010 – 2011).

Any Ordinary Shares arising on exercise of the Subscription Rights should be eligible to be held by a UK resident individual Shareholder in a stocks and shares ISA, subject to the same applicable annual subscription limits. The Subscription Price paid upon any exercise of Subscription Rights would count towards the annual subscription limit in the year in which the Subscription Right was exercised, unless the Subscription Price was paid out of cash already within the Shareholder's stocks and shares ISA. Investments held in ISAs will be free of UK tax on both capital gains and income. The opportunity to invest in shares through an ISA is restricted to certain UK resident individuals aged 18 or over. Sums received by a Shareholder on a disposal of Ordinary Shares or Subscription Shares would not count towards the Shareholder's annual limit; but a disposal of Ordinary Shares held in an ISA will not serve to make available again any part of the annual subscription limit that has already been used by the Shareholder in that tax year.

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

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

## PART VI

### THE SUBSCRIPTION SHARES

The Subscription Shares will carry the rights described below which are contained in the Articles.

#### 1. Subscription Rights

- (a) A registered holder for the time being of a Subscription Share (a “**Subscription Shareholder**”) shall have a right (a “**Subscription Right**”) to subscribe in cash for one Ordinary Share on 31 January 2014 (the “**Subscription Date**”) at the Subscription Price. The Subscription Price payable on the Subscription Date shall be 100 pence. The Subscription Price shall be payable in full upon subscription.
- (b) Each Subscription Share has a Subscription Right to one Ordinary Share, but the Subscription Price will be subject to adjustment as provided in paragraph 2 below. No fraction of an Ordinary Share will be issued on the exercise of Subscription Rights and no refund will be made to a Subscription Shareholder in respect of any part of the Subscription Price paid by that Subscription Shareholder which represents such a fraction (if any) provided that if the Subscription Rights represented by more than one Subscription Share are exercised by the same Subscription Shareholder on the Subscription Date then the number of Ordinary Shares to be issued to such Subscription Shareholder in relation to all such Subscription Shares exercised shall be aggregated and whether any fractions then arise shall be determined accordingly.
- (c) The Subscription Shares registered in a holder’s name will be evidenced by a Subscription Share certificate issued by the Company and, in the case of Subscription Shares in uncertificated form, by means of any relevant computer-based system enabling title to units of a security to be evidenced and transferred without a written instrument (the “**Relevant Electronic System**”). The Company shall be under no obligation to issue a Subscription Share certificate to any person holding Subscription Shares in uncertificated form.
- (d) In order to exercise the Subscription Rights, in whole or in part, which are conferred by any Subscription Shares that are in certificated form, the Subscription Shareholder must lodge the relevant Subscription Share certificate(s) (or such other document as the Company may, in its discretion, accept) (a “**Certificated Subscription Notice**”) at the office of the registrars for the time being of the Company (the “**Company’s Registrars**”) during the period of 30 days up to and including and by not later than 5.00 p.m. on the Business Day before the Subscription Date, having completed the notice of exercise of Subscription Rights thereon (or by giving such other notice of exercise of Subscription Rights as the Company may, in its discretion, accept), accompanied by a remittance for the Subscription Price for the Ordinary Shares in respect of which the Subscription Rights are exercised. Once lodged, a Certificated Subscription Notice shall be irrevocable save with the consent of the Directors. Compliance must also be made with any statutory and regulatory requirements for the time being applicable.
- (e) The Subscription Rights which are conferred by any Subscription Shares that are in uncertificated form on the Subscription Date shall be exercisable, in whole or in part, (and treated by the Company as exercised) on the Subscription Date if during the period of 30 days up to and including and by not later than 5.00 p.m. on the Business Day before the Subscription Date, (i) an Uncertificated Subscription Notice is received as referred to below and (ii) a remittance for the aggregate Subscription Price for the Ordinary Shares in respect of which the Subscription Rights are being exercised is received by the Company or by such person as it may require for these purposes in such form and subject to such terms and conditions as may from time to time be prescribed by the Directors (subject always to the facilities and requirements of the Relevant Electronic System concerned). For these purposes, an “**Uncertificated Subscription Notice**” shall mean a properly authenticated dematerialised instruction and/or other instruction or notification received by the Company or by such person as it may require for these purposes in such form and subject to such terms and conditions as may from time to time be prescribed by

the Directors (subject always to the regulations and facilities and requirements of the Relevant Electronic System). The Directors may, in addition but subject to the regulations and facilities and requirements of the Relevant Electronic System, determine when any such properly authenticated dematerialised instruction and/or other instruction or notification and any such remittance is to be treated as received by the Company or by such person as it may require for these purposes. Without prejudice to the generality of the foregoing, the effect of the Uncertificated Subscription Notice may be such as to divest the holder of the Subscription Shares concerned of the power to transfer such Subscription Shares to another person. Once lodged, an Uncertificated Subscription Notice shall be irrevocable save with the consent of the Directors. Compliance must also be made with any statutory and regulatory requirements for the time being applicable.

- (f) Ordinary Shares to be issued pursuant to the exercise of Subscription Rights which are conferred by any Subscription Shares that are in certificated form will be allotted not later than 14 days after and with effect from the Subscription Date and certificates in respect of such Ordinary Shares will be despatched (at the risk of the person(s) entitled thereto) not later than 28 days after the Subscription Date to the person(s) in whose name(s) the Subscription Share is registered at the date of exercise (and, if more than one, to the first-named, which shall be sufficient despatch for all) or (subject as provided by law and to the payment of stamp duty reserve tax or any like tax as may be applicable) to such other persons (not being more than four in number) as may be named in the form of nomination available for the purpose from the Company's Registrars (and, if more than one, to the first-named, which shall be sufficient despatch for all).
- (g) Ordinary Shares to be issued pursuant to the exercise of Subscription Rights which are conferred by Subscription Shares that are in uncertificated form will be allotted not later than 14 days after and with effect from the Subscription Date and the Company shall procure that the appropriate instructions are given to enable such Ordinary Shares to be evidenced by means of the Relevant Electronic System as a holding of the person(s) in whose name(s) the Subscription Shares in respect of which Subscription Rights have been exercised were registered as at the date of such exercise or (subject as provided by law, to the payment of stamp duty reserve tax or any like tax as may be applicable, to such terms and conditions as the Directors may from time to time prescribe for this purpose and to the facilities and requirements of the Relevant Electronic System) to such other person(s) (not being more than four in number) as may be named in the properly authenticated dematerialised instruction and/or other instruction or notification in such form.
- (h) For the avoidance of doubt, unless the Directors otherwise determine or unless the regulations or the facilities or requirements of the Relevant Electronic System otherwise require, the Ordinary Shares issued on the exercise of any Subscription Rights shall be issued in certificated form where such Subscription Rights were conferred by Subscription Shares which were held in certificated form or in uncertificated form where such Subscription Rights were conferred by Subscription Shares which were held in uncertificated form.
- (i) Ordinary Shares allotted pursuant to the exercise of Subscription Rights will not rank for any dividends or other distributions declared, paid or made on the Ordinary Shares by reference to a record date prior to the Subscription Date but, subject thereto, will rank in full for all dividends and other distributions declared, paid or made on the Ordinary Shares and otherwise will rank *pari passu* in all other respects with the Ordinary Shares in issue at the Subscription Date, provided that, on any allotment falling to be made pursuant to paragraph 3(g) below, the Ordinary Shares to be allotted shall not rank for any dividend or other distribution declared, paid or made by reference to a record date prior to the date of actual allotment.
- (j) For so long as the Ordinary Shares are admitted to listing on the Official List and to trading on the London Stock Exchange, it is the intention of the Company to apply to the UK Listing Authority and to the London Stock Exchange for the Ordinary Shares allotted pursuant to any exercise of Subscription Rights to be admitted to the Official List and to trading on the London Stock Exchange respectively and, if such an application is made the Company, will use all reasonable endeavours to obtain the admissions pursuant thereto not later than 28 days after the Subscription Date.

- (k) The Subscription Shares and the Ordinary Shares arising on the exercise of Subscription Rights have not been and will not be registered under the Securities Act and the relevant exemptions have not been and will not be obtained from the securities commission or similar regulatory authority of any province of Canada. The Ordinary Shares and Subscription Shares may not be offered, sold, renounced, transferred or delivered, directly or indirectly, in Canada or the United States or to any citizen or resident of Canada (a “**Canadian Person**”) or to any US Person or to or for the benefit of any such person. Persons subscribing for Ordinary Shares in connection with the exercise of Subscription Rights shall (unless the relevant Ordinary Shares can lawfully be allotted to them) be deemed to represent and warrant to the Company that they are not Canadian Persons or US Persons and that they are not subscribing for such Ordinary Shares for the account of any such person and are not subscribing with a view to the re-offer or re-sale of such Ordinary Shares, directly or indirectly, in Canada or the United States and will not offer, sell, renounce, transfer or deliver, directly or indirectly, such Ordinary Shares in Canada or the United States or to or for the benefit of any Canadian Person or US Person.
- (l) The exercise of Subscription Rights by any Subscription Shareholder who is a US Person or a Canadian Person or the right of such a Subscription Shareholder to receive the Ordinary Shares falling to be issued to them following the exercise of their Subscription Rights, will be subject to such other requirements, conditions, restrictions, limitations or prohibitions as the Company may at any time impose, in its sole discretion, for the purpose of complying with the securities laws of the United States (including, without limitation, the Securities Act, the US Investment Company Act and any rules or regulations promulgated under the Securities Act or the US Investment Company Act).

