

**THIS PROSPECTUS 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 your stockbroker, bank, solicitor, accountant or other independent financial adviser who is authorised under the Financial Services and Markets Act 2000 (the “FSMA”) if you are in the United Kingdom, or from another appropriately authorised independent financial adviser if you are in a territory outside the United Kingdom.**

This document comprises a prospectus (the “**Prospectus**”) relating to Honeycomb Investment Trust plc (the “**Company**”) in connection with the issue of Issue Shares, prepared in accordance with the Prospectus Rules of the UK Financial Conduct Authority (the “**FCA**”) made pursuant to section 73A of the FSMA. This Prospectus has been approved by the FCA and has been filed with the FCA in accordance with Rule 3.2 of the Prospectus Rules.

The Issue Shares are only suitable for investors: (i) who are institutional, professional and highly knowledgeable (including those who are professionally advised); (ii) for whom an investment in the Issue Shares is part of a diversified investment programme; and (iii) who fully understand and are willing to assume the risks involved in such an investment, including the potential risks of capital loss and that there may be limited liquidity in the underlying investments of the Company. If you are in any doubt about the contents of this Prospectus, you should consult your accountant, legal or other professional adviser or financial adviser.

The Company and each of the Directors, whose names appear on page 63 of this Prospectus, accept responsibility for the information contained in this Prospectus. 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 Prospectus 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, Part II for a discussion of certain factors that should be considered in connection with an investment in the Issue Shares. Prospective investors should be aware that an investment in the Company involves a degree of risk and that, if certain of the risks described in the Prospectus occur, investors may find their investment materially adversely affected. Accordingly, an investment in the Issue Shares is only suitable for investors who are particularly knowledgeable in investment matters and who are able to bear the loss of the whole or part of their investment.

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## **HONEYCOMB INVESTMENT TRUST PLC**

*(Incorporated under the laws of England and Wales with company number 09899024 and registered as an investment company under section 833 of the Companies Act 2006)*

**First Placing of up to 10 million Ordinary Shares of  
£0.01 each at an Issue Price of £10 per Ordinary Share**

**Placing Programme of up to 20 million Ordinary Shares  
and/or C Shares**

**Admission to trading on the London Stock Exchange’s Specialist Fund Market**

*Investment Manager*

**POLLEN STREET CAPITAL LIMITED**

*Placing Agent, Broker and Sole Bookrunner*

**LIBERUM CAPITAL LIMITED**

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Application will be made for the Issue Shares to be admitted to trading on the London Stock Exchange's Specialist Fund Market. It is expected that First Admission will become effective and that dealings in the Ordinary Shares will commence at 8 a.m. on 23 December 2015, and any Subsequent Admission will become effective and that dealings for normal settlement in such Issue Shares will commence between 18 December 2015 and 17 December 2016. The Issue Shares are not dealt in on any other recognised investment exchange and no other such applications have been made or are currently expected.

This Prospectus may not be published, distributed or transmitted by any means or media, directly or indirectly, in whole or in part, in or into the United States. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Issue Shares have not been, and will not be, registered under the US Securities Act of 1933, as amended (the "**Securities Act**"), or under the securities laws or with any securities regulatory authority of any state or other jurisdiction of the United States. Accordingly, the Issue Shares 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**")), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Issue Shares are being offered and sold only in "offshore transactions" to non-US-persons as defined in and pursuant to Regulation S. The Company has not been, and will not be, registered under the Investment Company Act, and investors will not be entitled to the benefit of that Act. No offer, purchase, sale or transfer of the Issue Shares may be made except under circumstances which will not result in the Company being required to register as an investment company under the Investment Company Act.

This document does not constitute an offer to sell, or the solicitation of an offer to purchase or subscribe for, Issue Shares in any jurisdiction where such offer or solicitation is unlawful or would impose any unfulfilled registration, qualification, publication or approval requirements on the Investment Manager, the Company or Liberum. The Issue Shares have not been, and will not be, registered under the securities laws, or with any securities regulatory authority of, any member state of the EEA other than the United Kingdom, or any province or territory of Australia, Canada, the Republic of South Africa or Japan. Subject to certain exceptions, the Issue Shares may not, directly or indirectly, be offered, sold, taken up or delivered in, into or from any member state of the EEA other than the United Kingdom, Australia, Canada, the Republic of South Africa or Japan or to or for the account or benefit of any national, resident or citizen or any person resident in any member state of the EEA other than the United Kingdom, Australia, Canada, the Republic of South Africa or Japan. The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves of and observe any restrictions.

The Company is managed by the Investment Manager which acts as the external AIFM for the purposes of the AIFM Directive. The marketing of Issue Shares to investors in the UK and other EEA member states is restricted and will need to be undertaken in accordance with the AIFM Directive or the relevant national private placement regimes of any EEA member states in which marketing takes place. The Investment Manager has filed a notification with the FCA pursuant to Regulation 54 of the AIFM Regulation (which implements Article 31 of the AIFM Directive) to market the Issue Shares to professional investors and retail clients in the UK.

**The Issue Shares have not been approved or disapproved by the US Securities and Exchange Commission, any State securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of Issue Shares or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.**

For a description of restrictions on the offer, sale and transfer of the Issue Shares and distribution of this Prospectus, see section 12 of Part X and section 13 of Part XI. Each subscriber for Issue Shares in the Issue shall be deemed to have made certain representations, acknowledgements and agreements set out in the Prospectus, including, without limitation, those set out in Part XIV.

Liberum, which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively for the Company in respect of the First Placing and is not acting for anyone else in relation to First Admission, Subsequent Admissions and the Issue and the other arrangements referred to in this Prospectus. Liberum will not regard any other person (whether or not a recipient of this Prospectus) as its client in relation to each Admission and the Issue and the other arrangements

referred to in this Prospectus and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing any advice in relation to any Admission or Issue, the contents of this Prospectus or any transaction or arrangement referred to in this Prospectus. Apart from the responsibilities and liabilities, if any, which may be imposed on Liberum by the FSMA or the regulatory regime established thereunder, Liberum does not make any representation express or implied in relation to, nor accepts any responsibility whatsoever for, the contents of the Prospectus or any other statement made or purported to be made by it or on its behalf in connection with the Company, the Issue Shares, any Admission or Issue. Liberum (and its affiliates) accordingly, to the fullest extent permissible by law, disclaims all and any responsibility or liability (save for any statutory liability) whether arising in tort, contract or otherwise which it might have in respect of the contents of the Prospectus or any other statement made or purported to be made by it or on its behalf in connection with the Company, the Issue Shares, any Admission or Issue.

The Company is subject to the Prospectus Rules, the Disclosure and Transparency Rules and the Market Abuse Directive (as implemented in the UK through the FSMA), but not the Listing Rules, although it does intend to comply voluntarily with certain Listing Rules.

This Prospectus is dated 18 December 2015.

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## PART I – SUMMARY

Summaries are made up of disclosure requirements known as “Elements”. These Elements are numbered in sections A-E (A.1-E.7) of this Part I. This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Some Elements are not required to be addressed which means there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted into the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of “not applicable”.

### Section A – Introduction and warnings

Element	Disclosure Requirement	Disclosure
A.1	Warning	This summary should be read as an introduction to this Prospectus. Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the EEA member states, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	Subsequent resale of securities or final placement of securities through financial intermediaries	Not applicable. The Company has not given consent to the use of this Prospectus for subsequent resale or final placement of securities through financial intermediaries.

### Section B – Issuer

Element	Disclosure Requirement	Disclosure
B.1	Legal and commercial name	Honeycomb Investment Trust plc.
B.2	Domicile and legal form	The Company was incorporated with limited liability under the laws of England and Wales on 2 December 2015 with company number 09899024 as a public limited company. It is domiciled in the United Kingdom.
B.3	Current operations	Not applicable. The Company has not yet commenced trading and has no current operations.
B.5	Group description	Not applicable. The Company is not part of a group.
B.6	Major shareholders	As at the date of this Prospectus, insofar as is known to the Company, there are no parties with a notifiable interest under English law in the Company’s capital or voting rights.

		<p>Pending the allotment of Ordinary Shares pursuant to the First Placing, the Company is controlled by the Investment Manager. The Company has been informed that Invesco and Old Mutual's current intention is to subscribe for 4.6 million and 2.99 million Ordinary Shares respectively in the First Placing (in the case of Old Mutual, subject to its total subscription not exceeding 29.9 per cent. of Ordinary Shares issued in the First Placing). Assuming that these subscriptions occur, immediately following the First Placing Invesco and Old Mutual will hold 46 per cent. and 29.9 per cent. respectively of the issued Ordinary Shares (assuming that 10 million Ordinary Shares are issued pursuant to the First Placing).</p> <p>Pollen Street Capital Holdings Limited, an affiliate of the Investment Manager, will subscribe for 900,000 Ordinary Shares in the First Placing. It is intended that this holding will be sold within 12 months of First Admission.</p> <p>All Ordinary Shares and C Shares have the same voting rights.</p>
B.7	Key financial information	Not applicable. The Company has not yet commenced trading and has no current operations and has no historical financial information.
B.8	Key <i>pro forma</i> financial information	Not applicable. No <i>pro forma</i> financial information is included in this Prospectus.
B.9	Profit forecast	Not applicable. No profit forecast or estimate is made.
B.10	Description of the nature of any qualifications in the audit report on the historical financial information	Not applicable. The Company has not yet commenced trading and has no current operations and has no historical financial information.
B.11	Insufficiency of working capital	Not applicable. In the opinion of the Company, taking into account the Minimum Gross Proceeds, the working capital available to the Company is sufficient for its present requirements, that is for at least 12 months from the date of this Prospectus.
B.34	Investment objective and policy	<p>The Company's investment objective is to provide Shareholders with an attractive level of dividend income and capital growth through investments in (i) Credit Assets and (ii) Equity Assets that are aligned with the Company's strategy and that present opportunities to enhance the Company's returns from its investments.</p> <p>As at the date of this Prospectus, it is expected that the Company will invest in Credit Assets in a number of ways, including:</p> <ul style="list-style-type: none"> <li>● the acquisition of interests in loans to consumers, small businesses and other counterparties, whether offered to the Company by the Origination Partner or by other third party sources. These loans may be unsecured or secured;</li> <li>● investments in loans to specialist lenders for the purposes of providing wholesale finance to those specialist lenders, secured against (amongst other things) granular portfolios of loan receivables; and</li> <li>● the acquisition by the Company of interests in portfolios of Credit Assets from third parties.</li> </ul> <p>The Company may, in future, invest in Credit Assets using similar, or alternative, structures.</p>

		<p>The Company may, in future, also invest in Credit Assets indirectly, including through subsidiaries or SPVs.</p> <p>The Company will invest in Credit Assets in a manner that ensures diversification and seeks to mitigate concentration risks.</p> <p>The Company will seek to enhance returns for Shareholders through investments (either directly, or through subsidiaries or SPVs) in Equity Assets that are aligned with the Company's strategy and that present opportunities to enhance the Company's return on its investments. The Company shall invest no more than 10 per cent. of the net proceeds of the First Placing (and 10 per cent. of the net proceeds of any further issue of Issue Shares (including under the Placing Programme)) in Equity Assets, calculated, in each case, at the time of acquisition of any relevant Equity Assets based on the consideration payable for those Equity Assets and the aggregate consideration paid for all previous investments in Equity Assets which form part of the Portfolio.</p>
B.35	Borrowing limits	<p>The Company may borrow (through bank or other facilities) up to 100 per cent. of Net Asset Value, in aggregate (calculated at the time of draw down). The Company intends to target borrowings in the range of 50 to 75 per cent. of Net Asset Value. Borrowings may be used for investment purposes and to fund the Company's activities. Borrowings may be incurred directly by the Company, or indirectly, including through subsidiaries or SPVs.</p>
B.36	Regulatory status	<p>From First Admission, the Company will be subject to the Prospectus Rules, the Disclosure and Transparency Rules and the rules of the London Stock Exchange. The Directors intend, at all times, to conduct the affairs of the Company so as to enable it to qualify as an investment trust for the purposes of section 1158 of the CTA 2010.</p>
B.37	Typical investor	<p>The Issue Shares are only suitable for institutional, professional and highly knowledgeable investors (including those that are professionally advised) seeking exposure to alternative finance investments and related instruments, including Credit Assets. 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 Issue Shares.</p>
B.38	Investment of 20 per cent. or more of gross assets in single underlying asset or collective investment undertaking	<p>Not applicable. The Company will not invest more than 20 per cent. of its Gross Assets in a single underlying asset or in one or more collective investment undertakings which may in turn invest more than 20 per cent. of Gross Assets in other collective investment undertakings.</p>
B.39	Investment of 40 per cent. or more of gross assets in another collective investment undertaking	<p>Not applicable. The Company will not invest more than 40 per cent. of its Gross Assets in another collective investment undertaking.</p>
B.40	Applicant's service providers	<p><i>Investment Manager</i></p> <p>The Company's investment manager and AIFM for the purposes of the AIFM Directive is Pollen Street Capital Limited. The Investment Manager is responsible for the management of the assets of the Company in accordance with the terms of the Investment Management Agreement.</p>

		<p>Under the terms of the Investment Management Agreement, the Investment Manager is entitled to a management fee and a performance fee together with reimbursement of reasonable expenses incurred by it in the performance of its duties.</p> <p><i>Management Fee</i></p> <p>The management fee is payable monthly in arrear at a rate equal to 1/12 of 1.0 per cent. per month of Net Asset Value (the “<b>Management Fee</b>”).</p> <p>The Investment Manager also retains the discretion to charge a fee based on a percentage of Gross Assets (such percentage not to exceed 1.0 per cent. and provided that the aggregate Management Fee payable by the Company shall not exceed an amount equal to 1.0 per cent. per annum of the Gross Assets of the Company or gross assets of its group in aggregate (as applicable) in any year) to any entity which is within the Company’s group (including the Company), provided that such entity has incurred borrowings for the purpose of its investment policy or strategy.</p> <p>For the period from First Admission until the date on which 80 per cent. of the net proceeds of the First Placing have been invested or committed for investment, directly or indirectly, in Credit Assets or Equity Assets, only the value attributable to Credit Assets and Equity Assets held by the Company for investment purposes (which shall exclude any surplus capital invested in cash deposits, and cash equivalent investments and fixed income instruments) shall be included in the calculation of Net Asset Value for the purposes of determining the Management Fee.</p> <p>Where there are C Shares in issue, the Management Fee will be charged on the net assets attributable to the Ordinary Shares and the C Shares respectively.</p> <p>For so long as the Origination Partner is part of the same group as the Investment Manager, the amount of all fees payable by the Company to the Origination Partner shall be deducted from the Management Fee.</p> <p><i>Performance fee</i></p> <p>The Investment Manager is also entitled to a performance fee calculated by reference to movements in the Adjusted Net Asset Value (as defined below) from time to time.</p> <p>The performance fee will be calculated in respect of each twelve month period starting on 1 January and ending on 31 December in each calendar year save that the first calculation period shall be the period commencing on First Admission and ending on 31 December 2015, and the final calculation period shall end on the day on which the Investment Management Agreement is terminated or, if earlier, the Business Day immediately preceding the day on which the Company goes into liquidation (a “<b>Calculation Period</b>”).</p> <p>The performance fee will only be payable if the Adjusted Net Asset Value at the end of a Calculation Period exceeds a hurdle threshold, equal to the Adjusted Net Asset Value immediately following First Admission, compounded at a rate equal to 5 per cent. per annum (the “<b>Hurdle</b>”).</p> <p>If, on the last day of a Calculation Period (each a “<b>Calculation Date</b>”), the Adjusted Net Asset Value exceeds the Hurdle, the Investment Manager shall be entitled to a performance fee (the “<b>Performance Fee</b>”) equal to the lower of:</p> <ul style="list-style-type: none"> <li>(a) the amount by which the Adjusted Net Asset Value exceeds the Hurdle, in each case as at the Calculation Date; and</li> <li>(b) ten per cent. of the amount by which total growth in Adjusted Net Asset Value since First Admission (being the aggregate of the growth in Adjusted Net Asset Value in the relevant Calculation Period and in each previous Calculation Period), after adding back</li> </ul>
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any Performance Fees paid to the Investment Manager, exceeds the aggregate of all Performance Fees payable to the Investment Manager in respect of all previous Calculation Periods.

**“Adjusted Net Asset Value”** means the Net Asset Value after: (i) excluding any increases or decreases in Net Asset Value attributable to the issue or repurchase of any Ordinary Shares; (ii) adding back the aggregate amount of any dividends paid or distributions made in respect of any Ordinary Shares; (iii) excluding the aggregate amount of any dividends or distributions accrued but unpaid in respect of any Ordinary Shares; and (iv) excluding the amount of any Performance Fees accrued but unpaid, in each case without double counting.

In the event that C Shares are in issue, the Investment Manager shall be entitled to a performance fee in respect of the net assets referable to the C Shares on the same basis as summarised above, except that a Calculation Period shall be deemed to end on the date of the conversion of the relevant tranche of C Shares into Ordinary Shares.

*Origination Partner*

The Origination Partner is Honeycomb Finance plc. As at the date of this Prospectus, the Origination Partner is wholly owned by an affiliate of the Investment Manager.

The Origination Partner has agreed to provide the Company with opportunities to acquire Credit Assets originated or acquired by the Origination Partner which meet specified underwriting criteria relating to the underlying borrower and the corresponding terms of credit (which may be modified from time to time at the discretion of the Investment Manager).

The Origination Partner will be paid a fee calculated on the purchase price for each Credit Asset acquired by the Company from the Origination Partner. For so long as the Origination Partner is part of the same group as the Investment Manager, such amount shall be deducted from the Management Fee payable to the Investment Manager.

The Company shall reimburse the Origination Partner for the fees of Referral Partners, Freedom Finance and the Servicer (to the extent paid by the Origination Partner) in connection with Credit Assets in which the Company acquires an interest, but shall not be liable to reimburse the Origination Partner for any other costs and expenses.

*Placing Agent and Sole Bookrunner*

Liberum has agreed to use its reasonable endeavours to procure subscribers for Ordinary Shares at the Issue Price pursuant to the First Placing. In consideration for its services in relation to the First Placing, and conditional upon completion of the First Placing, Liberum will be paid a placing commission calculated on the value of Ordinary Shares in respect of which it has procured Placees under the First Placing (excluding any Ordinary Shares subscribed for by the Investment Manager or certain affiliates of the Investment Manager).

*Administrator*

Apex Fund Services (UK) Limited has been appointed as the administrator of the Company. The Administrator is responsible for the Company’s general administrative functions, such as the calculation of the Net Asset Value and maintenance of the Company’s accounting records.

Under the terms of the Administration Agreement, the Administrator is entitled to an initial implementation fee of £5,000 and to an administration fee equal to the greater of: (i) £5,000 per month; and (ii) an amount equal

to  $\frac{1}{12}$  of 0.06 per cent. of the portion of Net Asset Value up to and including £150 million, and  $\frac{1}{12}$  of 0.05 per cent. of the portion of Net Asset Value above £150 million. The Administrator is also entitled to reimbursement of all reasonable out of pocket expenses incurred by it in connection with the performance of its duties.

*Company Secretary*

Apex Fund Services (UK) Limited has been appointed as the company secretary of the Company. The Company Secretary undertakes the general secretarial functions required by the Companies Act and is responsible for the maintenance of the Company's statutory records.

The Company Secretary shall be remunerated for its services as part of the fee payable to the Administrator. The Company Secretary shall also be entitled to reimbursement of all reasonable out of pocket expenses incurred on behalf of the Company.

*Registrar*

Computershare Investor Services PLC has been appointed as the Company's registrar to provide share registration services.

Under the terms of the Registrar Agreement, the Registrar is entitled to an annual register maintenance fee from the Company equal to £1.30 per Shareholder per annum or part thereof, subject to a minimum of £3,800 per annum. Other activity will be charged for in accordance with the Registrar's normal tariff as published from time to time.

*Broker*

Liberum has been appointed as corporate broker to the Company and will be paid a nominal fee for performing that role.

*Depositary*

Indos Financial Limited has been appointed as the Company's depositary for the purposes of the AIFM Directive.

Under the terms of the Depositary Agreement, the Depositary is entitled to a periodic fee calculated as follows:

- (A) where NAV is less than or equal to £200 million, 0.02 per cent. of NAV per annum, subject to a minimum, monthly fee of £2,500; and
- (B) where NAV is greater than £200 million, the sum of 0.02 per cent. per annum in respect of the first £200 million of NAV and:
  - (i) 0.0175 per cent. per annum of that part of NAV which is in excess of £200 million but less than or equal to £400 million; and
  - (ii) 0.015 per cent. per annum of that part of NAV which is in excess of £400 million.

The Depositary shall invoice the Company monthly in arrear in respect of the periodic fee (together, if applicable, with any VAT thereon), which shall be payable by the Company within 30 days of the relevant invoice.

The Depositary is entitled to charge an additional fee where the Company undergoes a lifecycle event (for example, a reorganisation or a distribution) which entails additional work for the Depositary. Such a fee will be agreed with the Company on a case by case basis.

All charges may be subject to change from time to time, with the agreement of the Depositary and the Company. All charges are exclusive of VAT, if applicable.

The Depositary is entitled to be reimbursed for certain expenses properly incurred in performing or arranging for the performance of functions conferred upon it under the agreement.

		Subject to the terms of the AIFM Directive and the Depositary Agreement, the Depositary is entitled to delegate its custody and safe-keeping functions. It is intended that title to the Company's assets will ordinarily be registered or held directly in the name of the Company or a wholly-owned SPV and that the Company will generally not invest in financial instruments that are required to be held in custody within the meaning of Article 21(8)(a) of the AIFM Directive. Notwithstanding such intention, there is the possibility that investments in such financial instruments may be made and/or applicable law or regulations from time to time in force may require title to some or all of the Company's assets to be registered in the name of the Depositary or its delegates. In such event, the Depositary may wish to delegate its safekeeping function with respect to such asset(s) to one or more sub-custodians (who may be affiliates of the Depositary) and may wish to enter an arrangement to contractually discharge itself of liability. Investors will be informed of any such arrangements, and any increase to the depositary fees charged as a result, in accordance with the disclosure requirements under the AIFM Directive. Any fees and expenses of a sub-custodian will be payable by the Company in addition to the fees charged by the Depositary.
B.41	Regulatory status of investment manager and depositary	The Investment Manager is authorised and regulated by the FCA (FRN: 611337) and is an authorised AIFM for the purposes of the AIFM Directive.  The Depositary is authorised and regulated by the FCA (FRN: 602528).
B.42	Calculation and publication of Net Asset Value	The unaudited Net Asset Value will be calculated by the Administrator (on the basis of information provided by the Investment Manager) on a monthly basis. The NAV will be published through a regulatory information service and will be available through the Company's website.
B.43	Cross liability	Not applicable. The Company is not an umbrella collective investment undertaking and as such there is no cross liability between classes or investment in another collective investment undertaking.
B.44	No financial statements have been made up	The Company has not yet commenced trading and has no current operations, and no financial statements have been made up.
B.45	Portfolio	Not applicable. As at the date of this Prospectus, the Company does not hold any assets.
B.46	Net Asset Value	The Net Asset Value per Ordinary Share at First Admission is expected to be £9.82 assuming gross First Placing proceeds of £100 million and the costs and expenses of the First Placing that are payable by the Company being equal to 1.8 per cent. of the gross First Placing proceeds.

### Section C – Securities

Element	Disclosure Requirement	Disclosure
C.1	Type and class of securities	The Company intends to issue up to 10 million Ordinary Shares with a nominal value of £0.01 each at an Issue Price of £10 in the First Placing.  The Company also intends to issue and allot up to 20 million Ordinary Shares with a nominal value of £0.01 each and/or C Shares with a nominal value of £0.10 each in the Placing Programme.

		<p>The ISIN of the Ordinary Shares is GB00BYZV3G25. The SEDOL of the Ordinary Shares is BYZV3G2.</p> <p>The ticker for the Ordinary Shares is HONY.</p> <p>The ISIN of the C Shares is GB00BYQDNR86. The SEDOL of the C Shares is BYQDNR8.</p> <p>The ticker for the C Shares is HNYC.</p>									
C.2	Currency denomination of Ordinary Shares and C Shares	Pounds Sterling.									
C.3	Details of share capital	<p>Set out below is the issued share capital of the Company as at the date of this Prospectus:</p> <table border="1"> <thead> <tr> <th></th> <th style="text-align: right;"><b>Nominal Value (£)</b></th> <th style="text-align: right;"><b>Number</b></th> </tr> </thead> <tbody> <tr> <td>Management Shares</td> <td style="text-align: right;">50,000</td> <td style="text-align: right;">50,000</td> </tr> <tr> <td>Ordinary Shares</td> <td style="text-align: right;">0.01</td> <td style="text-align: right;">1</td> </tr> </tbody> </table>		<b>Nominal Value (£)</b>	<b>Number</b>	Management Shares	50,000	50,000	Ordinary Shares	0.01	1
	<b>Nominal Value (£)</b>	<b>Number</b>									
Management Shares	50,000	50,000									
Ordinary Shares	0.01	1									
C.4	Rights attaching to the Ordinary Shares and to the C Shares	<p>The holders of the Ordinary Shares and C Shares shall only be entitled to receive, and to participate in, any dividends declared in relation to the relevant class of shares that they hold.</p> <p>On a winding-up or a return of capital by the Company, the holders of any C Shares in issue shall be entitled to the net assets of the Company attributable to those C Shares. The holders of Ordinary Shares shall be entitled to all of the Company's remaining net assets after taking into account any net assets attributable to the C Shares in issue.</p> <p>The Ordinary Shares and the C Shares shall carry the right to receive notice of, attend and vote at general meetings of the Company.</p> <p>On a show of hands each Shareholder has one vote, and on a poll each Shareholder has one vote per Ordinary Share or C Share held.</p> <p>The consent of the holders of Ordinary Shares or holders of C Shares will be required for the variation of any rights attached to the Ordinary Shares or C Shares (as applicable).</p> <p>The Company has no fixed life but, pursuant to the Articles, an ordinary resolution for the continuation of the Company will be proposed at the annual general meeting of the Company to be held in 2021 and, if passed, every five years thereafter. Upon any such resolution not being passed, proposals will be put forward to the effect that the Company be wound up, liquidated, reconstructed or unitised.</p> <p>In addition, where in a financial year of the Company ending on or after 31 December 2016 the Ordinary Shares have traded, on average over that financial year, at a discount in excess of 10 per cent. to Net Asset Value per Ordinary Share, the Company will be required to propose a special resolution at the next annual general meeting for the discontinuation of the business of the Company in its present form. If such a discontinuation resolution is passed, proposals will be put forward by the Directors to Shareholders within four months to address the trading discount to Net Asset Value per Ordinary Share (which may include proposals for the reorganisation, reconstruction or winding up of the Company).</p>									
C.5	Restrictions on the free transferability of the securities	There are no restrictions on the free transferability of the Ordinary Shares or the C Shares, subject to compliance with applicable securities laws.									

C.6	Admission	<p>Application will be made to the London Stock Exchange for all of the Ordinary Shares to be issued pursuant to the First Placing to be admitted to trading on the London Stock Exchange's Specialist Fund Market. The Specialist Fund Market is a regulated market.</p> <p>It is expected that First Admission will become effective and that dealings for normal settlement in the Ordinary Shares issued pursuant to the First Placing will commence on 23 December 2015.</p> <p>Application will be made to the London Stock Exchange for all of the Issue Shares to be issued pursuant to the Placing Programme to be admitted to trading on the London Stock Exchange's Specialist Fund Market. It is expected that any Subsequent Admission will become effective and that dealings for normal settlement in the Issue Shares issued under the Placing Programme will commence between 18 December 2015 and 17 December 2016.</p>
C.7	Dividend policy	<p>The Company intends to distribute at least 85 per cent. of its distributable income earned in each financial year by way of dividends. The Company intends to pay dividends on a quarterly basis, and intends to declare its first dividend in May 2016 in respect of the period to 31 March 2016, to be paid in June 2016. Thereafter, the Company intends to pay dividends on a quarterly basis, with dividends to be declared in August, November, February and May and paid in September, December, March and June in each year.</p> <p>Whilst not forming part of its investment policy, once the net proceeds of the First Placing are invested in accordance with the Company's investment policy, and the Company has incurred borrowings in line with its borrowing policy, the Company will target the payment of dividends on the Ordinary Shares which equate to a yield of at least 8 per cent. per annum on the Issue Price in the First Placing.</p> <p>The Company intends to designate some or all of the dividends paid in respect of a given accounting period as "interest distributions" for tax purposes, provided that it is an approved investment trust at the time.</p> <p>It is the current intention of the Board to move towards a policy of balancing the quarterly dividend payments as soon as the revenue reserve position of the Company permits this approach. The Board, in its sole discretion, may choose not to adopt a dividend balancing policy if it considers this is desirable to minimise the effects of cash drag on the Company's performance.</p> <p>Investors should note that the target dividend, including its declaration and payment dates, is a target only and not a profit forecast.</p> <p>Dividends will be declared on the C Shares only in the event that there is material net income available for distribution to the holders of the C Shares to which such income relates.</p> <p>The Company intends to arrange, following First Admission, a dividend reinvestment plan that gives holders of Ordinary Shares the opportunity to use any cash dividends to buy Ordinary Shares through a special dealing arrangement.</p>

## Section D – Risks

Element	Disclosure Requirement	Disclosure
D.1, D.2	Key information on the key risks that are specific to the Company and its industry	<p>There can be no assurance that the investment objective of the Company will be achieved or that the Company’s portfolio of investments will generate the rates of return referred to in this Prospectus. There is no guarantee that any dividends will be paid in respect of any financial year or period.</p> <p>Credit Assets are subject to risks of borrower default. The default history for loans is limited and actual defaults may be greater than indicated by historical data.</p> <p>The Company has no employees and is reliant on the performance of third party service providers and the effective operation of their IT systems. Any IT systems failure could have a material adverse effect on the ability to acquire, realise, service and determine the value of investments.</p> <p>The Company is likely to borrow money for investment purposes, which exposes the Company to risks associated with borrowings.</p> <p>Market conditions may delay or prevent the Company from making appropriate investments that generate attractive returns. Adverse market conditions and their consequences may have a material adverse effect on the Investment Manager’s ability to identify and invest in Credit Assets and Equity Assets delivering the returns necessary for the Company to meet its investment objective.</p> <p>To the extent the Investment Manager is unable to identify and make such investments, the Company may invest surplus capital in cash deposits, cash equivalent investments and fixed income instruments, which typically offer lower yields than Credit Assets and Equity Assets of the sort the Company intends to invest in. This may result in a reduction in the Company’s aggregate return on investments, which may have a material adverse effect on the Company’s financial condition and results of operations.</p> <p>The Company’s performance may be adversely affected by competition for investments in the consumer, small business and specialist lending industry and there can be no guarantee that the Company will be able to secure terms in relation to the deployment of its capital through Credit Assets or Equity Assets.</p> <p>Increasing competition for Credit Assets, and increasing regulation of the consumer, small business and specialist lending industry, may lead to reductions in yields on Credit Assets. This may result in a reduction in the Company’s aggregate return on investments, which may have a material adverse effect on the Company’s financial condition and results of operations, and its ability to meet its investment objective.</p> <p>The Origination Partner has not guaranteed to provide a minimum number of Credit Assets to the Company. Similarly, the Referral Partners have not guaranteed to refer a minimum number of loan applications to the Origination Partner. As such, the Company will only be able to invest in Credit Assets to the extent that: (i) the Referral Partners receive sufficient loan applications from underlying borrowers which satisfy the criteria set by the Origination Partner (such that the Referral Partner refers the loan application to the Origination Partner); and (ii) the Origination Partner refers sufficient opportunities to the Company to invest in Credit Assets which satisfy the Investment Manager’s underwriting criteria.</p>

		<p>The market price of the Issue Shares may fluctuate widely in response to different factors and there can be no assurance that the Issue Shares of the Company will be repurchased by the Company, even if they trade materially below the Net Asset Value attributable to them.</p> <p>It is the intention of the Directors to conduct the affairs of the Company so as to satisfy the conditions under section 1158 of the CTA 2010 and the Investment Trust Regulations for it to be approved by HMRC as an investment trust. In respect of each accounting period for which the Company is an approved investment trust, the Company will be exempt from UK corporation tax on its chargeable gains. There is a risk that the Company does not receive approval of its investment trust status from HMRC or, having received such approval, the Company fails to maintain its status as an investment trust. In such circumstances, the Company would be subject to the normal rates of corporation tax on chargeable gains arising on the transfer or disposal of Equity Assets, which could adversely affect the Company's financial performance, its ability to provide returns to Shareholders or the post-tax returns received by Shareholders.</p> <p>In these circumstances, the Company would also be unable to elect to treat dividends as deductible "interest distributions" for tax purposes, which could adversely affect the post-tax returns received by Shareholders.</p>
D.3	Key information on the key risks that are specific to the Issue Shares	<p>The value of the Issue Shares and the income derived from the Issue Shares (if any) can fluctuate and may go down as well as up. The Issue Shares may trade at a discount to NAV attributable to them.</p> <p>It may be difficult for Shareholders to realise their investment and there may not be a liquid market in the Issue Shares.</p> <p>The performance of such part of the Portfolio that is attributable to the C Shares may diverge significantly from that of the Ordinary Shares between any Subsequent Admission of the C Shares to trading on the Specialist Fund Market and conversion of the C Shares into Ordinary Shares in accordance with the Articles. In particular, the Net Asset Value per Ordinary Share may differ significantly from the Net Asset Value per C Share.</p> <p>If the Directors decide to issue further Issue Shares, the proportions of the voting rights held by Shareholders may be diluted.</p> <p>Dividend payments on the Issue Shares are not guaranteed.</p> <p>Changes in tax law may reduce any return for investors in the Company.</p>

### Section E – Offer

Element	Disclosure Requirement	Disclosure
E.1	Proceeds and expenses of the First Placing	<p>The net proceeds of the First Placing are dependent on the level of subscriptions received pursuant to the First Placing. Assuming gross proceeds from the First Placing are £100 million and the costs and expenses of the First Placing are 1.8 per cent. of the gross proceeds, the net proceeds will be approximately £98.2 million.</p> <p>The net proceeds of the Placing Programme are dependent, among other things, on: (i) the Directors determining to proceed with an issue of Issue Shares under the Placing Programme; (ii) the level of subscriptions received; and (iii) the price at which any Issue Shares are issued under the Placing Programme.</p>

E.2.a	Reasons for the Issue, use of proceeds and estimated net amount of proceeds	<p>The Board, as advised by the Investment Manager, believes that there are attractive opportunities for the Company to deliver value for Shareholders through exposure to Credit Assets and Equity Assets.</p> <p>The estimated net proceeds of the First Placing are £98.2 million, assuming that gross proceeds of £100 million are raised and the costs and expenses of the First Placing are 1.8 per cent. of the gross proceeds of the First Placing.</p> <p>The net proceeds of the Placing Programme are dependent, among other things, on: (i) the Directors determining to proceed with an issue of Issue Shares under the Placing Programme; (ii) the level of subscriptions received; and (iii) the price at which any Issue Shares are issued under the Placing Programme</p> <p>The Company's principal use of cash (including the net proceeds of the First Placing and any issue of Issue Shares under the Placing Programme) will be to purchase investments sourced by the Investment Manager in line with the Company's investment policy, as well as paying the expenses related to the Issue, paying ongoing operational expenses and paying dividends and other distributions to Shareholders in accordance with the Company's dividend policy.</p>
E.3	Terms and conditions of the First Placing and Placing Programme	<p>The Ordinary Shares are being made available under the First Placing at £10 per Ordinary Share.</p> <p>Applications under the First Placing must be for Ordinary Shares with a minimum subscription amount of £1,000.</p> <p>The First Placing is conditional upon: (a) admission of the Ordinary Shares to be issued pursuant to the First Placing to trading on the Specialist Fund Market of the London Stock Exchange occurring on or before 8.00 a.m. (London time) on 23 December 2015 (or such time and/or date as the Company and Liberum may agree, being not later than 8.00 a.m. (London time) on 31 January 2015); and (b) the Placing Agreement becoming unconditional in all respects (save for conditions relating to First Admission) and not having been terminated in accordance with its terms before First Admission.</p> <p>Following the First Placing, the Company proposes to implement the Placing Programme. Each allotment and issue of Issue Shares pursuant to the Placing Programme is conditional, among other things, on: (i) the Placing Programme Price for that issue of Issue Shares being determined by Directors (to the extent that Ordinary Shares are to be issued); (ii) Admission occurring with respect to the Issue Shares to be issued; and (iii) to the extent required under the Prospectus Rules and the FSMA, a valid supplementary prospectus being published by the Company.</p>
E.4	Material interests	Not applicable. There are no interests that are material to the First Placing and Placing Programme and no conflicting interests.
E.5	Name of person selling securities	Not applicable. No person or entity is offering to sell Issue Shares as part of the First Placing or Placing Programme.
E.6	Dilution	<p>No dilution will result from the First Placing.</p> <p>If 20 million Issue Shares are issued pursuant to the Placing Programme, assuming that 10 million Ordinary Shares were issued in the First Placing and that persons who were Shareholders immediately after the First Placing do not participate in the Placing Programme, there would be a dilution of approximately 66.6 per cent. in the voting control of persons who were Shareholders immediately after the First Placing.</p>

E.7	Estimated expenses charged to the investor by the issuer	<p>Other than in respect of expenses of, or incidental to, First Admission and the First Placing which the Company intends to pay out of the proceeds of the First Placing, there are no commissions, fees or expenses to be charged to investors by the Company in connection with the First Placing.</p> <p>The costs and expenses of the Placing Programme will depend on subscriptions received.</p>
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## PART II – RISK FACTORS

*Any investment in the Company should not be regarded as short-term in nature and involves a high degree of risk. Accordingly, investors should consider carefully all of the information set out in this Prospectus and the risks attaching to an investment in the Company, including, in particular, the risks described below and consult with their professional advisers before making an application to participate in the Issue.*

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

*The risks and uncertainties described below represent those that the Directors consider to be material as at the date of this Prospectus. However, these risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties relating to the Company that are not currently known to the Company, or that the Company currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Company’s business, financial condition, results of operations and prospects and, if any or a combination of such risks should occur, the price of Issue Shares may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Issue Shares is suitable for them in light of the information in this Prospectus and their personal circumstances.*

*The Company has presented certain information in this Prospectus regarding the past performance of the Investment Manager, its key individuals, and their previous portfolio investments. The past performance of the Investment Manager and its key individuals which are referred to in this Prospectus are for information or illustrative purposes only and should not be interpreted as an indication, or as a guarantee, of future performance or results of the Company.*

### **1. Risks relating to the Company**

#### **1.1 There can be no assurance that the Investment Manager will be successful in implementing the Company’s investment objective**

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

The Company will be dependent upon the Investment Manager’s successful implementation of the Company’s investment policy and its investment strategies and, ultimately, on its ability to create an investment portfolio capable of generating attractive returns. The Investment Manager’s ability to implement the Company’s investment policy and investment strategies will be subject to a number of factors, including market conditions and the timing of investments relative to market cycles, many of which are beyond the control of the Company and difficult to predict. There can be no assurance that the Investment Manager will be successful in sourcing suitable Credit Assets or Equity Assets for the Company.