## **2. Adjustments of Subscription Rights**

The Subscription Price shall from time to time be adjusted in accordance with the provisions of this paragraph 2 and the Company shall not take any of the actions which would require such an adjustment unless there shall be available for issue sufficient Subscription Share and Ordinary Share capital to implement such adjustment and to satisfy in full all Subscription Rights remaining exercisable without the need for passing any further resolutions of Shareholders provided that in no event shall the Subscription Price be lower than the nominal value of an Ordinary Share:

- (a) if and whenever there shall be an alteration in the nominal amount of the Ordinary Shares as a result of a consolidation or sub-division, the Subscription Price in force immediately prior to such alteration shall be adjusted by multiplying it by a fraction of which the numerator shall be the nominal amount of one such Ordinary Share immediately after such alteration and the denominator shall be the nominal amount of one such Ordinary Share immediately prior to such alteration, and such adjustment shall become effective on the date the alteration takes effect;
- (b) if and whenever the Company shall allot to holders of Ordinary Shares any Ordinary Shares credited as fully paid by way of capitalisation of reserves or profits (other than Ordinary Shares paid up out of distributable reserves and issued in lieu of a cash dividend), the Subscription Price in force immediately prior to such allotment shall be adjusted by multiplying it by a fraction of which the numerator shall be the aggregate nominal amount of the issued Ordinary Shares immediately before such allotment and the denominator shall be the aggregate nominal amount of the issued and allotted Ordinary Shares immediately after such allotment and such adjustment shall become effective as at the date of allotment of such Ordinary Shares;
- (c) if on a date (or by reference to a record date) on or before the Subscription Date, the Company makes any offer or invitation (whether by way of rights issue or otherwise but not being an offer to which paragraph 3(i) below applies or an offer made in connection with scrip dividend arrangements) to the holders of the Ordinary Shares, or any offer or invitation (not being an offer to which paragraph 3(g) below applies) is made to such holders otherwise than by the Company, then the Company shall, so far as it is able, procure that at the same time the same offer or invitation is made to the then Subscription Shareholders as if their Subscription Rights had been exercisable and had been exercised on the date immediately preceding the record date for such offer or invitation on the terms (subject to any adjustment made previously pursuant to paragraphs 2(a) to (f)) on which



the same could have been exercised on that date, provided that, if the Directors so resolve in the case of any such offer or invitation made by the Company, the Company shall not be required to procure that the same offer or invitation is made to the then Subscription Shareholders but the Subscription Price shall be adjusted (i) in the case of an offer of Ordinary Shares for subscription by way of rights (a “**Rights Offer**”) at a price less than the market price of an Ordinary Share at the date of announcement of the terms of the offer, by multiplying the Subscription Price by a fraction of which the numerator is the number of Ordinary Shares in issue on the date of such announcement plus the number of Ordinary Shares which the aggregate amount payable for the total number of Ordinary Shares comprised in such rights issue would purchase at such market price and the denominator is the number of Ordinary Shares in issue on the date of such announcement plus the aggregate number of Ordinary Shares offered for subscription; (ii) in the case of a Rights Offer at a price less than the net asset value of an Ordinary Share at the date of announcement of the terms of the offer, or such other date as may be specified for this purpose by the Board, the formula in (i) shall apply save that the references to market price shall be substituted by references to net asset value and (iii) in any other case, in such manner as the independent financial advisers appointed by the Board shall report in writing to be fair and reasonable. Any such adjustments shall become effective, in the case of (i) and (ii) above, as at the date of allotment of the Ordinary Shares which are the subject of the offer or invitation and, in the case of (iii) above, as at the date determined by the independent financial advisers appointed by the Board. For the purposes of this paragraph 2, and for the purposes of paragraph 3 and paragraph 4 below “**market price**” shall mean the average of the middle market quotations (as derived from the Official List) for one Ordinary Share for the five consecutive dealing days ending on the dealing day immediately preceding the day on which the market price is to be ascertained, making an appropriate adjustment if the Ordinary Shares to be issued pursuant to the offer or invitation do not rank, on some or all of the relevant dealing days, *pari passu* as to dividends or other distributions with the Ordinary Shares in issue on those days and “**net asset value**” shall mean the value of the Company’s assets (excluding revenue items for the current financial year) minus all prior charges at their par value and the costs of the Rights Offer;

- (d) no adjustment will be made to the Subscription Price pursuant to paragraphs 2(a), (b) or (c) above (other than by reason of a consolidation of Ordinary Shares as referred to in paragraph 2(a) above) if it would result in an increase in the Subscription Price and, in any event, no adjustment will be made if such adjustment would (taken together with the amount of any adjustment carried forward under the provisions of this paragraph 2(d)) be less than 1 per cent. of the Subscription Price then in force and on any adjustment the adjusted Subscription Price will be rounded down to the nearest whole penny. Any adjustment not so made and any amount by which the Subscription Price is rounded down will be carried forward and taken into account in any subsequent adjustment;
- (e) whenever the Subscription Price is adjusted as provided in accordance with paragraphs 2(a) to (d) above (other than by reason of a consolidation of Ordinary Shares as referred to in paragraph 2(a) above), the Company shall issue, for no payment, additional Subscription Shares, registered as fully paid, to each Subscription Shareholder at the same time as such adjustment takes effect. The number of additional Subscription Shares to which a Subscription Shareholder will be entitled shall be the number of existing Subscription Shares held by them multiplied by the fraction  $(A-B)/B$  where A = the Subscription Price which would have been payable if the Subscription Rights had been exercisable and had been exercised immediately prior to the relevant adjustment pursuant to paragraph 2(a) to (d) above and B = the Subscription Price as adjusted pursuant to paragraph 2(a) to (d) above. Fractions of Subscription Shares will not be allotted to holders of Subscription Shares but all such fractions will be aggregated and, if practicable, sold in the market. The net proceeds will be paid to the Subscription Shareholders entitled thereto at the risk of such persons, save that amounts of less than £5.00 will be retained for the benefit of the Company. Subscription Share certificates relating to such additional Subscription Shares will be issued within 21 days of the said adjustment taking effect or the Company will procure that appropriate instructions are given to enable the adjustment to be made to the Subscription Shareholder’s holding of Subscription Shares in the Relevant Electronic System. The Directors shall, and are hereby authorised to, capitalise any part of the amount then standing to the credit of any of the Company’s reserve accounts (whether or not the same would lawfully be distributable by way of cash dividend)

or to the credit of the share premium account, capital redemption reserve, profit and loss account or otherwise available for the purpose and the same shall be applied in paying up in full at par the additional Subscription Shares so created and to be issued as provided in this paragraph 2(e). Any restrictions and limitations in the Articles relating to capitalisation issues generally shall not apply to any capitalisation or creation or issue of shares pursuant to this paragraph;

- (f) whenever the Subscription Price is adjusted in accordance with this paragraph by reason of a consolidation of Ordinary Shares as referred to in paragraph 2(a) above, the number of Ordinary Shares into which each holder of Subscription Shares is entitled to convert such Subscription Shares will be reduced accordingly;
- (g) the Company shall give notice to holders of Subscription Shares within 28 days of any adjustment made pursuant to paragraphs 2(a) to (f) above, which will be notified through a Regulatory Information Service;
- (h) if a holder of Subscription Shares shall become entitled to exercise their Subscription Rights pursuant to paragraph 3(g) below, the Subscription Price payable on such exercise (but not otherwise) shall be reduced by an amount determined by the independent financial advisers appointed by the Board in accordance with the following formula:

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

where:

A = the reduction in the Subscription Price;

B = the Subscription Price which would, but for the provisions of this paragraph 2(h), be applicable (subject to any adjustments previously made pursuant to paragraphs 2(a) to (f) above) if the Subscription Rights were exercisable on the date on which the Company shall become aware as provided in paragraph 3(g) below;

C = the average of the middle market quotations (as derived from the Official List) for one Subscription Share for the 5 consecutive dealing days ending on the dealing day immediately preceding the date of the announcement of the offer referred to in paragraph 3(g) below (or, where such offer is a revised offer, the original offer) or, if applicable and earlier, the date of the first announcement of the intention to make such offer or original offer or of the possibility of the same being made; and

D = the average of the middle market quotations (as derived from the Official List) for one Ordinary Share for the 5 consecutive dealing days ending on the dealing day immediately preceding the date of the announcement of the offer referred to in paragraph 3(g) below (or, where such offer is a revised offer, the original offer) or, if applicable and earlier, the date of the first announcement of the intention to make such offer or original offer or of the possibility of the same being made,

provided that:

- (i) if the application of the above formula would, in the absence of this proviso (i), have reduced the Subscription Price to below the nominal value of an Ordinary Share, the number of Ordinary Shares into which a Subscription Share may convert pursuant to paragraph 3(g) below shall be adjusted in such manner as the independent financial advisers appointed by the Board shall report to be appropriate to achieve the same economic result for the Subscription Shareholders as if the Subscription Price had been reduced without regard to this proviso (i); and
- (ii) no adjustment shall be made to the Subscription Price where the value of D exceeds the aggregate value of B and C in the above formula.

The notice required to be given by the Company under paragraph 3(g) below shall give details of any reduction in the Subscription Price pursuant to this paragraph 2(h);

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

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

where:

A = the reduction in the Subscription Price;

B = the Subscription Price which would, but for the provisions of this paragraph 2(i), be applicable (subject to any adjustments previously made pursuant to paragraphs 2(a) to (f) above) if the Subscription Rights were exercisable on the date on which the order or the effective resolution referred to in that paragraph shall be made or passed (as the case may be);

C = the average of the middle market quotations (as derived from the Official List) for one Subscription Share for the 5 consecutive dealing days ending on the dealing day immediately preceding the earliest of the following dates: (i) the date of an announcement by the Board of their intention to convene a general meeting for the purpose of passing a resolution, or to present a petition for a court order, to wind-up the Company, (ii) the date of the notice of a general meeting convened for the purpose of passing a resolution to wind up the Company, (iii) the date of commencement of the winding up of the Company by the court; and (iv) the date of suspension by the Relevant Exchange of dealings in the Subscription Shares prior to the making of any such announcement by the Board; and

D = the amount (as determined by the independent financial advisers appointed by the Board) of the assets available for distribution in the liquidation of the Company in respect of each Ordinary Share, taking into account for this purpose the Ordinary Shares which would arise on exercise of all the Subscription Rights and the Subscription Price which would be payable on the exercise of such Subscription Rights (subject to any adjustments previously made pursuant to paragraphs 2(a) to (f) above but ignoring any adjustment to be made pursuant to this paragraph 2(i)),

provided that no adjustment shall be made to the Subscription Price where the value of D exceeds the aggregate value of B and C in the above formula; and

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

### **3. Other Provisions**

So long as any Subscription Rights remain capable of exercise:

- (a) the Company shall not (except with the sanction of a special resolution of the Subscription Shareholders):
- (i) subject to paragraph 3(j) below make any distribution of capital profits or capital reserves except by means of a capitalisation issue in the form of fully paid Ordinary Shares;
  - (ii) subject to paragraph 4 below, issue securities by way of capitalisation of profits or reserves except fully paid Ordinary Shares issued to the holders of its Ordinary Shares pro rata to their existing holdings or at the election of the holders of Ordinary Shares instead of cash in respect of all or part of a dividend or dividends; or

- (iii) on or by reference to a record date falling within the period of six weeks ending on the Subscription Date, make any such allotment as is referred to in paragraph 2(b) above or any such offer or invitation as is referred to in paragraph 2(c) above (except by extending to the Subscription Shareholders any such offer or invitation);
- (b) subject to paragraph 4 below, the Company shall not (except with the sanction of a special resolution of the Subscription Shareholders) in any way modify the rights attached to its existing Ordinary Shares as a class, or create or issue any new class of equity share capital (as defined in section 548 of the Act as applicable) except for Ordinary Shares which carry, as compared with the rights attached to the existing Ordinary Shares, rights which are not more advantageous as regards voting, dividend or return of capital (same as to the date from which such new Ordinary Shares shall rank for dividends or distributions), provided that nothing herein shall restrict the right of the Company to increase, consolidate or sub-divide its share capital;
- (c) the Company shall not issue any Ordinary Shares credited as fully paid by way of capitalisation of profits or reserves nor make any such offer as is referred to in paragraph 2(c) if, in either case, the Company would on any subsequent exercise of the Subscription Rights be obliged to issue Ordinary Shares at a discount to nominal value;
- (d) the Company shall not (except with the sanction of a special resolution of the holders of the Subscription Shares or for a reduction not involving any payment to Shareholders) reduce any of its share capital, any uncalled or unpaid liability in respect of any of its share capital or any of its non-distributable reserves provided that the Company shall not be restricted by this paragraph 3(d) from reducing its share capital and from cancelling or reducing any other non-distributable reserve in connection with, or from making, any purchase of (i) Ordinary Shares at prices below the net asset value per Ordinary Share as envisaged by paragraph 3(j) below or (ii) Subscription Shares as envisaged by paragraph 6 below;
- (e) the Company shall not (except with the sanction of a special resolution of the holders of the Subscription Shares) change its financial year end from 30 September (except to a date falling within seven days before or after 30 September);
- (f) the Company shall not grant (or agree to grant) any option in respect of, or create any rights of conversion for, any Ordinary Shares, the nominal amount of which, together with the aggregate nominal amount of any Ordinary Shares over which options or rights of conversion (including those of the Subscription Shares) shall be subsisting at the date of such grant or creation, would exceed in the aggregate 20 per cent. of the nominal amount of the Ordinary Shares (excluding any treasury shares) then in issue, nor (except with the sanction of a special resolution of the Subscription Shareholders) will the Company grant (or offer or agree to grant) any such option in respect of, or create any such rights of conversion for, or issue any securities or loan capital carrying rights of conversion into, Ordinary Shares if the price at which any such option or right is exercisable is lower than the Subscription Price for the time being;
- (g) subject as provided in paragraph 3(h) below, if at any time an offer is made to all holders of Ordinary Shares (or all such holders other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with the offeror) to acquire the whole or any part of the issued share capital of the Company and the Company becomes aware on or before the Subscription Date that as a result of such offer the right to cast a majority of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or such companies or persons as aforesaid, the Company shall give notice to the Subscription Shareholders of such vesting or pending vesting within 14 days of its becoming so aware, and each such Subscription Shareholder shall be entitled, at any time within the period of 30 days immediately following the date of such notice, to exercise their Subscription Rights on the terms (subject to any adjustments pursuant to paragraphs 2(a) to (f) and subject to paragraph 2(h) above) on which the same could have been exercised if they had been exercisable and had been exercised on the date on which the Company shall become aware as aforesaid. The publication of a scheme of arrangement under sections 895 to 901 of the Act providing for the acquisition by any

person of the whole or any part of the issued share capital of the Company shall be deemed to be the making of an offer for the purposes of this paragraph 3(g) and reference herein to such an offer shall be read and construed accordingly;

- (h) if under any offer as referred to in paragraph 3(g) above the consideration shall consist solely of the issue of Ordinary Shares of the offeror and the offeror shall make available to Subscription Shareholders an offer of securities to subscribe for Ordinary Shares in the offeror in exchange for the Subscription Shares, which the independent financial advisers appointed by the Board shall consider to be fair and reasonable (having regard to the terms of the offer and any other circumstances which may appear to such independent financial advisers to be relevant), then a Subscription Shareholder shall not have the right to exercise their Subscription Rights on the basis referred to in paragraph 3(g) above and, subject to the offer referred to in paragraph 3(g) above becoming or being declared wholly unconditional and the offeror being in a position to acquire compulsorily the whole of the then issued share capital of the Company not already owned by it or its associates, any Director shall be irrevocably authorised as attorney for the holders of Subscription Shares who have not accepted the offer of Subscription Shares to subscribe for Ordinary Shares in the offeror in exchange for the relevant securities:
  - (i) to execute a transfer of the Subscription Shares held by such holders in favour of the offeror in respect of Subscription Shares which are in certificated form (or to take or procure the taking of such action as shall be required in accordance with and subject to the CREST Regulations and the facilities and requirements of the relevant system concerned, in respect of Subscription Shares which are in uncertificated form) in consideration of the issue of securities to subscribe for Ordinary Shares in the offeror as aforesaid whereupon all the Subscription Shares shall lapse; and
  - (ii) to do such acts and things as may be necessary or appropriate in connection therewith including to take account of the fact that Subscription Shares may be held in uncertificated form;
- (i) if:
  - (i) an order is made or an effective resolution is passed for winding up the Company (except for the purpose of reconstruction, amalgamation or unitisation on terms sanctioned by a special resolution of the Subscription Shareholders); and
  - (ii) if in such winding up and on the basis that all Subscription Rights then unexercised had been exercised in full and the Subscription Price in respect thereof at the Subscription Date had been received in full by the Company there would be a surplus available for distribution amongst the holders of the Ordinary Shares, including for this purpose the Ordinary Shares which would arise on exercise of all the Subscription Rights (taking into account any adjustments pursuant to paragraphs 2(a) to (f) and 2(i) above), which surplus would, on such basis, exceed in respect of each Share a sum equal to such Subscription Price,

each Subscription Shareholder shall be treated as if immediately before the date of such order or resolution (as the case may be) his Subscription Rights had been exercisable and had been exercised in full on the terms (subject to any adjustments pursuant to paragraphs 2(a) to (f) and 2(i) above) on which the same could have been exercised if they had been exercisable and had been exercised in full but at any reduced Subscription Price immediately before the date of such order or resolution (as the case may be), and shall accordingly be entitled to receive out of the assets available in the liquidation *pari passu* with the holders of the Ordinary Shares such sum as they would have received had he been the holder of the Ordinary Shares to which he would have become entitled by virtue of such subscription after deducting a sum per Share equal to the Subscription Price (subject to any adjustments pursuant to paragraphs 2(a) to (f) and 2(i) above). Subject to the foregoing, all Subscription Rights shall lapse on liquidation of the Company; and

- (j) notwithstanding paragraphs 3(a) to (i) above, the Company may, without the sanction of a special resolution of the Subscription Shareholders:
  - (i) purchase any of its own equity share capital (whether by tender, by private treaty or through the market);
  - (ii) hold its Ordinary Shares in treasury (for the purposes of The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003) and sell any such Ordinary Shares held in treasury; and
  - (iii) effect a reduction in its share premium account or capital redemption reserve unless prohibited by paragraph 3(d) above.

#### **4. Issue of C Shares**

- (a) Notwithstanding the provisions of paragraph 3 above, a Qualifying C Share Issue (as defined in paragraph 4(b) below) shall not constitute a modification, alteration or abrogation of the rights attached to the Subscription Shares (and shall not require the sanction of a special resolution of the Subscription Shareholders) even though it may involve modification of the rights attached to the existing Ordinary Shares or the creation or issue of a new class of equity share capital if the Directors are of the opinion (having regard to all the circumstances) that such issue should not have any material dilutive effect on the Net Asset Value per Share.
- (b) For this purpose, a “**Qualifying C Share Issue**” means an issue by the Company of shares which will, within one year of the date of issue thereof, be converted into Ordinary Shares ranking *pari passu* in all respects with the Ordinary Shares then in issue (other than, if the case requires, as regards dividends or other distributions declared, paid or made in respect of the financial year in which the conversion takes place) and may include the issue in connection therewith of Subscription Shares (whether on the same terms and conditions as the Subscription Shares or otherwise) and any matters reasonably incidental to the process by which such shares are converted into Ordinary Shares, including but not limited to the creation, issue, sub-division, consolidation, redesignation, purchase, redemption or cancellation of any share capital of the Company, including share capital with preferred or deferred rights.

#### **5. Modification of Rights**

All or any of the rights for the time being attached to the Subscription Shares may from time to time (whether or not the Company is being wound up) be altered or abrogated with the sanction of a special resolution of the Subscription Shareholders.

#### **6. Purchase**

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

- (a) such purchases will be limited to the maximum price per Subscription Share in the Listing Rules from time to time applicable to equity securities; and
- (b) if such purchases are by tender, such tender will be available to all Subscription Shareholders alike.

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

#### **7. Transfer**

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

- (a) in the case of Subscription Shares held in certificated form, by an instrument of transfer in any usual or common form, or in any other form which may be approved by the Directors; and

- (b) in the case of Subscription Shares held in uncertificated form, by giving the appropriate instructions for transfer by means of the Relevant Electronic System.