The Company’s investment objective includes the aim of providing Shareholders with dividend income. There is no guarantee that any dividends will be paid in respect of any financial year or period. The ability to pay dividends is dependent on a number of factors including the level of returns from the Portfolio. There can be no guarantee that the Portfolio will achieve the target rates of return referred to in this Prospectus, that the assets will be taken on at the pace forecast, or that the Company will not sustain any capital losses through its investments.

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

The Company was incorporated on 2 December 2015. It has not commenced trading and has no current operations. 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 prepared. 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, as a consequence, decline substantially.

### **1.3 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 Investment Manager, Depositary, Administrator, Registrar and Servicer, amongst others, will be performing services which are integral to the day-to-day 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 material adverse effect on the Company's operations and its ability to meet its investment objective.

### **1.4 Delays in deployment of the proceeds of the First Placing or of the Placing Programme may have an impact on the performance of the Company's Portfolio and cash flows**

Pending deployment of the net proceeds of the First Placing or any issue of Issue Shares under the Placing Programme, the Company may invest surplus capital in cash deposits, cash equivalent investments and fixed income instruments. Such investments are likely to yield lower returns than the expected returns from investments in Credit Assets and Equity Assets. Although the Company has agreed terms on which it is to make investments in certain Equity Assets on, or shortly following, First Admission (as described in further detail in Part VI of this Prospectus), there can be no guarantee that the Company will be able to invest the full amount of the net proceeds of the First Placing or any issue of Issue Shares under the Placing Programme in Credit Assets and Equity Assets in the manner contemplated by its investment objective. Until the net proceeds of the First Placing or any issue of Issue Shares under the Placing Programme are fully invested in Credit Assets and Equity Assets, the Company's aggregate return on investments will be reduced. The longer it takes for the Company to invest the net proceeds of the First Placing or any issue of Issue Shares under the Placing Programme in full, the greater the likelihood that the Company's results of operations will be materially adversely affected (although the time taken to fully invest the proceeds of an issue of C Shares will not affect returns to existing holders of Ordinary Shares).

### **1.5 Market conditions may delay or prevent the Company from making appropriate investments that generate attractive returns**

The Company's investment objective requires it to invest in instruments which may be illiquid and subject to significant competition. Market conditions may result in such instruments becoming more illiquid and, subject to increased competition, which may adversely affect the ability of the Investment Manager to identify and invest in Credit Assets and Equity Assets delivering the returns necessary for the Company to meet its investment objective. To the extent that the Investment Manager is unable to identify and make such investments, the Company may invest surplus capital in cash deposits, cash equivalent investments and fixed income instruments, which typically offer lower yields than Credit Assets and Equity Assets of the sort which the Company intends to invest in. This may result in a reduction in the Company's aggregate return on investments, which may have a material adverse effect on the Company's financial condition and results of operations.

### **1.6 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 the investments made by the Company, changes in the amount of interest paid in respect of Credit Assets in the Portfolio, changes in the rates of interest payable on the Company's borrowings, changes in the Company's operating expenses (including the operating expenses of the Investment Manager), the degree to which the Company encounters competition, and general economic and market conditions. Such fluctuations may lead to volatility in the trading price of the Issue Shares and may mean that the Company's results for a particular period are not indicative of its performance in a future period.

### **1.7 The Company is likely to borrow in connection with its investment activities, which subjects it to interest rate risk and additional losses if the value of its investments fall**

Borrowings are likely to be employed at the level of the Company and may be employed at the level of any investee entity (including any SPV that may be established or utilised by the Company in connection with incurring borrowings against any of its assets).

The Company itself may borrow (through bank or other facilities) up to 100 per cent. of Net Asset Value (calculated at the time of draw down under any facility that the Company has entered into). As at the date of this Prospectus, the Company intends to target borrowings in the range of 50 per cent. to 75 per cent. of Net Asset Value.

Prospective investors should be aware that, whilst the use of borrowings should enhance the Net Asset Value of the Issue Shares when the value of the Company's underlying assets is rising, it will have the opposite effect where the underlying asset value is falling. In addition, in the event that the Company's income falls for whatever reason, the use of borrowings will increase the impact of such a fall on the Company's return and accordingly will have an adverse effect on the Company's ability to pay dividends to Shareholders.

The Company will pay interest on its borrowings. As such, the Company is exposed to interest rate risk due to fluctuations in the prevailing market rates. Interest rate movements may affect the level of income receivable on cash deposits and the interest payable on the Company's variable rate cash borrowings. In the event that interest rate movements lower the level of income receivable on cash deposits or raise the interest required to be paid by the Company, returns to investors may be reduced.

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

### **1.8 The Company's hedging strategy may not be effective**

Fluctuations in interest rates are influenced by factors outside the Company's control, and can adversely affect the Company's results of operations and profitability in a number of ways.

The Company intends to invest in Credit Assets which may be subject to a fixed rate of interest, or a floating rate of interest (which may be linked to base rates or LIBOR). The Company expects that its borrowings will be subject to a floating rate of interest. Any mismatches the Company has between the income generated by its Credit Assets, on the one hand, and the liabilities in respect of its borrowings, on the other hand, may be managed, in part, by matching any floating rate borrowings with investments in Credit Assets that are also subject to a floating rate of interest. The Company may use derivative instruments, including interest rate swaps, to reduce its exposure to fluctuations in interest rates.

To the extent that the Company does rely on derivative instruments to hedge interest rate risk, it will be subject to counterparty risk. Any failure by a hedging counterparty of the Company to discharge its obligations could have a material adverse effect on the Company's results of operations and financial condition.

### **1.9 The accounting policies, methodologies and valuations adopted by the Company and the Investment Manager are important to ensure accurate reporting, and they require estimates about matters that are uncertain**

Accounting policies and methodologies are fundamental to how the Company records and reports its financial results, and the Investment Manager must exercise judgement in selecting and applying many of these accounting policies and methods so that they comply with IFRS.

These judgements and associated assumptions and estimates are based on historical experience and various other factors that are considered by the Investment Manager under the circumstances at the time, and may prove to be incorrect, which could lead to inaccuracies in the reported financial position and performance of the Company that could be material.

The Investment Manager has established detailed policies and control procedures that are intended to ensure that these judgements (and the associated assumptions and estimates) are well controlled and applied consistently. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner and with appropriate oversight by the Company. However, because these policies and methods require the Investment Manager to make estimates about matters that are uncertain, the Company cannot guarantee that

it will not be required to make changes in accounting estimates or restate prior period financial statements in the future. Any such changes or restatements could be material in nature.

Part of the Portfolio will comprise unquoted Equity Assets. There is no reliable liquid market for these Equity Assets and the valuation of such investments requires the Investment Manager to exercise judgement. There can be no guarantee that the basis of calculation of the value of the Company's investments in Equity Assets used in the valuation process will reflect the actual value on realisation of those investments in Equity Assets.

The Investment Manager is entitled to receive a management fee and performance fee for its services to the Company which is based, in part, on the financial results of the Company and the value of the Company's investments. This creates a potential conflict of interest as the Investment Manager is involved in the valuation of the Company's investments.

## **2. Risks relating to compliance and regulation of the Company and its reliance on regulated debt originators and service providers**

Failure by the Company, the Investment Manager, the Origination Partner, the Servicer or any of the Referral Partners to comply with applicable laws and regulations relating to the origination, acquisition and servicing of the Credit Assets and the broader consumer credit industry could result in suspension, termination or impairment of the Company's ability to invest in Credit Assets.

Pursuant to section 19 of the FSMA, a firm must be authorised to carry on regulated activities, which from 1 April 2014 have included specified consumer credit activities, by way of business in the UK. For example, entering into a regulated credit agreement as lender, and exercising, or having the right to exercise, the lender's rights and duties under a regulated credit agreement, are regulated activities.

The UK Government has introduced an interim permission regime, which is a transitional arrangement for regulation by the FCA. Firms with a CCA licence from the OFT were required to register with the FCA for interim permission to be able to continue carrying on regulated consumer credit activities after 1 April 2014. Firms with interim permission are subject to FCA regulation but are exempt from some parts of the new regime until they become fully authorised. All firms holding an interim permission must apply to become fully authorised within the timeframe notified to them by the FCA.

In order to obtain full authorisation, applicants must demonstrate that they satisfy certain minimum prudential and organisational requirements (known as the "threshold conditions"). These conditions relate to the location of the firm's offices, whether the firm is capable of being effectively supervised by the FCA, the quality and quantity of the firm's resources (including both financial and management resources), whether the firm is a "fit and proper person" to conduct the relevant consumer credit activities and whether the firm has a suitable business model (see section 7.2 of Part VI of this Prospectus for further detail).

The Company will be dependent on the Origination Partner, the Servicer and the Referral Partners to originate, acquire and service the Credit Assets. As at the date of this Prospectus:

- (A) The Origination Partner is a fully authorised FCA regulated consumer credit firm (FRN: 630704) with permissions to undertake consumer lending and credit broking. If the Origination Partner is unable to maintain its FCA authorisation, the Company's ability to acquire Credit Assets and its ability to achieve its investment objectives may be materially adversely affected.
- (B) Freedom Finance is a fully authorised FCA regulated consumer credit firm (FRN: 662079) with permissions to undertake credit broking and debt counselling (limited to counselling, no debt management). If Freedom Finance is unable to maintain its FCA authorisation for all the relevant consumer credit related activities, its ability to refer loans to and to provide other credit related services to the Origination Partner will be significantly impaired. As a consequence, the Company's ability to acquire Credit Assets may be impaired until such time as it is able to find alternative sources of referrals or origination channels.
- (C) The Servicer is a fully authorised FCA regulated consumer credit firm (FRN: 454569) with permissions (among others) to undertake consumer lending, credit broking, debt administration and debt collecting. If the Servicer is unable to maintain its FCA permissions for consumer credit related activities, its ability to provide credit related services to the Origination Partner and to the Company will be significantly impaired. As a consequence, the Company's ability

to arrange for the Credit Assets to be appropriately serviced may be impaired until such time that it is able to find an alternative servicing provider (where appropriate, in consultation with the Origination Partner).

- (D) Pay4Later and certain members of the entu group have registered with the FCA for interim permissions to allow these companies to continue to undertake credit broking during the interim permission regime, pending full FCA authorisation. Each of these entities will need to obtain full FCA authorisation for consumer credit activities within the timeframe notified to them by the FCA. Upon obtaining full authorisation, Pay4Later and the relevant members of the entu group will become subject to all regulatory obligations associated with being fully authorised FCA regulated firms (including minimum organisational requirements applicable to obtaining and maintaining FCA authorisation, rules relating to authorised persons and controllers, and complaints reporting and publication rules). If either Pay4Later or a relevant member of entu group is unable to obtain and maintain their FCA permissions for the relevant consumer credit related activities, its ability to refer loans to the Origination Partner will be significantly impaired. As a consequence, the Company's ability to acquire Credit Assets may be impaired until such time as it is able to find alternative referral channels.

Prior to granting full authorisation for a firm to carry on regulated consumer credit activities, the FCA is required by the FSMA to carry out a thorough assessment of the applicant's business model and to determine whether that firm will meet the "threshold conditions". Failure to meet the "threshold conditions" initially may result in the FCA refusing to grant full authorisation, and failure to meet such standards after full authorisation has been granted may ultimately result in the FCA taking disciplinary, enforcement or administrative action, including commencing a process to vary, suspend or withdraw a firm's authorisation. In addition, where an authorised firm breaches FCA rules, the FCA may take enforcement action which might lead to, for example, the FCA imposing a financial penalty on that firm or issuing a public statement of censure.

If the Origination Partner, the Servicer or a Referral Partner is unable to obtain or maintain FCA authorisation for all the relevant consumer credit related activities, the Company's ability to achieve its investment objectives may be materially adversely affected. If the Origination Partner, the Servicer and the Referral Partners are all unable to obtain and/or maintain FCA authorisation for all relevant consumer credit related activities, the impact on the Company's ability to meet its investment objective is likely to be severe.

Any failure to comply with applicable laws, regulations, rules and guidance could result in investigations or regulatory enforcement action that may lead to fines or the variation, suspension or withdrawal of authorisation. Any such action may also result in adverse publicity, causing reputational damage to the Origination Partner, the Servicer, the Referral Partners, the Investment Manager and/or the Company which could impair the Company's ability to acquire Credit Assets.

Further, non compliance with certain provisions of the CCA may, for example, render customer agreements unenforceable against the borrower and result in there being no obligation on the borrower to pay interest and charges during the period of non compliance, and may also require interest and charges that have already been collected to be refunded (see section 7.5 of Part VI of this Prospectus for further detail).

Changes to the regulatory environment or an increased volume of legislation may materially and negatively affect the debt origination and servicing industry and could result in suspension, termination or impairment of the Company's ability to invest in, manage or administer Credit Assets.

Consumer lending and other consumer credit related activities in the UK are subject to extensive regulation and the intensity of regulatory supervision has been increasing (see section 7 of Part VI of this Prospectus for further detail).

As is the case across much of the UK financial services industry, the consumer credit sector is currently undergoing, and may in the future undergo, a number of significant regulatory changes. In addition to the CCA and the FSMA there are a significant number of other legal requirements applicable in the context of consumer contracts (see section 8 of Part VI of this Prospectus for further detail).

Any of these requirements may change or may be interpreted or applied differently in the future, and the Company, the Investment Manager, the Origination Partner, the Servicer and the Referral Partners may become subject to new laws and regulations, such as those related to debt

collection, the enforceability of credit agreements, the statute of limitations for enforcement of debt obligations, credit reporting, consumer bankruptcy, the management of consumer debt, accounting standards, taxation requirements, employment and data privacy and protection. Such changes may result in increased operating costs for all regulated entities involved in the origination and servicing of Credit Assets or, potentially, expose them to additional liability or otherwise adversely impact the manner in which Credit Assets are originated, transferred or serviced which may lead to higher costs and lower returns on investment for the Company.

## **2.1 The ability to obtain, share and retain customer data is critical to the Company and is heavily regulated by privacy, data protection and related laws**

In the UK, any firm that handles personal data must comply with the requirements established by the Data Protection Act 1998 (the “DPA”) in relation to processing the personal data of customers, including maintaining the appropriate data protection registrations with the Information Commissioner’s Office (the “ICO”). Any failure to comply with the DPA could result in the revocation of the ICO registration, enforcement notices, monetary fines and criminal charges. Any regulatory changes that impair the Company’s ability to use or share data could have a material adverse effect on the Company’s ability to evaluate opportunities for the acquisition of Credit Assets and to manage those Credit Assets (see section 8.5 of Part VI of this Prospectus for further detail).

## **2.2 Alternative Investment Fund Managers Directive**

The AIFM Directive, which was due to be transposed by the EEA member states into national law on 22 July 2013, seeks to regulate AIFMs and imposes obligations on AIFMs in the EEA or who market shares in alternative investment funds to EEA investors. In order to obtain authorisation under the AIFM Directive, an AIFM needs to comply with various organisational, operational and transparency obligations, which may create significant additional compliance costs, some of which may be passed to investors in the alternative investment funds they manage and may affect dividend returns.

For as long as the Company is an AIF, the marketing of Issue Shares to investors in the UK and other EEA member states will be restricted and will need to be undertaken in accordance with the AIFM Directive or the relevant national private placement regimes of any EEA member states in which marketing takes place.

The Investment Manager has filed a notification with the FCA pursuant to Regulation 54 of the AIFM Regulation (which implements Article 31 of the AIFM Directive) to market the Issue Shares to professional investors and retail clients in the UK. Any regulatory changes arising from the AIFM Directive (or otherwise) that limit the Company’s ability to market future issues of its Issue Shares may materially adversely affect the Company’s ability to carry out its investment policy successfully and to achieve its investment objective, which may, in turn, adversely affect the Company’s business, financial condition, results of operations, Net Asset Value and/or the market price of the Issue Shares.

## **3. Risks related to the Company’s investment objective and strategy**

### **3.1 Adverse economic and market conditions may negatively impact the Company’s business and financial performance, including through higher impairment charges, increased capital losses on Credit Assets and reduced opportunities for the Company to invest in Credit Assets**

The Company’s business is subject to general macroeconomic conditions in the UK and volatility in the global economic and financial markets, both generally and as they specifically affect participants in the consumer lending industry. Since the start of the global financial crisis in 2008, the UK economy has experienced significant turbulence and a period of recession, which has adversely affected, among other things, business activity, consumer confidence, spending and demand for and supply of credit, asset values, corporate capital investment levels, corporate insolvency rates, conditions in the housing market and the commercial real estate sector, levels of employment, the cost and availability of credit and liquidity in the capital markets. The UK economy is also affected by prevailing economic conditions in the Eurozone and globally, including the possibility of further macroeconomic deterioration and/or financial market instability, which may also negatively affect consumer confidence, spending, demand for credit and retail and wholesale funding markets. While certain economic indicators in the UK have exhibited signs of improvement,

the outlook for the UK economy remains somewhat uncertain. In the future, the UK economy may experience further volatility due to speculation about the UK continuing to remain a member of the EU and a variety of other factors.

A deterioration of economic and market conditions and/or prolonged volatility could have an overall material adverse effect on the Company's business, financial condition, results of operations and prospects. Conversely, improving economic and market conditions could also adversely affect the Company as improved financial circumstances of underlying borrowers to Credit Assets may lead to them repaying or refinancing their borrowings sooner than expected. Any improvement in the Company's investment opportunities as a result of improved economic and market conditions may not offset the effects of early repayments and, as a result, the aggregate amount of the Portfolio invested in Credit Assets may decline, requiring the Company to invest surplus capital in cash deposits, cash equivalent investments and fixed income instruments. This may result in a reduction in the Company's aggregate return on investments, which may have a material adverse effect on the Company's financial condition and results of operations.

Adverse economic conditions in the UK could have a negative impact on the financial circumstances of underlying borrowers to Credit Assets, such as through increased unemployment, which may affect the ability of borrowers to repay their loans, increasing the likelihood that they could default. This may, in turn, lead to an increase in non-payment, arrears and forbearance as well as an increase in the Company's impairment charges on Credit Assets. In addition, consumers may be less likely to borrow to fund discretionary purchases such as home improvements or holiday property ownership during periods of economic decline, reducing the number of investment opportunities referred to the Origination Partner by the Referral Partners, and so in turn reducing the number of investment opportunities presented to the Company by the Origination Partner. On the other hand, improved economic conditions could result in interest rates rising which could increase the financial commitments of borrowers on mortgage and other credit commitments, which could reduce their ability to repay the Credit Assets.

Any of the foregoing results could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

### **3.2 The Company's performance may be adversely affected by competition for investments in the consumer lending industry**

The consumer lending market in which the Company will participate is competitive and rapidly changing. As at the date of this Prospectus, the Company has entered into an agreement with the Origination Partner in relation to the deployment of the Company's capital through acquisitions of Credit Assets referred to the Origination Partner by the Referral Partners. However, there can be no guarantee that the Company will be able to secure terms in relation to the deployment of its capital through Credit Assets acquired from the Origination Partner or other origination partners, or Equity Assets.

The Company may face increasing competition for access to Credit Assets as the consumer lending industry continues to evolve. The Company may face competition from banks, specialist lenders and other institutional lenders such as asset managers and other fund vehicles that are substantially larger and have considerably greater financial, technical and marketing resources than the Company. Other institutional sources of capital may enter the market. These potential competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than the Investment Manager is able to on behalf of the Company. There can be no assurance that the competitive pressures the Company faces will not erode the Company's ability to deploy capital and thus impact the financial condition and results of the Company.

In addition, increasing competition for Credit Assets, and increasing regulation of the consumer lending industry (and the associated costs of complying with such regulation), may lead to reductions in yields on Credit Assets. This may result in a reduction in the Company's aggregate return on investments, which may have a material adverse effect on the Company's financial condition and results of operations and its ability to meet its investment objective.

### **3.3 The Company is dependent on the continued presence of Referral Partners**

The Origination Partner will be dependent on its arrangements with the Referral Partners to identify suitable lending opportunities. If a material number of loan originators and brokers were to cease

or materially alter their operations, become bankrupt, liquidate or otherwise cease to provide the Origination Partner with opportunities to originate loans, the ability of the Origination Partner to provide the Company with suitable opportunities to invest in Credit Assets may be materially adversely affected. This, in turn, may have a material adverse effect on the ability of the Company to achieve its investment objective.

### **3.4 The Company is exposed to risks relating to its counterparties**

The Company will be reliant on the services of the Servicer to provide certain account administration, customer servicing and arrears management services in respect of Credit Assets forming part of the Portfolio. These services include the provision of certain notices and forms to the borrowers in accordance with regulatory requirements. To the extent that similar arrangements are entered into with Shawbrook in respect of the Company's investments in loans referred to the Origination Partner by Shawbrook, the Company may also be reliant on Shawbrook to provide similar services. Failure by the Servicer or Shawbrook to deliver these services properly, including failure to ensure the proper delivery, format and content of communications that are required to be sent to borrowers and failure to ensure proper customer data and funds management could negatively affect the reputation of the Company, the Origination Partner and the Investment Manager and relationships with borrowers and counterparties of the Company, the Origination Partner and the Investment Manager, and also expose the Company to potential liability under applicable regulations or require remediation to borrowers. Such potential liability could include regulatory enforcement action, the award of financial compensation and/or other remedies to affected borrowers and a range of other negative outcomes, and the Company may not be able to recover from the Servicer or Shawbrook in respect of any or all such liabilities. A failure by the Servicer or Shawbrook to deliver contracted services properly to the Company could also damage the Company's reputation and its ability to acquire Credit Assets, and cause significant operational issues. Any of the foregoing outcomes could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

### **3.5 The Origination Partner has not guaranteed to provide a minimum number of Credit Assets to the Company and the Origination Agreement may be terminated in certain circumstances**

There can be no guarantee that the growth experienced by the consumer lending industry in recent periods will continue.

Through agreements between the Origination Partner and Freedom Finance, Pay4Later, entu and Shawbrook, the Company hopes to obtain access to a stable and diverse pipeline of potential investments. The Investment Manager also intends to work with the Origination Partner to identify opportunities to develop relationships with further Referral Partners to increase the volume and diversity of the pipeline of Credit Assets to which the Company ultimately has access. The Investment Manager may also seek to enter into agreements with further origination partners to diversify the sources of potential investments in Credit Assets. There is, however, no guarantee that the Investment Manager will be able to do so.

The Referral Partners have not guaranteed to provide a minimum number of loan applications to the Origination Partner. Accordingly, the Origination Partner has not guaranteed to offer a minimum number of Credit Assets for acquisition by the Company.

If the Origination Partner does not offer sufficient Credit Assets for acquisition by the Company, or if the Origination Partner does offer sufficient Credit Assets for acquisition by the Company but those Credit Assets do not meet the Investment Manager's investment criteria and the Company is unable to source adequate acquisition opportunities from other origination sources, the Company may be unable to deploy its capital in a timely or efficient manner.

The Origination Agreement may be terminated in certain circumstances, as further described in section 10 of Part XIII of this Prospectus. In the event that the Origination Agreement is terminated and the Company is unable to enter into an equivalent arrangement with a replacement service provider, the Company's ability to invest in and acquire Credit Assets is likely to be materially and adversely affected.

Where there are insufficient opportunities available for the Company to invest in Credit Assets, or where the volume of available and suitable Credit Assets falls, the Company may invest in cash, cash equivalent investments, fixed income investments or Credit Assets that fall within its

investment policy but do not offer the net yields which the Investment Manager is targeting. In such circumstances, the investments made will generally be expected to offer lower returns than the Company's target returns from investments in Credit Assets.

#### **4. Risks relating to the Company's investment in Credit Assets**

##### **4.1 The failure by underlying borrowers to make repayments under the terms of the Credit Assets will have an adverse effect on the Company's performance**

Regardless of the form that an investment in a Credit Asset takes, the ability of the Company to earn revenue is dependent upon payments being made by the underlying borrowers to Credit Assets in a timely and complete manner. The Company will receive payments under any Credit Assets only if the underlying borrower makes payments on the relevant loan. Where Credit Assets benefit from security (which the Company currently expects to be the case only for its investments in loans referred to the Origination Partner by Shawbrook or certain loans contained within portfolios of Credit Assets acquired from third parties), the Company's recovery will be dependant on the amounts recovered following the enforcement of such security being sufficient to cover the outstanding amounts due to the Company. Where the Company invests in Credit Assets on a subordinated basis (which the Company currently expects to be the case only for some investments in loans referred to the Origination Partner by Shawbrook or certain loans contained within portfolios of Credit Assets acquired from third parties), there is a greater risk that amounts recovered following the default of a borrower will be insufficient to cover outstanding amounts due to the Company, as the recovered amounts must first be applied to discharge obligations which rank ahead of the Company's claims.

Where an underlying borrower to a Credit Asset defaults, the Company must rely on the collection efforts of the Servicer (and Shawbrook, to the extent that the Company is dependent on Shawbrook to provide services in respect of investments in loans referred to the Origination Partner by Shawbrook) and their respective designated collection agencies. Any fees and expenses incurred by the Company in connection with defaulted Credit Assets will reduce the amount which the Company may recover in the event of a partial or complete collection.

If an underlying borrower neglects its payment obligations on a loan or chooses not to repay its loan entirely, the Company may not be able to recover any portion of its outstanding principal and interest under a related Credit Asset comprising an investment in that loan.

Where an underlying borrower is an individual, if such a borrower with outstanding obligations under a loan dies while the loan is outstanding, the borrower's estate may not contain sufficient assets to repay the loan or the executor of the borrower's estate may prioritise repayment of other creditors. Numerous other events could impact a borrower's ability or willingness to repay a loan in which the Company invests, including divorce or sudden and unexpected significant expenses.

##### **4.2 Risk of fraud or misrepresentation by borrowers, the Origination Partner or Referral Partners**

The value of the investments made by the Company in Credit Assets may be affected by fraud, misrepresentation or omission on the part of the underlying borrower to each Credit Asset, by parties related to the borrower, including the Origination Partner or a Referral Partner, or by other parties to the Credit Asset (or related collateral and security arrangements). Such fraudulent activity may adversely affect the Company's ability to enforce its contractual rights under the Credit Asset or for the underlying borrower to the Credit Asset to repay the Credit Asset or interest on it or its other debts. Where a Credit Asset comprises a secured loan, such fraudulent activity may adversely affect the value of the underlying collateral.

##### **4.3 Risk of borrower default in respect of Credit Assets**

As at the date of this Prospectus, the Company expects that Credit Assets referred to the Origination Partner by Freedom Finance, entu and Pay4Later will be unsecured. Unsecured Credit Assets are not secured by any collateral and do not benefit from any third party guarantee or insurance. While these Credit Assets will be individually small such that the Company does not expect the loss on any one Credit Asset to be significant in the context of the Portfolio as a whole (as at the date of this Prospectus, the Company expects that its maximum exposure under a single unsecured consumer credit asset will not exceed 0.15 per cent. of Gross Assets), the Servicer and its designated third party collection agencies may be limited in their ability to collect

on Credit Assets and, if an underlying borrower defaults on its obligations, the ability of the Company to collect any portion of the Credit Asset will accordingly be limited.

All Credit Assets are credit obligations of borrowers (be it an individual person or a business) and the terms of the Credit Asset may not restrict a borrower from incurring additional debt. If a borrower incurs additional debt after obtaining a loan acquired by the Company, that additional debt may adversely affect the borrower's creditworthiness generally, and could result in the financial distress, insolvency or bankruptcy of the borrower. This circumstance could ultimately impair the ability of that borrower to make payments on its Credit Asset and the Company's ability to receive the principal and interest payments that it expects to receive on the relevant Credit Assets. To the extent borrowers incur other indebtedness that is secured, such as a mortgage, the ability of the secured creditors to exercise remedies against the assets of that borrower may impair the borrower's ability to repay its loan or it may impair the ability of the originator of the Credit Asset or the Company to collect on the Credit Asset if it goes unpaid. In respect of consumer loans that are unsecured, borrowers may choose to repay obligations under other indebtedness before repaying obligations under Credit Assets acquired by the Company because the borrowers have no collateral at risk. The Company will not be made aware of any additional debt incurred by a borrower, or whether such debt is secured.

If a borrower files for bankruptcy in any of the jurisdictions in which the Company may invest, a stay may go into effect that will automatically put any pending collection actions on hold and prevent further collection action absent court approval. It is possible that the borrower's personal liability on its loan will be discharged in bankruptcy. In most cases involving the bankruptcy of a borrower with an unsecured loan, unsecured creditors, including the Company, will receive only a fraction of any amount outstanding on the amount owing to them, if anything.

The Company also intends to invest in loans to specialist lenders referred to the Origination Partner by Shawbrook, secured over granular portfolios of loan receivables. A substantial component of the Investment Manager's analysis of the desirability of participating in such loans will relate to the estimated residual or recovery value of the security in the event of the insolvency of the borrower. The value of such security can, however, be extremely difficult to predict as in certain circumstances market quotations and third party pricing information may not be available, can diminish over the term of the relevant loan, and, in certain market circumstances, there could be little, if any, market for such assets.

Whilst the obligations of the borrower under such loans will be subject to security, the enforceability of the related security arrangements will be subject to such security having been correctly created and perfected and any applicable legal or regulatory requirements which may restrict the giving of collateral or security by a borrower, such as, for example, financial assistance and corporate benefit requirements. If the secured loans in which the Company participates do not benefit from the expected security arrangements this may affect the value of the investments made by the Company.

If the borrower under a secured loan in which the Company participates were to default, and the security enforced, the value recovered from enforcement of the security may be smaller than the value of the Company's investment (whether due to external factors such as changes in the market for the assets to which the security relates, general economic conditions or otherwise).

If the Company participates in a secured loan on a subordinated basis, there is a greater risk that amounts recovered following enforcement of the security will be insufficient to cover outstanding amounts due to the Company, as those amounts must first be applied to discharge obligations which rank ahead of the Company's claims.

#### **4.4 Credit Asset default rates may be affected by a number of factors outside the Company's control and actual default rates may vary significantly from historical observations**

Credit Asset default rates may be significantly affected by economic factors and conditions beyond the Company's control. In particular, default rates may increase due to factors such as prevailing interest rates, unemployment rates, consumer confidence, residential real estate values, changes in consumer spending, the number of personal bankruptcies, and disruptions in the credit markets.

The default history for Credit Assets originated via or issued by direct lenders such as the Origination Partner is limited and actual defaults over a full market cycle may be greater than indicated by historical data and the timing of defaults may vary significantly from historical observations.

In addition, general economic factors and conditions, including the general interest rate environment, unemployment rates and residential collateral asset values may affect borrower willingness to seek loans and investor ability and desire to invest in loans.

#### **4.5 Prepayment risk**

Underlying borrowers may decide to prepay all or a portion of the remaining principal amount due under a Credit Asset at any time and, generally, without significant penalty. The degree to which borrowers prepay loans, whether as a contractual requirement or at their election, may be affected by general business conditions, market interest rates, the borrower's financial condition and competitive conditions among lenders. In the event of a prepayment of the entire remaining unpaid principal amount of a Credit Asset acquired by the Company, the Company will receive such prepayment (or the relevant part thereof) but further interest may not accrue on such Credit Asset after the date of the prepayment. If the borrower prepays a portion of the remaining unpaid principal balance, interest may cease to accrue on the prepaid portion and the Company may not receive all of the interest payments that it expected to receive and in either case will be required to replace the repaid Credit Asset (or portion thereof) with another Credit Asset to maintain returns.

#### **4.6 The Company may invest in Credit Assets comprising loans to small or less well established companies**

The Company may invest in Credit Assets comprising loans made to small and/or less well established companies. Whilst loans made to smaller and/or less well established companies may fall within the relevant underwriting criteria of the Company at the time the Credit Asset is entered into, a smaller or less well established company will be more susceptible to market volatility and adverse changes in its trading conditions which will in turn impact its financial condition and may mean that it is unable to comply with its payment obligations under the terms of the relevant Credit Asset. To the extent that a small or less well established company is unable to meet its obligations pursuant to a Credit Asset, the value of the Company's investment in such a Credit Asset will fall, which may have an adverse impact on the Company's financial performance.

#### **4.7 Risks of investment in Credit Assets that have underlying borrowers with poor credit ratings or histories**

The Company may invest a portion of its assets in Credit Assets linked to underlying borrowers who have low or subprime credit bureau risk scores (referred to for this purpose as "**High Yield Investments**"). Such High Yield Investments may be considered speculative with respect to the borrower's continuing ability to make principal and interest payments under the terms of the Credit Asset. High Yield Investments have a higher risk of default, and as such pose a significant risk to the Company with respect to the loss of principal and interest. Moreover, High Yield Investments have material sensitivity to macro-economic downturns and other factors outside of the Company's control. Such macro-economic downturns may be outside of the Investment Manager's foresight and/or may unexpectedly occur during the term of a Credit Asset.

Some of the High Yield Investments may be linked to underlying borrowers who have subprime credit ratings. Many of these underlying borrowers are people who have had difficulty obtaining loans from other sources, including banks and other financial institutions, on favourable terms, or on any terms at all, due to credit problems, limited credit histories, adverse financial circumstances or high debt-to-income ratios.

The Company expects Credit Assets which are High Yield Investments to have a substantial rate of default, but may notwithstanding such default rate make significant investments in Credit Assets which are High Yield Investments (some of which may be linked to subprime borrowers) in circumstances where it believes that the relationship between interest rates and default will produce attractive returns on a net basis.

However, no assurance can be given that the expected default rates of Credit Assets which are High Yield Investments will not materially exceed historical or expected levels, thereby materially and negatively impacting the returns of investments of the Company and, therefore, the Net Asset Value of the Company.

#### **4.8 Risks associated with a limited secondary market and liquidity for Credit Assets**

Consumer loans generally, but not exclusively, have a contractual maturity of between 12 and 120 months, although borrowers may (and frequently do) elect to repay loans prior to their maturity date.

Until an active secondary market develops, the Company will primarily adhere to an “invest and hold” strategy and will not necessarily be able to access significant liquidity. In the event of adverse economic conditions in which it would be preferable for the Company to sell certain of its Credit Assets, the Company may not be able to sell a sufficient proportion of its Portfolio as a result of liquidity constraints. In such circumstances, the overall returns to the Company from its investments may be adversely affected.

### **5. Risks related to the Company’s investments in Equity Assets**

#### **5.1 The Company may invest in Equity Assets which comprise unlisted securities**

The Company may invest in Equity Assets that are aligned with the Company’s strategy and that present opportunities to enhance the Company’s return on its investments. Such Equity Assets are likely to be predominantly in the form of unlisted equity securities.