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

## 8. General

- (a) The Company will, concurrently with the issue of the same to the holders of the Ordinary Shares, send to each Subscription Shareholder (or, in the case of joint holders, to the first named) a copy of each published annual report and accounts of the Company (or such abbreviated or summary financial statement sent to holders of Ordinary Shares in lieu thereof), together with all documents required by law to be annexed thereto, and a copy of every other statement, notice or circular issued by the Company to holders of Ordinary Shares.
- (b) For the purposes of these conditions, “**special resolution of the Subscription Shareholders**” means a resolution proposed at a meeting of the Subscription Shareholders duly convened and quorate and passed by a majority consisting of not less than three-fourths of the votes cast, whether on a show of hands or on a poll.
- (c) Subject as provided in paragraph 7 above, the provisions of the Articles relating to notice of meetings, untraced members, lost certificates and the registration, transfer and transmission of Ordinary Shares shall, *mutatis mutandis*, apply to the Subscription Shares as if they were Ordinary Shares.
- (d) Any determination or adjustment made pursuant to these terms and conditions by the independent financial advisers appointed by the Board shall be made by them as experts and not as arbitrators and any such determination or adjustment made by them shall be final and binding on the Company and each of the Subscription Shareholders.
- (e) Any references in these particulars to a statutory provision shall include that provision as from time to time modified or re-enacted.
- (f) Subject to paragraph 3(i) above, Subscription Shares carry no right to any dividend or other distribution by the Company and (save to the extent that the Directors elect in connection with an exercise of Subscription Share Rights as provided in paragraph 8(j) below) no right to be redeemed (although the Company may elect to purchase Subscription Shares pursuant to paragraph 6 above). Subscription Shareholders are not entitled to attend or vote at meetings of Shareholders and, save as provided in paragraph 3(i) above, have no right to share in any surplus in the event of liquidation beyond the right to be repaid the sum of one penny, being the nominal value of each Subscription Share (in respect of which conversion rights have not been exercised) held (which rights rank immediately after the rights of the Shareholders to be repaid the nominal value of 25 pence for each Ordinary Share).
- (g) Within seven days following the Subscription Date the Company shall appoint a trustee (the “**Subscription Trustee**”) who, provided that in such trustee’s opinion the net proceeds of sale after deduction of all costs and expenses incurred by such trustee will exceed the costs of exercising the Subscription Rights, shall within the period of 14 days following the Subscription Date, either:
  - (i) exercise all the Subscription Rights which shall not have been exercised on the terms on which the same could have been exercised on the Subscription Date and sell in the market the Ordinary Shares resulting from such exercise; or
  - (ii) (if it appears to the Subscription Trustee that doing so is likely to realise greater net proceeds for Subscription Shareholders) accept any offer available to Subscription Shareholders for the purchase of the outstanding Subscription Shares.

The Subscription Trustee shall distribute *pro rata* the proceeds of any such sale or acceptance of any such offer less, in either case, such costs of exercising the Subscription Rights and such other costs and expenses to the persons entitled thereto at the risk of such persons within 56 days of the

Subscription Date, provided that entitlements of under £5.00 shall be retained for the benefit of the Company. If the Subscription Trustee shall not exercise the Subscription Rights within the period of 14 days following the Subscription Date as set out in this paragraph 8(g) (and such trustee's decision in respect thereof shall, in the absence of unreasonableness, be final and binding on all holders of outstanding Subscription Shares), all Subscription Rights shall lapse.

- (h) The Company shall, in its discretion, as an alternative to the procedures in paragraph 8(g) above have the right to make a payment to the holder of each outstanding Subscription Share of an amount equal to the Board's best estimate of the amount which would be received by Subscription Shareholders were such procedures to be followed and upon making such payment the Subscription Shares shall lapse.
- (i) The Subscription Trustee shall have no liability of any nature whatsoever where such trustee has acted honestly and reasonably and shall have no responsibility for the safe custody of, or to earn any interest on, any unpaid or unclaimed money.
- (j) The Company shall give effect to Subscription Rights in accordance with this paragraph 8(j) or in such other manner as may be authorised by law. For the purposes of this paragraph 8(j) the **"Relevant Shares"** shall mean those Subscription Shares in respect of which Subscription Rights are exercised.
  - (i) To enable such subscription to be effected, the Directors may determine to redeem at par the Relevant Shares on the Subscription Date out of profits of the Company which would otherwise be available for dividend. In the event that the Directors determine to redeem the same at par out of such profits, a Relevant Share shall confer upon the holder thereof the right to subscribe for, and shall authorise the secretary of the Company (or any other person appointed for the purpose by the Directors) to subscribe as agent on such holder's behalf for, one Ordinary Share at such price as shall represent the aggregate of:
    - (a) the Subscription Price; and
    - (b) the amount of the redemption moneys to which the holder is entitled,and, in any such case, the Certificated Subscription Notice or Uncertificated Subscription Notice (as the case may be, a **"Subscription Notice"**) given by such holder shall be deemed irrevocably to authorise and instruct such agent to apply the redemption moneys payable to such holder in subscribing for such Ordinary Shares at such price.
  - (ii) To enable such subscription to be effected, the Directors may determine to redeem at par the Relevant Shares on the Subscription Date out of the proceeds of a fresh issue of Ordinary Shares. In the event that the Directors determine to redeem the same at par out of such proceeds, a Relevant Share shall confer upon the holder thereof the right to subscribe for, and shall authorise the secretary of the Company (or any other person appointed for the purpose by the Directors) to subscribe as agent on such holder's behalf for, one Ordinary Share at such price as shall represent the aggregate of:
    - (a) the Subscription Price; and
    - (b) the amount of the redemption moneys to which the holder is entitled,and, in any such case, the Subscription Notice given by such holder shall be deemed irrevocably to authorise and instruct such agent to apply the redemption moneys payable to such holder in subscribing for such Ordinary Shares at such price.
  - (iii) To enable such subscription to be effected, the Directors may determine to effect such subscription by means of a consolidation and sub-division of the Relevant Shares. In such case the requisite consolidation and sub-division shall be effected by consolidating into one share all the Relevant Shares held by any holder or joint holders and in respect of which a Subscription Notice shall have been given in respect of the Subscription Date (treating holdings of the same holders or joint holders in certificated form and uncertificated form



as separate holdings, unless the Directors otherwise determine) and, if the Directors so determine, any Ordinary Shares allotted to such holder or joint holder pursuant to paragraph 8(j)(v) and converting (and, if necessary, sub-dividing) such consolidated share into Ordinary Shares of 25 pence each (or such other nominal amount as may be appropriate as a result of any consolidation or sub-division of Ordinary Shares) of which one share for every complete 25 pence (or such other nominal amount as may be appropriate as a result of any consolidation or sub-division of Ordinary Shares) of the nominal amount of the consolidated share shall be Ordinary Shares (fractional entitlements to an Ordinary Share being disregarded) and the balance (if any) of such consolidated share shall be deferred ordinary shares (“**Deferred Shares**”) which shall carry the limited rights set out in the Articles and paragraph 9 below but in particular will be capable of being redeemed by the Company without further authorisation.

- (iv) In relation to any Relevant Shares that are to be redeemed in accordance with paragraph 8(j)(i) or 8(j)(ii) above and that are, on the Subscription Date, in uncertificated form, the Directors shall be entitled in their absolute discretion to determine the procedures for the redemption of such Relevant Shares (subject always to the facilities and requirements of the Relevant Electronic System). Without prejudice to the generality of the foregoing, the procedures for the redemption of any such Relevant Shares may involve or include the sending by the Company or by any person on its behalf of an issuer instruction to the operator of Relevant Electronic System requesting or requiring the deletion of any computer based entries in the relevant system concerned that relate to the holding of the Relevant Shares concerned, and/or the Company may, if the Directors so determine (by notice in writing to the holder concerned), require the holder of the Relevant Shares concerned to change the form of the Relevant Shares from uncertificated form to certificated form prior to the Subscription Date.
- (v) To enable any subscription to be effected in accordance with this paragraph 8(j) the Directors are authorised to capitalise any part of the amount then standing to the credit of any of the Company’s reserve accounts (whether or not the same would lawfully be distributable by way of cash dividend) or to the credit of the share premium account, capital redemption reserve, profit and loss account or otherwise available for the purpose and the same shall be applied in paying up in full at par shares to be allotted and issued, credited as fully paid, to and amongst the holders of the Subscription Shares exercising their Subscription Rights in accordance with their respective entitlements. Any restrictions and limitations in the Articles relating to capitalisation issues generally shall not apply to any capitalisation or creation or issue of shares pursuant to this paragraph 8(j).
- (vi) Where the Subscription Rights attaching to any Subscription Shares have lapsed in accordance with the provisions of the Articles, such Subscription Shares will be reclassified as Deferred Shares.
- (k) The Directors may make such arrangements or regulations (if any) as they may from time to time in their absolute discretion think fit in relation to the evidencing, issue, conversion and transfer of uncertificated Subscription Shares, the payment of any monies in respect of uncertificated Subscription Shares and otherwise for the purpose of implementing and/or supplementing the provisions of the Articles and the CREST Regulations and the facilities and requirements of the relevant system concerned; and such arrangements and regulations (as the case may be) shall have the same effect as if set out in the Articles.

## **9. Deferred Shares**

- (a) In the case of a conversion effected by means of consolidation and sub-division as provided in paragraph 8(j)(iii) above, the Deferred Shares arising as a result thereof, or otherwise on the lapse of Subscription Rights, shall on a return of assets in a winding up entitle the holder only to the repayment of the amounts paid up on such shares after repayment of the capital paid up on the Ordinary Shares, the capital paid up on the Subscription Shares plus the payment of £5,000 on each Ordinary Share and shall not entitle the holder to the payment of any dividend nor to receive notice of or to attend or vote at any general meeting of the Company and such conversion shall

be deemed to confer irrevocable authority on the Company at any time thereafter to appoint any person to execute on behalf of the holders of such shares a transfer thereof and/or an agreement to transfer the same, without making any payment to the holders thereof, to such person as the Company may determine as custodian thereof and to cancel and/or purchase the same (in accordance with the provisions of the Act) without making any payment to or obtaining the sanction of the holder thereof and pending such transfer and/or cancellation and/or purchase to retain the certificate for such Ordinary Shares.

- (b) The Company may at its option at any time after the creation of any Deferred Shares redeem all or any of the Deferred Shares then in issue, at a price not exceeding 1 penny for all the Deferred Shares redeemed, at any time upon giving the registered holder(s) of such share or shares not less than 28 days' previous notice in writing of its intention so to do, fixing a time and place for their redemption.
- (c) If and whenever the Company shall determine to redeem pursuant to the foregoing paragraph less than the total of the Deferred Shares then outstanding, those to be redeemed shall be selected by the drawing of lots. At the time and place so fixed, each such registered holder shall be bound to surrender to the Company the certificate for their Deferred Share or Ordinary Shares which are to be redeemed in order that such shares may be cancelled.

## PART VII

### ADDITIONAL INFORMATION

#### 1. The Company and the Manager

##### *Incorporation*

The Company was incorporated in England and Wales as a public limited company on 12 May 2010. The Company is registered as an investment company under section 833 of the Act with registered number 07251471. The Company has received a certificate under section 761 of the Act entitling it to commence business and to exercise its borrowing powers. Since its incorporation the Company has not commenced operations, has not declared any dividend, and no financial statements have been made up. The Company is domiciled in England and Wales and currently has no employees.