Investments in unlisted equity securities, by their nature, involve a higher degree of valuation and performance uncertainty and liquidity risk than investments in listed securities, and therefore may be more difficult to realise.

Unlisted, as opposed to listed, companies are subject to particular risks, including that they:

- may have shorter operating histories and smaller market shares, rendering them more vulnerable to competitor actions and market conditions, as well as general economic downturns;
- sometimes operate at a financial loss;
- are more likely to depend on the management talents and efforts of a founder or small group of persons and, if any such persons were to cease to be involved in the management or support of such companies, this could have a material adverse impact on their business and prospects and the investment in them made by the Company; and
- generally have less predictable operating results and may require significant additional capital to support their operations, expansion or competitive position.

Investments which are unlisted at the time of acquisition may remain unlisted and may therefore be difficult to value and/or realise. In particular, if the Company is subject to a Shareholder vote to discontinue its existence, the Investment Manager may be unable to realise the value of Equity Assets in full, or at all, if no suitable purchaser for Equity Assets in the form of unlisted equity can be identified.

### **6. Risks related to the Investment Manager**

#### **6.1 The Company is reliant on the performance and retention of key personnel and the continued appointment of the Origination Partner**

The Company will rely on key individuals at the Investment Manager to identify and select investment opportunities and to manage the day-to-day affairs of the Company. There can be no assurance as to the continued service of these key individuals at the Investment Manager. The death or departure of any of these from the Investment Manager without adequate replacement may have a material adverse effect on the Company’s business prospects and results of operations. Accordingly, the ability of the Company to achieve its investment objective depends heavily on the experience of the Investment Manager’s team, and more generally on the ability of the Investment Manager to attract and retain suitable staff. The Board will have broad discretion to monitor the performance of the Investment Manager or to appoint a replacement investment manager but the performance of the Investment Manager or any replacement cannot be guaranteed.

The Origination Partner is entitled to terminate the Origination Agreement if, amongst other things, the Investment Manager ceases to be appointed as the investment manager of the Company. In the event that the Origination Agreement is terminated and the Company is unable to enter into an equivalent arrangement with a replacement service provider, the Company’s ability to invest in and acquire Credit Assets is likely to be materially and adversely affected. For further detail on the

circumstances in which the Origination Agreement may be terminated, see section 10 of Part XIII of this Prospectus.

## **6.2 The Investment Manager will allocate many of its resources to activities in which the Company is not engaged**

The Investment Manager is not required to commit all of its resources to the Company's affairs. Insofar as the Investment Manager devotes resources to its 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.

## **6.3 The past performance of the Investment Manager is not a guarantee of the future performance of the Company**

The Company has presented certain information in this Prospectus regarding the past performance of the Investment Manager, its key individuals, and their previous portfolio investments. The past performance of the Investment Manager and its key individuals is not indicative, or intended to be indicative, of future performance or results of the Company. Accordingly, there can be no assurance that the Company will have the same opportunities to invest in assets that generate similar returns to such other funds and the risk profile of such funds is markedly different to that of the Company.

## **6.4 Risks associated with the Investment Manager's credit scoring or investment models**

The Investment Manager has developed detailed and stringent underwriting criteria, which take account of a range of factors including a detailed assessment of a borrower's financial circumstances, borrower demographics, and various forward-looking indicators of a borrower's likely financial strength. While the Investment Manager considers such underwriting criteria to be robust and appropriate based on its experience to date, and will constantly refine those criteria to take account of experience on the Portfolio, past experience can be no guarantee of future performance and future economic cycles may present previously unforeseen stresses on the Portfolio which are not addressed in current underwriting criteria.

As part of its assessment of a borrower's financial position, the Investment Manager (or a person to whom it has delegated its functions) will also take into account the borrower's credit score and credit history. Credit scores are produced by third-party credit reporting agencies based on a borrower's credit profile, including credit balances, available credit, timeliness of payments, average payments, delinquencies and account duration. This data is furnished to the credit reporting agencies by the creditors. A credit score may not reflect that borrower's actual creditworthiness because the credit score may be based on outdated, incomplete or inaccurate reporting data, although as part of its underwriting procedures the Investment Manager seeks to verify the key aspects of the information obtained where it has reason to question its accuracy.

Additionally, it is possible that, following the date of any credit information received, a borrower may have defaulted on a pre-existing debt obligation, taken on additional debt or sustained other adverse financial or life events.

Because of these factors, the Investment Manager may make investment decisions based on outdated or incomplete information.

## **6.5 The Company is reliant on IT systems to facilitate the acquisition and origination of Credit Assets**

The Company and the Investment Manager will be reliant, directly or indirectly, on the bespoke, proprietary software and IT infrastructure of the Origination Partner, Freedom Finance, the Referral Partners and the Servicer to provide portfolio management and Credit Asset selection functions to the Company. The Company is reliant on the functionality of the technology. Any failure of these IT systems could have a material adverse effect on the ability of the Origination Partner to originate, and of the Company to acquire and realise investments in, Credit Assets and therefore impact the Company's results of operations.

The Investment Manager is reliant upon receiving data feeds directly from the Servicer. Any delays or failures could impact operational controls and the valuation of the Portfolio. While the Investment Manager has in place systems to continually monitor the performance of these IT systems, there

can be no guarantee that issues will not arise. Any such issues may result in processing delays. To seek to mitigate this risk the Investment Manager has put in place with the Servicer a defined process and communication standard to support the exchange of data.

#### **6.6 The Company's due diligence may not identify all risks and liabilities in respect of an investment**

Prior to investing in Credit Assets or Equity Assets, the Investment Manager will perform due diligence on the proposed investment. In doing so, it would typically rely in part on information from third parties (including credit ratings agencies). To the extent that the Investment Manager or other third parties underestimate or fail to identify risks and liabilities associated with the investment in question, this may impact on the profitability of the investment.

#### **6.7 The Investment Manager may invest in, or manage other funds which hold investments in, entities with which the Company transacts**

The Investment Manager does not act exclusively as the investment manager of the Company. Accordingly, the Investment Manager and its officers and employees from time to time may invest in, or manage other funds that invest in, assets (including, without limitation, Credit Assets and/or Equity Assets) in competition with, or alongside, the Company. As at the date of this Prospectus, the Origination Partner is an affiliate of the Investment Manager, and the Investment Manager manages funds which hold investments in the Servicer, Freedom Finance and Shawbrook. In the future, the Investment Manager may hold investments in other entities with which the Company contracts, invests in and/or relies upon to carry out its operations.

The Investment Manager has a conflicts of interest policy which contains the details of identified conflicts or potential conflicts of interest and the procedures it follows in order to avoid, minimise and manage such conflicts or potential conflicts. The Investment Manager is structured and organised in a way so as to minimise the risks of a client's interests being prejudiced by conflicts of interest and will wherever possible try to ensure that a conflict of interest does not arise. In the event that a conflict of interest cannot be avoided the Investment Manager will always act to ensure that the Company is fairly treated. If circumstances arise such that the Investment Manager's arrangements for avoiding and managing conflicts of interest are not sufficient to ensure with reasonable confidence that the risks of damage to the interests of the Company or its Shareholders will be prevented, the senior management of the Investment Manager must act to ensure that appropriate action is taken to ensure fair and equitable treatment of the Company and its Shareholders.

### **7. Risks related to Custody**

Any financial instruments of the Company that are required to be held in custody pursuant to the AIFM Directive shall be held in custody with the Depositary and/or its sub-custodians. Cash and matured fiduciary deposits may not be treated as segregated assets and might therefore not be segregated from the Depositary's or sub-custodian's own assets in the event of the insolvency or the opening of bankruptcy, moratorium, liquidation or reorganisation proceedings of the Depositary or its sub-custodian (as the case may be). In such circumstances, the Company may suffer an irrecoverable loss in respect of such assets which could have a material adverse effect on the Company's financial performance.

### **8. Risks related to the Issue Shares**

#### **8.1 The market price of the Issue Shares may fluctuate widely in response to different factors and there can be no assurance that the Issue Shares will be repurchased by the Company even if they trade materially below their Net Asset Value**

The market price of the Issue Shares may not reflect the value of the underlying investments of the Company and may be subject to wide fluctuations in response to many factors, including, amongst other things: additional issuances or future sales of the Company's shares or other securities exchangeable for, or convertible into, its shares in the future; the addition or departure of Board members or key individuals at the Investment Manager; divergence in financial results from stock market expectations; changes in stock market analyst recommendations regarding the Company or any of its assets; the investment trust sector as a whole or the consumer lending industry; a perception that other market sectors may have higher growth prospects; general economic conditions; prevailing interest rates; legislative changes affecting investment trusts or

investments in Credit Assets and/or Equity Assets; and other events and factors within or outside the Company's control. Stock markets experience extreme price and volume volatility from time to time, and this, in addition to general economic, political and other conditions, may materially adversely affect the market price for the Issue Shares. The market value of the Ordinary Shares and C Shares may vary considerably from the Company's underlying Net Asset Value attributable to the Ordinary Shares or the C Shares (as applicable). There can be no assurance, express or implied, that Shareholders will receive back the amount of their investment in the Issue Shares.

The Company has Shareholder approval, conditional on First Admission, to make market purchases of up to 14.99 per cent. of the Ordinary Shares in issue immediately following First Admission (and the Directors intend to seek annual (or, if required, more frequent) renewal of this authority from Shareholders) and subject to the requirements of the Companies Act, the Articles and other applicable legislation, the Company may thus purchase Ordinary Shares in the market with the intention of, amongst other things, enhancing the Net Asset Value per Ordinary Share. The Company may decide to make any such purchases (and the timing of such purchases) at the absolute discretion of the Directors. There can be no assurance that any purchases will take place or that any purchases will have the effect of narrowing any discount to Net Asset Value at which the Ordinary Shares may trade.

## **8.2 A liquid market for the Issue Shares may fail to develop**

Admission should not be taken as implying that there will be a liquid market for the Issue Shares. Prior to First Admission, there has been no public market for the Issue Shares and there is no guarantee that an active trading market will develop or be sustained after First Admission.

The Specialist Fund Market is intended for investment products targeted at professional and/or institutional investors, and includes securities that may have characteristics such as (i) variable levels of secondary market liquidity; (ii) sophisticated investment propositions with concentrated risks; (iii) highly leveraged structures; and (iv) sophisticated corporate structures, which are therefore targeted at professional and/or institutional investors. Investments in shares traded on the Specialist Fund Market may have limited liquidity and may experience greater price volatility than those listed on the Official List of the UK Listing Authority.

If an active trading market is not developed or maintained, the liquidity and trading price of the Issue Shares may be adversely affected. Even if an active trading market develops, the market price of the Issue Shares may not reflect the value of the underlying investments of the Company.

## **8.3 The Company may in the future issue new Issue Shares, which may dilute Shareholders' equity**

Further issues of Issue Shares may, subject to compliance with the relevant provisions of the Companies Act and the Articles, be made on a non-pre-emptive basis. Existing holders of Issue Shares may, depending on the level of their participation in any such further Issue, have the percentage of voting rights they hold in the Company diluted. Following the First Placing, the Directors have been authorised to issue and allot up to 20 million Ordinary Shares and/or C Shares in aggregate prior to the conclusion of the first annual general meeting of the Company without the application of pre-emption rights, which may occur under the Placing Programme.

On conversion of C Shares into Ordinary Shares, the number of Ordinary Shares issued will depend on the relative Net Asset Value attributable to the C Shares and Net Asset Value attributable to the Ordinary Shares. As a result of the conversion, the percentage of the total number of issued Ordinary Shares held by each existing holder of Ordinary Shares will be reduced to the extent that such holder did not hold a sufficient number of C Shares.

Sales of Issue Shares by members of the Board or the possibility of such sales, may affect the market price of the Issue Shares.

Sales of Issue Shares or interests in Issue Shares by the Board could cause the market price of the Issue Shares to decline. Whilst the Directors may sell their Ordinary Shares in the market, a substantial number of Issue Shares being sold, or the perception that sales of this type could occur, could cause the market price of the Issue Shares to decline. This may make it more difficult for Shareholders to sell the Issue Shares at a time and price that they deem appropriate.

#### **8.4 Invesco and Old Mutual will have substantial influence over the Company**

Invesco has informed the Company that its current intention is to subscribe for 4.6 million Ordinary Shares under the First Placing. Assuming that this subscription occurs, Invesco will hold approximately 46 per cent. of the issued share capital of the Company immediately after First Admission if 10 million Ordinary Shares are issued (51.1 per cent. assuming that the Minimum Gross Proceeds are raised). Accordingly it may, as a practical matter, be able to influence certain matters requiring approval by Shareholders. In particular, it would be able to cast sufficient votes at a general meeting of the Company to defeat any proposed special resolution and may be able to cast sufficient votes to pass any ordinary resolution.

In addition, Old Mutual has informed the Company that it intends to subscribe for 2.99 million Ordinary Shares under the First Placing, subject to its total subscription not exceeding 29.9 per cent. of the total number of Ordinary Shares issued in the First Placing. Assuming that this subscription occurs, Old Mutual will hold approximately 29.9 per cent. of the issued share capital of the Company immediately after First Admission. It may therefore also, as a practical matter, be able to influence certain matters requiring approval by Shareholders.

The trading price of the Issue Shares may be adversely affected if potential new investors are disinclined to invest in the Company because they perceive disadvantages to concentration of Issue Shares in the hands of a limited number of Shareholders.

#### **8.5 The Company's ability to pay dividends will depend upon its ability to generate sufficient earnings and certain legal and regulatory restrictions**

Subject to the requirement to make distributions in order to maintain investment trust status, any dividends and other distributions paid by the Company will be made at the discretion of the Board. The payment of any such dividends or other distributions will generally depend on the Company's ability to generate realised profits, which, in turn, will depend on (among other things) the Company's ability to acquire investments which pay dividends, its financial condition, its current and anticipated cash needs, its costs and the net proceeds on sale of its investments and legal and regulatory restrictions. As such, investors should have no expectation as to the amount of dividends or distributions that will be paid by the Company or that dividends or distributions will be paid at all.

The payment of dividends by the Company is subject to the Company having sufficient distributable reserves for such purposes. The availability of such reserves is, in part, subject to steps which have yet to be taken for the court approval of a reduction of the Company's share premium account. The Company has passed a resolution to cancel its share premium account as that account will stand following completion of the First Placing, and will apply to the High Court of Justice in England and Wales after First Admission for an order confirming the reduction (see paragraph 2(l) of Part XII of this Prospectus for further detail). The Company can provide no assurance that such application will be successful.

#### **8.6 The C Shares are subject to specific risks**

The performance of such part of the Portfolio that is attributable to the C Shares may diverge significantly from that of the Ordinary Shares between any Subsequent Admission of the C Shares to trading on the Specialist Fund Market and conversion of the C Shares into Ordinary Shares in accordance with the Articles. In particular, the attributable Net Asset Value per Ordinary Share may differ significantly from the attributable Net Asset Value per C Share.

Trading liquidity in the C Shares may be lower than in the Ordinary Shares, which may affect a Shareholder's ability to realise some or all of their investment, the price at which such realisation can be effected and/or the price at which C Shares trade in the secondary market. Accordingly, Shareholders may be unable to realise their investment at a price equal to the attributable Net Asset Value per C Share, or at all.

The proceeds of each issue of C Shares will be invested in a segregated pool of assets and therefore holders of C Shares will, until conversion of those C Shares into Ordinary Shares, have limited exposure to the Company's existing investments. Therefore, the returns of holders of C Shares will be dependent on the deployment of cash raised in a timely manner. Dividends will be declared on the C Shares only in the event that there is material net income available for distribution to the holders of the C Shares to which such income relates.

## **9. Risks related to regulation and taxation**

### **9.1 Investment trust status**

It is the intention of the Directors to conduct the affairs of the Company so as to satisfy the conditions under section 1158 of the CTA 2010 and the Investment Trust Regulations for it to be approved by HMRC as an investment trust. In respect of each period for which the Company is an approved investment trust, the Company will be exempt from UK corporation tax on its chargeable gains. There is a risk that the Company does not receive approval of its investment trust status from HMRC or, having received such approval, the Company fails to maintain its status as an investment trust. In such circumstances, the Company would be subject to the normal rates of corporation tax on chargeable gains arising on the transfer or disposal of Equity Assets, which could adversely affect the Company's financial performance, its ability to provide returns to its Shareholders or the post-tax returns received by its Shareholders. Additionally, the Company can elect to treat dividends as "interest distributions" for tax purposes only if it is, at the time, an approved investment trust. It is not possible, for example, to guarantee that the Company will remain a non-close company, which is a requirement to maintain investment trust status, as the Issue Shares are freely transferable. The Company, in the unlikely event that it becomes aware that it is a close company, or otherwise fails to meet the criteria for maintaining investment trust status, will, as soon as reasonably practicable, notify Shareholders of this fact.

### **9.2 Overseas taxation**

The Company may be subject to tax under the tax rules of the jurisdictions in which it invests. Although the Company will endeavour to minimise any such taxes this may affect the level of returns to Shareholders.

### **9.3 Changes in tax legislation or practice**

Statements in this Prospectus concerning the taxation of Shareholders or the Company are based on UK tax law and practice as at the date of this Prospectus. Any changes to the tax status of the Company or any of its underlying investments, or to tax legislation or practice (whether in the UK or in jurisdictions in which the Company invests), could affect the value of investments held by the Company, affect the Company's ability to provide returns to Shareholders and affect the tax treatment for Shareholders of their investments in the Company (including the applicable rates of tax and availability of reliefs).

Prospective investors should consult their tax advisers with respect to their own tax position before deciding whether to invest in the Company.

## PART III – IMPORTANT INFORMATION

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

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

In connection with the Issue, Liberum or any of its affiliates acting as an investor for its or their own account(s) may subscribe for the Issue Shares and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in Issue Shares, any other securities of the Company or related investments, in connection with the Issue or otherwise. Accordingly, references in this Prospectus to the Issue Shares being issued, offered, subscribed or otherwise dealt with should be read as including any issue or offer to, or subscription or dealing by, Liberum or any of its affiliates acting as an investor for its or their own account(s). Liberum does not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

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

### 1. Data protection

The information that a prospective investor in the Company provides in documents in relation to a subscription for Issue Shares or subsequently by whatever means which relates to the prospective investor (if it is an individual) or a third party individual ("**personal data**") will be held and processed by the Company (and any third party in the United Kingdom to whom it may delegate certain administrative functions in relation to the Company) and/or the Administrator in compliance with the relevant data protection legislation and regulatory requirements of the United Kingdom. Each prospective investor acknowledges and consents that such information will be held and processed by the Company (or any third party, functionary, or agent appointed by the Company) and/or the Company Secretary for the following purposes:

- verifying the identity of the prospective investor to comply with statutory and regulatory requirements in relation to anti-money laundering procedures;
- contacting the prospective investor with information about other products and services provided by the Investment Manager, or its affiliates, which may be of interest to the prospective investor;
- carrying out the business of the Company and the administering of interests in the Company;
- meeting the legal, regulatory, reporting and/or financial obligations of the Company in the UK or elsewhere; and
- disclosing personal data to other functionaries of, or advisers to, the Company to operate and/or administer the Company.

Each prospective investor acknowledges and consents that where appropriate it may be necessary for the Company (or any third party, functionary, or agent appointed by the Company) and/or the Company Secretary to:

- disclose personal data to third party service providers, affiliates, agents or functionaries appointed by the Company or its agents to provide services to prospective investors; and/or
- transfer personal data outside of the EEA to countries or territories which do not offer the same level of protection for the rights and freedoms of prospective investors as the United Kingdom.

If the Company (or any third party, functionary or agent appointed by the Company) and/or the Company Secretary discloses personal data to such a third party, agent or functionary and/or makes such a transfer of personal data it will use reasonable endeavours to ensure that any third party, agent or functionary to whom the relevant personal data is disclosed or transferred is contractually bound to provide an adequate level of protection in respect of such personal data.

Prospective investors are responsible for informing any third party individual to whom the personal data relates about the disclosure and use of such data in accordance with these provisions.

## **2. Regulatory information**

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

## **3. Investment considerations**

The contents of this Prospectus are not to be construed as advice relating to legal, financial, taxation, accounting, regulatory, investment decisions or any other matter. Prospective investors must inform themselves as to:

- the legal requirements within their own countries for the purchase, holding, transfer, redemption or other disposal of the Issue Shares;
- any foreign exchange restrictions applicable to the purchase, holding, transfer, redemption or other disposal of the Issue Shares which they might encounter; and
- the income and other tax consequences which may apply to them as a result of the purchase, holding, transfer, redemption or other disposal of the Issue Shares.

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

An investment in the Company should be regarded as a long-term investment. There can be no assurance that the Company's investment objectives will be achieved.

It should be remembered that the price of the Issue Shares, and the income from such Issue Shares (if any), can go down as well as up.

This Prospectus should be read in its entirety before making any investment in the Issue Shares. All Shareholders are entitled to the benefit of, are bound by, and are deemed to have notice of, the provisions of the Articles which investors should review. A summary of the Articles is contained in section 3 of Part XIII of this Prospectus.

## **4. Forward-looking statements**

This Prospectus includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements relate to matters that are not historical facts. They appear in a number of places throughout this Prospectus and include statements regarding the intentions, beliefs or current expectations of the Company, the Directors and the Investment Manager concerning, amongst other things, the investment strategy, financing strategies, investment performance, results of operations, financial condition, prospects and the dividend policies of the Company and the Credit Assets and Equity Assets in which it will invest. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, changes in general market conditions, legislative or regulatory changes, changes in taxation regimes or development planning regimes, the Company's ability to invest its cash and the proceeds of the Issue in suitable investments on a timely basis and the availability and cost of capital for future investments.

Potential investors are advised to read this Prospectus in its entirety, and, in particular, Part II for a further discussion of the factors that could affect the Company's future performance. In light of

these risks, uncertainties and assumptions, the events described in the forward-looking statements in this Prospectus may not occur or may not occur as foreseen.

These forward-looking statements speak only as at the date of this Prospectus. Subject to its legal and regulatory obligations (including under the Prospectus Rules, the DTRs and the Takeover Code), the Company expressly disclaims any obligation to update or revise any forward-looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

Nothing in the preceding three paragraphs should be taken as limiting the working capital statement in section 11 of Part XIII of this Prospectus.

## **5. Presentation of financial information**

The Company was incorporated on 2 December 2015 and as at the date of this Prospectus has not commenced operations and has not drawn up any financial statements. All future financial information for the Company is intended to be prepared in accordance with IFRS. In making an investment decision, prospective investors must rely on their own examination of the Company from time to time and the terms of the Issue.

## **6. Presentation of industry, market and other data**

Information regarding markets, market size, market share, market position, growth rates and other industry data pertaining to the Company's business and the track record of the Investment Manager contained in this Prospectus consists of estimates based on data and reports compiled by professional organisations and analysts, information made public by investment vehicles currently managed by the Investment Manager, data from other external sources and the Company's, the Directors' and Investment Manager's knowledge of Credit Assets and Referral Partners. Information regarding the macroeconomic environment has been compiled from publicly available sources. In many cases, there is no readily available external information (whether from trade associations, government bodies or other organisations) to validate market-related analyses and estimates, requiring the Company to rely on internally developed estimates. The Company takes responsibility for compiling, extracting and reproducing market or other industry data from external sources, including third parties or industry or general publications, but none of the Company, the Investment Manager or Liberum has independently verified that data. The Company gives no assurance as to the accuracy and completeness of, and takes no further responsibility for, such data. Similarly, while the Company believes its and the Investment Manager's internal estimates to be reasonable, they have not been verified by any independent sources and the Company cannot give any assurance as to their accuracy.

## **7. Currency presentation**

Unless otherwise indicated, all references in this Prospectus to "GBP", "Pounds Sterling", "£", "pence", "penny" or "p" are to the lawful currency of the UK.

## **8. Governing law**

Unless otherwise stated, statements made in this Prospectus are based on the law and practice currently in force in England and Wales.

## **9. Website**

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

## **10. Notice to prospective investors in the EEA**

The Issue Shares have not been, and will not be, registered under the securities laws, or with any securities regulatory authority, of any member state of the EEA other than the United Kingdom and subject to certain exceptions, the Issue Shares may not, directly or indirectly, be offered, sold, taken up or delivered in or into any member state of the EEA other than the United Kingdom. The distribution of this Prospectus in other jurisdictions may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about, and observe, any such restrictions.

## PART IV – EXPECTED TIMETABLE OF PRINCIPAL EVENTS, ISSUE STATISTICS AND DEALING CODES

<b>2015</b>	
Publication of results of the First Placing	23 December
First Admission and commencement of dealings in the Ordinary Shares issued under the First Placing	8.00 a.m. on 23 December
CREST Accounts credited in respect of uncertificated Ordinary Shares issued under the First Placing	8.00 a.m. on 23 December
<b>2016</b>	
Where applicable, share certificates despatched in respect of Ordinary Shares issued under the First Placing	Week commencing 4 January
Times and dates are subject to change.	

### FIRST PLACING STATISTICS

Target size of the First Placing	£100 million
Issue Price per Ordinary Share for the First Placing	£10
Target estimated net proceeds receivable by the Company*	£98.2 million

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\* The First Placing will not proceed if the Minimum Gross Proceeds are not raised. It is also assumed for this purpose that 10 million Ordinary Shares are issued pursuant to the First Placing and that costs and expenses equal 1.8 per cent. of the gross proceeds of the First Placing.

### PLACING PROGRAMME STATISTICS

Maximum number of Ordinary Shares and/or to be issued and allotted in aggregate pursuant to the Placing Programme	20 million
Placing Programme Price per Ordinary Share issued under the Placing Programme	To be determined by Directors at the time of the placing
Placing Programme Price per C Share issued under the Placing Programme	£10

## DEALING CODES

The dealing codes for the Ordinary Shares will be as follows:

ISIN:	GB00BYZV3G25
SEDOL:	BYZV3G2
Ticker:	HONY

The dealing codes for the C Shares will be as follows:

ISIN:	GB00BYQDNR86
SEDOL:	BYQDNR8
Ticker:	HNYC

## PART V – DIRECTORS, INVESTMENT MANAGER AND ADVISERS

<b>Directors</b>	Robert Sharpe Jim Coyle Mark Huggins Ravi Takhar  <i>all of the registered office below</i>
<b>Registered Office</b>	Veritas House, 125 Finsbury Pavement London EC2A 1NQ United Kingdom Telephone: +44 (0)20 3697 5353
<b>Investment Manager and AIFM</b>	Pollen Street Capital Limited 8 Hanover Street London W1S 1YF United Kingdom
<b>Placing Agent, Broker and Sole Bookrunner</b>	Liberum Capital Limited Level 12, Ropemaker Place 25 Ropemaker Street London EC2Y 9LY United Kingdom
<b>Company Secretary</b>	Apex Fund Services (UK) Limited Veritas House, 125 Finsbury Pavement London, EC2A 1NQ United Kingdom
<b>Administrator</b>	Apex Fund Services (UK) Limited Veritas House, 125 Finsbury Pavement London, EC2A 1NQ United Kingdom
<b>Registrar</b>	Computershare Investor Services PLC The Pavilions, Bridgwater Road Bristol, BS13 8AE United Kingdom
<b>Depository</b>	Indos Financial Limited 25 North Row London, W1K 6DJ United Kingdom
<b>Legal Adviser to the Company</b>	Slaughter and May One Bunhill Row London EC1Y 8YY United Kingdom
<b>Legal Adviser to the Placing Agent, Broker and Sole Bookrunner</b>	Travers Smith LLP 10 Snow Hill London EC1A 2AL United Kingdom
<b>Reporting Accountant and Anticipated Auditors</b>	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH United Kingdom

## PART VI – INTRODUCTION TO THE COMPANY AND THE LENDING OPPORTUNITY

### 1. The Company

The Company was incorporated under the laws of England and Wales on 2 December 2015. It is an externally managed closed-ended investment company with an unlimited life. The Company intends to carry on business as an investment trust within the meaning of Chapter 4 of Part 24 of the CTA 2010.

Further information on the Company (including its full investment policy) is set out in this Part VI and Parts VII and VIII of this Prospectus.

### 2. The Investment Manager

The Company has appointed Pollen Street Capital Limited as its investment manager and AIFM for the purposes of the AIFM Directive. The Investment Manager is responsible for the discretionary management of the Portfolio.

Further information on the Investment Manager is set out in Part IX of this Prospectus.

### 3. Investment objective

The Company's investment objective is to provide Shareholders with an attractive level of dividend income and capital growth through the acquisition of loans made to consumers and small businesses as well as other counterparties, together with related investments ("**Credit Assets**") and selected equity investments that are aligned with the Company's strategy and that present opportunities to enhance the Company's returns from its investments ("**Equity Assets**"). The portfolio of Credit Assets and Equity Assets owned by the Company from time to time is referred to in this Prospectus as the "**Portfolio**".

#### 3.1 Investments in Credit Assets

The net proceeds of the Issue may be invested in Credit Assets in a number of ways. As at the date of this Prospectus, these include:

- the acquisition of interests in loans to consumers, small businesses and other counterparties, whether offered to the Company by the Origination Partner or by other third party sources. These loans may be unsecured or secured;
- investments in loans to specialist lenders for the purposes of providing wholesale finance to those specialist lenders, secured against (amongst other things) granular portfolios of loan receivables; and
- the acquisition by the Company of, or the investment by the Company in, interests in portfolios of Credit Assets from third parties.

Further detail on the structure, the participations in, and the terms of these investment models is set out in section 5 of this Part VI.

The Company seeks to generate returns on its investments in Credit Assets through the payments made by underlying borrowers. If a borrower fails to meet its payment obligations under the terms of the relevant Credit Asset, the Company's return is likely to be adversely affected. As at the date of this Prospectus, the Company anticipates that the majority of the Credit Assets forming part of the Portfolio will comprise unsecured loans to consumers and small businesses. In the event of non-payment by the underlying borrower to such Credit Assets, there may be limited or no recovery.

In respect of those Credit Assets which are secured (which, as at the date of this Prospectus, the Company expects will comprise (i) investments in wholesale loans to specialist lenders to fund loans to consumers, small businesses and other counterparties, secured against, amongst other things, granular portfolios of loan receivables and (ii) certain loans contained within portfolios of Credit Assets acquired from third parties) the Company's recovery will depend on whether the relevant security is enforceable and, if so, whether the realisable value of the secured assets is sufficient to satisfy amounts owed by the borrower to the Company. To the extent that the recovered amounts are insufficient to satisfy the amounts owed by the borrower to the Company, the Company's return is likely to be adversely affected. Where the Company invests in Credit Assets on a subordinated basis, there is a greater risk that amounts recovered following the default

of a borrower will be insufficient to satisfy outstanding amounts due to the Company, as those amounts must first be applied to discharge obligations which rank ahead of the Company's claims.

To mitigate these risks, the Company will seek to build a diversified investment portfolio, identifying specific sub-sectors that offer attractive risk/return characteristics. Through the investment structures described below, the Company intends to obtain exposure to a representative cross-section of the UK lending market. Restrictions in the Company's investment policy also focus on the diversification of the Credit Assets forming part of the Portfolio, as they represent the primary source of credit exposure for the Company.

### **3.2 Investments in Equity Assets**

The Company will seek to enhance returns for Shareholders through selected investments in listed and unlisted securities that are aligned with the Company's strategy and that present opportunities to enhance the Company's returns from its investments, including (but not limited to), investments in entities involved in:

- the brokerage and origination of consumer loans, small business loans and other related investments; and
- the acquisition, transmission, storage, processing and analysis of data related to lending to consumers and small and medium enterprises.

The Company has agreed terms on which it is to make investments in Equity Assets on, or shortly following, First Admission. Further information on these arrangements, and details on the investments to which they relate, are set out in section 9.6 of this Part VI.

### **4. Investment policy**

The Company will invest in: (i) Credit Assets; and (ii) Equity Assets that are aligned with the Company's strategy and that present opportunities to enhance the Company's returns from its investments.

Credit Assets invested in by the Company will consist of debt obligations, both secured and unsecured, within a range of sub-sectors selected based on their risk/return characteristics. These sub-categories may include, but are not limited to, personal loans, point of sale financing, home improvement loans and loans to small businesses, as well as secured loans and investments in loans to specialist lenders to provide wholesale funding for consumer lending and loans to small businesses.

The Company's investment in Credit Assets will encompass the following investment models: (i) acquisition of interests in loans (which may be secured or unsecured) to consumers, small businesses and other counterparties, whether offered to the Company by the Origination Partner or by other third party sources; (ii) investment in loans to specialist lenders for the purposes of providing wholesale finance to those specialist lenders, secured against (amongst other things) granular portfolios of loan receivables; and (iii) the acquisition by the Company of interests in portfolios of Credit Assets from third parties.

The Company may undertake such investments directly, or via its subsidiaries or SPVs. It is also possible that the Company may, in future, seek to use alternative investment structures which achieve comparable commercial results to the investments described above (such as, without limitation, sub-participations in loans, credit-linked securities or fund structures), but which offer enhanced returns for the Company or other efficiencies (such as, without limitation, efficiencies as to origination, funding, servicing or administration of the relevant Credit Assets).

The Company may also invest in Equity Assets. The Company shall invest no more than 10 per cent. of the net proceeds of the First Placing (which shall be increased by 10 per cent. of the aggregate net proceeds of any further issue of Issue Shares (including under the Placing Programme)) in Equity Assets, calculated, in each case, at the time of acquisition of any relevant Equity Assets based on the consideration payable for those Equity Assets and the aggregate consideration paid for all previous investments in Equity Assets which form part of the Portfolio. This restriction shall not apply to any consideration paid by the Company for the issue to it of any Equity Assets that are convertible securities. However, it will apply to any consideration payable by the Company at the time of exercise of any such convertible securities or any warrants issued. The Company may invest in Equity Assets indirectly via other investment funds (including those managed by the Investment Manager or its affiliates).

The Company will invest in Credit Assets originated across various sectors and across credit risk bands in order to ensure diversification and to seek to mitigate concentration risks. The following investment limits and restrictions apply to the Company, to ensure that the diversification of the Portfolio is maintained, that concentration risk is limited and that limits are placed on risk associated with borrowings.

#### **4.1 Investment restrictions – Credit Assets and Equity Assets**

##### *Asset class restrictions*

The Company will not invest, in aggregate, more than 10 per cent. of Gross Assets, at the time of investment, in other investment funds that invest in Credit Assets.

The Company will not invest, in aggregate, more than 50 per cent. of Gross Assets, at the time of investment, in Credit Assets comprising investments in loans (alongside or in conjunction with Shawbrook) referred to the Origination Partner by Shawbrook.

The following restrictions apply, in each case at the time of the investment by the Company:

- no single Credit Asset comprising a consumer credit asset shall exceed 0.15 per cent. of Gross Assets;
- no single SME or corporate loan, or trade receivable, shall exceed 5 per cent. of Gross Assets; and
- no single facility, security or other interest backed by a portfolio of loans, assets or receivables (excluding any borrowing ring-fenced within any SPV which would be without recourse to the Company) shall exceed 20 per cent. of Gross Assets. For the avoidance of doubt, this restriction shall not prevent the Company from directly acquiring portfolios of Credit Assets which comply with the other investment restrictions described in this section 4.1.

The Company will not invest in Equity Assets to the extent that such investment would, at the time of investment, result in the Company controlling more than 35 per cent. of the issued and voting share capital of the issuer of such Equity Assets.

#### **4.2 Other restrictions**

The Company may invest in cash, cash equivalents, money market instruments, money market funds, bonds, commercial paper or other debt obligations with banks or other counterparties having single-A (or equivalent) or higher credit rating as determined by an internationally recognised agency or systemically important bank, or any “governmental and public securities” (as defined for the purposes of the FCA rules) for cash management purposes and with a view to enhancing returns to Shareholders or mitigating credit exposure.

The Company will not invest in collateralised loan obligations or collateralised debt obligations.

#### **4.3 Borrowing policy**

Borrowings may be employed at the level of the Company and/or at the level of any investee entity (including any SPV that may be established by the Company in connection with incurring borrowings against any of its assets). The Company may borrow (through bank or other facilities on an unsecured or secured basis), whether directly or indirectly through a subsidiary or an SPV, up to a maximum of 100 per cent. of Net Asset Value in aggregate (calculated at the time of draw down under any facility that the Company has entered into). The maximum borrowing limit will take into account investments made by the Company on a subordinated basis. As at the date of this Prospectus the Company intends to target borrowings in the range of 50 per cent. to 75 per cent. of Net Asset Value.

The Company may seek to securitise all or parts of its Portfolio and may establish one or more SPVs in connection with any such securitisation.

To the extent that the Company establishes any SPV in connection with incurring borrowings against any of its assets or in connection with the securitisation of its Credit Assets, it is likely that any such vehicles will be wholly-owned subsidiaries of the Company. The Company may use SPVs for these purposes to seek to protect the levered Portfolio from group level bankruptcy or financing risks. The Company may also, in connection with seeking such borrowings or securitising its Credit Assets, seek to assign or transfer existing assets to one or more SPVs and/or seek to acquire Credit Assets using an SPV (to the extent permitted by applicable law and regulation).