The Company is the holding company of a group consisting of the Company and Polar Capital Global Healthcare Finance Limited, which was incorporated in England and Wales as a private limited company on 18 May 2010 with registered number 07257529. This subsidiary has the same registered office and Directors as the Company and since its incorporation, has not commenced operations, has not paid any dividends, and no financial statements have been made up in respect of it. All of its issued share capital, which is fully paid, is held by the Company. The Company has no reserves. The principal activity of the Company and the Group is to invest in accordance with the investment policy in Part I of this document.

The Company operates under the Act and is not regulated as a collective investment scheme by the FSA. Its registered office and principal place of business is at 4 Matthew Parker Street, London SW1H 9NP. The Company's telephone number is +44 20 7227 2700.

##### *Principal activities of the Company*

The Company intends at all times to conduct its affairs so as to enable it to qualify as an investment trust for the purposes of section 1158 of the Corporation Tax Act 2010. In summary, the conditions that must be met or approved as an investment trust are that:

- the Company is not a close company at any time during the accounting period for which approval as an investment trust is sought;
- the Company is resident in the UK throughout that accounting period;
- the Company's income for the accounting period is derived "wholly or mainly" from shares or securities;
- the Company does not at any time during the accounting period have a holding in another company that represents more than 15 per cent. by value of the Company's investments (with the exception of holdings in other companies which are themselves investment trusts, or would be but for not meeting the listing condition referred to below, or would be but for not meeting the UK residence condition);
- each class of the Company's ordinary share capital is included in the Official List throughout the accounting period;
- the Articles prohibit the distribution as dividend of surpluses arising from the realisation of investments; and
- the Company must not retain in respect of any accounting period an amount greater than 15 per cent. of its income derived from shares and securities.

##### *The Manager*

The Manager is a limited liability partnership incorporated in England and Wales with registered number OC314700. The Manager is authorised and regulated by the FSA. The address of the registered office of the Manager is 4 Matthew Parker Street, London, SW1H 9NP and its telephone number is +44 20 7227 2700.

## 2. Share Capital

### *The Shares*

The par value of the Ordinary Shares is 25 pence each. The ISIN of the Ordinary Shares is GB00B6832P16. The ISIN of the Subscription Shares is GB00B68VXC96.

The following table shows the issued share capital (excluding treasury shares) of the Company as at 25 May 2010 (being the latest practicable date prior to the publication of this document):

	<i>Nominal Value (£)</i>	<i>Number of Ordinary Shares</i>
Issued Ordinary Shares	0.25	200,000

On incorporation, 200,000 Ordinary Shares were allotted to Polar Capital Partners Limited at par to enable the Company to commence business and to exercise its borrowing powers under section 761 of the Act. Pursuant to a special resolution of the Company passed on 25 May 2010, these Ordinary Shares will be reclassified as deferred subscriber shares with effect from the date of allotment of Shares under the Issue and, subject to the approval of the courts, cancelled. The deferred subscriber shares carry no right to vote at general meetings of the Company or to dividends and rank *pari passu* with the Ordinary Shares on a winding up for repayment of the capital paid up thereon.

With effect from Admission, all of the Shares will be in registered form and, subject to the Shares being admitted to and accordingly enabled for settlement in CREST, the Ordinary Shares will be capable of being held in uncertificated form as well as in certificated form. No temporary documents of title will be issued.

The Directors are entitled to allot Ordinary Shares immediately following the Issue for cash or otherwise. The Act confers rights of pre-emption in favour of existing Shareholders in respect of such unissued share capital. By special resolutions passed on 25 May 2010, the Directors were authorised: (a) to allot Shares pursuant to the Issue (including Ordinary Shares arising on exercise of Subscription Rights) as if statutory pre-emption rights did not apply; and (b) to allot Ordinary Shares up to an aggregate nominal amount of £6,250,000 or, if lower, 10 per cent. of the aggregate nominal amount of the issued Ordinary Share capital of the Company immediately following the completion of the Issue as if statutory pre-emption rights did not apply. This latter authority will expire at the conclusion of the first annual general meeting of the Company (save that the Company may before such expiry make any offer or agreement which would or might require Ordinary Shares to be allotted after such expiry and the Directors may allot Ordinary Shares pursuant to any such offer or agreement as if the authority had not expired).

Shares are freely transferable and Shareholders are entitled to participate (in accordance with the rights specified in the Articles) in the assets of the Company attributable to their Shares in a winding up of the Company or a winding up of the business of the Company.

Save as disclosed in this document, since the date of its incorporation, no share or loan capital of the Company has been issued or agreed to be issued, or is now proposed to be issued, either 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. No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.

### *Repurchases of Shares*

On Admission, the Company will have authority to make market purchases of up to 14.99 per cent. of each class of Shares in issue. The Directors intend to seek annual renewal of this share repurchase authority.

As approved by a resolution of the Company's Shareholders dated 25 May 2010, the Company intends (subject to court approval) to effect the cancellation of its share premium account following Admission, in order that share repurchases may be made out of the Company's distributable reserves to the extent considered desirable by the Directors. The Company may also, where the Directors consider appropriate, use the reserve created by the cancellation of the share premium account to pay dividends. The Company may be required to renounce its status as an investment company under section 833 of the Act if it wishes to do so.

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

In addition to the rights attaching to the Subscription Shares, which are set out in Part VI above, the Articles contain (among others) provisions to the following effect:

#### ***Life***

The Company is expected to be wound up at its seventh annual general meeting (expected to be in January 2018).

The Articles contain a provision requiring the Directors to propose a resolution at the Company's seventh annual general meeting for the appointment of a liquidator and for the liquidation of the Company. Shareholders' voting rights in relation to this resolution will be enhanced such that one vote in favour by any Shareholder entitled to attend and vote at the annual general meeting in person, by proxy or by corporate representative is sufficient to pass the resolution.

#### ***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).

#### ***Alteration to Share capital***

The Company may by ordinary resolution consolidate and divide all or any of its Share capital into Shares of larger amount than its existing Shares or sub-divide its Shares, or any of them, into Shares of smaller amount than its existing Shares and determine that, as between the Shares arising from that sub-division, any of the Shares have any preference or advantage as compared with the others.

#### ***Redemption of Shares***

Any Share may be issued which is or is to be liable to be redeemed at the option of the Company or the holder, and the Directors may determine the terms, conditions and manner of redemption of any such Share.

#### ***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 provisions of the Act and except as otherwise provided by the Articles or the rights attached to Shares, 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.

Notwithstanding any other provision of the Articles, but without prejudice to the rights attached to any Shares, the Company or the Directors may fix a date as the record date by reference to which a dividend will be declared or paid or a distribution, allotment or issue made. No dividends or other money payable in respect of a Share shall bear interest against the Company, unless otherwise provided by the rights attached to the Share.

#### ***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.

### ***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 system concerned.

In their absolute discretion and without giving any reasons, 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 to a person who is to hold it thereafter in certificated form in any case where the Company is entitled to refuse to register the transfer under the CREST Regulations.

If the Directors refuse to register a transfer of a Share, they shall send the transferee notice of that refusal with reasons for the refusal within two months after the date on which the transfer was lodged with the Company (for the transfer of a Share in certificated form) or the date the operator-instruction was received by the Company (for the transfer of Share in uncertificated form which will be held thereafter in certificated form).

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

### ***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 assets upon which there is a liability.

### ***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 14 days of the notice, sanctions shall apply unless the Directors determine otherwise. The sanctions available are the suspension of the right to attend or vote (whether in person or by representative or proxy) at any general meeting or any separate meeting of the holders of any class or on any poll and, where the default Shares represent at least 0.25 per cent. of their class (excluding treasury Shares), the withholding of any dividend payable in respect of those Shares and the restriction of the transfer of any Shares (subject to certain exceptions).

### ***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.

### ***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.

### ***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.

The Directors may appoint one or more of their number to the office of managing Director or to any other executive office of the Company and, subject to the provisions of the Act, any such appointment may be made for such term, at such remuneration and on such other conditions as the Directors think fit.

Any Director (other than an alternate 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 and may remove such an alternate Director from office.

### ***Borrowing powers***

The Directors shall restrict the borrowings of the Company so as to secure (insofar as they can) that the aggregate principal amount (including any premium payable on final repayment) outstanding of all money borrowed by the Company and any subsidiary undertakings shall not at any time when any borrowing is drawn down, save with the previous sanction of an ordinary resolution of the Company, exceed an amount equal to 15 per cent. of NAV.

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

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

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

### ***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.

### ***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.

### ***Indemnity***

Subject to the provisions of the Act, the Company may indemnify any person who is or was a Director, directly or indirectly (including by funding any expenditure incurred or to be incurred by him) against any loss or liability whether in connection with any proven or alleged negligence, default, breach of duty or breach of trust by him or otherwise in relation to the Company or any associated company; and purchase and maintain insurance for any person who is or was a Director, or a Director of any associated company, against any loss or liability or any expenditure he may incur, whether in connection with any proven or alleged negligence, default, breach of duty or breach of trust by him or otherwise, in relation to the Company or any associated company.

### ***General Meetings***

Meetings may be called by the Directors. If there are not sufficient Directors to form a quorum in order to call a general meeting, any Director may call a general meeting. If there is no Director, any Shareholder may call a general meeting.

Subject to the provisions of the Act, an annual general meeting and all other general meetings of the Company shall be called by at least such minimum period of notice as is prescribed under the Act.

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.

## **4. City Code on Takeovers and Mergers**

### ***Mandatory bid***

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

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



Mergers) to make a cash offer for the outstanding Ordinary Shares at a price not less than the highest price paid for any interests in the Ordinary Shares by the acquirer or its concert parties during the previous 12 months.

### ***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 outstanding holders of 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 outstanding holders of 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 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 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**

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

The Directors intend to subscribe for Ordinary Shares (with Subscription Shares attached) pursuant to the Issue in the amounts set out below:

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>Number of Subscription Shares</i>
James Robinson	25,000	5,000
John Aston	10,000	2,000
Anthony Brampton	20,000	4,000

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.

### ***Directors' contracts with the Company***

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.

The Directors' current level of remuneration is £20,000 per annum for each Director other than the Chairman, who receives £30,000 per annum.

The Chairman of the Audit Committee and the Management Engagement Committee receives £5,000 in addition to his basic remuneration.

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.

***Other interests***

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) or memberships and administrative, management or supervisory bodies and/or partnerships:

*John Aston:*

*Current:* The Perse School Limited, Regenerative Medicine Assets Limited (formerly Intercytex Group plc)

*Previous:* Astex Therapeutics Limited, Cambridge Antibody Technology Group plc, Cambridge Antibody Technology Inc., Cambridge Antibody Technology Holdings Inc., Cambridge Antibody Technology Limited, CAT Group Employees Trustees Limited, Grafham Water Sailing Club Limited, Optein Inc., Tagred Limited.

*Antony Milford:*

*Current:* None.

*Previous:* HCM Fund Management Limited

*James Robinson:*

*Current:* Aberdeen New Thai Investment Trust PLC, The Basingstoke Citizens Advice Bureau Limited, BOCM Pauls Ltd (advisor), British Heart Foundation (Council Member, Member of Audit and Investment Committees), Fidelity European Values PLC, Gore Browne Investment Management LLP (Investment Advisory Committee), Invesco Asia Trust plc.

*Previous:* Henderson Asia Pacific Absolute Return Fund Limited, Henderson European Absolute Return Fund Limited, Henderson Global Fixed Income Absolute Return Fund Limited, Henderson Japan Absolute Return Fund Limited, Henderson Pan European Equity Multi-Strategy Fund Limited, Henderson UK Equity Long Short Fund Limited, Henderson UK Equity Multi-Strategy Fund Limited, Henderson UK Fundamental Long Short Fund Limited, Mandarin Merchant Capital plc.

*Anthony Brampton:*

*Current:* Brody House Management Limited, Sudbrook Associate LLP, Polytherics Limited

*Previous:* None.

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.

### ***Major shareholders***

As at 25 May 2010 (being the latest practicable date before publication of this document) insofar as known to the Company, there are no parties known to have a notifiable interest under English law in the Company's capital or voting rights.

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

Pending the allotment of Shares pursuant to the Issue, the Company is controlled by Polar Capital Partners Limited, as described in paragraph 2 of this Part VII above. The Company and the Directors are not aware of any other person who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

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.

### ***Related party transactions***

The Company has not entered into any related party transaction at any time during the period from incorporation to 25 May 2010 (being the latest practicable date before publication of this document).

### ***Other material interests***

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

## **6. Share options and share scheme arrangements**

No share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option.

## **7. Investment restrictions**

The Company will at all times invest and manage its assets with the objective of spreading risk and in accordance with its published investment policy as set out in Part I of this 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 investment funds, whether managed by the Manager or not. In the event of any material breach of the investment restrictions applicable to the Company, Shareholders will be informed of the actions to be taken by the Manager through an announcement via a Regulatory Information Service.

The Company intends to conduct its affairs so as to qualify as an investment trust for the purposes of section 1158 of the Corporation Tax Act 2010, and its investment activities will therefore be subject to the restrictions set out under "Principal activities of the Company" on page 59 above.

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

## **8. Material contracts**

Save as described below, no member of the Group has (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.

### 8.1 **Placing and Offer Agreement**

The Placing and Offer Agreement dated 26 May 2010 between the Company, the Manager, Matrix and Religare Capital Markets, pursuant to which, subject to certain conditions, Matrix has agreed to use all reasonable endeavours to procure subscribers for Ordinary Shares (with Subscription Shares attached) at the Issue Price.

The Placing and Offer Agreement may be terminated by Matrix in certain customary circumstances prior to Admission. The Company has appointed Matrix as bookrunner, placing agent and corporate broker to the Company in connection with the Issue. Religare Capital Markets has been appointed as UKLA sponsor to the Issue.

The obligation of the Company to issue the Ordinary Shares (with Subscription Shares attached) and the obligation of Matrix to use its reasonable endeavours to procure subscribers for Ordinary Shares (with Subscription Shares attached) 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 15 June 2010 (or such later time and/or date, not being later than 30 July 2010, as the Company and Matrix may agree); and (ii) the Placing and Offer Agreement becoming otherwise unconditional in all respects and not having been terminated on or before 15 June 2010 (or such later time and/or date, not being later than 30 July 2010 as the Company and Matrix may agree).

In consideration for its services in relation to the Issue and conditional upon completion of the Issue, Matrix will be paid (a) a fee calculated as a percentage of the gross proceeds of the Issue based on the following scale: 1.0 per cent. for the first £75 million raised, 1.25 per cent. for the next £25 million, 1.50 per cent. for the next £25 million and 1.75 per cent. for everything over £125 million; (b) a corporate finance fee of 0.1 per cent. of the gross proceeds of the Issue. Matrix has agreed to waive the corporate finance fee if the gross proceeds of the Issue are equal to or exceed £125 million and to pay Religare Capital Markets out of its own fee.

Pursuant to the Placing and Offer Agreement, the Company will bear the formation and initial expenses of the Issue up to a sum equal to 2 per cent. of the gross proceeds of the Issue. In the event that such expenses exceed 2 per cent. of such gross proceeds, the Manager will pay the excess. In the event that such expenses are less than 2 per cent. of the gross proceeds the Manager shall, at its discretion, be entitled to be paid for its benefit a sum equal to the difference between 2 per cent. of the gross proceeds and the actual expenses incurred.

Under the Placing and Offer Agreement, Matrix is to retain agents and may pay commissions in respect of the Placing to any of those agents out of its own resources.

The Company and the Manager have given warranties and indemnities to Matrix and Religare Capital Markets concerning, *inter alia*, the accuracy of the information contained in this document. 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.

### 8.2 **Management Agreement**

The Management Agreement dated 26 May 2010 between the Company and the Manager, whereby the Manager is appointed to act as investment manager of the Company with responsibility to manage the assets of the Company and to advise the Company on a day to day basis in accordance with the investment policy of the Company and subject to the overall control and supervision of the Board. Under the terms of the Management Agreement, the Manager has discretion to buy, sell, retain, exchange or otherwise deal in investment assets for the account of the Company.

The Manager will procure or provide the day to day administration of the Company and general secretarial functions required by the Act. The Manager will also be responsible for the Company's general administrative functions, such as the calculation and publication of the Net Asset Value per Share and maintenance of the Company's accounting and statutory records. The Manager has, with the consent of the Directors, delegated the provision of certain of these administrative

functions to the Administrator and to Polar Capital Secretarial Services Limited, but will remain liable for the acts of any such third party. The fees of the Administrator and Polar Capital Secretarial Services in providing such services will be for the account of the Company. However, to the extent that payment of the Administrator's fees by the Company would result in the Company being unable to pay aggregate dividends in the relevant year of at least 3 pence per Ordinary Share out of its net income such excess fees will be borne by the Manager.

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

The management fee is payable monthly in arrear and will be calculated daily at the rate of 0.85 per cent. per annum of the lower of the Company's Market Capitalisation and the Company's Net Asset Value on the relevant day. In accordance with the Directors' policy on the allocation of expenses between income and capital, in each financial year 80 per cent. of the management fee payable is expected to be charged to capital and the remaining 20 per cent. to income.

The Manager may be entitled to a performance fee. The performance fee will be paid in cash at the end of the Company's fixed life (except in the case of an earlier termination of the Management Agreement) and will be an amount equal to 10 per cent. of excess return (based on the Adjusted Net Asset Value (as defined below) per Ordinary Share at that time) over the performance fee hurdle. The performance fee hurdle will be 100 pence, increased or decreased (as the case may be) by reference to the return on the Benchmark Index plus 15 pence (the 15 pence equating approximately to a simple 2 per cent. per annum return on the opening net assets per Share over the period from Admission to the expiry of the Company's fixed life).

There is one further important proviso. If at the end of the Company's fixed life the amount available for distribution of Shareholders is less than 100 pence per Share, no performance fee will be payable. If the amount is more than 100 pence per Share but payment of the performance fee in full would reduce it below that level, then the performance fee will be reduced (but not to less than nil) such that Shareholders receive exactly 100 pence per Share.

For the purposes of calculating the performance fee, the Company's Net Asset Value shall be adjusted as follows (the "**Adjusted Net Asset Value**"):

- (A) the amount of any dividends paid by the Company shall be deemed to have been reinvested on the date of payment in Ordinary Shares at their Net Asset Value (on such date) and the resulting amount added to the Company's Net Asset Value; and
- (B) any dilutive effect caused by the exercise by Shareholders of Subscription Rights in relation to Subscription Shares shall be deemed to have been added back to the Company's Net Asset Value at the time of issue of the Ordinary Shares resulting from such exercise, so as to negate the effect of the dilution,

provided, for the avoidance of doubt, that no adjustment to the Company's Net Asset Value per Ordinary Share will be made in respect of (i) any repurchase of Ordinary Shares at a discount to the Net Asset Value per Ordinary Share prevailing at the time of such repurchase since Admission or (ii) any issue of Ordinary Shares at a premium to the Net Asset Value per Ordinary Share prevailing at the time of such issue since Admission.

The Management Agreement is terminable by either the Manager or the Company giving to the other not less than 12 months' written notice, such notice not to be served earlier than the second anniversary of Admission. The Management Agreement may be terminated earlier by the Company with immediate effect on the occurrence of certain events, including: (i) if an order has been made or an effective resolution passed for the liquidation of the Manager; (ii) if the Manager ceases or threatens to cease to carry on its business; (iii) where the Company is required to do so by a relevant regulatory authority; (iv) on the liquidation of the Company; or (v) subject to certain conditions, where the Manager commits a material breach of the Management Agreement.

In the event the Management Agreement is terminated before the expiry of the Company's fixed life then, except in the event of termination by the Company for certain specified causes, the base fee and the performance fee will be calculated pro rata for the period up to and including the date

of termination. The performance fee payable will be calculated as if the date on which the Management Agreement is terminated is the end of the Company's fixed life, with the 15 pence hurdle added to the Benchmark Index reduced pro rata according to the portion of the Company's fixed life from Admission that has elapsed at the date of termination. The Net Asset Value used for the purposes of calculating the performance fee in these circumstances shall be the Net Asset Value of the Company on the date of termination (adjusted as described above). For the avoidance of doubt, the performance fee will be reduced to the extent that payment thereof would reduce the Net Asset Value per share to less than 100 pence.

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.

### 8.3 ***Receiving Agent Agreement***

The Receiving Agent Agreement between the Company and Equiniti Limited dated 26 May 2010, pursuant to which the Receiving Agent has agreed to provide receiving agent duties and services to the Company in respect of the Issue.

Under the terms of the Receiving Agent Agreement, the Receiving Agent is entitled to a management fee of £4,000, plus a processing fee of £3.00 per application. The Receiving Agent will also be entitled to reimbursement of all out of pocket expenses reasonably and properly incurred by it in connection with its duties. These fees will be for the account of the Company.