## **5. Investment structures**

The net proceeds of the First Placing and the Placing Programme to be invested in Credit Assets may, subject to the Company's investment policy, be deployed in a number of different ways. The investment structures described below are the primary means by which it is expected, as at the date of this Prospectus, that the Company will invest in Credit Assets. However, the Company may seek to invest in Credit Assets through appropriate alternative structures and with other partners depending on prevailing market conditions and the availability of suitable investment opportunities which offer appropriate risk reward characteristics and which comply with the Company's investment restrictions.

Once a Credit Asset comprising an investment in an individual loan to a consumer, small business or other counterparty has been acquired by the Company, the Company will not be reliant on the Origination Partner through which that Credit Asset was acquired, or the Referral Partner from whom that Credit Asset was sourced, as regards receiving returns on that Credit Asset. Notwithstanding this, the Company will be exposed to certain risks associated with the failure by the Origination Partner to perform its obligations under the Origination Agreement, as more particularly described in Part II of this Prospectus.

Through the Investment Manager and the Origination Partner, the Company has close links with a series of established participants in the consumer lending market. Through the Origination Partner's arrangements with Freedom Finance, entu, Shawbrook and Pay4Later the Company intends to secure access to a broad range of investment opportunities and a diversified origination platform. The Directors believe that these relationships will enable the Company to select investments based on strict underwriting criteria, while remaining confident of a consistent and diverse deal flow. As the Company becomes more established, the Directors hope that relationships with other Origination Partners and Referral Partners will develop into valued commercial partnerships, providing the Company with strong visibility of opportunities to build stable organic growth.

Through its relationship with Freedom Finance, the Origination Partner will use advanced technology to deliver a smooth customer journey and enable the origination of loans in a very short timeframe. This technology will also enable the Investment Manager to automate significant aspects of the underwriting process, not only improving efficiency, but also ensuring consistency of approach. Data warehouse facilities will enable the Investment Manager, in consultation with the Origination Partner, Freedom Finance and the Servicer, to undertake analysis of the Portfolio. Data gathered from the Portfolio will be fed back to the Investment Manager and performance data used to refine and improve credit scorecards and aspects of the underwriting process.

Taken together, the Directors consider that these features position the Company well to deliver attractive risk adjusted returns to Shareholders in a growing market.

### **5.1 Acquisition of Credit Assets from the Origination Partner**

The Company has entered into an Origination Agreement with the Origination Partner, pursuant to which the Origination Partner has agreed to provide the Company with opportunities to acquire Credit Assets originated or acquired by the Origination Partner which meet specified underwriting criteria relating to the underlying borrower and the corresponding terms of credit (which may be modified from time to time at the discretion of the Investment Manager).

The Company will acquire beneficial title to the Credit Assets, and may also acquire legal title where is held by the Origination Partner and the Origination Partner is able to transfer such legal title to the Company. Where the Company does not acquire legal title to a Credit Asset, the Origination Partner will retain legal title and remain the lender of record. In certain circumstances (including, among other things, the insolvency of the Origination Partner, termination of the Origination Agreement or at the request of the Company), the Origination Partner will be obliged to transfer legal title to all Credit Assets acquired by the Company from the Origination Partner (to the extent that legal title is held by the Origination Partner) to the Company, or to such other person as the Company may direct. The Origination Partner may acquire Credit Assets from third parties that are subsequently acquired by the Company. To the extent that the Origination Partner and, subsequently, the Company acquires only the beneficial title to those Credit Assets, the legal title to the Credit Assets may be retained by the party from whom the Origination Partner acquired the Credit Assets, the originator of the Credit Assets or another third party.

The Company may fund the acquisition of Credit Assets from the Origination Partner in a number of ways, including, among other things, payment upon transfer, pre-funding the Originator or

periodic settlement of accrued amounts due and payable to the Originator, in each case either directly, or to such other person as the Originator may direct (including the Servicer).

## **5.2 Origination, referral and packaging of Credit Assets**

On or prior to First Admission, the Origination Partner intends to enter into arrangements with Freedom Finance, entu, Pay4Later and Shawbrook pursuant to which Freedom Finance, entu, Pay4Later and Shawbrook will agree to refer loan applications and lending opportunities to the Origination Partner which meet certain pre-defined underwriting criteria relating to the underlying borrower and the corresponding terms of credit. The arrangements with Shawbrook are described in further detail in section 5.3 of this Part VI.

None of the Referral Partners will refer loans exclusively to the Origination Partner. However, the Investment Manager intends to work closely with the Origination Partner and the Referral Partners to develop underwriting criteria which increase the likelihood of suitable investment opportunities being referred and allocated to the Company.

Pursuant to arrangements between the Origination Partner and Freedom Finance, Freedom Finance has agreed to undertake various “packaging” services on behalf of the Origination Partner. Broadly, these “packaging” services involve Freedom Finance pursuing selected lending applications and, once contact is made with the customer, undertaking specified underwriting procedures with respect to that borrower. Subject to the relevant underwriting criteria being met, Freedom Finance will proceed to arrange, prepare documentation and direct debit mandates for, and facilitate the origination of, loans by the Origination Partner. Freedom Finance has agreed to provide such services to the Origination Partner in respect of lending opportunities referred to the Origination Partner by Freedom Finance, entu and Pay4Later or otherwise sourced from third parties.

The Origination Partner and the Company will, on or prior to First Admission, appoint Target to provide account administration, customer servicing and arrears management in respect of Credit Assets. The Servicer may also make arrangements on behalf of the Origination Partner and/or the Company for the making of payments to, and for receipt of payments from, underlying borrowers.

The value of, and return on, the investment in Credit Assets resulting from the origination of loans in the manner described above will comprise payments made by the underlying borrower under the relevant loan documentation.

The Investment Manager is actively seeking other Referral Partners and origination partners to diversify the Company’s investment opportunities and enhance the deployment of the Company’s capital. Where an origination partner or Referral Partner operates its business in a similar way to Freedom Finance, the Company may seek to put in place a similar structure to that described above with such party. The existing referral and/or packaging relationships with Freedom, Pay4Later and entu could, in future, also be employed by the Company to invest in Credit Assets comprising secured loans (subject to compliance with applicable regulatory requirements), and secured and unsecured loans to small businesses.

## **5.3 Investments in wholesale funding loans alongside, or in conjunction with, Shawbrook**

Under arrangements between the Origination Partner and Shawbrook, Shawbrook has agreed to refer to the Origination Partner opportunities to invest in loans to specialist lenders for the purposes of providing wholesale finance to those specialist lenders alongside, or in conjunction with, Shawbrook where such lending may exceed Shawbrook’s risk appetite. The Origination Partner has agreed to refer such opportunities to the Company. The obligations of borrowers under such loans will be secured over (amongst other things) granular portfolios of loan receivables.

The Company’s investments in loans referred by Shawbrook may be structured so that the Company’s claims rank equally with those of Shawbrook or any other lender, or so that the Company’s claims are subordinated to those of Shawbrook or one or more other lenders. The Company only expects to invest on a subordinated basis if the returns on its investment justify the higher risk associated with holding a subordinated investment.

As part of its referral of potential investment opportunities, Shawbrook will provide the Investment Manager with due diligence and underwriting information with respect to the proposed borrower, which will form the basis of the Investment Manager’s analysis of the relevant funding opportunity. The Investment Manager will supplement this with its own independent due diligence to determine whether it would like to co-invest with Shawbrook.

Where the Investment Manager approves the Company's participation in a loan, it is expected that the Company will have substantially the same rights and obligations as Shawbrook pursuant to the terms of the documentation governing the loan (save in respect of the funding commitment or where the investment is made on a subordinated basis). Where appropriate, Shawbrook may co-ordinate the administration of the facility. Alternatively, the Investment Manager may administer the Company's investment in the relevant loan. The underlying borrower will grant security in favour of Shawbrook, the Company and any other lenders participating alongside them, which may be provided directly in favour of the Company or may be held on trust by Shawbrook for itself and for the Company (and any other lenders participating alongside them).

The value of, and return on, the Company's investment will be determined by the payments made under the loan by the underlying borrower, notwithstanding the fact that Shawbrook may act as an intermediary between the Company and the underlying borrower in respect of loan servicing and any security arrangements. To the extent that the borrower defaults on its payment obligations under the loan, the Company's recovery will be dependent on the security provided by the borrower being enforceable and, upon enforcement of the security, the value realised from the secured assets being sufficient to cover the amounts due from the borrower to the Company under its investment in the loan.

The Company may, in future, seek to invest in loans originated by Shawbrook through alternative structures such as sub-participations. Under a sub-participation arrangement, the Company would agree under a contract with Shawbrook to assume a proportion of the risk under a loan. The Company could agree either: (i) to pay to Shawbrook up-front an amount equal to the portion of the loan assumed by the Company; or (ii) reimburse Shawbrook for any amounts which are unpaid by the underlying borrower following a payment default under the loan. In consideration for assuming such risk, the Company would receive a proportion of the payments made by the borrower under the loan, or a fee.

The Company and the Investment Manager may, in future, seek to enter into syndication, sub-participation or other similar arrangements with additional lenders.

#### **5.4 Acquisition of Credit Assets from third parties**

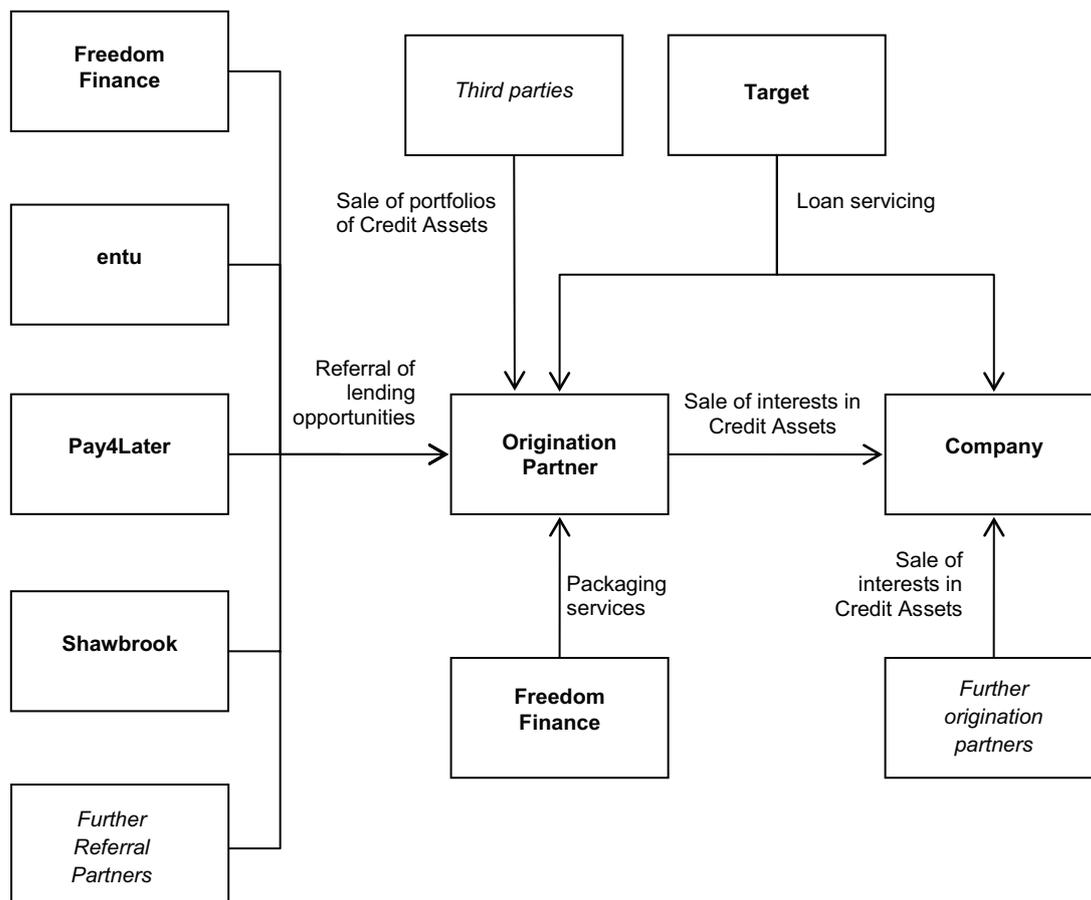
The Company is also able to acquire Credit Assets originated by third party lenders. In this situation, the Company is effectively assigned the rights and obligations associated with the underlying lending transaction. The Company may acquire individual Credit Assets, or portfolios comprising several or many Credit Assets in this way. Such Credit Assets may be acquired at face value (i.e. the principal amount of the relevant Credit Asset plus any amounts due in respect of accrued interest) at a discount to face value or at a premium to face value.

The Company expects that the Investment Manager will identify opportunities to acquire portfolios of Credit Assets using its contacts and expertise in the consumer finance market. Potential sellers of such portfolios may include lenders seeking to dispose of assets which no longer form part of their core lending strategy, financial institutions that no longer wish to own the relevant Credit Assets and other investors seeking to dispose of assets which no longer meet their investment criteria.

Once acquired, the Company will arrange for the relevant Credit Assets to be serviced: (i) by the seller of the relevant Credit Assets (in which case, the seller may charge a servicing fee to the Company pursuant to a servicing agreement); or (ii) by the Servicer.

The value of, and return on, the investment in Credit Assets resulting from the Company's acquisition of Credit Assets from a third party will comprise: (i) the payments made by the borrower under the relevant loan documentation; and (ii) any capital gain or loss arising from the difference between the principal amount repaid by the borrower under the Credit Asset and the purchase price paid for that Credit Asset by the Company.

The arrangements above can be summarised in the following diagram:



## 6. The consumer lending opportunity and model

### 6.1 Recent trends in the UK lending market

The Directors believe that consumer loans are an asset class that have the potential to provide attractive returns for investors on a risk-adjusted basis, and that changes in the focus of mainstream lenders, together with the implementation of new models that make the best use of data, analytics and technology, provide an opportunity to deliver attractive products to borrowers while generating attractive returns for the Company.

#### *Change in focus of mainstream lenders*

Large high street banks often have a one-stop-shop approach to lending for both personal and corporate customers (*source: Parliamentary Commission on Banking Standards report "Changing Banking for Good"*). Their customer proposition involves offering a full suite of products, with distribution typically delivered through their extensive branch networks and via relationship banking. Cross-sale of multiple products to customers has historically been a core strategy.

Since the beginning of the global financial crisis, the UK banking market has experienced considerable structural change, which has created a compelling opportunity for specialist lenders. The large high street banks have responded to the financial crisis by simplifying their often overly complex business models, while changing market and regulatory conditions are also forcing them to reassess their traditional approach and shift their focus to commoditised markets.

The Directors believe that, as they have simplified their business models, these large high street banks have principally sought to leverage their scale efficiencies by addressing the largest sub-sectors of the lending market and have prioritised lending high volumes of commoditised products over offering products that require bespoke underwriting together with a convenient customer journey.

The Directors believe that the generic approach taken by the mainstream lenders to the consumer lending market can result in inefficiencies such that customers are not offered the best product to reflect their individual circumstances. By considering the circumstances within specific verticals and the individual circumstances of the borrower, the Directors believe that products can be offered that

provide the customer with a strong proposition while providing the Company with an opportunity to invest in assets offering an attractive risk-adjusted return.

#### *Regulatory change*

Higher capital requirements under Basel III and CRD IV have resulted in capital shortfalls at many large financial institutions, which has resulted in significant deleveraging across the banking industry. UK banks deleveraged by a total of £1.7 trillion in the five years to 31 December 2013 (source: KPMG's "UK Banks Performance Benchmarking" report). As a result, many high street banks have chosen to realign their businesses to reflect the new regulatory and capital environment by refocusing their business models on areas where they can leverage their large branch networks, comparatively low cost of funding and scale efficiencies, which has led them to refocus on commoditised lending products.

In addition, increased compliance monitoring costs have made it more difficult for high street banks to address specialist areas of the lending market that require complex underwriting and more detailed knowledge of their borrowers, which the Directors believe has created significant opportunities for specialist lenders, including the Origination Partner and, indirectly, the Company. The Company will be able to take advantage of these opportunities through the Investment Manager's advanced data analytics, highly skilled and experienced staff with deep credit expertise and strong customer and intermediary relationships.

#### *Evolving customer preferences*

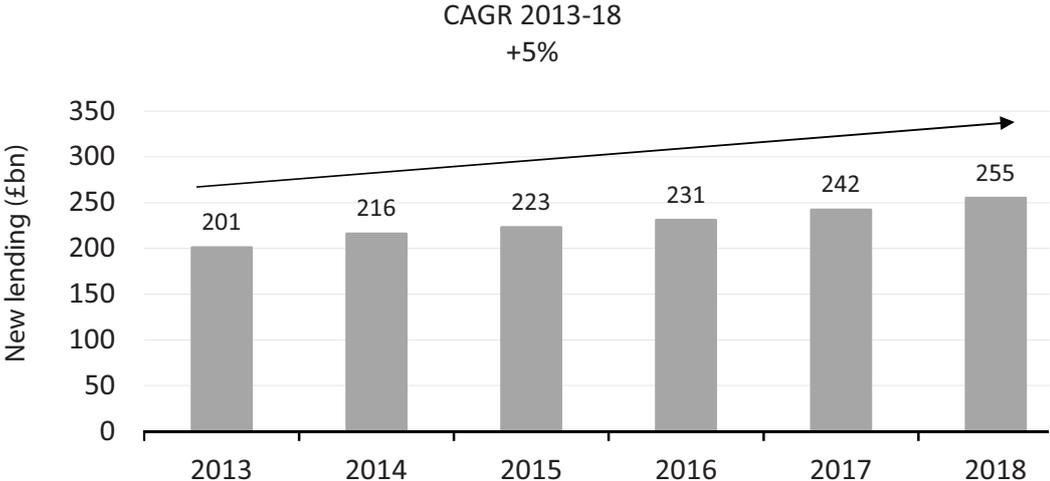
In recent years, customers within the UK banking market have become increasingly aware of the benefits of alternative finance platforms, with increased focus on customer service, ease of access, timely delivery and product offerings that can utilise technological advances.

Consumers are demonstrating evolving behaviour in the way they approach their financial services providers. The Directors believe that the erosion of trust in large scale financial institutions has resulted in customers being more willing to consider alternative providers of financial products and to purchase products from multiple providers rather than relying on their clearing bank for all of their financial needs. Customers have demonstrated a desire for high standards of customer service with speed and clarity of decision making and modern delivery techniques. At the same time, greater customer awareness of the complexities of financial products has led to an increased role for intermediaries in the market as customers increasingly seek the advice of experts who are able to offer them a range of products from alternative providers. As a result the market environment has evolved in recent years from one where large institution could rely on brand, incumbency, customer inertia and cross-selling to dominate, to one where customers are more willing to engage directly with specialists or intermediaries to find products better suited to their requirements.

## **6.2 UK consumer lending market**

The UK unsecured consumer lending market is significant in size, and consumer credit volumes have been increasing in recent years with new business (excluding student loans) increasing from approximately £161 billion per annum in 2009 to approximately £216 billion per annum in 2014 (sources: Bank of England, Datamonitor). Total sterling gross unsecured lending to individuals in the UK totalled £171 billion in May 2015, equivalent to approximately 10 per cent. of UK GDP (source: Bank of England).

**UK consumer lending new business forecast**



Source: Datamonitor

An independent market forecast indicates that the UK unsecured consumer lending market will continue to grow, driven by higher demand for consumer credit, an improving labour market and increasing capacity of UK consumers to service loans (source: Datamonitor). New unsecured gross lending (excluding student loans) is expected to grow from £216 billion in 2014 to £255 billion in 2018 at a CAGR of 5 per cent. per annum.

Within this market, the Company intends to target specialised sub-sectors where the underwriting and analytical capabilities of the Investment Manager and Servicer, along with the high levels of customer service provided by the Origination Partner, the Referral Partners and the Servicer, present an opportunity to offer the customer an attractive loan product while generating attractive risk-adjusted margins for the Company.

These targeted sub-sectors are currently the provision of personal loans, home improvement loans, and retail finance. The Directors estimate the total addressable market in this sector to be approximately £35 billion.

*Personal loans*

The market for personal loans comprises a wide range of products intended to provide finance to borrowers to be applied for general or specified purposes, such as holiday home ownership. Personal loans may be unsecured or secured. Personal loans represent the fourth most commonly held form of credit for individuals, behind credit card facilities, mortgages and overdraft facilities (source: Mintel).

*Home improvement loans*

The market for home improvement loans comprises the provision of point of sale finance for installed home improvements, such as replacement windows, conservatories, kitchens, bathrooms and energy efficiency products such as boilers and solar panels.

*Retail finance loans*

The retail finance sub-sector involves the provision of point of sale instalment credit for a range of assets including furniture, sports equipment and electronic goods on both a chargeable and interest free basis. The overall market size for the retail finance sub-sector (including online credit) comprised approximately £7.8 billion of outstanding loans as at 31 October 2014, representing an increase of £430 million since 30 September 2013 (source: Finance and Leasing Association).

**7. Regulation of consumer lending in the UK**

**7.1 Introduction to regulation of consumer lending in the UK**

Consumer lending and other credit related activities in the UK are subject to extensive regulation and the intensity of regulatory supervision has been increasing. As is the case across much of the

UK financial services industry, the consumer credit sector is currently undergoing, and may in the future undergo, a number of significant regulatory changes.

The consumer credit regulatory regime changed with effect from 1 April 2014 when responsibility for the oversight and regulation of consumer credit transferred from the OFT to the FCA.

The FCA has statutory operational objectives to protect and enhance confidence in the UK financial system by protecting consumers, enhancing the integrity of financial markets and promoting effective competition in the interests of consumers. The FCA also has a strategic objective of ensuring that relevant markets function well.

As a result of the change in regime, the regulatory requirements and expectations applicable to the consumer credit sector have become more aligned with the financial regulatory requirements and expectations applicable to other core regulated sectors of the UK financial services industry. This reflects the new FCA-headed regulatory framework and the FCA's supervisory and enforcement powers being greater than those the OFT had under the previous consumer credit regime (see section 7.3 of this Part VI for further detail).

The new framework for consumer credit regulation principally comprises the FSMA and its relevant secondary legislation, retained provisions of the CCA, relevant secondary legislation made under the CCA and rules and guidance in the FCA Handbook, in particular in the Consumer Credit sourcebook (which sets out general conduct standards, rules on financial promotions, further rules on pre- and post- contractual requirements, responsible lending rules and debt advice rules).

Those parts of the CCA and the related secondary legislation which outline pre-contractual credit information requirements, the form and content of regulated credit agreements, the right to cancel and withdraw and unfair relationships and those parts of the CCA that implement the Consumer Credit Directive 2008 have been retained.

The CCA licensing regime, exempt agreement provisions and consumer credit advertisement legislation have, however, been repealed. The FSMA financial promotions regime will now apply and the FCA has also imposed new financial promotion rules for high cost short-term credit, cold calling and debt management companies.

## **7.2 Authorisation under the FSMA**

Pursuant to section 19 of the FSMA, a firm must be authorised to carry on regulated activities, which from 1 April 2014 have included specified consumer credit activities, by way of business in the UK. For example, entering into a regulated credit agreement as lender, and exercising, or having the right to exercise, the lender's rights and duties under a regulated credit agreement are regulated activities.

An agreement originated on or after 1 April 2014 will be regulated if it is a "regulated credit agreement" for the purposes of Chapter 14A of Part 2 of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (the "**RAO**"). This defines a "regulated credit agreement" as any agreement which involves the provision of credit of any amount by a lender to an individual which does not fall within any of the exemptions set out in Articles 60C to 60H of the RAO. Exempt agreements include (subject to certain conditions being satisfied) those predominantly for the purposes of a business, those secured on land or otherwise by first charge mortgage and those where a local authority or other specified type of organisation is the lender.

The UK Government has introduced an interim permission regime, which is a transitional arrangement for regulation by the FCA. Firms with a CCA licence from the OFT were required to register with the FCA for interim permission to be able to continue carrying on regulated consumer credit activities after 1 April 2014. Firms with interim permission are subject to FCA regulation but are exempt from some parts of the new regime until they become fully authorised. All firms holding an interim permission must apply to become fully authorised within the timeframe notified to them by the FCA.

In order to obtain full authorisation, applicants must demonstrate that they satisfy certain minimum prudential and organisational requirements (known as the "threshold conditions"). These conditions relate to the location of the firm's offices, whether the firm is capable of being effectively supervised by the FCA, the quality and quantity of the firm's resources (including both financial and management resources), whether the firm is a "fit and proper person" to conduct the relevant consumer credit activities and whether the firm has a suitable business model.

As at 17 December 2015, being the latest practicable date prior to publication of this Prospectus:

- Honeycomb Finance plc is a fully authorised FCA regulated consumer credit firm (FRN: 630704) with permissions to undertake consumer lending and credit broking;
- Freedom Finance Limited is a fully authorised FCA regulated consumer credit firm (FRN: 662079) with permissions to undertake credit broking and debt counselling (limited to counselling, no debt management);
- Shawbrook Bank Limited is an authorised UK bank (FRN: 204574) with an interim variation of permission (IPRN 001927) for the following consumer credit related regulated activities: consumer lending and hire and credit broking;
- several members of the entu group hold interim permissions allowing them to undertake credit broking;
- Pay4Later Limited holds an interim permission (IPRN 616240) allowing it to undertake credit broking; and
- Target Servicing Limited is an authorised mortgage administrator and consumer credit firm (FRN: 454569) with permissions (among others) to undertake consumer lending, debt administration, debt collecting and credit broking.

### **7.3 Supervision and enforcement**

The FCA has wide powers to supervise, and intervene in, the affairs of a regulated consumer credit firm. It can, for instance, require firms to provide it with particular information or documents, formally investigate a firm or undertake sector-wide thematic reviews to address risks across, for example, a range of firms or a particular market segment. Consistent with the FCA's approach to its supervision of other financial services sectors, the FCA's supervision of the new consumer credit regime is risk-based and proactive.

From 1 April 2014, the FCA has been able to use the full range of its enforcement and investigatory powers in relation to consumer credit firms to enforce both its own rules and the provisions of the previous regime contained in the CCA which have been carried forward. The FCA is not able to apply its new enforcement powers retrospectively. The FCA can use its investigatory powers to look at past behaviour but then, if it does consider it appropriate to impose sanctions, it is only able to apply the sanctions that were in force at the time of the behaviour in question.

The FCA has greater powers of enforcement than the OFT, including the power to: bring criminal, civil and disciplinary proceedings; withdraw authorisations; suspend authorised firms for 12 months; suspend individuals from performing certain roles for two years; and issue unlimited fines. It is also able to use its product intervention powers in the consumer credit market, which can include restrictions on product features and selling practices or product bans.

### **7.4 Pre-contract disclosure, documentary and drafting requirements**

The retained provisions of the CCA control the details of regulated credit agreements from inception through to enforcement, including pre-contract disclosure obligations, the form and content of regulated credit agreements and the rights of borrowers to receive certain notices and statements.

For agreements entered into before 6 April 2007, where such agreements are improperly executed, they may be totally unenforceable in circumstances where the credit agreements have failed to comply with the requirements of the CCA as to form and content, signing and provision of copies including cancellation notices.

For agreements made on or after 6 April 2007, if origination requirements as to pre-contract disclosure, documentation and procedures are not complied with, the agreement will only be enforceable with a court order. In exercising its discretion whether to make such an order, the court will take into account any prejudice suffered by the customer and the degree of any culpability of the lender. The court has the discretion, if it appears just to do so, to amend the credit agreement, to impose conditions upon its performance or to make a time order (for example, giving extra time for arrears to be cleared). Where the court is able to exercise its discretion, it will do so on a case by case basis and it is therefore difficult to predict the likelihood of court orders being obtained.

In addition, ongoing servicing requirements must be complied with. A credit agreement will be unenforceable against the customer for any period when the lender fails to comply with requirements as to periodic statements, arrears notices or notices of default sums (although any

such unenforceability may be cured prospectively by the lender complying with such requirements). In addition, the customer is not liable to pay interest or default fees for any period when the lender fails to comply with requirements relating to arrears notices or fixed sum annual statements and interest on default fees is restricted to nil until the 29th day after the day on which a notice of default fees is given, after which time the interest is restricted to simple interest.

## **7.5 Unfair relationships**

Under sections 140A-D of the CCA, the court has power to determine that the relationship between lender and customer arising out of a credit agreement (whether alone or with any related agreement) is unfair to the customer. If the court makes such a determination, then it may make an order, among other things, requiring the lender or any assignee to repay any sum paid by the customer. There is no statutory definition of what constitutes an unfair relationship. Instead, in deciding whether to make the determination, the court is required to have regard to all matters it thinks relevant, including the manner of enforcement of the lender's rights and the lender's conduct before and after making the credit agreement, and may make the determination even after the relationship has ended. Once the customer alleges that an unfair relationship exists, then the burden of proof is on the lender to prove the contrary. Recent court decisions have generally interpreted "unfair relationship" in a way favourable to customers.

## **7.6 Lender's liability under sections 75 and 75A of the CCA**

Transactions involving the use of credit may constitute transactions under a debtor-creditor-supplier agreement for the purposes of the creditor's liability under section 75 and section 75A of the CCA. A debtor-creditor-supplier agreement includes an agreement by which the creditor advances funds to finance the debtor's purchase of goods or services from a supplier with whom the creditor has a pre-existing arrangement.

Section 75 of the CCA provides that, if a supplier breaches a contract between the supplier and a debtor in a transaction under certain debtor-creditor-supplier agreements, or if the supplier makes a misrepresentation about the contract, the creditor may also be liable to the debtor for the breach or misrepresentation. Section 75 of the CCA creates a concurrent and equal liability of the creditor. An example of a supplier's breach of contract would include the supplier selling the debtor merchandise that is defective or unsuitable for its purpose. However, the creditor will not be liable under section 75 of the CCA where the cash price of the item or service supplied underlying the claim is £100 or less, or greater than £30,000.

Section 75A of the CCA supplements section 75 of the CCA and applies in certain limited cases where section 75 does not apply. Unlike section 75 of the CCA, the liability under section 75A of the CCA is not joint and several and the debtor must take steps to pursue the supplier before he can bring a claim against the creditor under a "linked credit agreement" (as defined in section 75A(5) of the CCA).

## **7.7 Financial Ombudsman Service ("FOS")**

The FSMA established the FOS, which provides customers with a free and independent service designed to resolve disputes where the customer is not satisfied with the response received from the regulated firm. The FOS resolves disputes for eligible persons that cover most financial products and services provided in (or from) the UK. The jurisdiction of the FOS extends to include consumer credit related activities. The maximum monetary award by the FOS is £150,000 for complaints received by the FOS on or after 1 January 2012. The FOS may also make directions awards, which direct the business to take such steps as the FOS considers just and appropriate.

Although the FOS takes account of relevant regulation and legislation, its guiding principle is to resolve cases on the basis of what is fair and reasonable; in this regard, the FOS is not bound by law or even its own precedent. The decisions made by the FOS are binding on regulated firms.

## **8. Other relevant legislation and regulation**

### **8.1 Consumer Rights Act 2015**

The Consumer Rights Act 2015 ("CRA") (which came into force on 1 October 2015) consolidates much of the existing consumer rights law in the UK. Amongst other things, it repeals the Unfair Terms in Consumer Contracts Regulations 1999 ("UTCCR") and effectively merges the consumer protection rules under the UTCCR and the Unfair Contract Terms Act 1977.

Before 1 April 2014, the OFT addressed unfair terms in issuing licences and guidance under the CCA and in issuing guidance under the UTCCR. On 1 April 2014, the OFT ceased to exist and its enforcement powers in relation to unfair terms in consumer contracts transferred to the Competition and Markets Authority (“**CMA**”). Additionally, the OFT’s responsibilities for enforcement of the UTCCR in relation to consumer credit firms transferred to the FCA (which also has responsibility for enforcement of the UTCCR in relation to financial services contracts for other regulated activities).

The CRA broadly applies to business-to-consumer contracts entered into, and relevant consumer notices issued, on or after 1 October 2015, whether or not they were individually negotiated with the consumer. However, the UTCCR will continue to apply to contracts which were entered into before that time.

The CMA states that the changes introduced by the CRA primarily concern the scope of the consumer protections, rather than their substance. The most significant changes in the CRA include that:

- (A) three new terms are included in the list of terms which may be regarded as unfair (the grey list);
- (B) in order for a term to qualify for an exemption from an assessment of its fairness (such as a term as to price), it must be both “transparent” (that is, in plain and intelligible language and, if written, legible) and “prominent” (that is, brought to the consumer’s attention in such a way that an average consumer would be aware of the term); and
- (C) where a court has sufficient legal and factual information, it must consider the fairness of the terms in a consumer contract, even where this is not in issue between the parties to a case.

Under the CRA, it is possible that any credit agreement that has been made or entered into with a consumer may contain terms that are deemed by the court to be “unfair”, which may result in the possible unenforceability of such terms of such a credit agreement. This fairness test in the CRA extends to consumer notices as well as agreements and also to both non-negotiated and negotiated consumer contracts.

However, a term of a consumer credit agreement may not be assessed for fairness if either: (i) it specifies the main subject matter of the contract; or (ii) the assessment is of the appropriateness of the price payable under the contract by comparison with the goods or services supplied under it. As noted above, a term may only be exempt if it is written in plain and intelligible language and is brought to the consumer’s attention in such a way that the average consumer would be aware of the term.

The broad and general wording of the UTCCR (and the CRA) makes any assessment of the fairness of terms largely subjective and makes it difficult to predict whether or not a court would find a term to be unfair. It is therefore possible that any credit agreements made with consumers may contain unfair terms, which may result in the possible unenforceability of those unfair terms.

## **8.2 Financial Services (Distance Marketing) Regulations 2004**

The Financial Services (Distance Marketing) Regulations 2004 govern the conditions on the sale of retail financial services products where the products are sold over the internet, by telephone or by SMS within the UK or the rest of the European Economic Area. The Regulations restrict the use of “cold calling” and unsolicited commercial e-mails for the promotion of financial services, impose an obligation to provide certain information before concluding a contract, and require a “cooling off” period of 14 calendar days in which consumers may withdraw from the contract without incurring penalties and without giving a reason.

## **8.3 UK Money Laundering Regulations 2007**

The UK Money Laundering Regulations 2007 place a requirement on the Company to verify the identity and address of customers to whom the Company advances loans, and to keep records to help prevent money laundering and fraud. Guidance in respect of firms’ anti-money laundering and counter-terrorist financing obligations is produced by the Joint Money Laundering Steering Group.

#### **8.4 UK Bribery Act 2010 (“Bribery Act”)**

The Bribery Act contains offences relating to bribing another person, being bribed and bribing foreign public officials. It also contains an offence for commercial organisations of failing to prevent bribery.

The Ministry of Justice has published guidance about procedures which commercial organisations can put into place to help prevent persons associated with them from engaging in such activity.

#### **8.5 Data Protection Act 1998 (“DPA”)**

The DPA regulates the processing of data relating to individual customers.

The Information Commissioner’s Office (“ICO”) is an independent governmental authority responsible for maintaining, upholding and promoting the best business practices and legislative requirements for processing personal data, and safeguarding the information rights of individuals and their rights to access their personal data. The ICO is empowered to impose requirements through enforcement notices, issue monetary fines and prosecute criminal offences under the DPA.

On January 25, 2012, the European Commission published its draft EU Data Protection Regulation. The draft regulation proposes substantial changes to the EU data protection regime, involving replacement of the current UK data protection laws by a directly applicable EU regulation. If this draft regulation became law, it would impose a substantially higher compliance burden on the industry and impair the ability of loan originators, and consequently the Company, to use data, including through expanding the requirement for informed opt in consent by customers to the processing of their personal data, granting customers a “right to be forgotten” (which may give the customers the right to have their data deleted in certain cases), imposing restrictions on the use of personal data based on profiles created about individuals, imposing requirements on disclosure of data sources to customers and increasing the maximum levels of fines for compliance failures from its current level in the UK of £500,000 to 2 per cent. of annual worldwide turnover, among other requirements. If the proposed EU regulation is passed in this form, the Company, along with other market participants, including debt originators and debt purchasers, may experience a significant increase in the number of subject access requests as a consequence of a proposal to withdraw request fees. The proposed EU regulation continues to progress through the legislative process and is likely to be modified prior to its adoption. In March 2014, the European Parliament voted on and approved a number of amendments to the European Commission’s draft, including an increase in the maximum fine to 5 per cent. of annual worldwide turnover. The Council of the European Union provided its comments on the proposed regulation on 11 June 2015. Negotiations between the European Commission, the European Parliament and the European Council to come to an agreed text (a process known as “trilogue”) began on 24 June 2015 and the three institutions have agreed on a roadmap for finalisation of the reform in 2015. Current expectations are that the text will be finalised towards the end of 2015 or in the first quarter of 2016, with the European Parliament potentially adopting it in March 2016. Organisations will require time to implement the changes and, therefore, it is likely that the EU Data Protection Regulation will not come into force until 2017 or 2018.