The Receiving Agent Agreement also contains terms including:

- a provision whereby the Company indemnifies the Receiving Agent for and holds it harmless against any loss, liability or expense including the costs and expenses of defending any claim or liability incurred save where due to fraud, wilful default, negligence or bad faith on the Receiving Agent's part arising out of or in connection with the Receiving Agent's activities pursuant to the Receiving Agent Agreement;
- a provision whereby the Receiving Agent indemnifies and holds the Company harmless against any direct loss, liability or expense, including the costs and expenses of investigating, preparing for or defending any, or any threatened or pending, claims or liability incurred arising out of a breach by the Receiving Agent of its obligations in connection with the Receiving Agent Agreement or its wilful default, fraud, negligence or bad faith or material breach of the Receiving Agent Agreement, provided that (save in the case of fraud) the Receiving Agent's maximum liability under the Receiving Agent Agreement is capped at four times the total charges payable for provision of services under the Receiving Agent Agreement (whether such liability arises under any express or implied terms of the Receiving Agent Agreement, in tort, for misrepresentation, for breach of contract, or in any other way);

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

### 8.4 ***Registrar Agreement***

The Registrar Agreement between the Company and Equiniti Limited dated 26 May 2010, pursuant to which the Registrar has been appointed as registrar to the Company. The Registrar shall be entitled to receive an annual registration fee from the Company based on activity and subject to an annual minimum charge of £3,250. The Registrar shall also be entitled to reimbursement of all out of pocket costs, expenses and charges properly incurred on behalf of the Company.

Any party may terminate the Registrar Agreement on not less than twelve months' notice in writing to the other parties, provided that such termination shall not be effective prior to the third anniversary of the date of Admission. Any party may terminate the Registrar Agreement with immediate effect if (amongst others):

- the other party/parties commit a material breach of its obligations under the Registrar Agreement and which, if capable of remedy, that party has failed to remedy within 45 calendar days' notice in writing to remedy the breach; or

- the other party/parties are declared insolvent, have a receiver or manager appointed over the whole or a substantial part of their business, or cease or threaten to cease trading.

The Registrar Agreement limits the Registrar's liability thereunder to four times the charges paid by the Company to the Registrar in the relevant calendar year pursuant to the Receiving Agent Agreement, save in the case of fraud or wilful default on the part of the Registrar. 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 or breach by the Registrar of the terms of the Registrar Agreement.

### 8.5 *Global Custody Agreement*

The Global Custody Agreement, dated 26 May 2010, between the Company and the Custodian, pursuant to which the Custodian is appointed to provide global custody services to the Company, including establishing and maintaining the Company's 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 Global Custody Agreement, the Custodian is entitled to a range of fees calculated as a percentage of the Company's Net Asset Value and dependent on the geographical location of the Company's assets. For example, US securities are subject to a fee of 0.01 per cent. per annum and UK securities eligible for CREST are subject to a fee of 0.004 per cent. per annum. The Custodian is also entitled to certain transaction charges. The Custodian is entitled to reimbursement of all reasonable out of pocket expenses incurred in connection with its duties. These fees will be for the account of the Company.

The Company agrees to ratify all acts carried out by the Custodian in its performance of the Global Custody Agreement and to indemnify the Custodian against all losses suffered by the Custodian (and, where applicable its delegates) in connection with the Company's portfolio or the performance by the Custodian of its duties under the Global Custody Agreement. This indemnity does not cover any losses due to the negligence, fraud or wilful default of the Custodian (or any of its delegates), other than where such delegate is a clearing system.

The Global Custody Agreement may only be terminated by either party giving 90 days' notice to the other party, unless:

- a party has committed a material breach or is in persistent breach of the terms of the Global Custody Agreement and has not remedied the specified breach which is capable of being remedied within 30 days of notice served on it by the non-defaulting party specifying the breach which must be remedied;
- an insolvency event has occurred in relation to a party; or
- the Custodian assigns the Global Custody Agreement to a third party,

in which case the party may terminate the Global Custody Agreement by notice with immediate effect.

## 9. **Litigation**

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

## 10. **Significant change**

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

## **11. Working capital**

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

## **12. Capitalisation and Indebtedness**

As at the date of this document, the Company has no guaranteed, secured, unguaranteed or unsecured debt and no indirect or contingent indebtedness and the Company's issued share capital consists of 200,000 Ordinary Shares with no legal reserve or other reserves.

## **13. Third party information and consents**

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.

Matrix 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.

Polar Capital LLP 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.

Religare Capital Markets 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.

## **14. General**

The Company is not dependent on patents or licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Company's business or profitability.

In accordance with the Prospectus Rules, the Company will file with the FSA, and make available for inspection by the public, details of the number of Ordinary Shares and Subscription Shares issued under this document. The Company will also notify the issue of the Ordinary Shares and Subscription Shares through a Regulatory Information Service.

The effect of the Issue will be to increase the net assets of the Group. On the assumption that the Issue is subscribed as to 150 million Ordinary Shares, the fund raising is expected to increase the net assets of the Group by approximately £147 million. The Issue is expected to be earnings enhancing.

## **15. Auditors**

The auditors to the Company are PricewaterhouseCoopers LLP of Hay's Galleria, 1 Hay's Lane, London SE1 2RD. PricewaterhouseCoopers LLP is a member of the Institute of Chartered Accountants in England and Wales.

## **16. 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 Herbert Smith LLP, Exchange House, Primrose Street, London EC2A 2HS until the date of Admission:

- this document; and
- the Articles.

Dated: 26 May 2010



## PART VIII

### DEFINITIONS

<b>“Act”</b>	the Companies Act 2006, as amended from time to time
<b>“Adjusted Net Asset Value”</b>	means as defined in paragraph 8.2 of Part VII of this document
<b>“Administrator”</b>	HSBC Bank plc
<b>“Admission”</b>	the admission, as the context requires, of the Ordinary Shares and/or Subscription Shares: (i) to 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>“Application Forms”</b> and each an <b>“Application Form”</b>	the application forms on which applicants may apply for Offer Shares
<b>“Articles”</b>	the articles of association of the Company as at the date of this document
<b>“Benchmark Index”</b>	the MSCI ACWI/Health Care Index (total return, in Sterling, with dividends reinvested)
<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>“certificated”</b> or <b>“in certificated form”</b>	not in uncertificated form
<b>“City Code”</b>	The City Code on Takeovers and Mergers
<b>“Combined Code”</b>	the Combined Code on Corporate Governance as published by the UK Financial Reporting Council
<b>“Company”</b>	Polar Capital Global Healthcare Growth and Income Trust plc
<b>“CREST”</b>	the relevant system as defined in the CREST Regulations in respect of which Euroclear UK and Ireland Limited is operator (as defined in the CREST Regulations) in accordance with which securities may be held in uncertificated form
<b>“CREST Account”</b>	an account in CREST
<b>“CREST Regulations”</b>	the Uncertificated Securities Regulations 2001 (SI 2001 No. 2001/3755), as amended
<b>“Custodian”</b>	means HSBC Bank plc

<b>“Deferred Shares”</b>	the meaning given to it in paragraph 8(j)(iii) of Part VI of this document
<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 FSA under Part VI of the FSMA
<b>“FSA”</b>	the Financial Services 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>“GDP”</b>	gross domestic product
<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>“Group”</b>	the Company and its subsidiary undertaking(s)
<b>“HMRC”</b>	HM Revenue & Customs
<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 Placing and the Offer
<b>“Issue Price”</b>	100 pence per Share
<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 dated 26 May 2010, between the Manager and the Company summarised in paragraph 8.2 of Part VII of this document
<b>“Manager”</b>	Polar Capital LLP
<b>“Market Capitalisation”</b>	the aggregate market value of all the Shares in issue on the relevant calculation day, being (i) the closing middle market price of the Ordinary Shares and the Subscription Shares as derived from the Official List on the relevant calculation day (or, if such calculation day is not a Business Day, on the Business Day immediately preceding the relevant calculation day), multiplied by (ii) the number of Shares in issue on such calculation day
<b>“Matrix”</b>	Matrix Corporate Capital LLP
<b>“Member State”</b>	any member state of the European Economic Area
<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>“Offer”</b>	the offer for subscription of Offer Shares at the Issue Price, as described in this Prospectus
<b>“Offer Shares”</b>	the Ordinary Shares (with Subscription Shares attached on a one for five basis) to be issued under the Offer
<b>“Official List”</b>	the official list maintained by the UK Listing Authority
<b>“Ordinary Shares”</b>	ordinary shares of 25 pence each in the capital of the Company
<b>“Overseas Persons”</b>	persons who are resident in, or who are citizens of, or who have registered addresses in, territories other than the UK
<b>“Placing”</b>	the conditional placing of Placing Shares by Matrix at the Issue Price pursuant to the Placing and Offer Agreement
<b>“Placing and Offer Agreement”</b>	the agreement between the Company, the Manager, Matrix and Religare Capital Markets summarised in paragraph 8.1 of Part VII of this document
<b>“Placing Shares”</b>	the Ordinary Shares (with Subscription Shares attached on a one for five basis) to be issued under the Placing
<b>“PPACA”</b>	the United States Patient Protection and Affordable Care Act of 2010
<b>“Prospectus”</b>	this document
<b>“Prospectus Directive”</b>	Directive 2003/71/EC of the European Parliament and of the Council of the European Union and any relevant implementing measure in each Relevant Member State
<b>“Prospectus Rules”</b>	the rules and regulations made by the FSA under Part VI of the FSMA
<b>“Receiving Agent”</b>	Equiniti Limited
<b>“Register”</b>	the register of members of the Company
<b>“Registrar”</b>	Equiniti Limited and Equiniti Financial Services Limited
<b>“Regulation S”</b>	Regulation S under the Securities Act
<b>“Regulatory Information Service”</b> or <b>“RIS”</b>	a service authorised by the UK Listing Authority to release regulatory announcements to the London Stock Exchange
<b>“Relevant Electronic System”</b>	the meaning given to it in paragraph 1(c) of Part VI of this document
<b>“Relevant Member State”</b>	each Member State of the European Economic Area which has implemented the Prospectus Directive or where the Prospectus Directive is applied by the regulator
<b>“Relevant Shares”</b>	the meaning given to it in paragraph 8 (j) of Part VI of this document
<b>“Religare Capital Markets”</b>	Religare Capital Markets (UK) Limited
<b>“Rights Offer”</b>	the meaning given to it in paragraph 2(c) of Part VI of this document
<b>“Securities Act”</b>	the United States Securities Act of 1933, as amended

<b>“Shareholder”</b>	a holder of Ordinary Shares and/or Subscription Shares
<b>“Shares”</b>	the Ordinary Shares and/or the Subscription Shares, as the context may require
<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>“Subscription Date”</b>	the meaning given to it in paragraph 1(a) of Part VI of this document
<b>“Subscription Notice”</b>	the meaning given to it in paragraph 8(j)(i) of Part VI of this document
<b>“Subscription Price”</b>	the meaning given to it in paragraph 1(a) of Part VI of this document
<b>“Subscription Right”</b>	the meaning given to it in paragraph 1(a) of Part VI of this document
<b>“Subscription Shareholder”</b>	the meaning given to it in paragraph 1(a) of Part VI of this document
<b>“Subscription Shares”</b>	redeemable subscription shares of 1 penny each in the capital of the Company allocated pursuant to the Issue
<b>“Subscription Trustee”</b>	the meaning given to it in paragraph 8(g) of Part VI of this document
<b>“UK”</b>	the United Kingdom of Great Britain and Northern Ireland
<b>“UK Listing Authority”</b>	the FSA 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>“Uncertificated Subscription Notice”</b>	the meaning given to it in paragraph 1(e) of Part VI of this document
<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>“US\$”</b>	United States dollars, the lawful currency of the United States

## APPENDIX 1 – APPLICATION FORM

Please complete Sections 1 to 7 of this Application Form (as applicable), detach it and send it with your cheque, by post or by hand (during normal business hours) to Equiniti Limited, Corporate Action, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA as soon as possible and, in any event, so as to be received no later than 11 a.m. on 9 June 2010.

FOR OFFICIAL USE ONLY

Log No. /

### IMPORTANT

Before completing this form, you should read the prospectus including the terms and conditions set out in Part IV.

Box 1 (minimum of £2,500 and then in multiples of £1,000)

£

### 1. APPLICATION

I/We the person(s) detailed in section 2A below offer to subscribe the amount shown in Box 1 for Ordinary Shares (with Subscription Shares attached on a one for five basis) at a price of 100 pence per Ordinary Share subject to the terms and conditions set out in Part IV of the prospectus dated 26 May 2010 and subject to the Articles of Association of the Company.

### 2A. DETAILS OF HOLDER(S) IN WHOSE NAME(S) SHARES WILL BE ISSUED

Insert name and address of the Applicant here in block capitals

1:	Mr, Mrs, Miss or Title:	Forenames (in full):
Surname/Company name:		
Address (in full):		
Post Code:		
Designation (if any):		

### ATTACH CHEQUE HERE FOR AMOUNT SET OUT IN BOX 1

Cheques should be made payable to Equiniti Limited re Polar Capital Global Healthcare Offer and crossed "A/C payee only"

**Joint Applicants (if any). Insert names and addresses of joint applicants here (you may apply with up to 3 joint applicants).**

2:	Mr, Mrs, Miss or Title:	Forenames (in full):
Surname/Company name:		
Address (in full):		
Post Code:		
3:	Mr, Mrs, Miss or Title:	Forenames (in full):
Surname/Company name:		
Address (in full):		
Post Code:		
4:	Mr, Mrs, Miss or Title:	Forenames (in full):
Surname/Company name:		
Address (in full):		
Post Code:		



**2B. CREST DETAILS**

Only complete this section if Shares allotted are to be deposited in a CREST Account which must be in the same name as the holder(s) given in section 2A.

CREST Participant ID:							
CREST Member Account ID:							

**3. SIGNATURE(S) – ALL APPLICANTS MUST SIGN**

**Execution by Individuals:**

First applicant signature: Date	Second applicant signature: Date
Third applicant signature: Date	Fourth applicant signature: Date

**Execution by a Company:**

Name of Company:		
Name of Director:	Signature:	Date:
Name of Director/Secretary:	Signature:	Date:
If you are affixing Company seal, please make a cross here:		Affix Company seal here:

**4. CHEQUES/BANKER’S DRAFT DETAILS**

Pin or staple to the first page of this form your cheque or banker’s draft (where indicated) for the exact amount shown in section 1 made payable to Equiniti Limited re Polar Capital Global Healthcare Offer and crossed “A/C Payee”. Cheques and banker’s payments must be drawn in Sterling on an account at a bank branch in the UK or the Channel Islands and must bear a UK bank sort code number in the top right hand corner. If you use a banker’s draft or a building society cheque, you should ensure that the bank or building society issuing the payment enters the name, address and account number of the person whose account is being debited on the reverse of the banker’s draft or cheque and adds its stamp.

**5. RELIABLE INTRODUCER DECLARATION**

**Completion and signing of this declaration by a suitable person or institution may avoid presentation being requested of the identity documents detailed in section 7 of this form.**

The declaration below may only be signed by a person or institution (such as a government approved bank, stockbroker or investment firm, financial services firm or an established law firm or accountancy firm) (the “firm”) which is itself subject in its own country to operation of ‘know your customer’ and anti-money laundering regulations no less stringent than those which prevail in the UK.

**DECLARATION: To the Company and the Receiving Agent**

With reference to the holder(s) details in section 2A, all persons signing at section 3 and any payor who is not also a holder (collectively “the subjects”)

**WE HEREBY DECLARE:**

- 1. we operate in the UK, or in a country where money-laundering regulations under the laws of that country are to the best of our knowledge no less stringent than those which prevail in the UK and our firm is subject to such regulations;
- 2. we are regulated in the conduct of our business and in the prevention of money laundering by the regulatory authority identified below;
- 3. each of the subjects is known to us in a business capacity and we hold valid identity documentation on each of them and we undertake immediately to provide to you copies thereof on demand;
- 4. we confirm the accuracy of the names and residential/business address(es) of the holder(s) given at section 2A and if a CREST Account is cited at section 2B that the owner thereof is named in section 2A;
- 5. having regard to all local money laundering regulations we are, after enquiry, satisfied as to the source and legitimacy of the monies being used to subscribe for the Ordinary Shares (with Subscription Shares attached) mentioned; and
- 6. where the payor and holder(s) are different persons we are satisfied as to the relationship between them and reason for the payor being different to the holder(s).

The above information is given in strict confidence for your own use only and without any guarantee, responsibility or liability on the part of this firm or its official.

Signed:	Name:	Position:

having authority to bind the firm.

Name of regulatory authority:	Firm’s licence number:

Website address or telephone number of regulatory authority:

STAMP of firm giving full name and business address:



## 6. CONTACT DETAILS

To ensure the efficient and timely processing of this application please enter below the contact details of a person the Registrar or the Receiving Agent may contact with any enquiries concerning this application. Ordinarily this contact person should be the person signing in section 3 on behalf of the first named holder. If no details are provided here but a regulated person is identified in section 5, the Receiving Agent will contact the regulated person. If no details are entered here and no regulated person is named in section 5 and the Receiving Agent requires further information, any delay in obtaining that additional information may result in your application being rejected or revoked.

Contact name:	
E-mail address:	
Contact address:	
Post Code:	
Telephone No:	Fax No:

## 7. IDENTITY INFORMATION

**If the declaration in section 5 cannot be signed and the value of your application is greater than €15,000 (approximately £12,000), please enclose with that Application Form the documents mentioned below, as appropriate. Please also tick the relevant box to indicate which documents you have enclosed, all of which will be returned by Equiniti to the first named Applicant.**

In accordance with internationally recognised standards for the prevention of money laundering, the documents and information set out below must be provided:

*Tick box as applicable*

### A. For each holder being an individual enclose:

- |  |                          |
|--|--------------------------|
| (1) an original or a certified clear photocopy of one of the following identification documents which bear both a photograph and the signature of the person: current passport, Government or Armed Forces identity card, driving licence; and   | <input type="checkbox"/> |
| (2) an original or certified copies of at least two of the following documents no more than 3 months old which purport to confirm that the address given in section 2A is that person's residential address: a recent gas, electricity, water or telephone (not mobile) bill, a recent bank statement, a council tax bill, or similar document issued by a recognised authority; and | <input type="checkbox"/> |
| (3) if none of the above documents show the person's date and place of birth, enclose a note of such information; and  | <input type="checkbox"/> |
| (4) details of the name and address of their personal bankers from which the Receiving Agent may request a reference, if necessary.  | <input type="checkbox"/> |

### B. For each holder being a company (a "holder company") enclose:

- |  |                          |
|--|--------------------------|
| (1) a certified copy of the certificate of incorporation of the holder company; and  | <input type="checkbox"/> |
| (2) the name and address of the holder company's principal bankers from which the Receiving Agent may request a reference, if necessary; and | <input type="checkbox"/> |
| (3) a statement as to the nature of the holder company's business, signed by a director; and   | <input type="checkbox"/> |
| (4) a list of the names and residential addresses of each director of the holder company; and  | <input type="checkbox"/> |
| (5) for each director provide documents and information similar to that mentioned in A above; and  | <input type="checkbox"/> |
| (6) a copy of the authorised signatory list for the holder company; and  | <input type="checkbox"/> |



(7) a list of the name and residential/registered address of each ultimate beneficial owner interested in more than 5 per cent. of the issued share capital of the holder company and, where a person is named, also complete C below and, if another company is named (hereinafter a “beneficiary company”), also complete D below. If the beneficial owner(s) named do not directly own the holder company but do so indirectly via nominee(s) or intermediary entities, provide details of the relationship between the beneficial owner(s) and the holder company.

**C. For each person named in B(7) as a beneficial owner of a holder company enclose for each other person documents and information similar to that mentioned in A(1) to (4).**

**D. For each beneficiary company named in B(7) as a beneficial owner of a holder company enclose:**

(1) a certified copy of the certificate of incorporation of that beneficiary company; and

(2) a statement as to the nature of that beneficiary company’s business signed by a director; and

(3) the name and address of that beneficiary company’s principal bankers from which the Receiving Agent may request a reference, if necessary; and

(4) a list of the names and residential/registered address of each beneficial owner owning more than 5 per cent. of the issued share capital of that beneficiary company.

**E. If the payor is not a holder and is not a bank providing its own cheque or banker’s payment on the reverse of which is shown details of the account being debited with such payment (see note 4 on how to complete this form) enclose:**

(1) if the payor is a person, for that person the documents mentioned in A(1) to (4); or

(2) if the payor is a company, for that company the documents mentioned in B(1) to (7); and

(3) an explanation of the relationship between the payor and the holder(s).

The Receiving Agent reserves the right to ask for additional documents and information.