### **9. Issuer eco-system and investment pipeline**

#### **9.1 The Origination Partner – access to investment pipeline in Credit Assets**

The Company has entered into an agreement with the Origination Partner in relation to the deployment of the Company’s capital following First Admission through investment opportunities sourced from Freedom Finance, entu, Pay4Later and Shawbrook.

Arrangements between the Origination Partner and Referral Partners provide for Referral Partners to refer investment opportunities to the Origination Partner which meet certain pre-defined underwriting criteria relating to the underlying borrower and the corresponding terms of credit. The Origination Partner will, in turn, refer appropriate investment opportunities to the Company. The Investment Manager will actively select Credit Assets to be acquired by the Company in accordance with its investment process described in Part IX of this Prospectus. The Company is under no obligation to acquire Credit Assets under the Origination Agreement.

Through the Origination Partner’s arrangements with Referral Partners, the Directors believe that the Company has access to diverse investment opportunities across several market segments, each with different borrower profiles and different risk return characteristics. As at the date of this Prospectus, each of the Referral Partners is highly successful in its respective market. Through

access to multiple Referral Partners, the Company will reduce its dependence on any one single source of opportunities to acquire Credit Assets and expects to gain a strong visibility of high quality assets.

Further information on each of the Referral Partners is set out below. Details of the Origination Agreement entered into with the Origination Partner are set out in section 10 of Part XIII.

The Company is not under any obligation to commit to fund any Credit Asset and the Origination Partner will, subject to applicable regulation, provide relevant data in respect of the Credit Asset opportunities offered to the Company such that the Investment Manager will make an informed decision regarding prospective Credit Assets on behalf of the Company. As at the date of this Prospectus, no Referral Partner is obliged to refer a minimum amount of loan application or lending opportunities to the Origination Partner. Equally, the Origination Partner is not subject to an obligation to offer a minimum number of Credit Assets for acquisition by the Company. However, as noted above, the Investment Manager intends to work closely with the Origination Partner and Referral Partners, and Freedom Finance in particular, to tailor its lending criteria to increase the likelihood of Credit Assets being referred to the Origination Partner and offered to the Company.

## **9.2 Origination Partner and Referral Partners**

### *Origination Partner*

The Origination Partner is a public limited company that was incorporated under the laws of England and Wales on 17 January 2014. As at the date of this Prospectus, the Origination Partner is wholly owned by an affiliate of the Investment Manager.

### *Freedom Finance*

Freedom Finance is the largest unsecured loan broker in the UK and one of the largest secured loan brokers, processing approximately £1.8 billion of individual loan applications per year. The business generates leads from: (i) referral partners, typically lenders who have declined customers' applications; (ii) direct marketing under the "Freedom Finance" brand; and (iii) a business-to-business software solution focused on financial advisers and mortgage brokers named "The Lending Wizard".

Potential leads are referred to Freedom Finance's established panel of UK lenders where the underlying borrower meets a particular lender's criteria. The Origination Partner will join Freedom Finance's lender panel. Freedom Finance will refer loan applications from potential borrowers to the Origination Partner to the extent that they meet specified criteria.

Freedom Finance will also act on behalf of the Origination Partner to broker and package loans as set out in section 5.2 of this Part VI.

As at the date of this Prospectus, Freedom Finance is partly owned by funds advised by the Investment Manager. In addition, the Company has agreed to the terms on which, conditional on First Admission, the Company will acquire approximately 19.9 per cent. of the issued share capital of Freedom Finance for a total consideration of £2.7 million.

One of the Directors, Mark Huggins, provides consultancy services to Freedom Finance.

### *entu*

entu is a multi-product, multi-service home improvement group providing energy efficiency products and services to homeowners in the UK. The company's business segments include the sale of home improvement products, the sale of energy generation and energy saving products, the sale of insulation products, and a repairs and renewals service agreement programme.

entu will offer customers that meet the Origination Partner's specified lending criteria the opportunity to obtain financing for the purchase of its products and will refer such qualifying loan applications from potential borrowers to the Origination Partner. Leads generated by entu may be referred directly to the Origination Partner for underwriting or, through the Freedom Finance platform, referred to the Origination Partner and packaged by Freedom Finance.

### *Pay4Later*

Pay4Later is a fast growing financial technology business that brings together product suppliers and providers of finance within specific verticals. To date, its main focus has been in offering retailers the technology to access lenders in order to finance enhanced levels of sales. Its largest retailers include: Mothercare, Machine Mart, Specsavers and London Eye Hospital.

As with Freedom Finance, the Origination Partner will join Pay4Later's panel of lenders and Pay4Later will refer loan applications from potential borrowers to the Origination Partner to the extent that they meet specified criteria. Where it chooses to do so, the Origination Partner will advance a loan directly to that borrower.

### **9.3 Arrangements with Shawbrook**

Established in 2011, Shawbrook is a UK "challenger" bank providing financial products and services to the less well served segments of the SME and personal sectors. The bank focuses on specialist markets where it is better able to meet customers' needs through a focused approach and service proposition. It aims to deliver sustainable and attractive returns on equity through achieving premium risk-adjusted gross margins.

The wholesale division of Shawbrook offers loans to small specialist lenders secured against pools of loan receivables. Shawbrook has agreed to offer the Origination Partner the opportunity to invest in loans to wholesale customers where such lending may exceed Shawbrook's risk appetite. It is intended that the Origination Partner will refer such investment opportunities to the Company. Where the Company elects to invest in such loans, it expects to do so alongside Shawbrook on substantially the same terms as Shawbrook (save that the terms on which the Company invests may differ from those applying to Shawbrook in respect of the funding commitment or where the investment is made on a subordinated basis). The Company will be under no obligation to participate in any facility referred to it.

As at the date of this Prospectus, Shawbrook is partly owned by funds advised by the Investment Manager.

### **9.4 Other origination partners and referral partners**

In addition to the Origination Partner and the Referral Partners referred to above, the Company and the Investment Manager are also actively seeking further opportunities to enter into similar arrangements with other counterparties to deploy the Company's capital.

### **9.5 Initial Credit Assets**

In total, the Investment Manager has identified portfolios of Credit Assets with an aggregate principal amount of approximately £100 million which, subject to completion of due diligence by the Investment Manager and the compatibility of such Credit Assets with the Company's investment policy, could be suitable for acquisition by the Company. These portfolios are likely to comprise Credit Assets in the form of consumer loans, have interest rates ranging from 6 per cent. to 25 per cent. depending on the creditworthiness of the borrower, and vary in approximate size up to £100,000. The Investment Manager is in discussions with a number of prospective vendors in respect of the potential acquisition of one or more such portfolios of Credit Assets by the Company following First Admission. However, the Company has not, as at the date of this Prospectus, entered into binding agreements for the acquisition of any such portfolios of Credit Assets nor agreed terms on which the acquisition of one or more portfolios of such Credit Assets would be made and accordingly, there can be no assurance that the Credit Assets will be acquired on the basis described above, or at all.

### **9.6 Equity Assets**

The Company's aim is to invest in Equity Assets that are aligned with the Company's strategy and that present opportunities to enhance the Company's returns from its investments. As at the date of this Prospectus, the Company expects that the majority of its investments in Equity Assets will take the form of minority interests in Referral Partners, in pursuit of the Company's investment policy. The Directors believe that an ancillary benefit of these investments in Equity Assets will be to more closely align the interests of the Company with those of its commercial partners, and thereby improve the Company's underwriting and analysis capabilities and visibility of trends and opportunities in the specialist finance market.

The Company and the Investment Manager are actively seeking to enter into agreements to deploy the Company's capital in this way. The Company has agreed to the terms on which, conditional on First Admission, the Company will acquire approximately 19.9 per cent. of the issued share capital of Freedom Finance for a total consideration of £2.7 million.

In addition, the Company is currently in negotiations to invest approximately £2 million in shares issued by Pay4Later, representing approximately 4.8 per cent. of the issued share capital of Pay4Later. It is expected that any investment in Pay4Later will occur following First Admission.

Further details on Freedom Finance and Pay4Later are set out in section 9.2 of this Part VI.

It is proposed that the Company will invest in such Equity Assets on terms where the Company will have limited control or veto rights over the management of Freedom Finance or Pay4Later, but will benefit from anti-dilution protection in the form of pre-emption rights.

It is proposed that the purchase price for each of the investments set out above will be funded using the net proceeds of the First Placing.

As at the date of this Prospectus, the Company has not entered into binding agreements for the purchase of such Equity Assets and accordingly there can be no assurance that such Equity Assets will be acquired on the basis described above, or at all.

### **9.7 Portfolio administration**

The Company believes it is important to provide best-in-class servicing to ensure that Credit Assets forming part of the Portfolio are managed efficiently throughout their lifecycle. As such, the Company and the Origination Partner have jointly appointed Target (the “**Servicer**”) to administer Credit Assets forming part of the Portfolio.

The Servicer is one of the longest standing servicing and software providers in the UK and has over 50 major financial institutions as clients, with over £24 billion of assets and over 18 million accounts managed on its platform.

The Servicer will provide payment processing, loan servicing and portfolio management services to the Origination Partner and, in respect of those Credit Assets that the Company acquires from the Origination Partner (and potentially, from other third parties), to the Company. This will include account set-up and the day-to-day administration of existing accounts, the management of arrears cases, and the handling of customer complaints. The Servicer will also provide regular service reports and will build a “data warehouse” to facilitate portfolio analytics, enabling the Investment Manager to refine its underwriting criteria on an ongoing basis.

As at the date of this Prospectus, Target is partly owned by funds advised by the Investment Manager.

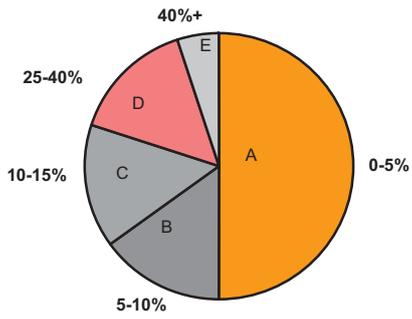
## **10. Illustrative Portfolio**

Following First Admission, the Company will invest substantially all of the net proceeds of the First Placing in a portfolio of Credit Assets and Equity Assets. The Directors believe that the net proceeds of the First Placing will be fully invested within six to nine months of First Admission. Should the initial Credit Assets described in section 9.5 of this Part VI be acquired, the Directors believe that the net proceeds of the First Placing will be fully invested within two to three months.

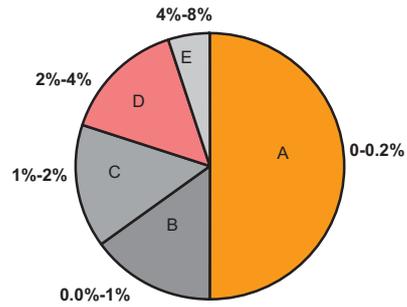
While the exact composition of the fully invested Portfolio and the identity of specific investments will depend on market conditions and the continued availability of Credit Assets which satisfy the Company’s Credit Asset selection criteria (as described in Part IX of this Prospectus), if the Investment Manager was to allocate assets as at the date of this Prospectus based on the availability of Credit Assets and market conditions as at that date, it is anticipated that such allocation would have the characteristics similar to the illustrative Portfolio described below.

Prospective investors should note that the illustrative portfolio is intended to be illustrative only and is not designed to be indicative, or to predict the future performance, of the Company or its eventual investment portfolio, which may be materially different from the illustrative portfolio described below. In particular, there is no guarantee that there will be sufficient qualifying loan requests referred to the Origination Partners (and offered to the Company) to enable the Company to deploy its capital in the manner described below.

**Illustrative Portfolio Gross Yield**



**Illustrative Portfolio Annualised default loss rate**



The Company will invest in loans with a credit grading of A to E, with a majority allocation to lower risk A and B loans.

### **11. Credit Facilities**

The Investment Manager has agreed outline terms with two major UK banks for the provision of up to £75m of credit facilities to the Company following First Admission. The Investment Manager intends to progress towards executing appropriate finance documentation on behalf of the Company with these lenders in time to incur borrowings in line with the Company's borrowing policy once a suitable proportion of the net proceeds of the First Placing has been deployed.

## PART VII – THE COMPANY

### 1. Introduction

The Company is seeking to raise £100 million pursuant to the First Placing, and will issue and allot up to 20 million Ordinary Shares and/or C Shares pursuant to the Placing Programme. The Issue Shares will be traded on the Specialist Fund Market of the London Stock Exchange.

Following First Admission, the Company will be subject to the Disclosure and Transparency Rules, but not the Listing Rules, although it does intend to comply voluntarily with certain Listing Rules (see section 4 of Part XIII for further detail). The Directors intend, at all times, to conduct the affairs of the Company so as to enable it to qualify as an investment trust for the purposes of section 1158 of the CTA 2010.

The Company has entered into the Investment Management Agreement with the Investment Manager, pursuant to which the Investment Manager will manage the Company's investments and assets in accordance with the investment policy. The Investment Manager will be the Company's AIFM for the purposes of the AIFM Directive. A summary of the Investment Management Agreement is set out in section 10 of Part XIII of this Prospectus.

### 2. Investment restrictions

The Company will comply with the investment restrictions set out below and will continue to do so for so long as they remain requirements of the FCA:

- neither the Company nor any of its subsidiaries will conduct any trading activity which is significant in the context of the group as a whole;
- the Company must, at all times, invest and manage its assets in a way which is consistent with its object of spreading investment risk and in accordance with the published investment policy; and
- not more than 10 per cent. of Gross Assets at the time an investment is made will be invested in other closed-ended investment funds which are listed on the Official List.

The Directors do not currently intend to propose any material changes to the Company's investment policy, save in the case of exceptional or unforeseen circumstances. As required by the Listing Rules, (as voluntarily adopted by the Company), any material change to the investment policy of the Company will be made only with the approval of Shareholders by ordinary resolution.

In the event of any breach of the investment restrictions applicable to the Company, Shareholders will be informed of the remedial actions to be taken by the Company through an RNS announcement.

### 3. Dividend policy

The Company intends to distribute at least 85 per cent. of its distributable income earned in each financial year by way of dividends. The Company intends to pay dividends on a quarterly basis, and intends to declare its first dividend in May 2016 in respect of the period to 31 March 2016, to be paid in June 2016. Thereafter, the Company intends to pay dividends on a quarterly basis with dividends declared in August, November, February and May and paid in September, December, March and June in each year. It is the current intention of the Board to move towards a policy of balancing the quarterly dividend payments once the revenue reserve position of the Company permits this approach. The Board, in its sole discretion, may choose not to adopt a dividend balancing policy if it considers this is desirable to minimise the effects of cash drag on the Company's performance.

Whilst not forming part of its investment policy, once the proceeds of the First Placing are fully invested in accordance with the Company's investment policy and the Company has incurred borrowings in line with its borrowing policy, the Company will target the payment of dividends which equate to a yield of at least 8 per cent. per annum on the Issue Price for the First Placing, payable in quarterly instalments (the "**Target Dividend**"). Investors should note that the Target Dividend, including its declaration and payment dates, is a target only and not a profit forecast.

In accordance with regulation 19 of the Investment Trust Regulations, the Company will not (except to the extent permitted by those regulations) retain more than 15 per cent. of its income (as calculated for UK tax purposes) in respect of an accounting period.

The Company intends to designate some or all of the dividends paid in respect of a given accounting period as “interest distributions” for tax purposes, provided that it is an approved investment trust at the time.

Dividends will be declared on the C Shares only in the event that there is material net income available for distribution to the holders of the C Shares to which such income relates.

#### **4. Dividend reinvestment plan**

The Company intends to arrange, following First Admission, a dividend reinvestment plan (the “Plan”) that gives holders of Ordinary Shares the opportunity to use any cash dividends to buy Ordinary Shares through a special dealing arrangement. The Ordinary Shares to be bought will be existing Ordinary Shares in the Company and will be bought on the open market. No new Ordinary Shares will be created. The Plan will only be available to holders of Ordinary Shares over the age of 18 and who are resident in the United Kingdom, the EEA, the Channel Islands or the Isle of Man.

Holders of Ordinary Shares electing to join the Plan will have as many Ordinary Shares as possible purchased for them from the proceeds of their cash dividends. A dealing commission and stamp duty reserve tax (at the prevailing rate) will be charged on the value of any Ordinary Shares purchased.

The Plan is administered by the Registrar. The Registrar will write to all Shareholders following First Admission with details of the terms and conditions of the Plan and informing holders of Ordinary Shares how to elect to join the Plan.

#### **5. Discount and premium management**

##### **5.1 Further issues**

The Articles contain provisions that permit the Directors to issue C Shares from time to time. C Shares are shares which convert into Ordinary Shares only when a specified proportion of the net proceeds of issuing such C Shares have been invested in accordance with the Company’s investment policy (prior to which the assets of the Company attributable to the C Shares are segregated from the assets of the Company attributable to the Ordinary Shares). A C Share issue would therefore permit the Board to raise further capital for the Company whilst avoiding any immediate dilution of investment returns for existing Shareholders which may otherwise result.

The Ordinary Shares carry the right to receive all dividends declared by the Company, subject to the right of the C Shares (if any have been issued by the Company) to receive dividends that the Directors resolve to pay out of the net assets attributable to the C Shares and from income received and accrued which is attributable to the C Shares.

The Board will have authority to allot up to 20 million Ordinary Shares and/or C Shares following First Admission, such authority lasting until the first annual general meeting of the Company. To the extent that the authority is used before the first annual general meeting, the Company may convene a general meeting to refresh the authority. Shareholders’ pre-emption rights over this unissued share capital have been disapplied so that the Board will not be obliged to offer any such new Issue Shares to Shareholders *pro rata* to their existing holdings. The reason for this is to retain flexibility, following First Admission, to issue new Issue Shares to investors. Notwithstanding this authority, no Ordinary Shares will be issued (whether on a pre-emptive basis to existing Shareholders or otherwise) under this authority at a gross price which is less than the Net Asset Value per existing Ordinary Share at the time of their issue.

The Directors have authority to issue up to 25 million C Shares subsequent to the Placing Programme on a non-pre-emptive basis until between the first and the fourth annual general meeting of the Company.

##### **5.2 Purchase of own Ordinary Shares**

The Company may seek to address any significant discount to NAV at which its Ordinary Shares may be trading by purchasing its own Ordinary Shares in the market on an ad hoc basis.

The Directors have the authority to purchase in the market up to 14.99 per cent. of the Ordinary Shares in issue immediately following First Admission. This authority will expire at the conclusion of the Company’s first annual general meeting or if earlier, 18 months from the date on which the resolution conferring the authority was passed. The Directors intend to seek annual renewal of this

authority from Shareholders at each annual general meeting. Whether the Company purchases any such Ordinary Shares, and the timing and the price paid on any such purchase, will be at the discretion of the Board. Ordinary Shares which are bought back may be cancelled or held in treasury.

It is the current intention of the Directors to hold any Ordinary Shares which have been bought back in treasury. This would give the Company the ability to re-issue Ordinary Shares quickly and cost effectively, thereby improving liquidity and providing the Company with additional flexibility in the management of its capital base.

## **6. Continuation vote**

The Company has no fixed life but pursuant to the Articles an ordinary resolution for the continuation of the Company will be proposed at the annual general meeting of the Company to be held in 2021 and, if passed, every five years thereafter. Upon any such resolution not being passed, proposals will be put forward by the Directors to the effect that the Company be wound up, liquidated, reconstructed or unitised.

In addition, where in a financial year of the Company ending after on or after 31 December 2016 the Ordinary Shares have traded, on average over that financial year, at a discount in excess of 10 per cent. to Net Asset Value per Ordinary Share, the Company will be required to propose a special resolution at the next annual general meeting for the discontinuation of the business of the Company in its present form. If such a discontinuation resolution is passed, proposals will be put forward by the Directors to Shareholders within four months to address the trading discount to Net Asset Value per Ordinary Share (which may include proposals for the reorganisation, reconstruction or winding up of the Company).

## **7. Investment trust status**

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 CTA 2010.

In summary, in order for the Company to be eligible as an investment trust in an accounting period, the following conditions must be satisfied throughout the period:

- all or substantially all of the Company's business consists of investing its funds in shares, land or other assets with the aim of spreading investment risk and giving shareholders the benefit of the results of the management of its funds;
- the Company's ordinary share capital must be admitted to trading on a regulated market, such as the Specialist Fund Market of the London Stock Exchange, throughout the accounting period; and
- the Company must not be a venture capital trust (within the meaning of Part 6 of the Income Tax Act 2007) or UK REIT (within the meaning of Part 12 of the CTA 2010).

In order for the Company to maintain its investment trust status it must also:

- not be a close company;
- not retain in respect of any accounting period an amount which is greater than 15 per cent. of its income for the period (subject to certain limited exceptions); and
- notify HMRC if it revises its investment policy or breaches the regime.

## **8. The AIFM Directive**

Under the AIFM Directive, certain conditions must be met to permit the marketing of shares in AIFs to prospective and existing investors in the EEA, including that prescribed disclosures are made to such investors.

Certain provisions of the AIFM Directive still require the establishment of guidelines. It is also possible that interpretation of the AIFM Directive may vary among the EEA member states. It is therefore difficult to predict the full impact of the AIFM Directive on the Company and the Investment Manager and the effect on the Company and the Investment Manager may vary over time. The AIFM Directive may result in requirements to make certain reports and disclosures to regulators of EEA member states and of members of the EEA in which Issue Shares are marketed. Such reports and disclosures may become publicly available.

The Company currently intends to operate as an externally managed EEA domiciled AIF with an EEA AIFM for the purposes of the AIFM Directive. The Investment Manager is authorised to act as a full-scope AIFM under the AIFM Directive.

An AIFM may only market an AIF to EU investors if it is authorised by a relevant EU regulator or complies with national private placement regimes. Therefore, Issue Shares can only be marketed by the Investment Manager to professional investors (within the meaning assigned to this term under the AIFM Directive) in the UK in accordance with Article 31 of the AIFM Directive (as implemented by Regulation 54 of the AIFM Regulation). The Investment Manager has filed with the FCA a notification pursuant to Article 31(2) of the AIFM Directive to market the Issue Shares to professional investors in the UK under the AIFM Directive.

Issue Shares can also be marketed by the Investment Manager to retail clients in the UK pursuant to regulation 54 of the Alternative Investment Fund Managers Regulations 2013 (the “**AIFM Regulation**”) and subject to the UK financial promotions regime. The Investment Manager has filed with the FCA a notification required under regulation 54 of the AIFM Regulation to market Issue Shares to retail clients in the UK.

Any regulatory changes arising from implementation of the AIFM Directive (or otherwise) that limit the Company’s ability to market future issues of its Issue Shares may materially adversely affect the Company’s ability to carry out its investment policy successfully and to achieve its investment objective, which in turn may adversely affect the Company’s business, financial condition, results of operations, Net Asset Value and/or the market price of the Issue Shares.

#### **9. Non-mainstream pooled investment status**

As the Company is an investment trust, the Issue Shares will be “excluded securities” under the FCA’s rules on non-mainstream pooled investments. Accordingly, the promotion of the Issue Shares is not subject to the FCA’s restriction on the promotion of non-mainstream pooled investments.

#### **10. Taxation**

Potential investors are referred to Part XII of this Prospectus for details of the taxation of the Company and 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 professional advisers prior to making a subscription for Issue Shares.

#### **11. Risk factors**

The Company’s performance is dependent on many factors and potential investors should read the whole of this Prospectus and, in particular, Part II.

## PART VIII – DIRECTORS AND ADMINISTRATION

### 1. The Directors

The Directors are responsible for managing the business affairs of the Company in accordance with the Articles and the investment policy and have overall responsibility for the Company's activities including its investment activities and reviewing the performance of the Company's Portfolio.

The Directors may delegate certain functions to other parties such as the Investment Manager, the Administrator, the Company Secretary, the Depositary and the Registrar. In particular, the Directors have delegated responsibility for day-to-day management of the investments comprised in the Company's Portfolio to the Investment Manager. The Directors have responsibility for exercising supervision of the Investment Manager.

Robert Sharpe (*Chairman*) (*independent*) (aged 66)

Robert has over 35 years' experience in retail banking. He is currently chairman at Al Rayan Bank plc and non-executive director of Aldermore Group plc. He has recently returned from the Middle East where he held several non-executive directorships at banks in the UAE, Oman and Turkey. Robert was previously Chief Executive Officer at West Bromwich Building Society, a role he took to chart and implement its rescue plan. Prior to this, he was Chief Executive Officer at Portman Building Society and Bank of Ireland in the UK.

Jim Coyle (*independent*) (aged 59)

Jim is currently non-executive director and member of the audit and risk committees at HSBC Bank plc, as well as a non-executive director at the Scottish Building Society. He was previously Group Financial Controller at Lloyds Banking Group, having earlier held a role as Divisional Finance Director, Group Operations. Prior to this, Jim was Group Chief Accountant for the Bank of Scotland, having joined the bank in 1991. He qualified as a Chartered Accountant with KPMG before spending 10 years in the oil industry, holding senior positions with BP. Jim is a Fellow of the Chartered Institute of Bankers in Scotland, on the Council of the Institute of Chartered Accountants of Scotland, and a member of the Financial Reporting Council's Financial Reporting Review Panel.

Mark Huggins (*independent*) (aged 51)

Mark has over 25 years' experience in the financial services sector, most recently as Managing Director of AA Financial Services Ltd., having also ran Acromas (AA and Saga) Financial Services Ltd. Prior to this, Mark was the director responsible for MBNA Europe/Bank of America's Consumer Finance, Business Lending and Insurance businesses, having previously held strategy, sales and marketing roles at CIS, Royal SunAlliance and Eagle Star. Mark is a graduate of University College, London, and holds postgraduate diplomas in marketing and market research. He is currently a non-executive director on the Board of the National Skills Academy for Financial Services.

Ravi Takhar (*independent*) (aged 50)

Ravi has more than 20 years' experience in the financial services sector as a lawyer, investment banker and entrepreneur. He is currently Chief Executive Officer of London-listed Orchard Funding Group, which he founded in 2002; the business specialises in insurance premium finance and the professional fee funding market. Ravi's previous roles were as Head of Financial Services Investment at Nikko, Chairman of Mortgages PLC and Head of Mortgage Principal Finance at Investec Bank.

### 2. Corporate governance

Under the Listing Rules (as voluntarily adopted by the Company), the Company must "comply or explain" against each of the provisions of the UK Corporate Governance Code (the "**Governance Code**"). In addition, the Disclosure and Transparency Rules require the Company to: (i) make a corporate governance statement in its annual report and accounts based on the code to which it is subject, or with which it voluntarily complies; and (ii) describe its internal control and risk management arrangements.

As a company with a limited operational history, the Company will not comply with the UK Corporate Governance Code published by the Financial Reporting Council or the AIC Code of Corporate Governance published by The Association of Investment Companies as at the date of

First Admission. However, the Directors recognise the value of the Governance Code and have also considered the principles and recommendations of the AIC Code by reference to the AIC Guide. The AIC Code, as explained in the AIC Guide, addresses all the principles set out in the Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company as an investment company.

The Directors consider that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Governance Code) will provide better information to Shareholders. Consequently, the Directors have taken appropriate measures to ensure that from First Admission the Company will comply, so far as is possible given the Company's size and nature of business, with the AIC Code.

The Governance Code includes provisions relating to the role of the chief executive; executive director remuneration; and the need for an internal audit function. For the reasons set out in the AIC Code, the Board considers that these provisions are not relevant in the Company's circumstances, being an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties (subject to appropriate systems, controls and oversight). As a result, the Company has no executive directors, employees or internal operations. The Company will not therefore report further in respect of these provisions.

Other than as set out above, the Directors have determined to report against the AIC Code and to follow the AIC Guide for Investment Companies. This is treated as compliance with the Governance Code.

### **3. Audit committee**

The Company's audit committee, comprising all the independent Directors of the Company will meet formally at least twice a year for the purpose, amongst other things, of considering the appointment, independence and remuneration of the auditor and to review the annual accounts, interim reports and interim management statements. Where non-audit services are to be provided by the auditor, full consideration of the financial and other implications on the independence of the auditor arising from any such engagement will be considered before proceeding. Jim Coyle will act as chairman of the audit committee. The principal duties of the audit committee will be to consider the appointment of external auditors, to discuss and agree with the external auditors the nature and scope of the audit, to keep under review the scope, results and cost effectiveness of the audit and the independence and objectivity of the auditor, to review the external auditors' letter of engagement and management letter and to analyse the key procedures adopted by the Company's service providers.

### **4. Management engagement committee**

The Company's management engagement committee, comprising all the independent Directors of the Company, will meet formally at least once a year for the purpose, amongst other things, of reviewing the actions and judgments of the Investment Manager and also the terms of the Investment Management Agreement. The Chairman will act as chairman of the management engagement committee.

### **5. Remuneration and nomination committee**

The Company's remuneration and nomination committee, comprising all the independent Directors of the Company, will meet formally at least once a year for the purpose of, amongst other things, considering the framework and policy for the remuneration of the Directors pursuant to the Articles and to review the structure, size and composition of the Board. No Director shall be involved in any decisions as to their own remuneration. Mark Huggins will act as chairman of the remuneration and nominations committee.

### **6. Directors' share dealings**

The Directors have adopted a code of directors' dealings in Issue Shares, which is based on the Model Code for directors' dealings contained in the Listing Rules. The Board will be responsible for taking all proper and reasonable steps to ensure compliance with the Model Code by the Directors.

## **7. Administrator**

Apex Fund Services (UK) Limited has been appointed as Administrator to the Company pursuant to the Administration Agreement (further details of which are set out in section 10 of Part XIII of this Prospectus).

The Administrator will be responsible for the maintenance of the books and financial accounts of the Company and the calculation, in conjunction with the Investment Manager, of the Net Asset Value of the Company, the Ordinary Shares and the C Shares.

## **8. Company Secretary**

Apex Fund Services (UK) Limited will provide company secretarial services to the Company pursuant to the Administration Agreement (further details of which are set out in section 10 of Part XIII of this Prospectus).

The Company Secretary will be responsible for overseeing the production of the Company's accounts, regulatory compliance of the Company and providing support to the Board's corporate governance process and its continuing obligations under the Listing Rules (as voluntarily adopted by the Company) and the Disclosure and Transparency Rules. In addition, the Company Secretary will be responsible for liaising with the Company, the Investment Manager and the Registrar in relation to the payment of any dividends, as well as general secretarial functions required by the Companies Act (including but not limited to the maintenance of the Company's statutory books).

## **9. Registrar**

Computershare Investor Services PLC has been appointed as the Company's Registrar pursuant to the Registrar Agreement (further details of which are set out in section 10 of Part XIII of this Prospectus).

## **10. Depositary**

Indos Financial Limited has been appointed as the Company's depositary pursuant to the Depositary Agreement (further details of which are set out in section 10 of Part XIII of this Prospectus).

## **11. Broker**

Liberum has been appointed as corporate broker to the Company.

## **12. Auditor**

It is anticipated that PricewaterhouseCoopers LLP will provide audit services to the Company.

## **13. Fees and expenses**

### **13.1 Expenses of the Issue**

The costs and expenses of the First Placing which will be paid by the Company are not expected to exceed £1.8 million, assuming gross proceeds of the First Placing are £100 million.

The costs and expenses of the First Placing will generally be paid out of the gross proceeds of the First Placing and will therefore be borne indirectly by the investors. However, to the extent that the costs and expenses of the First Placing (before fees and commissions, and before payments in respect of VAT to Liberum) exceed 1.8 per cent. of the gross First Placing proceeds, the Investment Manager will bear the excess.

The costs and expenses of the First Placing will be paid on or around First Admission and will include, without limitation, placing fees and commissions; admission fees; printing, advertising and distribution costs; legal fees; and any other applicable expenses. All such expenses will be immediately written off.

The costs and expenses of the Placing Programme will include, without limitation, placing fees and commissions; admission fees; printing, advertising and distribution costs; legal fees; and any other applicable expenses.

## 13.2 Ongoing expenses

### *Investment Manager's fees*

#### *Management Fee*

The management fee is calculated and payable monthly in arrear at a rate equal to 1/12 of 1.0 per cent. per month of Net Asset Value (the "**Management Fee**").

The Investment Manager also retains the discretion to charge a fee based on a percentage of Gross Assets (such percentage not to exceed 1.0 per cent. per annum and provided that the aggregate Management Fee payable by the Company shall not exceed an amount equal to 1.0 per cent. of the Gross Assets of the Company or the gross assets of its group in aggregate (as applicable) in any year) to any entity which is within the Company's group (including the Company), provided that such entity has incurred borrowings for the purpose of its investment policy or strategy.

For the period from First Admission until the date on which 80 per cent. of the net proceeds of the First Placing have been invested or committed for investment, directly or indirectly, in Credit Assets or Equity Assets, only the value attributable to Credit Assets and Equity Assets held by the Company for investment purposes (which shall exclude any surplus capital invested in cash deposits, and cash equivalent investments and fixed income instruments) shall be included in the calculation of Net Asset Value for the purposes of determining the Management Fee.

Where there are C Shares in issue, the Management Fee will be charged on the net assets attributable to the Ordinary Shares and the C Shares respectively.

For so long as the Origination Partner is part of the same group as the Investment Manager, the amount of all fees payable by the Company to the Origination Partner shall be deducted from the Management Fee.

#### *Performance fee*

The Investment Manager is also entitled to a performance fee calculated by reference to movements in the Adjusted Net Asset Value (as defined below) from time to time.

The performance fee will be calculated in respect of each twelve month period starting on 1 January and ending on 31 December in each calendar year save that the first Calculation Period shall be the period commencing on First Admission and ending on 31 December 2015, and the final Calculation Period shall end on the day on which the Investment Management Agreement is terminated or, if earlier, the Business Day immediately preceding the day on which the Company goes into liquidation (a "**Calculation Period**").

The performance fee will only be payable if the Adjusted Net Asset Value at the end of a Calculation Period exceeds a hurdle threshold, equal to the Adjusted Net Asset Value immediately following First Admission, compounded at a rate equal to 5 per cent. per annum (the "**Hurdle**").

If, on the last day of a Calculation Period (each a "**Calculation Date**"), the Adjusted Net Asset Value exceeds the Hurdle, the Investment Manager shall be entitled to a performance fee (the "**Performance Fee**") equal to the lower of:

- (a) the amount by which the Adjusted Net Asset Value exceeds the Hurdle, in each case as at the Calculation Date; and
- (b) ten per cent. of the amount by which total growth in Adjusted Net Asset Value since First Admission (being the aggregate of the growth in Adjusted Net Asset Value in the relevant Calculation Period and in each previous Calculation Period), after adding back any Performance Fees paid to the Investment Manager, exceeds the aggregate of all Performance Fees payable to the Investment Manager in respect of all previous Calculation Periods.

"**Adjusted Net Asset Value**" means the Net Asset Value after: (i) excluding any increases or decreases in Net Asset Value attributable to the issue or repurchase of any Ordinary Shares; (ii) adding back the aggregate amount of any dividends paid or distributions made in respect of any Ordinary Shares; (iii) excluding the aggregate amount of any dividends or distributions accrued but unpaid in respect of any Ordinary Shares; and (iv) excluding the amount of any Performance Fees accrued but unpaid, in each case without double counting.

In the event that C Shares are in issue, the Investment Manager shall be entitled to a performance fee in respect of the net assets referable to the C Shares on the same basis as summarised

above, except that a Calculation Period shall be deemed to end on the date of the conversion of the relevant tranche of C Shares into Ordinary Shares.

#### *Fee payable to Origination Partner*

The Origination Partner will be paid a fee calculated on the purchase price for each Credit Asset acquired by the Company from the Origination Partner. For so long as the Origination Partner is part of the same group as the Investment Manager, such amount shall be deducted from the Management Fee payable to the Investment Manager.

The Company shall reimburse the Origination Partner for the fees of Referral Partners, Freedom Finance and the Servicer (to the extent paid by the Origination Partner) in connection with Credit Assets in which the Company acquires an interest. The amount of such fees shall be agreed between the Origination Partner and the relevant counterparties on arm's length commercial terms, taking account of the strength of the relationship between the Origination Partner, the Investment Manager and each relevant counterparty as further described elsewhere in this Prospectus.

### **13.3 Other fees and expenses**

The Company will also incur further on-going annual fees and expenses, which will include the following:

#### *Administrator*

Under the terms of the Administration Agreement, the Administrator is entitled to an initial implementation fee of £5,000. For its fund administration services, the Administrator will charge a fee equal to the greater of (i) £5,000 per month; and (ii) an amount equal to  $\frac{1}{12}$  of 0.06 per cent. of the Net Asset Value up to £150 million, and  $\frac{1}{12}$  of 0.05 per cent. on the excess of Net Asset Value above £150 million.

#### *Company Secretary*

Under the terms of the Administration Agreement, the fee for the provisions of the Company Secretary's services will be included in the fund administration fee paid to the Administrator.

#### *Registrar*

The Registrar will be entitled to an annual register maintenance fee from the Company equal to £1.30 per Shareholder per annum or part thereof, subject to a minimum of £3,800 per annum. Other activity will be charged for in accordance with the Registrar's normal tariff as published from time to time.

#### *Depositary*

Under the terms of the Depositary Agreement, the Depositary is entitled to a periodic fee calculated as follows:

- (A) where NAV is less than or equal to £200 million, 0.02 per cent. of NAV per annum, subject to a minimum monthly fee of £2,500; and
- (B) where NAV is greater than £200 million, 0.02 per cent. of NAV per annum in respect of the first £200 million of NAV and:
  - i. 0.0175 per cent. per annum of that part of NAV which is in excess of £200 million but less than or equal to £400 million; plus
  - ii. 0.015 per cent. per annum of that part of NAV which is in excess of £400 million.

The Depositary shall invoice the Company monthly in arrear in respect of the periodic fee (together, if applicable, with any VAT thereon), which shall be payable by the Company within 30 days of the relevant invoice.

The Depositary is entitled to charge an additional fee where the Company undergoes a lifecycle event (e.g. a reorganisation or a distribution) which entails additional work for the Depositary. Such a fee will be agreed with the Company on a case by case basis.

All charges may be subject to change from time to time, with the agreement of the Depositary and the Company. All charges are exclusive of VAT, if applicable.

The Depositary is entitled to be reimbursed for certain expenses properly incurred in performing or arranging for the performance of functions conferred upon it under the agreement.

### *Broker*

Liberum has been appointed as the corporate broker to the Company and will be paid a nominal fee for performing that function.

### *Directors*

The Directors will initially be remunerated for their services at a fee of £25,000 per annum (£30,000 for the Chairman). The remuneration payable to the Directors will increase on further capital raises being undertaken by the Company. Further information in relation to the remuneration of the Directors is set out in Part XIII of this Prospectus.

## **13.4 Other operational expenses**

All other ongoing operational expenses (excluding fees and expenses paid to service providers as detailed above) of the Company will be borne by the Company including, without limitation, the incidental costs of making its investments and the implementation of its investment objective and policy (including any fees or commissions payable to intermediaries in respect of the sourcing of investments to the extent that the Investment Manager is unable to source such investments directly and any fees or commissions payable to any due diligence agents or other specialists engaged by the Investment Manager in connection with the implementation of the investment policy); travel, accommodation and printing costs; the cost of directors' and officers' liability insurance and website maintenance; audit and legal fees; and annual London Stock Exchange fees. All out of pocket expenses, that are reasonably and properly incurred, of the Investment Manager, the Administrator, the Company Secretary, the Depositary and the Registrar and the Directors relating to the Company will be borne by the Company. No fees or expenses, including those listed above, will be borne directly by investors.

The Directors estimate that the operating expense cash flow (excluding the Management Fee) in the 12 months from the date of First Admission will be 0.7 per cent. of the gross proceeds of the First Placing (assuming gross proceeds of £100 million). This is an estimate only and not intended to be, and is not, a profit forecast.

## **14. Meetings and reports**

The Company expects to hold its first annual general meeting in the second quarter of 2017 and subsequent annual general meetings in the second quarter of each calendar year. The Company's audited annual report and accounts will be prepared to 31 December each year, commencing in respect of the accounting period ending on 31 December 2016, and it is expected that copies will be sent to Shareholders in April in each year or earlier if possible. An unaudited interim report will be prepared each year in respect of the period to 30 June. The Company's audited annual report and accounts and interim report will be available on the Company's website.

The Company's accounts and the annual report will be drawn up in Pounds Sterling and in accordance with IFRS.

## **15. Net Asset Value calculation and publication**

The unaudited Net Asset Value will be calculated by the Administrator (on the basis of information provided by the Investment Manager) on a monthly basis, as described below. The NAV will be published through a Regulatory Information Service and is available through the Company's website.

The Administrator will calculate and publish the unaudited Net Asset Value and the Net Asset Value per Ordinary Share and C Share (if C Shares have been issued) based on a valuation point of 5.00 p.m. (UK time) on the last Business Day of each month. Each monthly Net Asset Value will be calculated in Pounds Sterling. Each monthly Net Asset Value will be published through a Regulatory Information Service, normally within ten Business Days of such month end. Valuations produced by the Administrator as at the relevant month end are conclusive and binding on all Shareholders. In addition, the Company, the Investment Manager and the Administrator may, in their sole discretion, arrange for additional valuations to be published or extend the ten Business Day period to cater for exceptional circumstances or significant new developments. The calculation of the Net Asset Value will only be suspended in circumstances where the underlying data necessary to value the investments of the Company cannot readily, or without undue expenditure, be obtained or where required by the Articles or other applicable law and regulation. Details of any suspension in making such calculations will be announced through a Regulatory Information

Service as soon as reasonably practicable. The Company, the Investment Manager and the Administrator may however, where the underlying data necessary to value the investments of the Company has not been received in good time to prepare the monthly valuations, elect to calculate the current Net Asset Value, Net Asset Value per Ordinary Share and Net Asset Value per C Share using previously provided data in order to avoid the suspension of the calculation of Net Asset Value.

The Net Asset Value is the value of all assets of the Company less its liabilities to creditors, less any reserves against Credit Assets (including provisions for such liabilities) determined in accordance with the Association of Investment Companies' valuation guidelines and in accordance with IFRS.

All Credit Assets are accounted for on the trade date based on an amortised cost basis. At the point of origination or acquisition, Credit Assets are valued at the initial advance amount inclusive of any fees paid to the Origination Partner or at the purchase consideration paid if acquired from a third party. Thereafter, all Credit Assets are valued at this amount less cumulative amortisation calculated using the Effective Interest Rate ("EIR") method. The EIR method spreads the expected net income from a Credit Asset over its expected life. The EIR is that rate of interest which, at inception, exactly discounts the future cash payments and receipts from the Credit Asset to the initial carrying amount.

Credit Assets are assessed by or on behalf of the Investment Manager for indications of impairment during and at the end of each reporting period. Evidence of impairment includes: (a) significant financial difficulty of a specific Credit Asset; (b) breach of contract, such as default or delinquency in interest or principal payments; and (c) probability that a borrower will enter bankruptcy or financial reorganisation.

Credit Assets are further assessed for impairment on a collective basis even if they are assessed not to be impaired individually. Observable changes in economic conditions or changes in forecasted default or delinquency in interest or principal payments based on the Investment Manager's past experience are applied. The level of impairment loss recognised is the difference between the asset's outstanding principal balance amount and the estimated fair value associated with all Credit Assets within the Portfolio. The carrying amount is reduced directly by the applied impairment loss. Changes in the level of impairment are recognised in the profit and loss account although if in a subsequent period the previously recognised impairment loss is reversed the sum reversed shall not be more than that which is required to ensure that the carrying amount of the Credit Asset is not more than what the amortised cost would have been had the impairment not been recognised.

Investments in unlisted equity are valued at fair value through the profit and loss. The fair value is determined by or on behalf of the Investment Manager at the date of measurement relative to comparable instruments. If deemed appropriate by the Company or the Investment Manager, the Company may engage third party valuation professionals to provide a valuation of such investments.

Borrowings are originally valued as the principal amount of borrowings less any discounts and costs of issuance and accrued interest.

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

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

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

## **PART IX – THE INVESTMENT MANAGER, PROCESS AND STRATEGY**

### **1. The Investment Manager**

Pollen Street Capital Limited serves as the Investment Manager and has been appointed as an alternative investment fund manager for the purposes of the AIFM Directive. The Investment Manager is responsible for the discretionary management of the Portfolio. Pollen Street Capital Limited is authorised and regulated in the UK by the FCA (FRN: 611337).

The Investment Manager was formed in November 2013 when the Royal Bank of Scotland private equity team spun-out to establish an independent fund management business. The team has focussed on the financial services sector since 2008, following the launch of the £1.1 billion RBS Special Opportunities Fund. It has since founded or invested in a number of financial services businesses including Shawbrook, Arrow Global and Target.

Biographies of the key personnel of the Investment Manager involved in the provision of services to the Company are as follows:

#### *Lindsey McMurray*

Lindsey has been a private equity investor for more than 19 years with a particular focus on the financial services sector. Since 2005 she has led the team managing the RBS Special Opportunities Fund. Prior to RBS, Lindsey spent six years at Cabot Square Capital, Ltd., a London-based private equity firm where she was a Partner, focusing on operating investments in real estate and other asset backed investments, together with investments in the financial services sector. Lindsey has a First Class Honours degree in Accounting and Finance and studied for an MPhil in Finance from Strathclyde University. Lindsey has served as a non-executive director on the boards of a number of Pollen Street Capital portfolio companies including Arrow Global, Shawbrook, Banca Sistema, Freedom Finance, and Moneycorp and was also a non-executive director of Intermediate Capital Group.

#### *James Scott*

James has been with the Pollen Street Capital team since 2004. Prior to this, James qualified as a Chartered Accountant with PricewaterhouseCoopers, worked for Ernst & Young in an IT consulting role and served as commercial director for a software engineering firm. James has a degree in History and Politics from Exeter University and is a member of the Institute of Chartered Accountants of Scotland. Key recent transactions include acquiring a pool of first and second charge mortgage assets from Citi, Krunch, Spring, Shawbrook and Target. James is currently a non-executive director of Target.

#### *Matthew Potter*

Matthew joined the Pollen Street Capital team in 2009. Prior to this, Matthew qualified as a Chartered Accountant with PricewaterhouseCoopers and spent four years in their Corporate Finance department, focusing on middle market transactions. Matthew has a First Class Honours degree in Economics and Finance from the University of Bristol. Key recent transactions include establishing Shawbrook, acquiring Singers Asset Finance, acquiring a pool of first and second charge mortgages from Citi, and acquiring Centric Commercial Finance.

#### *Murray Bailey*

Murray has been focused on retail financial services for almost 30 years, and although specialising in Credit Risk Management, has involvement with all areas of Risk Management and has acted as a Chief Risk Officer on a number of occasions, most significantly at GE Capital Bank. Murray has worked with a large number of UK institutions both large and small and has in particular worked with many of the specialist and peer-to-peer lenders in helping to build and develop credit scorecards and implement appropriate underwriting policies. Recent roles have included Head of Credit Risk at Amigo Loans, and Risk Director at ZOPA.

#### *Regi Athwal*

Regi has more than 15 years of experience in analytical roles, ranging across credit, pricing, marketing and business planning. He spent several years at HSBC/HFC where he was Head of Pricing of Credit Cards and eight years in Business Strategy, Planning and Analytics at Citi, working on strategic projects across the EMEA region, including the sale/BPO of approximately £5 billion in assets. Regi has a degree in Actuarial Science from City University, a Masters in International Banking and Finance from Bangor University and an MBA from London Business

School. Recent roles include Head of Business Intelligence at Target Group, and Head of Business Planning and analysis at Aldermore Bank.

## **2. Investment selection and due diligence**

The Investment Manager will seek to diversify the Portfolio in order to minimise risk while providing a flow of income and an attractive return for Shareholders. To mitigate concentration risk, the Investment Manager will seek to invest in a diversified portfolio of Credit Assets sourced from a number of different sectors and sub-sectors across the consumer, small business and specialist lending markets, and select Credit Assets across a range of asset sub-categories and credit risk bands.

The asset selection and due diligence process used by the Company can be divided into three primary stages: (i) the identification of sectors and sub-sectors within the relevant lending market that generate the most attractive risk-adjusted returns; (ii) underwriting due diligence on underlying borrowers to Credit Assets; and (iii) the ongoing monitoring of Credit Assets by the Investment Manager.

### *Identification of target sectors and sub-sectors*

The Investment Manager will use a data-led approach to identify sectors and sub-sectors within the consumer, small business and specialist lending market that generate the most attractive risk-adjusted returns. This will involve the identification of:

- specialist areas of the relevant lending market that require complex underwriting and a more detailed knowledge of customers, which do not lend themselves to the mass-processing approach adopted by many mainstream lenders and which are therefore largely under-served; and
- specific verticals within those areas which, due to the motivation and purpose of lending (e.g. home improvement, energy efficiency and education), pre-select what the Directors believe will be higher-quality borrowers.

Once identified, the Investment Manager and the Origination Partner will then seek to develop strong relationships with Referral Partners operating in those sectors and sub-sectors to gain access to a broad range of investment opportunities, which will enable the Company to carefully select investments based on its strict underwriting criteria while remaining confident of a continual deal flow. In addition, the underwriting criteria developed by the Investment Manager, set out in more detail below, is designed to ensure that the Portfolio consists of a range of different Credit Asset to reduce exposure to any one loan type.

Where the Company invests in loans referred by Shawbrook, Shawbrook will originate investment opportunities in respect of loans to specialist lenders for the purposes of providing wholesale finance to those specialist lenders, secured against (amongst other things) granular portfolios of loan receivables. Through the Origination Partner, the Company will then have the opportunity, but will be under no obligation, to invest on substantially the same terms as Shawbrook (save that the terms on which the Company invests may differ from those applying to Shawbrook in respect of the funding commitment or where the investment is made on a subordinated basis).

### *Due diligence on borrower applicants*

The Investment Manager's underwriting process uses a wide range of data to support a rate for risk approach, identifying Credit Assets that offer the most attractive return relative to the level of risk involved.

Data is captured at the source of origination, from third party credit reference agencies, customer application forms, and customer interviews (where necessary). Technology is also employed to enable a more granular, real-time assessment of the borrower (e.g. access to live bank account statements).

This information is assessed against scorecards developed by the Investment Manager and a decision then made as to whether to accept or decline the proposed Credit Asset. To promote an efficient and consistent approach, the underwriting process combines an automated scorecard approach with manual underwriting interventions, with the level of reliance on each approach varying depending on the risk grading of a particular Credit Asset.

The Origination Partner has agreed to appoint Freedom Finance to undertake the administration of these underwriting functions, as set out in section 5.2 of Part VI of this Prospectus. Freedom

Finance may provide such services in respect of loan opportunities identified through the Freedom Finance platform, or through the Origination Partner's relationships with other Referral Partners such as entu and Pay4Later.

#### *Ongoing monitoring of Credit Assets*

The investment process is reviewed on an ongoing basis by the Investment Manager. Using a number of key performance indicators, the Investment Manager monitors material changes in, amongst other items, Credit Asset performance, loan interest rates, loan sizes, loan credit criteria and loan acceptance rates as against the Company's investment policy and internal targets.

Data warehouse facilities will enable the Investment Manager, in consultation with the Origination Partner, Freedom Finance and the Servicer, to undertake analysis of the Portfolio in real time. Data gathered from the Portfolio, such as trends in performance of Credit Assets by source, origination date and credit score, will then be fed back to the Investment Manager and performance data used to refine and improve credit scorecards and aspects of the underwriting process on an on-going basis.

In addition to this, overall credit and economic conditions will be monitored to provide insight into potential adverse changes or opportunities at a macro level so that, where necessary, underwriting and investment criteria can be further modified to adapt to the changing economic environment.

The Investment Manager will also carry out periodic audits of the application of specified underwriting criteria by the Origination Partner, the Referral Partners and, in particular, Freedom Finance to ensure that the quality and volume of Credit Asset referrals is maintained.

### **3. Investment Manager track record**

The Investment Manager's team has in aggregate over 70 years' experience, providing detailed knowledge and insight into the consumer loan market.

The Investment Manager has been investing in, and building, financial services businesses since its inception in 2008, with a track record of success. The Investment Manager uses a deeply analytical approach to select investment opportunities and to identify potential origination and referral partners.

The Investment Manager's track record includes investments in 11 financial services businesses, representing a total investment of £534.3 million. As at the latest practicable date, the Investment Manager valued such investments (on the basis of the total consideration for realised investments and the current value of unrealised investments) at £1,468.9 million, representing an average gross multiple of capital invested ("**Average Gross MoC**") of 2.7x and an average gross internal rate of return of 30.9 per cent..

Of these investments, eight have been fully or partially realised for proceeds of £920.7 million (in addition to in excess of £400 million of unrealised value from the unrealised portion of such investments) from aggregate initial investments of £472.6 million, representing an Average Gross MoC of 2.9x and a gross internal rate of return of 31.9 per cent. (in each case including the value of any unrealised portion of such investments).

A further three investments remain unrealised, representing an initial investment of £61.6 million. As at the latest practicable date the Investment Manager valued such investments at £75.7 million, representing an Average Gross MoC of 1.1x and a gross internal rate of return of 6.9 per cent..

### **4. Conflicts of interest**

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

The Investment Manager has a conflicts of interest policy which contains the details of identified conflicts or potential conflicts of interest and the procedures it follows in order to avoid, minimise and manage such conflicts or potential conflicts.

The Investment Manager is structured and organised in a way so as to minimise the risks of a client's interests being prejudiced by conflicts of interest and will wherever possible try to ensure that a conflict of interest does not arise. In the event that a conflict of interest cannot be avoided the Investment Manager will always act in the best interests of the Company and ensure that the Company is fairly treated. If circumstances arise such that the Investment Manager's arrangements for avoiding and managing conflicts of interest are not sufficient to ensure with reasonable confidence that the risks of damage to the interests of the Company or its Shareholders will be prevented, the senior management of the Investment Manager must act to ensure that appropriate action is taken in the best interests of the Company and its Shareholders.

Any such situation will be disclosed to Shareholders in the next annual or half yearly report together with details of the action taken by the Investment Manager to resolve the situation in the best interests of the Company.

The conflicts of interest policy is reviewed by senior management of the Investment Manager at least once a year or whenever there are material changes in the business services to be offered by the Investment Manager.

#### **5. Professional liability risk management**

As part of its professional liability risk management, the Investment Manager maintains professional indemnity insurance. The level of cover is reviewed by the Investment Manager from time to time to ensure it remains proportionate to its business.

#### **6. Delegation of management functions**

The Investment Manager does not currently anticipate that any of its investment management functions (portfolio management and risk management) would be delegated to any third party.

#### **7. Periodic disclosure to investors**

It is currently anticipated that, during the life of the Company:

- there will be no changes to the maximum level of borrowings that may be incurred on behalf of the Company; and
- arrangements under which the Company's assets will be pledged as collateral or subject to any right of reuse will be limited to security granted in respect of the Company's borrowings and customary liens under bank accounts, custody agreements and similar arrangements (see section 4.3 of Part VI of this Prospectus for further detail).

In the event of any change, this will be notified to investors without undue delay.

The total amount of borrowings of the Company (calculated in accordance with the gross and commitment methods) will be disclosed in each annual report provided to Shareholders.

## PART X – THE FIRST PLACING

### 1. The First Placing

The Company is targeting raising £100 million through the First Placing.

A total of up to 10 million Ordinary Shares will be issued under the First Placing.

The First Placing is conditional on the raising of the Minimum Gross Proceeds. In the event that the Company and Liberum decide to lower the amount of the Minimum Gross Proceeds, the Company will be required to publish a supplementary prospectus. If the First Placing does not proceed, subscription monies received under the First Placing will be returned without interest at the risk of the applicant. The target First Placing size should not be taken as an indication of the number of Ordinary Shares to be issued.

The First Placing is not being underwritten. The terms and conditions which shall apply to any subscription for Ordinary Shares pursuant to the First Placing are contained in Part XIV of this Prospectus.

The First Placing is designed to be suitable for institutional, professional and highly knowledgeable investors (including those who are professionally advised) seeking exposure to alternative finance investments and related instruments, including Credit Assets. 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 Ordinary Shares in the First Placing.

Old Mutual has indicated to the Company that it intends to subscribe for up to 2.99 million Ordinary Shares as part of the First Placing, subject to this subscription not exceeding 29.9 per cent. of the total number of Ordinary Shares issued in the First Placing. Invesco has indicated to the Company that its current intention is to subscribe for up to 4.6 million Ordinary Shares as part of the First Placing.

Pollen Street Capital Holdings Limited, an affiliate of the Investment Manager, will subscribe for 900,000 Ordinary Shares in the First Placing. It is intended that this holding will be sold within 12 months of First Admission.

Members of the Investment Manager's team intend to subscribe for approximately 455,000 Ordinary Shares as part of the First Placing.

### 2. Conditions

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

- (i) the Placing Agreement becoming wholly unconditional (save as to First Admission) and not having been terminated in accordance with its terms prior to First Admission;
- (ii) First Admission occurring by 8.00 a.m. on 23 December 2015 (or such later time and date as may be agreed between Liberum, the Company and the Investment Manager, being not later than 8.00 a.m. (London time) on 31 January 2015) in respect of the First Placing; and
- (iii) the First Placing raising Minimum Gross Proceeds.

### 3. Pricing

The Directors have determined that the Ordinary Shares under the First Placing will be issued at a price equal to £10 per Ordinary Share.

### 4. Subscriber warranties

Each subscriber for Ordinary Shares in the First Placing and each subsequent investor in the Ordinary Shares will be deemed to have represented, warranted, acknowledged and agreed to the representations, warranties, acknowledgments and agreements set out in sections 4 and 5 in Part XIV of this Prospectus.

The Company, the Investment Manager, Liberum, and their respective directors, officers, members, agents, employees, advisers and others will rely upon the truth and accuracy of the foregoing representations, warranties, acknowledgments and agreements.

If any of the representations, warranties, acknowledgments or agreements made by the investor are no longer accurate or have not been complied with, the investor will immediately notify the Company.

## **5. First Placing arrangements**

Liberum has agreed to use its reasonable endeavours to procure Placees to subscribe for the Ordinary Shares on the terms and subject to the conditions set out in the Placing Agreement.

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

The Placing Agreement provides for Liberum to be paid commissions in respect of the Ordinary Shares to be allotted pursuant to the First Placing. Any commissions received by Liberum may be retained, and any Ordinary Shares subscribed for by Liberum may be retained, or dealt in, by it for its own benefit.

Further details of the terms of the Placing Agreement are set out in section 10 of Part XIII of this Prospectus.

## **6. General**

The net proceeds of the First Placing, assuming the target gross proceeds of £100 million are raised, to the Company will amount to approximately £98.2 million, after the deduction of commissions relating to the First Placing and the other fees and expenses payable by the Company which are related to the First Placing which are expected to amount to £1.8 million in aggregate if 10 million Ordinary Shares are issued.

Pursuant to anti-money laundering laws and regulations with which the Company must comply in the UK, the Company and its agents (and their agents) may require evidence in connection with any application for Ordinary Shares, including further identification of the applicant(s), before any Ordinary Shares are issued.

In the event that there are any significant changes affecting any of the matters described in this Prospectus or where any significant new matters have arisen after the publication of the Prospectus and prior to 17 December 2016, the Company will publish a supplementary prospectus. The supplementary prospectus will give details of the significant change(s) or the significant new matter(s). In the event that a supplementary prospectus is published, applicants may have a statutory right of withdrawal.

## **7. Clearing and settlement**

Payment for the Ordinary Shares, in the case of the First Placing, should be made in accordance with settlement instructions to be provided to Placees by Liberum. To the extent that any application for Ordinary Shares is rejected in whole or in part (whether by scaling back or otherwise), monies received will be returned without interest at the risk of the applicant.

Ordinary Shares will be issued in registered form and may be held in either certificated or uncertificated form and settled through CREST following First Admission. In the case of Ordinary Shares to be issued in uncertificated form pursuant to the First Placing, these will be transferred to successful applicants through the CREST system.

## **8. CREST**

CREST is a paperless settlement procedure operated by Euroclear enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. Upon First Admission, the Articles will permit the holding of Ordinary Shares under the CREST system. The Company has applied for the Ordinary Shares to be admitted to CREST with effect from First Admission in respect of the Ordinary Shares issued under the Issue and it is expected that the Ordinary Shares will be admitted with effect from that time. Accordingly, settlement of transactions in the Ordinary Shares following First Admission may take place within the CREST system if any Shareholder so wishes.

It is expected that the Company will arrange for Euroclear to be instructed on 23 December 2015 to credit the appropriate CREST Accounts of the subscribers concerned or their nominees with their respective entitlements to Ordinary Shares. The names of subscribers or their nominees investing through their CREST Accounts will be entered directly on to the share register of the Company.

The transfer of Ordinary Shares out of the CREST system following the First Placing should be arranged directly through CREST. However, an investor's beneficial holding held through the CREST system may be exchanged, in whole or in part, only upon the specific request of the registered holder to CREST for share certificates or an uncertificated holding in definitive registered form.

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 Ordinary Shares in the First Placing may elect to receive Ordinary Shares in uncertificated form if such investor is a system-member (as defined in the Regulations) in relation to CREST. If a Shareholder or transferee requests Ordinary Shares to be issued in certificated form and is holding such Ordinary Shares outside CREST, a share certificate will be despatched either to him or his nominated agent (at his risk) within 21 days of completion of the registration process or transfer, as the case may be, of the Ordinary Shares. Shareholders holding definitive certificates may elect at a later date to hold such Ordinary Shares through CREST or in uncertificated form provided they surrender their definitive certificates.

## **9. First Admission and dealings**

First Admission is expected to take place and dealings in the Ordinary Shares are expected to commence on the London Stock Exchange at 8.00 a.m. on 23 December 2015 in respect of the First Placing. There will be no conditional dealings in Ordinary Shares prior to First Admission.

The ISIN number of the Ordinary Shares is GB00BYZV3G25 and the SEDOL code is BYZV3G2.

The Company does not guarantee that at any particular time market maker(s) will be willing to make a market in the Ordinary Shares, nor does it guarantee the price at which a market will be made in the Ordinary Shares. Accordingly, the dealing price of the Ordinary Shares may not necessarily reflect changes in the Net Asset Value per Ordinary Share.

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, not later than the week commencing 4 January 2016 in respect of the First Placing. The Ordinary 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 Ordinary Shares which are held in certificated form, transfers of those Ordinary Shares will be certified against the register of members of the Company. No temporary documents of title will be issued.

## **10. Use of proceeds**

The Directors intend to use the gross proceeds of the First Placing, after paying the expenses of the First Placing (including the placing commission) to acquire investments sourced by the Investment Manager in line with the Company's investment policy, to pay ongoing operational expenses and to pay dividends and other distributions to Shareholders in accordance with the Company's dividend policy. Suitable acquisition opportunities may not be immediately available. It is likely, therefore, that for a period following First Admission and at certain other times, the Company will have surplus cash.

The Directors expect that the annual running costs of the Company will initially be approximately £0.7 million per annum assuming gross proceeds of the First Placing of £100 million. The Company will use the net proceeds of the First Placing to initially meet its running costs as necessary prior to making any investments.

## **11. Purchase and transfer restrictions**

This Prospectus may not be published, distributed or transmitted by any means or media, directly or indirectly, in whole or in part, in or into the United States. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to acquire or subscribe securities in the United States or in any jurisdiction where such an offer or solicitation is unlawful or would impose any unfulfilled registration, qualification, publication or approval requirements on the Company, the Investment Manager or Liberum.

The Ordinary Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any State or other jurisdiction of the United States and the Ordinary Shares may not be offered, sold, exercised, resold, transferred or delivered, directly or indirectly, within the United States or to, or for the account or benefit of, US Persons (as defined in Regulation S), except pursuant to an exemption from or in a transaction not subject to, the

registration requirements of the Securities Act. There will be no public offer of the Ordinary Shares in the United States. The Ordinary Shares are being offered and sold outside the United States to non-US Persons in reliance on Regulation S.

Moreover, the Company has not been and will not be registered under the Investment Company Act and investors will not be entitled to the benefits of the Investment Company Act. No offer, purchase, sale or transfer of the Ordinary Shares may be made except under circumstances which will not result in the Company being required to register as an investment company under the Investment Company Act.

The Company has elected to impose the restrictions described above on the First Placing and on the future trading of the Ordinary Shares so that the Company will not be required to register the offer and sale of the Ordinary Shares under the Securities Act and will not have an obligation to register as an investment company under the Investment Company Act and related rules and also to address certain ERISA, Internal Revenue Code and other considerations.

These transfer restrictions, which will remain in effect until the Company determines in its sole discretion to remove them, may adversely affect the ability of holders of the Ordinary Shares to trade such securities. The Company and its agents will not be obligated to recognise any resale or other transfer of the Ordinary Shares made other than in compliance with the restrictions described above.

In relation to each member state of the EEA which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), an offer to the Ordinary Shares may not be made in that Relevant Member State except that an offer to the public in that Relevant Member State of Ordinary Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- (i) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (ii) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of Liberum; or
- (iii) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer to the public shall result in a requirement for the Company or to publish a prospectus pursuant to Article 3 of the Prospectus Directive or a supplement to a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression “an offer to the public” in relation to any Ordinary Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Ordinary Shares 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, and the expression “Prospectus Directive” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

Any person who is in any doubt about the investment to which this Prospectus relates should consult an authorised person specialising in advising on investments.

The Company is managed by the Investment Manager which acts as the external AIFM for the purposes of the AIFM Directive. The marketing of Ordinary Shares to investors in the UK and other EEA member states is restricted and will need to be undertaken in accordance with the AIFM Directive or the relevant national private placement regimes of any EEA member states in which marketing takes place. The Investment Manager has filed a notification with the FCA pursuant to Regulation 54 of the AIFM Regulation (which implements Article 31 of the AIFM Directive) to market the Ordinary Shares to professional investors and retail clients in the UK.

## PART XI – THE PLACING PROGRAMME

### 1. The Placing Programme

The Directors have been authorised to issue and allot up to 20 million Ordinary Shares and/or C Shares through the Placing Programme, without having to first offer those Issue Shares to existing Shareholders (to the extent that Ordinary Shares are issued at greater than Net Asset Value). The total number of Issue Shares issued under the Placing Programme will be determined by the Company and the Investment Manager after taking into account demand for the Issue Shares.

The Placing Programme is being implemented to satisfy market demand and to enable the Company to raise additional capital in the period from 18 December 2015 to 17 December 2016, should the Board determine that market conditions are appropriate. The Placing Programme is intended to be flexible and may have a number of closing dates in order to provide the Company with the ability to issue and allot Ordinary Shares and/or C Shares over a period of time.

The number of Issue Shares available under the Placing Programme is intended to provide flexibility and should not be taken as an indication of the number of Issue Shares to be issued. Any issues of Issue Shares under the Placing Programme will be notified by the Company through an RNS announcement and the Company's website prior to each Subsequent Admission.

The Placing Programme is not being underwritten. The terms and conditions which shall apply to any subscription for Issue Shares pursuant to the Placing Programme are contained in Part XIV of this Prospectus.

The Placing Programme is designed to be suitable for institutional, professional and highly knowledgeable investors (including those who are professionally advised) seeking exposure to alternative finance investments and related instruments, including Credit Assets. 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 Issue Shares issued under the Placing Programme.

### 2. Conditions

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

- (i) the applicable Placing Programme Price being determined by the Directors (to the extent that Ordinary Shares are to be issued) as described below;
- (ii) Admission occurring in respect of the relevant issue of Issue Shares under the Placing Programme; and
- (iii) to the extent required under the Prospectus Rules and the FSMA, a valid supplementary prospectus being published by the Company.

In circumstances where these conditions are not met, the relevant issue of Issue Shares pursuant to the Placing Programme will not take place.

### 3. Pricing

The Placing Programme Price will be determined by the Directors (to the extent that Ordinary Shares are to be issued). In determining the Placing Programme Price, the Directors will also take into consideration, *inter alia*, the prevailing market conditions at that time.

The Placing Programme Price in respect of Ordinary Shares will be notified via an RNS announcement as soon as practicable in conjunction with each issue.

C Shares issued under the Placing Programme will be issued at a Placing Programme Price of £10 per C Share.

### 4. Voting dilution

If 20 million Issue Shares are issued pursuant to the Placing Programme, assuming that 10 million Ordinary Shares were issued in the First Placing and that Shareholders immediately after First Admission do not subscribe for Issue Shares in the Placing Programme, there would be a dilution of approximately 66.6 per cent. in the voting control of existing Shareholders immediately after the First Placing.

## **5. Subscriber warranties**

Each subscriber of Issue Shares in the Placing Programme and each subsequent investor in the Issue Shares will be deemed to have represented, warranted, acknowledged and agreed to the representations, warranties, acknowledgments and agreements set out in sections 4 and 5 in Part XIV of this Prospectus.

The Company, the Investment Manager, Liberum and/or any other placing agent, and their respective directors, officers, members, agents, employees, advisers and others will rely upon the truth and accuracy of the foregoing representations, warranties, acknowledgments and agreements.

If any of the representations, warranties, acknowledgments or agreements made by the investor are no longer accurate or have not been complied with, the investor will immediately notify the Company.

## **6. Scaling back and allocation**

The Directors are authorised to issue and allot up to 20 million Ordinary Shares and/or C Shares pursuant to the Placing Programme. To the extent that commitments under the Placing Programme exceed 20 million Ordinary Shares and/or C Shares in aggregate, the Company reserves the right to scale back applications in such amounts as it considers appropriate. The Company reserves the right to decline in whole or in part any application for Issue Shares pursuant to the Placing Programme. Accordingly, applicants for Issue Shares may, in certain circumstances, not be allotted the number of Issue Shares for which they have applied.

The Company will notify investors of the number of Issue Shares in respect of which their application has been successful and the results of each issue under the Placing Programme will be announced by the Company via an RNS announcement.

Subscription monies received in respect of unsuccessful applications (or to the extent scaled back) will be returned without interest at the risk of the applicant.

## **7. Placing Programme arrangements**

Arrangements in respect of any issue of Issue Shares under the Placing Programme will be entered into prior to the relevant Subsequent Admission.

## **8. General**

Pursuant to anti-money laundering laws and regulations with which the Company must comply in the UK, the Company and its agents (and their agents) may require evidence in connection with any application for Issue Shares, including further identification of the applicant(s), before any Issue Shares are issued.

In the event that there are any significant changes affecting any of the matters described in this Prospectus or where any significant new matters have arisen after the publication of the Prospectus and prior to 17 December 2016, the Company will publish a supplementary prospectus. The supplementary prospectus will give details of the significant change(s) or the significant new matter(s). In the event that a supplementary prospectus is published, applicants may have a statutory right of withdrawal.

## **9. Clearing and settlement**

Payment for the Issue Shares, in the case of the Placing Programme, should be made in accordance with settlement instructions to be provided to Placees. To the extent that any application for Issue Shares is rejected in whole or in part (whether by scaling back or otherwise), monies received will be returned without interest at the risk of the applicant.

Issue Shares will be issued in registered form and may be held in either certificated or uncertificated form and settled through CREST following each Subsequent Admission. In the case of Issue Shares to be issued in uncertificated form pursuant to the Placing Programme, these will be transferred to successful applicants through the CREST system.

## **10. CREST**

CREST is a paperless settlement procedure operated by Euroclear enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. Upon First Admission, the Articles will permit the holding of Issue Shares under the CREST

system. The Company has applied for the Ordinary Shares to be admitted to CREST with effect from First Admission in respect of the Ordinary Shares issued under the Issue and it is expected that the Ordinary Shares will be admitted with effect from that time. Accordingly, settlement of transactions in the Ordinary Shares following First Admission may take place within the CREST system if any Shareholder so wishes. Prior to issue of any C Shares, application will be made for the C Shares to be admitted to CREST with effect from the applicable Subsequent Admission.

The transfer of Issue Shares out of the CREST system following an issue of Issue Shares under the Placing Programme should be arranged directly through CREST. However, an investor's beneficial holding held through the CREST system may be exchanged, in whole or in part, only upon the specific request of the registered holder to CREST for share certificates or an uncertificated holding in definitive registered form.

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 Issue Shares under the Placing Programme may elect to receive Issue Shares in uncertificated form if such investor is a system-member (as defined in the Regulations) in relation to CREST. If a Shareholder or transferee requests Issue Shares to be issued in certificated form and is holding such Issue Shares outside CREST, a share certificate will be despatched either to him or his nominated agent (at his risk) within 21 days of completion of the registration process or transfer, as the case may be, of the Issue Shares. Shareholders holding definitive certificates may elect at a later date to hold such Issue Shares through CREST or in uncertificated form provided they surrender their definitive certificates.

### **11. Subsequent Admission and dealings**

There will be no conditional dealings in Issue Shares prior to each Subsequent Admission.

The ISIN number of the Ordinary Shares is GB00BYZV3G25 and the SEDOL code is BYZV3G2. The ISIN number of the C Shares is GB00BYQDNR86 and the SEDOL code is BYQDNR8.

The Company does not guarantee that at any particular time market maker(s) will be willing to make a market in the Issue Shares, nor does it guarantee the price at which a market will be made in the Issue Shares. Accordingly, the dealing price of the Issue Shares may not necessarily reflect changes in the Net Asset Value per Ordinary Share or C Share (as applicable).

The Issue 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 Issue Shares which are held in certificated form, transfers of those Issue Shares will be certified against the register of members of the Company. No temporary documents of title will be issued.

### **12. Use of proceeds**

The net proceeds of the Placing Programme are dependent, among other things, on:

- (i) the Directors determining to proceed with an issue of Issue Shares under the Placing Programme;
- (ii) the level of subscriptions received; and
- (iii) the price at which any Issue Shares are issued under the Placing Programme.

The Directors intend to use the net proceeds of the Placing Programme to acquire investments sourced by the Investment Manager in line with the Company's investment policy, to pay ongoing operational expenses and to pay dividends and other distributions to Shareholders in accordance with the Company's dividend policy. Suitable acquisition opportunities may not be immediately available. It is likely, therefore, that for a period following each Subsequent Admission and at certain other times, the Company will have surplus cash.

### **13. Purchase and transfer restrictions**

This Prospectus may not be published, distributed or transmitted by any means or media, directly or indirectly, in whole or in part, in or into the United States. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to acquire or subscribe securities in the United States or in any jurisdiction where such an offer or solicitation is unlawful or would impose any unfulfilled registration, qualification, publication or approval requirements on the Company, the Investment Manager or Liberum.

The Issue Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any State or other jurisdiction of the United States and the Issue

Shares may not be offered, sold, exercised, resold, transferred or delivered, directly or indirectly, within the United States or to, or for the account or benefit of, US Persons (as defined in Regulation S), except pursuant to an exemption from or in a transaction not subject to, the registration requirements of the Securities Act. There will be no public offer of the Issue Shares in the United States. The Issue Shares are being offered and sold outside the United States to non-US Persons in reliance on Regulation S.

Moreover, the Company has not been and will not be registered under the Investment Company Act and investors will not be entitled to the benefits of the Investment Company Act. No offer, purchase, sale or transfer of the Issue Shares may be made except under circumstances which will not result in the Company being required to register as an investment company under the Investment Company Act.

The Company has elected to impose the restrictions described above on the Placing Programme and on the future trading of the Issue Shares so that the Company will not be required to register the offer and sale of the Issue Shares under the Securities Act and will not have an obligation to register as an investment company under the Investment Company Act and related rules and also to address certain ERISA, Internal Revenue Code and other considerations.

These transfer restrictions, which will remain in effect until the Company determines in its sole discretion to remove them, may adversely affect the ability of holders of the Issue Shares to trade such securities. The Company and its agents will not be obligated to recognise any resale or other transfer of the Issue Shares made other than in compliance with the restrictions described above.

In relation to each member state of the EEA which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), an offer to the Issue Shares may not be made in that Relevant Member State except that an offer to the public in that Relevant Member State of Issue Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- (i) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (ii) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of Liberum; or
- (iii) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer to the public shall result in a requirement for the Company or to publish a prospectus pursuant to Article 3 of the Prospectus Directive or a supplement to a prospectus pursuant to Article 16 of the Prospectus Directive.

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

Any person who is in any doubt about the investment to which this Prospectus relates should consult an authorised person specialising in advising on investments.

The Company is managed by the Investment Manager which acts as the external AIFM for the purposes of the AIFM Directive. The marketing of Issue Shares to investors in the UK and other EEA member states is restricted and will need to be undertaken in accordance with the AIFM Directive or the relevant national private placement regimes of any EEA member states in which marketing takes place. The Investment Manager has filed a notification with the FCA pursuant to Regulation 54 of the AIFM Regulation (which implements Article 31 of the AIFM Directive) to market the Issue Shares to professional investors and retail clients in the UK.

## **PART XII – UK TAXATION**

### **1. Introduction**

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

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

### **2. The Company**

It is the intention of the Directors to conduct the affairs of the Company so that it satisfies the conditions in section 1158 CTA 2010 and the Investment Trust Regulations for it to be approved by HMRC as an investment trust. However, neither the Investment Manager nor the Directors can guarantee that this approval will be granted or maintained.

In respect of each accounting period for which the Company is and continues to be approved by HMRC as an investment trust, the Company will be exempt from UK corporation tax on its chargeable gains. The Company will, however, (subject to what follows) be liable to UK corporation tax on its income, including all profits on the Company's Credit Assets and associated hedging transactions, in the normal way.

In principle, the Company will be liable to UK corporation tax on any dividend income it receives on Equity Assets. However, there are exemptions from this charge which are, in most cases, expected to be applicable in respect of dividends on Equity Assets.

A company that is an investment trust in respect of an accounting period is able to take advantage of modified UK tax treatment in respect of its "qualifying interest income" for that accounting period (referred to here as the "streaming regime"). Pursuant to the streaming regime the Company may, if it so chooses, designate as an "interest distribution" all or part of any 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.

It is expected that the Company will have qualifying interest income and that it may, therefore, decide to designate some or all of the dividends paid in respect of a given accounting period as interest distributions.

Income arising from overseas investments may be subject to foreign withholding tax at the applicable rate of the jurisdiction in question. In the event that withholding taxes are imposed with respect to any of the Company's investments, the effect will generally be to reduce the income received by the Company on such investments unless relief is available under the terms of an applicable double tax treaty.

### **3. Shareholders**

#### **3.1 Taxation of disposals**

For an individual Shareholder within the charge to UK capital gains tax, a disposal or deemed disposal of their Issue Shares may give rise to a chargeable gain or an allowable loss for the purposes of UK capital gains tax, depending upon the Shareholder's circumstances and subject to any available exemption or relief. The rate of capital gains tax is currently 18 per cent. for individuals who are subject to income tax at the basic rate and 28 per cent. for individuals who are

subject to income tax at the higher or additional rates. An individual Shareholder is entitled to realise an exempt amount of gains (currently £11,100) in each tax year without being liable to tax.

For a corporate Shareholder within the charge to UK corporation tax, a disposal or deemed disposal of Issue Shares may give rise to a chargeable gain or an allowable loss for the purposes of UK corporation tax, subject to the application or availability of any reliefs or exemptions. An indexation allowance on the cost of acquiring the Issue Shares may be available to reduce the amount of the chargeable gain which would otherwise arise on the disposal. Corporation tax is charged on chargeable gains at the rate applicable to the relevant company. The main rate of corporation tax is currently 20 per cent..

A Shareholder (whether individual or corporate) who is not resident in the UK for tax purposes is generally not subject to UK capital gains tax. However, if such a Shareholder carries on a trade, profession or vocation in the UK through a branch or agency (or, in the case of a non-UK resident corporate Shareholder, a permanent establishment) to which the Issue Shares are attributable, the Shareholder will be subject to the same rules that apply to UK resident Shareholders. An individual who has been resident in the UK and who then ceases to be resident in the UK only temporarily may, in certain circumstances, be subject to tax in respect of gains realised while he is not resident in the UK.

### **3.2 Taxation of dividends – individuals**

#### *Dividends which are not designated as “interest distributions”*

The Company will not be required to withhold UK tax at source from dividend payments it makes to Shareholders. An individual Shareholder who is resident for tax purposes in the UK and who receives a cash dividend from the Company will generally be entitled to a tax credit equal to one-ninth of the amount of the cash dividend received, which tax credit will be equivalent to 10 per cent. of the aggregate of the dividend received and the tax credit (the “gross dividend”). Such an individual Shareholder will be subject to income tax on the gross dividend. An individual UK resident Shareholder who is subject to income tax at a rate or rates not exceeding the basic rate will be liable to tax on the gross dividend at the rate of 10 per cent., so that the tax credit will satisfy the income tax liability of such a Shareholder in full.

Where the tax credit exceeds the Shareholder’s tax liability, the Shareholder cannot claim repayment of the tax credit from HMRC. An individual UK resident Shareholder who is subject to income tax at the higher rate will be liable to income tax on the gross dividend at the rate of 32.5 per cent. to the extent that such sum, when treated as the top slice of that Shareholder’s income, exceeds the threshold for higher rate income tax. After setting the 10 per cent. tax credit against part of the Shareholder’s liability, a higher rate tax payer will therefore be liable to account for tax equal to 22.5 per cent. of the gross dividend (or 25 per cent. of the net cash dividend), to the extent that the gross dividend exceeds the threshold for the higher rate. An individual UK resident Shareholder liable to income tax at the additional rate will be subject to income tax on the gross dividend at the rate of 37.5 per cent. of the gross dividend, but will be able to set the UK tax credit off against part of this liability. The effect of this set-off of the UK tax credit is that such a Shareholder will be liable to account for additional tax equal to 27.5 per cent. of the gross dividend (or approximately 30.6 per cent. of the net cash dividend) to the extent that the gross dividend exceeds the threshold for the additional rate. Individual UK resident Shareholders who are not liable to UK income tax in respect of dividends will not be entitled to claim repayment of the tax credit attaching to any dividends paid by the Company.

The Chancellor of the Exchequer announced in his Budget of 8 July 2015 substantial changes in relation to the taxation of dividends for individuals. If these changes are enacted, from 6 April 2016 the dividend tax credit discussed above will be abolished and replaced with a new tax-free dividend allowance of £5,000 for all taxpayers. The tax rates for dividend income exceeding that allowance will become 7.5 per cent. for basic rate taxpayers, 32.5 per cent. for higher rate taxpayers and 38.1 per cent. for additional rate taxpayers.

#### *“Interest distributions”*

Should the Directors elect to apply the streaming regime to any dividends paid by the Company, a UK resident individual Shareholder in receipt of such a dividend would be treated as though they had received a payment of interest. Such a Shareholder would be subject to UK income tax at the current rates of 20 per cent., 40 per cent. or 45 per cent., depending on whether the Shareholder is a basic, higher or additional rate taxpayer. Such distributions would, with certain exceptions, be

paid subject to an amount being withheld on account of UK income tax at the basic rate (currently 20 per cent.), which can be credited against the Shareholder's own income tax liability on that interest distribution.

An individual Shareholder who is not UK tax resident should generally be entitled to receive dividends designated as interest distributions without an amount being withheld on account of UK income tax, provided the Company has received the necessary declarations of non-residence.

### **3.3 Taxation of dividends – companies**

#### *Dividends which are not designated as “interest distributions”*

The Company will not be required to withhold UK tax at source from dividend payments it makes to Shareholders. Subject to the discussion of “interest distributions” below, (i) UK resident Shareholders within the charge to UK corporation tax which are “small companies” for the purposes of Chapter 2 of Part 9A of the Corporation Tax Act 2009 will not be subject to UK corporation tax on any dividend received from the Company provided certain conditions are met (including an anti-avoidance condition), and (ii) other Shareholders within the charge to UK corporation tax will not be subject to UK corporation tax on dividends received from the Company so long as the dividends fall within an exempt class and certain conditions are met. For example: (i) dividends paid on shares that are not redeemable and do not carry any present or future preferential rights to dividends or to a company's assets on its winding up; and (ii) dividends paid to a person holding less than 10 per cent. of the issued share capital of the payer (or any class of that share capital in respect of which the distribution is made) are generally dividends that fall within an exempt class. UK resident tax payers who are not liable to UK tax on dividends, including UK pension funds and charities, will not be entitled to claim repayment of the tax credit attaching to any dividends paid by the Company.

#### *“Interest distributions”*

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

Interest distributions paid by the Company to a Shareholder which is a company (whether or not UK resident) should not, with certain exceptions, generally be paid subject to an amount being withheld on account of UK tax (regardless of whether the dividends are designated as “interest distributions”).

### **3.4 SIPPs and SSASs**

The Directors have been advised that the Issue Shares should be eligible for inclusion in a UK self-invested pension plan (a “SIPP”) or a UK small self-administered scheme (a “SSAS”), subject to the terms of, and the discretion of the trustees (or, where applicable, the providers) of, the SIPP or the SSAS, as the case may be.

### **3.5 ISAs**

It is not possible for the Issue Shares to be issued directly to a UK individual savings account (“ISA”) manager for inclusion in an ISA. However, Issue Shares acquired subsequently in the market should be eligible for inclusion in an ISA.

## **4. Stamp duty and stamp duty reserve tax**

Neither UK stamp duty nor stamp duty reserve tax (“SDRT”) should arise on the issue of the Issue Shares.

An instrument effecting the transfer on sale of Issue Shares will generally be liable to stamp duty at the rate of 0.5 per cent. (rounded up, if necessary, to the nearest multiple of £5) of the amount or value of the consideration payable. However, where the amount or value of the consideration is £1,000 or less, and provided that the transfer does not form part of a larger transaction or series of transactions where the combined consideration exceeds £1,000, such instrument should be exempt from charge upon certification of such facts.

An unconditional agreement to transfer Issue Shares will generally be liable to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable, but such liability will be cancelled, or a right to a repayment (generally, with interest) in respect of the payment of such

SDRT liability will arise, if the agreement is completed by a duly stamped or exempt transfer within six years of the agreement having become unconditional. Stamp duty and SDRT are normally the liability of the purchaser. Subject to certain exemptions, a charge to stamp duty or SDRT will arise on the transfer of Issue Shares to a person providing a clearance service, its nominee or agent, or to an issuer of depositary receipts, its nominee or agent, where that transfer is not an integral part of an issue of share capital. The rate of stamp duty or SDRT, as the case may be, in such circumstances will generally be 1.5 per cent. of the amount or value of the consideration for the transfer or, in some circumstances, the value of the Issue Shares concerned, in the case of stamp duty rounded up, if necessary, to the nearest multiple of £5.

No stamp duty or SDRT will arise on a transfer of Issue Shares into the CREST system provided that the transfer is not for money or money's worth. Paperless transfers of Issue Shares within CREST are liable to SDRT (at a rate of 0.5 per cent. of the amount or value of the consideration payable) rather than stamp duty, and SDRT arising on the agreement to transfer Issue Shares under relevant transactions settled within the system or reported through it for regulatory purposes will generally be collected by CREST.

It should be noted that certain categories of person, including specified market intermediaries, are entitled to an exemption from stamp duty and SDRT in respect of purchases of securities in specified circumstances.

## PART XIII – ADDITIONAL INFORMATION

### 1. The Company

- (a) The Company was incorporated under the laws of England and Wales on 2 December 2015 as a public limited company with the name Honeycomb Investment Trust plc. Its company number is 09899024. From First Admission, the Company will be subject to the Disclosure and Transparency Rules. The Directors have resolved that, as a matter of best practice and good corporate governance, the Company will also comply with certain key provisions of the Listing Rules. Further details of the Company's voluntary compliance with the Listing Rules is set out in section 4 of this Part XIII.

The principal legislation under which the Company operates and under which the Issue Shares will be issued is the Companies Act. The Company does not have any subsidiaries.

- (b) With effect from the receipt of its trading certificate on 3 December 2015, the Company is entitled to commence business and exercise its borrowing powers.
- (c) The Company has given notice to the Registrar of Companies of its intention to carry on business as an investment company pursuant to section 833 of the Companies Act.
- (c) The registered office of the Company is at Veritas House, 125 Finsbury Pavement, London, EC2A 1NQ, UK and the telephone number of the Company is +44 (0)20 3697 5353.
- (d) The registrar of the Company is Computershare Investor Services PLC. It will be responsible for maintaining the register of members of the Company.

### 2. Share and loan capital of the Company

- (a) On incorporation, the issued share capital of the Company was one Ordinary Share of one penny and 50,000 Management Shares of a nominal value of £1 each, each which were subscribed for by Honeycomb Holdings Limited, a wholly-owned subsidiary of the Investment Manager.
- (b) Set out below is the issued share capital of the Company as at the date of this Prospectus:

	<b>Nominal value (£)</b>	<b>Number</b>
Ordinary Shares	0.01	1
Management Shares	50,000	50,000

The issued subscriber Ordinary Share and the Management Shares are fully paid up.

- (c) Set out below is the issued share capital of the Company as it will be following the First Placing (assuming that 10 million Ordinary Shares are allotted):

	<b>Nominal value (£)</b>	<b>Number</b>
Ordinary Shares	100,000	10,000,000
Management Shares	50,000	50,000

All Ordinary Shares will be fully paid. The Management Shares are fully paid up and will be redeemed following First Admission out of the proceeds of the First Placing.

- (d) The effect of the First Placing will be to increase the net assets of the Company. On the assumption that the First Placing is subscribed as to 10 million Ordinary Shares, the First Placing is expected to increase the net assets of the Company by approximately £98.2 million assuming issue expenses equal to 1.8 per cent. of the gross proceeds of the First Placing. The First Placing is expected to be earnings enhancing.
- (e) By ordinary and special resolutions passed at the general meeting of the Company on 14 December 2015 it was resolved:

- (i) that the Directors were generally and unconditionally authorised in accordance with section 551 of the Companies Act to exercise all the powers of the Company to allot Ordinary Shares up to an aggregate nominal amount of £150,000 in connection with the First Placing, such authority to expire immediately following First Admission save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the allotment of Ordinary Shares in pursuance of such an offer or agreement as if such authority had not expired;
- (ii) that the Directors were empowered (pursuant to section 570 of the Companies Act) to allot Ordinary Shares for cash pursuant to the authority referred to in section 2(e)(i) above as if section 561 of the Companies Act did not apply to any such allotment, such power to expire at the conclusion of the first annual general meeting of the Company, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the Ordinary Shares to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if such power had not expired;
- (iii) that the Directors were generally and unconditionally authorised in accordance with section 551 of the Companies Act to exercise all the powers of the Company to issue and allot up to 20 million Issue Shares in aggregate, in any combination of Ordinary Shares and C Shares, such authority to expire at the conclusion of the first annual general meeting of the Company, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the allotment of Ordinary Shares in pursuance of such an offer or agreement as if such authority had not expired;
- (iv) that the Directors were empowered (pursuant to sections 570 and 573 of the Companies Act) to allot Ordinary Shares and C Shares and to sell Ordinary Shares from treasury for cash pursuant to the authority referred to in section 2(e)(iii) above as if section 561 of the Companies Act did not apply to any such allotment or sale (except that in the case of Ordinary Shares, the allotment or sale must be at a price no lower than Net Asset Value per Ordinary Share at the time of the allotment or sale), such power to expire at the conclusion of the first annual general meeting of the Company, save that the Company may, at any time prior to the expiry of such power, make an offer or enter into an agreement which would or might require equity securities to be allotted or sold from treasury after the expiry of such power, and the Directors may allot or sell from treasury equity securities in pursuance of such an offer or agreement as if such power had not expired. Notwithstanding this authority, no Ordinary Shares will be issued (whether on a pre-emptive basis to existing Shareholders or otherwise) under this authority at a gross price which is less than the Net Asset Value per existing Ordinary Share at the time of their issue;
- (v) that the Directors were generally and unconditionally authorised in accordance with section 551 of the Companies Act to exercise all the powers of the Company to allot 25 million C Shares from the conclusion of the first annual general meeting of the Company, such authority to expire at the conclusion of the fourth annual general meeting of the Company, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the allotment of C Shares in pursuance of such an offer or agreement as if such authority had not expired;
- (vi) that the Directors were empowered (pursuant to section 570 of the Companies Act) to allot C Shares for cash pursuant to the authority referred to in section 2(e)(v) above as if section 561 of the Companies Act did not apply to any such allotment, such power to expire at the conclusion of the fourth annual general meeting of the Company, save that the Company may, at any time prior to the expiry of such power, make an offer or enter into an agreement which would or might require equity securities to be allotted after the expiry of such power, and the Directors may allot equity securities in pursuance of such an offer or an agreement as if such power had not expired;

- (vii) to authorise the Company generally and unconditionally for the purpose of section 701 of the Companies Act to make market purchases (as defined in section 693 of the Companies Act) of Ordinary Shares on such terms and in such manner as the Directors may from time to time determine, provided that:
  - (aa) the maximum number of Ordinary Shares authorised to be purchased under the authority is 2,248,500 Ordinary Shares (or such lesser amount, if applicable, as is equal to 14.99 per cent. of the allotted and fully paid up share capital of the Company immediately following Admission);
  - (bb) the minimum price (exclusive of expenses) which may be paid for such Ordinary Shares is one penny per share, being the nominal amount thereof;
  - (cc) the maximum price (exclusive of expenses) which may be paid for such Ordinary Shares is an amount equal to the higher of (i) 5 per cent. above the average of the middle market quotations for such shares taken from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made and (ii) the price stipulated by Article 5(1) of the Buyback and Stabilisation Regulations (as defined in the Listing Rules);
  - (dd) the authority will (unless previously renewed or revoked) expire on the earlier of the end of the next annual general meeting of the Company and the date which is 18 months after the date on which the resolution was passed;
  - (ee) the Company may make a contract to purchase its own Ordinary Shares under the authority conferred by the resolution prior to the expiry of the authority, and performance of obligations under such contract will or may occur wholly or partly after the expiry of the authority, and the Company may make a purchase of its own Ordinary Shares in pursuance of any such contract; and
  - (ff) Ordinary Shares purchased pursuant to the authority conferred by this resolution shall be either: (i) cancelled immediately upon completion of the purchase; or (ii) be held, sold, transferred or otherwise dealt with as treasury shares in accordance with the provisions of the Companies Act.
- (f) The Directors have absolute authority to allot the Ordinary Shares under the Articles and have resolved to do so.
- (g) The provisions of section 561(1) of the Companies Act (to the extent not disapplied pursuant to sections 570-571 of the Companies Act) confer on Shareholders certain rights of pre-emption in respect of the allotment of equity securities (as defined in section 560 of the Companies Act) which are, or are to be, paid up in cash and, upon First Admission, will apply to any shares to be allotted by the Directors, except to the extent disapplied by the resolutions referred to in paragraph (e) above.
- (h) No share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option.
- (i) The Issue Shares will be traded on the Specialist Fund Market of the London Stock Exchange. The Issue Shares are not listed or traded on, and no application has been or is being made for the admission of the Issue Shares to listing or trading on, any other stock exchange or securities market.
- (j) The Ordinary Shares are in registered form and, from First Admission, will be capable of being held in uncertificated form and title to such Ordinary Shares may be transferred by means of a relevant system (as defined in the Regulations). The C Shares are in registered form and, from issue, will be capable of being held in uncertificated form and title to such C Shares may be transferred by means of a relevant system (as defined in the Regulations). Where Issue Shares are held in certificated form, share certificates will be sent to the registered members or their nominated agent (at their own risk) within 21 days of the completion of the registration process or transfer, as the case may be, of the Issue Shares. Where Issue Shares are held in CREST, the relevant CREST stock account of the registered members will be credited. The Registrar, whose registered address is set out on page 40 of this Prospectus, maintains a register of Shareholders holding their Issue Shares in CREST.

- (k) Ordinary Shares are being issued pursuant to the First Placing at a price of £10 per Ordinary Share which represents a premium of £9.99 over their nominal value of one penny each. No expenses are being charged to any subscriber or purchaser.
- (l) By special resolution passed at the general meeting of the Company on 14 December 2015 it was resolved to cancel the Company's share premium account in full, conditional upon completion of the First Placing. The resolution requires confirmation by the Companies Court and registration with the Companies Registrar before it can be effective. The petition and application for directions in respect of this cancellation of the Company's share premium account will be submitted to the Companies Court after First Admission and a court hearing to confirm the capital reduction will be scheduled.
- (m) Both the Companies Act and the Listing Rules (as voluntarily adopted by the Company) allow for disapplication of pre-emption rights, which may be waived by a special resolution of the Shareholders, either generally or specifically, for a maximum period not exceeding five years. As set out in 2(e)(iv) and (vi) above, the Company has disapplied these pre-emption rights in respect of a defined number of Ordinary Shares until the next annual general meeting of the Company and a defined number of C Shares until the fourth annual general meeting of the Company.
- (n) Each new Issue Share will rank in full for all dividends and distributions declared made or paid after their issue and otherwise *pari passu* in all respects with each existing Issue Share of the same class and will have the same rights (including voting and dividend rights and rights on a return of capital) and restrictions as each existing Issue Share of the same class, as set out in the Articles. The Issue Shares will be denominated in Pounds Sterling.

### **3. Articles of association**

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

#### **3.1 Unrestricted objects**

The objects of the Company are unrestricted.

#### **3.2 Limited liability**

The liability of the Company's members is limited to the amount, if any, unpaid on the shares in the Company held by them.

#### **3.3 Change of name**

The Articles allow the Company to change its name by resolution of the Board. This is in addition to the Company's statutory ability to change its name by special resolution under the Companies Act.

#### **3.4 Share rights**

Subject to any rights attached to existing shares, shares may be issued with such rights and restrictions as the Company may by ordinary resolution decide, or (if there is no such resolution or so far as it does not make specific provision) as the Board may decide. Such rights and restrictions shall apply as if they were set out in the Articles. Redeemable shares may be issued, subject to any rights attached to existing shares. The Board may determine the terms and conditions and the manner of redemption of any redeemable share so issued. Such terms and conditions shall apply to the relevant shares as if they were set out in the Articles. Subject to the Articles, any resolution passed by the Shareholders and other Shareholders' rights, the Board may decide how to deal with any shares in the Company.

#### **3.5 Voting rights**

Members will be entitled to vote at a general meeting or class meeting whether on a show of hands or a poll, as provided in the applicable statutes (in this section, the "Companies Acts"). The Companies Act provides that:

- (i) on a show of hands every member present in person has one vote and every proxy present who has been duly appointed by one or more members will have one vote, except that a proxy has one vote for and one vote against if the proxy has been duly appointed by more than one member and the proxy has been instructed by one or more members to vote for

and by one or more other members to vote against. For this purpose the Articles provide that, where a proxy is given discretion as to how to vote on a show of hands, this will be treated as an instruction by the relevant member to vote in the way that the proxy decides to exercise that discretion; and

- (ii) on a poll every member has one vote per share held by him and he may vote in person or by one or more proxies. Where he appoints more than one proxy, the proxies appointed by him taken together shall not have more extensive voting rights than he could exercise in person.

This is subject to any special terms as to voting which are given to any shares or on which shares are held.

In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.

### **3.6 Restrictions**

No member shall, unless the Board otherwise decides, be entitled to vote at any general meeting or class meeting in respect of any share held by him if any call or other sum then payable by him in respect of that share remains unpaid or if a member has been served with a restriction notice (as defined in the Articles) after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Acts.

### **3.7 Dividends and other distributions**

The Company may by ordinary resolution from time to time declare dividends not exceeding the amount recommended by the Board. Subject to the Companies Acts, the Board may pay interim dividends, and also any fixed rate dividend, whenever the financial position of the Company, in the opinion of the Board, justifies its payment. If the Board acts in good faith, it is not liable to holders of shares with preferred or *pari passu* rights for losses arising from the payment of interim or fixed dividends on other shares.

The Board may withhold payment of all or any part of any dividends or other moneys payable in respect of the Company's shares from a person with a 0.25 per cent. or greater holding, in number or nominal value, of the shares of the Company or of any class of such shares (in each case, calculated exclusive of any shares held as treasury shares) (in this section, a "0.25 per cent. interest") if such a person has been served with a restriction notice (as defined in the Articles) after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Acts.

Except insofar as the rights attaching to, or the terms of issue of, any share otherwise provide, all dividends shall be apportioned and paid *pro rata* according to the amounts paid up on the share during any portion of the period in respect of which the dividend is paid. Except as set out above, dividends may be declared or paid in any currency.

The Board may if authorised by an ordinary resolution of the Company offer members holding Ordinary Shares (excluding any member holding shares as treasury shares) in respect of any dividend the right to elect to receive Ordinary Shares by way of scrip dividend instead of cash.

Any dividend unclaimed after a period of 12 years from the date when it was declared or became due for payment shall be forfeited and revert to the Company.

The Company may stop sending cheques, warrants or similar financial instruments in payment of dividends by post in respect of any shares or may cease to employ any other means of payment, including payment by means of a relevant system, for dividends if either (i) at least two consecutive payments have remained uncashed or are returned undelivered or that means of payment has failed or (ii) one payment remains uncashed or is returned undelivered or that means of payment has failed and reasonable inquiries have failed to establish any new postal address or account of the holder. The Company may resume sending dividend cheques, warrants or similar financial instruments or employing that means of payment if the holder requests such resumption in writing.

### 3.8 Issue Shares, Deferred Shares and Management Shares

The Articles permit the Directors to issue Issue Shares, Deferred Shares and Management Shares on the following terms. Defined terms used in this section 3.8 that are not otherwise defined are set out at the end of the section.

- (a) The holders of the Issue Shares, the Deferred Shares and the Management Shares shall, subject to the provisions of the Articles, have the following rights to be paid dividends: (a) the Deferred Shares (to the extent that any are in issue) shall entitle the holders thereof to a non-cumulative dividend at a fixed rate of 1 per cent. of the nominal amount thereof (the “**Deferred Dividend**”) on the date six months after the Conversion Date on which such Deferred Shares were created in accordance with paragraph (g) below (the “**Relevant Conversion Date**”) and on each anniversary of such date payable to the holders thereof on the register of members on that date as holders of Deferred Shares but shall confer no other right, save as provided herein, on the holders thereof to share in the profits of the Company. The Deferred Dividend shall not accrue or become payable in any way until the date six months after the Conversion Date and shall then only be payable to those holders of Deferred Shares registered in the register of members of the Company as holders of Deferred Shares on that date. It should be noted that given the proposed repurchase of the Deferred Shares as described below, it is not expected that any dividends will accrue or be paid on such shares; (b) the holders of any tranche of C Shares shall be entitled to receive in that capacity such dividends as the Board may resolve to pay out of net assets attributable to the C Shares of that tranche and from income received and accrued which is attributable to the C Shares of that tranche; (c) the Existing Ordinary Shares shall confer the right to dividends declared in accordance with the Articles; (d) the Management Shares shall entitle the holders thereof to receive a fixed annual dividend equal to 0.01 per cent. of the nominal amount of each of the Management Shares, payable on demand and in priority to the payment of a dividend to the holders of any other class of share of the Company but, for so long as there are shares of any other class in issue, the Management Shares do not confer any further right to participate in the Company’s profits; (e) the Ordinary Shares into which any tranche of C Shares shall convert shall rank *pari passu* with the Existing Ordinary Shares for dividends and other distributions made or declared by reference to a record date falling after the Calculation Date; and (f) no dividend or other distribution shall be made or paid by the Company on any of its shares (other than any Deferred Shares for the time being in issue) between the Calculation Date and the Conversion Date relating to a tranche of C Shares (both dates inclusive) and no such dividend shall be declared with a record date falling between the Calculation Date and the Conversion Date (both dates inclusive).
- (b) The holders of the Ordinary Shares, the C Shares, the Deferred Shares and the Management Shares shall, subject to the provisions of the Articles, have the following rights as to capital:
- (i) the surplus capital and assets of the Company shall on a winding-up or on a return of capital (otherwise than on a purchase by the Company of any of its shares) at a time when any tranche of C Shares are for the time being in issue and prior to the Conversion Date be applied amongst the holders of the Existing Ordinary Shares *pro rata* according to the nominal capital paid up on their holdings of Existing Ordinary Shares, after having deducted therefrom: (i) first, an amount equivalent to (C-D) using the methods of calculation of C and D given in the definition of Conversion Ratio, which amount shall be applied amongst the holders of C Shares *pro rata* according to the nominal capital paid up on their holdings of C Shares of the relevant tranche; (ii) secondly, in paying to the holders of the Management Shares in respect of each such share the amount paid up or treated as paid up thereon; and (iii) thirdly, if there are Deferred Shares in issue, in paying to the holders of Deferred Shares one penny in aggregate in respect of every 1 million Deferred Shares (or part thereof) of which they are respectively the holders; and
- (ii) the surplus capital and assets of the Company shall on a winding-up or on a return of capital (otherwise than on a purchase by the Company of any of its shares) at a time when no C Shares of any tranche are for the time being in issue be applied as follows: (i) first, if there are Deferred Shares in issue, in paying to the holders of Deferred Shares one penny in aggregate in respect of every 1 million Deferred Shares (or part thereof) of which they are respectively the holders; (ii) secondly, there will be paid to the holders of the Management Shares in respect of each such share the amount paid up or

treated as paid up thereon; and (iii) thirdly, the surplus shall be divided amongst the holders of Ordinary Shares *pro rata* according to the nominal capital paid up on their holdings of Ordinary Shares.

- (c) As regards voting: (a) the holders of Ordinary Shares and any tranche of C Shares shall have the right to receive notice of and to attend and vote at any general meeting of the Company. The voting rights of holders of C Shares will be the same as those applying to holders of Existing Ordinary Shares as set out in the Articles as if the C Shares and Existing Ordinary Shares were a single class; (b) for so long as there are shares of any other class of shares in issue, the holders of Management Shares shall have no right to receive notice of, or vote at, any general meeting of the Company. If there are no shares of any other class of shares in issue, the holders of Management Shares shall be entitled to receive notice of, and vote at, any general meeting of the Company; and (c) the Deferred Shares shall not carry any right to receive notice of nor to attend or vote at any general meeting of the Company.
- (d) The following shall apply to the Deferred Shares: (a) the C Shares of any tranche shall be issued on such terms that the Deferred Shares arising upon Conversion (but not the Ordinary Shares arising on Conversion) may be repurchased by the Company in accordance with the terms set out in the Articles; (b) immediately upon Conversion, the Company shall repurchase all of the Deferred Shares which arise as a result of Conversion for an aggregate consideration of one penny for every one million Deferred Shares and the notice referred to in paragraph (g)(ii) below shall be deemed to constitute notice to each holder of C Shares (and any person or persons having rights to acquire or acquiring C Shares on or after the Calculation Date) that the Deferred Shares shall be repurchased immediately upon Conversion for an aggregate consideration of one penny for each holding of one million Deferred Shares. On repurchase, each Deferred Share shall be treated as cancelled in accordance with section 706 of the Companies Act without further resolution or consent; and (c) the Company shall not be obliged to: (i) issue share certificates to the holders of Deferred Shares in respect of the Deferred Shares; or (ii) account to any holder of Deferred Shares for the repurchase moneys in respect of such Deferred Shares.
- (e) Without prejudice to the generality of the Articles, for so long as any tranche of C Shares are for the time being in issue it shall be a special right attaching to the Existing Ordinary Shares as a class and to each tranche of the C Shares as a separate class that without the sanction or consent of such holders given in accordance with the Company's Articles: (a) no alteration shall be made to the Articles of the Company; (b) no allotment or issue will be made of any security convertible into or carrying a right to subscribe for any share capital of the Company other than the allotment or issue of further C Shares; and (c) no resolution of the Company shall be passed to wind-up the Company.

For the avoidance of doubt but subject to the rights or privileges attached to any other class of shares, the previous sanction of a special resolution of the holders of Existing Ordinary Shares and/or any tranche of C Shares, as described above, shall not be required in respect of: (a) the issue of further Ordinary Shares ranking *pari passu* in all respects with the Existing Ordinary Shares (otherwise than in respect of any dividend or other distribution declared, paid or made on the Existing Ordinary Shares by the issue of such further Ordinary Shares); or (b) the sale of any shares held as treasury shares (as such term is defined in section 724 of the Companies Act) in accordance with sections 727 and 731 of the Companies Act or the purchase or redemption of any shares by the Company (whether or not such shares are to be held in treasury).

- (f) For so long as any tranche of C Shares are for the time being in issue, until Conversion of such tranche of C Shares and without prejudice to its obligations under applicable laws the Company shall: (a) procure that the Company's records, and bank and custody accounts shall be operated so that the assets attributable to the C Shares of that tranche can, at all times, be separately identified and, in particular but without prejudice to the generality of the foregoing, the Company shall, without prejudice to any obligations pursuant to applicable laws, procure that separate cash accounts, broker settlement accounts and investment ledger accounts shall be created and maintained in the books of the Company for the assets attributable to the tranche of C Shares; (b) allocate to the assets attributable to the tranche of C Shares such proportion of the income, expenses and liabilities of the Company incurred or accrued between the date on which the Company first receives the net proceeds of the First Placing and the Calculation Date relating to such tranche of C Shares (both dates inclusive)

as the Board fairly considers to be attributable to that tranche of C Shares; and (c) give appropriate instructions to the Investment Manager to manage the Company's assets so that such undertakings can be complied with by the Company.

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

The following definitions are only relevant for the purpose of the foregoing:

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

- (a) close of business on the date to be determined by the Board after the day on which the Investment Manager shall have given notice to the Board that at least 90 per cent. of the Net Proceeds (or such other percentage as the Board and Investment Manager shall agree) shall have been invested; or
- (b) close of business on the date falling nine calendar months after the allotment of the C Shares or if such a date is not a Business Day the next following Business Day; or
- (c) close of business on the day on which the Board resolves that Force Majeure Circumstances have arisen or are imminent;

**“Conversion”** means conversion of any tranche of C Shares into Ordinary Shares and Deferred Shares in accordance with Article 15 of the Articles (as summarised in paragraph (g) above);

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

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

$$\text{Conversion Ratio} = \frac{A}{B}$$

$$A = \frac{C - D}{E}$$

$$B = \frac{F - C - G + D}{H}$$

and where:

C is the aggregate value of: (a) the value of the investments of the Company attributable to the C Shares of the relevant tranche; and (b) the amount which, in the Board’s opinion, fairly reflects, on the Calculation Date, the value of the current assets of the Company attributable to the C Shares (excluding the investments valued under (a) above but including cash and deposits with or balances at a bank and including any accrued income less accrued expenses and other items of a revenue nature);

D is the amount (to the extent not otherwise deducted from the assets attributable to the C Shares of the relevant tranche) which, in the Board’s opinion, fairly reflects the amount of the liabilities of the Company attributable to the C Shares of the relevant tranche on the Calculation Date;

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

F is the aggregate value of: (a) value of all the investments of the Company; and (b) the amount which, in the Board’s opinion, fairly reflects, on the Calculation Date, the value of the current assets of the Company (excluding the investments valued under (a) above but including cash and deposits with or balances at a bank and including any accrued income less accrued expenses and other items of a revenue nature);

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

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

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

**“Deferred Shares”** means deferred shares of one penny each in the capital of the Company arising on Conversion;

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

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

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

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

### **3.9 Variation of rights**

Subject to the Companies Acts, rights attached to any class of shares may be varied with the written consent of the holders of not less than three-fourths in nominal value of the issued shares of that class (calculated excluding any shares held as treasury shares), or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares. At every such separate general meeting (except an adjourned meeting) the quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of the class (calculated excluding any shares held as treasury shares).

The rights conferred upon the holders of any shares shall not, unless otherwise expressly provided in the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with them or by the purchase or redemption by the Company of any of its own shares.

### **3.10 Transfer of shares**

The shares of the Company are in registered form. Any shares in the Company may be held in uncertificated form and, subject to the Articles, title to uncertificated shares may be transferred by means of a relevant system. Provisions of the Articles do not apply to any uncertificated shares to the extent that such provisions are inconsistent with the holding of shares in uncertificated form, with the transfer of shares by means of a relevant system, with any provision of the legislation and rules relating to uncertificated shares or with the Company doing anything by means of a relevant system.

Subject to the Articles, any member may transfer all or any of his certificated shares in the Company by an instrument of transfer in any usual form or in any other form which the Board may approve. The instrument of transfer must be signed by or on behalf of the transferor and (in the case of a partly-paid share) the transferee.

The transferor of a share in the Company is deemed to remain the holder until the transferee's name is entered in the register.

The Board can decline to register any transfer of any share in the Company which is not a fully paid share. The Board may also decline to register a transfer of a certificated share unless the instrument of transfer:

- (a) is duly stamped or certified or otherwise shown to the satisfaction of the Board to be exempt from stamp duty and is accompanied by the relevant share certificate and such other evidence of the right to transfer as the Board may reasonably require;
- (b) is in respect of only one class of share; and
- (c) if to joint transferees, is in favour of not more than four such transferees.

Registration of a transfer of an uncertificated share may be refused in the circumstances set out in the uncertificated securities rules (as defined in the Articles) and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four.

The Board may decline to register a transfer of any of the Company's certificated shares by a person with a 0.25 per cent. interest if such a person has been served with a restriction notice (as defined in the Articles) after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Acts, unless the transfer is shown to the Board to be pursuant to an arm's length sale (as defined in the Articles).

### **3.11 Sub-division of share capital**

Any resolution authorising the Company to sub-divide any of its shares may determine that, as between the shares resulting from the sub-division, any of them may have a preference, advantage or deferred or other right or be subject to any restriction as compared with the others.

### **3.12 General meetings**

The Articles rely on the Companies Act provisions dealing with the calling of general meetings. Under the Companies Act an annual general meeting must be called by notice of at least 21 days. Upon First Admission, the Company will be a “traded company” for the purposes of the Companies Act and as such will be required to give at least 21 days’ notice of any other general meeting unless a special resolution reducing the period to not less than 14 days has been passed at the immediately preceding annual general meeting or at a general meeting held since that annual general meeting or, pending the Company’s first annual general meeting, at any general meeting. Notice of a general meeting must be given in hard copy form, in electronic form, or by means of a website and must be sent to every member and every Director. It must state the time and date and the place of the meeting and the general nature of the business to be dealt with at the meeting. As the Company will be a traded company, the notice must also state the website address where information about the meeting can be found in advance of the meeting, the voting record time, the procedures for attending and voting at the meeting, details of any forms for appointing a proxy, procedures for voting in advance (if any are offered), and the right of members to ask questions at the meeting. In addition, a notice calling an annual general meeting must state that the meeting is an annual general meeting.

Each Director shall be entitled to attend and speak at any general meeting. The chairman of the meeting may invite any person to attend and speak at any general meeting where he considers that this will assist in the deliberations of the meeting

### **3.13 Directors**

(a) Number of Directors

The Directors shall be not less than two and not more than 10 in number. The Company may by ordinary resolution vary the minimum and/or maximum number of Directors.

(b) Directors’ shareholding qualification

A Director shall not be required to hold any shares in the Company.

(c) Appointment of Directors

Directors may be appointed by the Company by ordinary resolution or by the Board. A Director appointed by the Board holds office only until the next following annual general meeting of the Company and is then eligible for re-appointment.

The Board or any committee authorised by the Board may from time to time appoint one or more directors to hold any employment or executive office for such period and on such terms as they may determine and may also revoke or terminate any such appointment.

(d) Retirement of Directors

At every annual general meeting of the Company any Director who has been appointed by the Board since the last annual general meeting, or who held office at the time of the two preceding annual general meetings and who did not retire at either of them, or who has held office with the Company, other than employment or executive office, for a continuous period of nine years or more at the date of the meeting, shall retire from office and may offer himself for re-appointment by the members.

(e) Removal of Directors by special resolution

The Company may by special resolution remove any Director before the expiration of his period of office.

(f) Vacation of office

The office of a Director shall be vacated if:

- (i) he resigns or offers to resign and the Board resolves to accept such offer;
- (ii) he is removed by notice given by all of the other Directors and all of the other Directors are not less than three in number;
- (iii) he is or has been suffering from mental or physical ill health and the Board resolves that his office be vacated;
- (iv) he is absent without the permission of the Board from meetings of the Board (whether or not an alternate Director appointed by him attends) for six consecutive months and the Board resolves that his office is vacated;

- (v) he becomes bankrupt or compounds with his creditors generally;
- (vi) he is prohibited by a law from being a Director;
- (vii) he ceases to be a Director by virtue of the Companies Acts; or
- (viii) he is removed from office pursuant to the Company's Articles.

If the office of a Director is vacated for any reason, he must cease to be a member of any committee or sub-committee of the Board.

(g) Alternate Director

Any Director may appoint any person to be his alternate and may at his discretion remove such an alternate Director. If the alternate Director is not already a Director, the appointment, unless previously approved by the Board, shall have effect only upon and subject to being so approved.

(h) Proceedings of the Board

Subject to the provisions of the Articles, the Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it thinks fit. The quorum necessary for the transaction of the business of the Board may be fixed by the Board and, unless so fixed at any other number, shall be two. A meeting of the Board at which a quorum is present shall be competent to exercise all the powers, authorities and discretions vested in or exercisable by the Board.

The Board may appoint a Director to be the chairman or a deputy chairman and may at any time remove him from that office. Questions arising at any meeting of the Board shall be determined 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.

All or any of the members of the Board may participate in a meeting of the Board by means of a conference telephone or any communication equipment which allows all persons participating in the meeting to speak to and hear each other. A person so participating shall be deemed to be present at the meeting and shall be entitled to vote and to be counted in the quorum.

The Board may delegate any of its powers, authorities and discretions (with power to sub-delegate) to any committee, consisting of such person or persons as it thinks fit, provided that the majority of persons on any committee or sub-committee must be Directors. The meetings and proceedings of any committee consisting of two or more members shall be governed by the provisions contained in the Articles for regulating the meetings and proceedings of the Board so far as the same are applicable and are not superseded by any regulations imposed by the Board.

(i) Remuneration of Directors

Each of the Directors shall be paid a fee at such rate as may from time to time be determined by the Board, but the aggregate of all such fees so paid to the Directors shall not exceed £250,000 per annum or such higher amount as may from time to time be decided by ordinary resolution of the Company. Any Director who is appointed to any executive office shall be entitled to receive such remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board or any committee authorised by the Board may decide, either in addition to or in lieu of his remuneration as a Director. In addition, any Director who performs services which in the opinion of the Board or any committee authorised by the Board go beyond the ordinary duties of a Director, may be paid such extra remuneration as the Board or any committee authorised by the Board may determine. Each Director may be paid his reasonable travelling, hotel and incidental expenses of attending and returning from meetings of the Board, or committees of the Board or of the Company or any other meeting which as a Director he is entitled to attend, and shall be paid all other costs and expenses properly and reasonably incurred by him in the conduct of the Company's business or in the discharge of his duties as a Director. The Company may also fund a Director's or former Director's expenditure and that of a Director or former Director of any holding company of the Company for the purposes permitted under the Companies Acts and may do anything to enable a Director or former Director or a Director or former Director of any holding company of the Company to avoid incurring such expenditure as provided in the Companies Acts.

(j) Pensions and gratuities for Directors

The Board or any committee authorised by the Board may exercise the powers of the Company to provide benefits either by the payment of gratuities or pensions or by insurance or in any other manner for any Director or former Director or his relations, dependants or persons connected to him, but no benefits (except those provided for by the Articles) may be granted to or in respect of a Director or former Director who has not been employed by or held an executive office or place of profit under the Company or any of its subsidiary undertakings or their respective predecessors in business without the approval of an ordinary resolution of the Company.

(k) Directors' interests

The Board may, subject to the provisions of the Articles, authorise any matter which would otherwise involve a Director breaching his duty under the Companies Acts to avoid conflicts of interest. Where the Board gives authority in relation to a conflict of interest or where any of the situations described in (i) to (v) below applies in relation to a Director, the Board may (a) require the relevant Director to be excluded from the receipt of information, the participation in discussion and/or the making of decisions related to the conflict of interest or situation; (b) impose upon the relevant Director such other terms for the purpose of dealing with the conflict of interest or situation as it may determine; and (c) may provide that the relevant Director will not be obliged to disclose information obtained otherwise than through his position as a Director of the Company and that is confidential to a third party or to use or apply the information in relation to the Company's affairs, where to do so would amount to a breach of that confidence. The Board may revoke or vary such authority at any time.

Subject to the provisions of the Companies Acts, and provided he has declared the nature and extent of his interest to the Board as required by the Companies Acts, a Director may:

- (i) be party to, or otherwise interested in, any contract with the Company or in which the Company has a direct or indirect interest;
- (ii) hold any other office or place of profit with the Company (except that of auditor) in conjunction with his office of Director for such period and upon such terms, including remuneration, as the Board may decide;
- (iii) act by himself or through a firm with which he is associated in a professional capacity for the Company or any other company in which the Company may be interested (otherwise than as auditor);
- (iv) be or become a Director or other officer of, or employed by or a party to a transaction or arrangement with, or otherwise be interested in, any holding company or subsidiary company of the Company or any other company in which the Company may be interested; and
- (v) be or become a Director of any other company in which the Company does not have an interest and which cannot reasonably be regarded as giving rise to a conflict of interest at the time of his appointment as a Director of that other company.

A Director shall not, by reason of his office be liable to account to the Company or its members for any benefit realised by reason of having an interest permitted as described above or by reason of having a conflict of interest authorised by the Board and no contract shall be liable to be avoided on the grounds of a Director having any such interest.

(l) Restrictions on voting

No Director may vote on or be counted in the quorum in relation to any resolution of the Board concerning his own appointment, concerning the settlement or variation of the terms or the termination of his own appointment, or as the holder of any office or place of profit with the Company or any other company in which the Company is interested save to the extent permitted specifically in the Articles.

Subject to certain exceptions set out in the Articles, no Director may vote on, or be counted in a quorum in relation to, any resolution of the Board in respect of any contract in which he has an interest and, if he does so, his vote shall not be counted.

Subject to the Companies Acts, the Company may by ordinary resolution suspend or relax to any extent the provisions relating to Directors' interests or the restrictions on voting or ratify any transaction not duly authorised by reason of a contravention of such provisions.

(m) Borrowing powers

Subject as provided in the Articles and the Company's published investment policy, the Board may exercise all the powers of the Company, whether relating to the management of the business of the Company or not. In particular, the Board may exercise all the powers of the Company to borrow money, to guarantee, to indemnify, to mortgage or charge any of its undertaking, property, assets (present and future) and uncalled capital and to issue debentures and other securities and to give security for any debt, liability or obligation of the Company or of any third party. The Board must restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings from time to time so as to secure that, save with the previous sanction of an ordinary resolution, no money shall be borrowed if the aggregate principal amount outstanding of all borrowings (as defined in the Articles) by the group (exclusive of borrowings within the group) then exceeds, or would as a result of such borrowing exceed, an amount equal to 1000 times the adjusted capital and reserves (as defined in the Articles).

(n) Indemnity of Directors

To the extent permitted by the Companies Acts, the Company may indemnify any Director or former Director of the Company or any associated company against any liability and may purchase and maintain for any Director or former Director of the Company or any associated company insurance against any liability.

### 3.14 Redemption

The Ordinary Shares are not redeemable.

The Management Shares may be redeemed by the Company at any time by notice in writing and upon tendering the amount of capital paid up thereon to the registered holder of such Management Shares. In such circumstances, the holder of Management Shares shall be bound to deliver any certificate which he may have representing such Management Shares and, upon redemption, the name of the holder of the Management Shares shall be removed from the register and the Management Shares that have been redeemed shall be cancelled.

### 3.15 Shareholder approval of material amendments to Investment Management Agreement

Any material amendment to the Investment Management Agreement must be approved by an ordinary resolution of the Company.

## 4. Voluntary compliance with Listing Rules

As the Issue Shares will not be admitted to the Official List, the Listing Rules applicable to closed-ended investment companies which are listed on the premium listing segment of the Official List of the UK Listing Authority will not apply to the Company. However, the Company will be subject to the Disclosure and Transparency Rules and the admission and disclosure standards of the London Stock Exchange while the Issue Shares are traded on the London Stock Exchange's Specialist Fund Market.

The Directors have resolved that, as a matter of best practice and good corporate governance, the Company will voluntarily comply with the following key provisions of the Listing Rules should First Admission be granted:

- (a) the Company is not required to comply with the Listing Principles or the Premium Listing Principles set out at Chapter 7 of the Listing Rules. Nonetheless, it is the intention of the Company to comply with the Listing Principles and the Premium Listing Principles from First Admission;
- (b) the Company is not required to appoint a listing sponsor under Chapter 8 of the Listing Rules. It has appointed Liberum to guide the Company in understanding and meeting its responsibilities in connection with Admission and also for compliance with Chapter 10 of the Listing Rules relating to significant transactions, with which the Company intends to voluntarily comply;
- (c) the Company is not required to comply with the provisions of Chapter 9 of the Listing Rules regarding continuing obligations. The Company intends however to comply with the following provisions of Chapter 9 of the Listing Rules from First Admission: (i) Listing Rule 9.2.7 to

Listing Rule 9.2.10 (Compliance with the Model Code); (ii) Listing Rule 9.3 (Continuing obligations: holders); (iii) Listing Rule 9.5 (Transactions); (iv) Listing Rule 9.6.4 to Listing Rule 9.6.21 (other than Listing Rule 9.6.19(2) and Listing Rule 9.6.19(3) (Notifications of change of name)); (v) Listing Rule 9.7A (Preliminary statement of annual results and statement of dividends); and (vi) Listing Rule 9.8 (other than Listing Rule 9.8.4(14)) (Annual financial report);

- (d) the Company is not required to comply with the provisions of Chapter 12 of the Listing Rules regarding market repurchases by the Company in respect of its shares. Nonetheless, the Company will adopt a policy consistent with the provisions of Listing Rules 12.4.1 and 12.4.2;
- (e) the Company is not required to comply with the provisions of Chapter 13 of the Listing Rules regarding contents of circulars. The Company intends however to comply with the following provisions of Chapter 13 of the Listing Rules from First Admission: (i) Listing Rule 13.3 (Contents of all circulars); (ii) Listing Rule 13.4 (Class 1 circulars); (iii) Listing Rule 13.5 (Financial information in Class 1 Circulars); (iv) Listing Rule 13.7 (Circulars about purchase of own equity shares); and (v) Listing Rule 13.8 (Other circulars); and
- (f) the Company is not required to comply with the provisions of Chapter 15 of the Listing Rules (Closed-Ended Investment Funds: Premium listing) of the United Kingdom Listing Authority. Nonetheless, the Company intends to comply with the following provisions of Chapter 15 of the Listing Rules from First Admission: (i) Listing Rule 15.4.2 to Listing Rule 15.4.11 (Continuing obligations); (ii) Listing Rule 15.5 (Transactions); and (iii) Listing Rule 15.6 (Notifications and periodic financial information).

The Company is not required to comply with the Model Code for directors' dealings contained in Chapter 9 of the Listing Rules (the "**Model Code**"). However, the Company has adopted a voluntary share dealing code for the Directors pursuant to which the Directors will comply with the Model Code. The Board will be responsible for taking all proper and reasonable steps to ensure compliance with the share dealing code by the Directors.

**The Specialist Fund Market of the London Stock Exchange is an EU regulated market.**

**It should be noted that the UK Listing Authority will not have the authority to monitor the Company's voluntary compliance with the Listing Rules applicable to closed-ended investment companies which are listed on the premium listing segment of the Official List of the United Kingdom Listing Authority, nor will it impose sanctions in respect of any failure of such compliance by the Company.**

## **5. Mandatory bids and compulsory acquisition rules relating to the Issue Shares**

### **5.1 Mandatory bid**

The City Code on Takeovers and Mergers applies to the Company. Under Rule 9 of the Takeover Code, if:

- (i) a person acquires an interest in shares in the Company which, when taken together with shares already held by him or persons acting in concert with him, carry 30 per cent. or more of the voting rights in the Company; or
- (ii) a person who, together with persons acting in concert with him, is interested in not less than 30 per cent. and not more than 50 per cent. of the voting rights in the Company acquires additional interests in shares which increase the percentage of shares carrying voting rights in which that person is interested, the acquiror and, depending on the circumstances, its concert parties, would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding shares in the Company at a price for each class of Issue Share not less than the highest price paid for any interests in the relevant class of Shares by the acquiror or its concert parties during the previous 12 months.

Invesco has indicated that it (together with its concert parties) has a current intention to subscribe for 4.6 million Ordinary Shares under the First Placing, representing 51.1 per cent. of the minimum number of Ordinary Shares that might be issued under the First Placing. The Takeover Panel has confirmed to the Company, on an ex parte basis, that no mandatory offer for the Company need be made as a result of Invesco (together with persons acting in concert with it) acquiring 30 per cent. or more of the voting rights attached to the issued share capital of the Company as a result of the First Placing, on the basis that the subscription by Invesco and persons acting in concert

with it for Ordinary Shares pursuant to the First Placing, and the maximum controlling interest that the concert party group could have as a result of the First Placing are disclosed in this Prospectus.

After First Admission, if Invesco holds more than 50 per cent. of the voting rights of the Company, Invesco will be able to increase further its aggregate holding in the Company without triggering the requirement to make a cash offer for the outstanding shares in the Company.

## **5.2 Share buyback authorisations**

When a company redeems or purchases its own voting shares, under Rule 37 of the Takeover Code any resulting increase in the percentage of shares carrying voting rights in which a person or group of persons acting in concert is interested will be treated as an acquisition for the purpose of Rule 9 of the Takeover Code. Rule 37 of the Takeover Code provides that, subject to prior consultation, the Takeover Panel will normally waive any resulting obligation to make a general offer if there is a vote of independent shareholders and a procedure along the lines of that set out in Appendix 1 to the Takeover Code is followed. Appendix 1 to the Takeover Code sets out the procedure which should be followed in obtaining that consent of independent shareholders. Under Note 1 on Rule 37.1 of the Takeover Code, a person who comes to exceed the limits in Rule 9.1 in consequence of a company's purchase of its own shares will not normally incur an obligation to make a mandatory offer unless that person is a director, or the relationship of the person with any one or more of the directors is such that the person is, or is presumed to be, acting in concert with any of the directors.

Under Note 5 on Rule 37 of the Takeover Code, notwithstanding that the redemption or purchase of shares by a company is made conditional upon the prior approval of the transaction by a vote in general meeting of a majority of the independent shareholders: (i) the Takeover Panel will not normally waive an obligation to make a mandatory offer under Rule 9 of the Takeover Code if the relevant person, or any member of the relevant group of persons acting in concert, has acquired an interest in shares in the knowledge that the company intended to seek permission from its shareholders to redeem or purchase its own shares; and (ii) a waiver will be invalidated if any acquisitions are made by the relevant person, or by any member of the relevant group of persons acting in concert, in the period between the publication of the relevant circular sent by the company to its shareholders and the shareholders' meeting.

The Takeover Panel must be consulted in advance in any case where Rule 9 of the Takeover Code might be relevant. This will include any case where a person or group of persons acting in concert is interested in shares carrying 30 per cent. or more but does not hold shares carrying more than 50 per cent. of the voting rights of a company, or may become interested in 30 per cent. or more on full implementation of the proposed purchase by the Company of its own shares. In addition, the Panel should always be consulted if the aggregate interests in shares of the directors and any other persons acting in concert, or presumed to be acting in concert, with any of the directors amount to 30 per cent. or more, or may be increased to 30 per cent. or more on full implementation of the proposed purchase by the Company of its own shares.

Subject to certain limits, the Company has authority to purchase Ordinary Shares under the terms of the shareholder resolutions summarised in section 2(e)(vii) of this Part XIII. If, prior to expiry of such authority:

- (i) the Company were to exercise that authority in full;
- (ii) the aggregate percentage shareholding in the Company of (i) Invesco is 51.1 per cent. and (ii) Old Mutual is 29.9 per cent. (on the basis that 9 million Ordinary Shares were issued in the First Placing); and
- (iii) none of the Ordinary Shares which Invesco and Old Mutual hold are purchased by the Company under that authority and no Ordinary Shares or C Shares had been issued by the Company between the date of First Admission and the date that the authority is fully exercised,

then the shareholding of Invesco in the Company would increase to approximately 60.1 per cent. and the shareholding of Old Mutual in the Company would increase to approximately 35.2 per cent.

Notwithstanding the provisions of Rule 37 of the Takeover Code, the Panel has confirmed, on an ex parte basis to the Company that it would not require Invesco or Old Mutual, nor any person deemed to be acting in concert with them, to make a mandatory offer under Rule 9 of the Takeover Code on the grounds that its or their interest in the Ordinary Shares has increased as a

result only of the purchase by the Company of its own shares pursuant to the authority conferred by the shareholder resolutions summarised in section 2(e)(vii) of this Part XIII. This confirmation has been given by the Panel on the basis that the consequences of such a purchase by the Company of its own shares has been fully disclosed to prospective investors in this Prospectus.

### 5.3 Compulsory acquisition

Under sections 974 to 991 of the Companies Act, if an offeror acquires or contracts to acquire (pursuant to a takeover offer) not less than 90 per cent. of the shares (in value and by voting rights) to which such offer relates it may then compulsorily acquire the outstanding shares not acquired pursuant 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 Companies Act must, in general, be the same as the consideration that was available under the takeover offer.

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

The offeror would be required to give any holder of shares notice of his right to be bought out within one month of that right arising. 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 his/her rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

## 6. Information on the Directors

- (a) Details of the names of companies and partnerships (excluding directorships of the Company) of which the Directors are or have been members of the administrative, management or supervisory bodies or partners at any time in the five years preceding the date of this Prospectus:

<u>Name</u>	<u>Current directorships/partnerships</u>	<u>Past directorships/partnerships</u>
Robert Sharpe	Aldermore Bank plc Al Rayan Bank plc Stonehaven UK Limited	United Arab Bank UAE West Bromwich Building Society National Bank of Oman Alternatifbank Bank Turkey Vaultex UK Limited Barclays Pensions Funds Trustees Limited Portman Building Society LSL Properties Plc Rias Ltd Orient 1 Ltd
Jim Coyle	HSBC Bank plc Scottish Building Society	Vocalink Holdings plc
Mark Huggins		Acromas Financial Services Limited AA Insurance Services Limited
Ravi Takhar	Urban Exposure Investment Adviser Limited Urban Exposure Limited Urban Capital Finco Limited UE Finco Limited CRM Associated Limited RRT Associated Limited Bedford Park Mansions Limited	Mars Capital Finance Limited Mars Capital Holdings Limited Mars Capital Management Limited Swan Portfolio Management Limited U-Drive Premium Finance Limited Tavistock Law Limited Unity Homeloans Group Limited Unity Homeloans Limited

Name	Current directorships/partnerships	Past directorships/partnerships
	Bexhill UK Limited	Infinity Mortgage Holdings Limited
	Orchard Funding Group plc	Infinity Mortgages Funding No1 Limited
	Orchard Finance Limited	Infinity Mortgages Abroad Limited
	TKR Limited	Infinity Mortgage Operations Limited
	Neptune Syndicate Limited	Infinity Mortgages Limited
	Evolutis Lending Limited	Hyde Park Capital Limited
	18 Ennismore Avenue Management Limited	Westfield Property Holding Company Limited
	Cambrian Funding Limited	Joint Premium Finance Limited
	Consumer Credit Law & Compliance Limited	
	Premium Finance No1 Limited	

- (b) As at the date of this Prospectus, Mark Huggins provides consultancy services to Freedom Finance.
- (c) None of the Directors:
- (i) has any convictions in relation to fraudulent offences for at least the previous five years; or
  - (ii) has been declared bankrupt or been a director or member of the administrative, management or supervisory body of a company or a senior manager of a company at the time of any receivership or liquidation for at least the previous five years; or
  - (iii) has been subject to any official public incrimination and/or sanctions by any statutory or regulatory authority (including designated professional bodies) or has ever been disqualified by a court from acting as a director of a company or from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company for at least the previous five years.

## 7. Directors' and others' interests

- (a) The Directors currently have no interests in the share capital of the Company.
- (b) Immediately following First Admission, no Director will have any interest, whether beneficial or non-beneficial, in the share or loan capital of the Company.
- (c) The voting rights of the Company's Shareholders are the same in respect of each Issue Share held.
- (d) As at the date of this Prospectus, other than as disclosed in section 1 of Part X the Company is not aware of any person who will, immediately following First Admission, hold three per cent. or more of the voting rights in the Company as a Shareholder or through a direct or indirect holding of financial instruments (in each case for the purposes of Chapter 5 of the Disclosure and Transparency Rules of the FCA). The Company is not aware of any person who, directly or indirectly, owns or controls the Company. The Company is not aware of any arrangements the operation of which may at a subsequent date result in a change of control of the Company.
- (e) The Directors are, in addition to the Company, directors/partners of the companies listed in section 6 of this Part XIII. The Articles contain provisions whereby a Director shall not vote *inter alia* in respect of any matter in which he has, directly or indirectly, any material interest. Save in relation to the directorships and consultancy services listed in section 6 of this Part XIII, there are no potential conflicts of interest between any duties owed by the Directors to the Company and their private interests and/or other duties.

## 8. Directors' appointments

Under the terms of their appointments as non-executive Directors of the Company, the Directors are entitled to the following annual fees:

	<b>Annual fee following First Admission</b>
<i>Position</i>	
Chairman	30,000
Other Non-executive Directors	25,000

The Directors may elect to apply the cash amount equal to their annual fee to subscribe for or purchase Ordinary Shares. The Directors hold their office in accordance with the Articles and their appointment letters. No Director has a service contract with the Company, nor are any such contracts proposed. The retirement, disqualification and removal provisions relating to the Directors (in their capacity as directors) are summarised in section 3.13 of this Part XII.

## 9. Employees

The Company does not have any employees.

## 10. Material contracts and related party transactions

(a) The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by the Company since its incorporation and which are or may be material to the Company or have been entered into by the Company at any time and contain a provision under which the Company has any obligation or entitlement which is material to the Company at the date of this Prospectus:

- (i) The Placing Agreement dated 18 December 2015, entered into by the Company, each of the Directors, the Investment Manager and Liberum and pursuant to which the Company confirms the appointment of Liberum as placing agent in respect of the First Placing, and Liberum agrees to use its reasonable endeavours to procure purchasers for the Ordinary Shares to be issued pursuant to the First Placing.

The Placing Agreement is subject to a number of conditions, including a condition that the First Placing raise the Minimum Gross Proceeds. In the event that any of the conditions in the Placing Agreement are not met or waived by Liberum in accordance with the Placing Agreement, among other things, Liberum shall not be under any obligation to complete the First Placing and shall give instructions for the return of any First Placing monies received, and the Company shall announce that the Placing Agreement has not become unconditional, the First Placing will not proceed and that the application for First Admission shall be withdrawn. In consideration for their services under the Placing Agreement, conditional on completion of the First Placing, Liberum will receive from the Company, in aggregate, a placing commission calculated on the gross First Placing proceeds received (other than gross First Placing proceeds attributable to any subscription for Ordinary Shares by the Investment Manager or certain affiliates of the Investment Manager), together with reimbursement for out-of-pocket expenses (including those of Liberum's retained legal advisers (subject to a cap), plus VAT and disbursements) incurred by it in connection with the First Placing.

The Company, the Investment Manager and the Directors have in the Placing Agreement given certain customary warranties (subject, in the case of the Directors, to certain agreed caps), and the Company and the Investment Manager have agreed to provide customary indemnities to Liberum.

- (ii) The Investment Management Agreement dated 18 December 2015 between the Company and the Investment Manager whereby the Investment Manager is appointed to act as investment manager and AIFM of the Company with responsibility for providing portfolio management, risk management and general administrative services in respect of the Company's investments.

Under the terms of the Investment Management Agreement, the Investment Manager is entitled to a management fee together with reimbursement of all reasonable costs and expenses incurred by it in the performance of its duties. The Investment Manager is also entitled to a performance fee in certain circumstances. Details of the management fee and performance fee are set out in section 13.2 of Part VIII of this Prospectus.

The minimum term of the Investment Management Agreement is three years. The agreement may be terminated by either party on 12 months' notice, such notice not to be served before the second anniversary of the date of the agreement. Notwithstanding the minimum term provision, the Investment Management Agreement may be terminated on notice from either party in the event of material and persistent breach of the agreement, or if, for example, a party is subject to an insolvency event.

The Company may terminate the Investment Management Agreement immediately in certain circumstances, including if the Investment Manager ceases to maintain its permission to act as AIFM of the Company, or such permission is suspended, or if the Investment Manager breaches the agreement resulting in trading of the Company's shares being suspended or terminated.

The Investment Manager may terminate the agreement in certain circumstances including, for example, if the Company is reclassified as a retail client for the purposes of FCA rules and the Investment Manager is unable or unwilling to continue to provide the services to the Company on the terms and subject to the conditions of this agreement.

Where the Investment Management Agreement is terminated otherwise than due to the fault of the Investment Manager, the Company shall be obliged to pay to the Investment Manager all accrued and unpaid management and performance fees up to the date of termination, together with a termination payment equal to the management and performance fees paid in respect of the previous year or, if less, the amount (if any) by which Adjusted Net Asset Value as at the date of termination exceeds Adjusted Net Asset Value as at First Admission.

The Company has given certain market standard indemnities in favour of the Investment Manager in respect of losses that the Investment Manager may incur in the performance of its duties pursuant to the Investment Management Agreement. The Investment Management Agreement is governed by the laws of England and Wales.

Pursuant to the Articles, any material amendment to the Investment Management Agreement must be approved by an ordinary resolution of the Company.

- (iii) The Administration Agreement dated 18 December 2015 between the Company and the Administrator pursuant to which the Administrator has agreed to provide certain administrative services to the Company and pursuant to which the Company Secretary has been appointed as company secretary to the Company.

Under the agreement, the Administrator will provide general fund administration services (including the calculation of the Net Asset Value of the Company), book-keeping and accounts preparation services. Under the terms of the Administration Agreement, the Administrator is entitled to an initial implementation fee of £5,000. For its fund administration services, the Administrator will charge a fee equal to the greater of (i) £5,000 per month; and (ii) an amount equal to  $\frac{1}{12}$  of 0.06 per cent. of the Net Asset Value up to £150 million, and  $\frac{1}{12}$  of 0.05 per cent. on the excess of Net Asset Value above £150 million. The Administrator is also entitled to reimbursement of all reasonable out of pocket expenses incurred by it in connection with its duties.

The Company Secretary shall be entitled to receive an annual fee from the Company for the provision of the Company Secretary's services, to be included in the fund administration fee paid to the Administrator. The Company Secretary shall also be entitled to reimbursement of all reasonable out of pocket expenses incurred on behalf of the Company. The agreement limits the Company Secretary's liability thereunder to an amount equal to the annual fee payable to the Company Secretary pursuant to the agreement. The Company indemnifies the Company Secretary against all claims arising out of or connected to the Company Secretarial Agreement, save in the case of fraud, wilful misconduct, negligence or material breach on the part of the Company Secretary.

Either party may terminate the agreement on not less than 90 days' notice in writing to the other party, provided that such termination shall not be effective prior to the first anniversary of the effective date. Either party may terminate the agreement immediately in writing in the event of material and continuing breach or insolvency.

The agreement is governed by the laws of England.

- (iv) The Registrar Agreement dated 18 December 2015 between the Company and the Registrar pursuant to which the Registrar has agreed to act as registrar to the Company.

Under the terms of the Registrar Agreement, the Registrar is entitled to an annual register maintenance fee from the Company equal to £1.30 per Shareholder per annum or part thereof, subject to a minimum of £3,800 per annum. Other activity will be charged for in accordance with the Registrar's normal tariff as published from time to time.

The Registrar Agreement may be terminated on six months' notice, such notice not to expire prior to the third anniversary of the commencement date and is also terminable on written notice in the event of, *inter alia*, breach of the agreement (which has not been remedied within 21 days' written notice of such breach) or insolvency.

The Company has given certain market standard indemnities in favour of the Registrar in respect of the Registrar's potential losses in carrying on its responsibilities under the Registrar Agreement. The Registrar's liability under the Registrar Agreement is subject to a cap.

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

- (v) The Depositary Agreement dated 18 December 2015 between the Company, the Investment Manager and the Depositary pursuant to which the Depositary is appointed as the Company's depositary for the purposes of the AIFM Directive. Under the terms of the agreement, the Depositary will be responsible for: ensuring that the Company's cash flows are properly monitored; the safekeeping of assets entrusted to it; and the oversight and supervision of the Company and Investment Manager.

Under the terms of the Depositary Agreement, the Depositary is entitled to the fees described in section 13.3 of Part VIII.

The Depositary shall invoice the Company monthly in arrears in respect of the periodic fee (together, if applicable, with any VAT thereon), which shall be payable by the Company within 30 days of the relevant invoice.

The Depositary is entitled to charge an additional fee where the Company undergoes a lifecycle event (e.g. a reorganisation or a distribution) which entails additional work for the Depositary. Such a fee will be agreed with the Company on a case by case basis.

All charges may be subject to change from time to time, with the agreement of the Depositary and the Company. All charges are exclusive of VAT, if applicable.

The Depositary is entitled to be reimbursed for certain expenses properly incurred in performing or arranging for the performance of functions conferred upon it under the agreement.

The Depositary Agreement provides that, subject to the applicable provisions, the Depositary may lend the Company's custody assets or deposit such custody as collateral in accordance with the Company's or Investment Manager's instructions but neither the Depositary nor any third party to whom the Depositary may delegate custody shall otherwise be entitled to use or re-use custody assets.

Subject to the terms of the AIFM Directive and the Depositary Agreement, the Depositary is entitled to delegate its custody and safe-keeping functions with respect to financial instruments that are required to be held in custody within the meaning of Article 21(8)(a) of the AIFM Directive. It is intended that title to the Company's assets will ordinarily be registered or held directly in the name of the Company or a wholly-owned SPV and that the Company will generally not invest in financial instruments that are required to be held in custody within the meaning of Article 21(8)(a) of the AIFM Directive. Notwithstanding such intention, there is the possibility that investments in such financial instruments may be made and/or applicable law or regulations from time to time in force may require title to some or all of the Company's assets to be registered in the

name of the Depositary or its delegates. In such event, the Depositary may wish to delegate its safekeeping function with respect to such asset(s) to one or more sub-custodians (who may be an affiliate of the Depositary) and may wish to enter an arrangement to contractually discharge itself of liability. Investors will be informed of any such arrangements, and any increase to the depositary fees charged as a result, in accordance with the disclosure requirements under the AIFM Directive. Any fees and expenses of a sub-custodian will be payable by the Company in addition to the fees charged by the Depositary.

The Depositary Agreement provides for the Depositary, its officers, agents and employees to be indemnified by the Company against: (i) any liability or loss suffered or incurred in connection with the proper provision of services under the agreement; and (ii) any costs and expenses reasonably incurred in defending any proceedings relating to the services in which judgement is given in favour of the Depositary, its officers, agents and employees, in each case other than where such loss results from the fraud, wilful default, negligence or bad faith of the Depositary, its officers, agents and employees.

The Company, Investment Manager and Depositary have given customary representations, warranties and undertakings under the agreement.

The Company may terminate the agreement for convenience on nine months' written notice. If the Depositary wishes to retire and stop providing the services under the agreement, it must give the Company not less than nine months' written notice of its wish to do so. To the extent that the Company is required to have a depositary under applicable law, the Depositary may not retire until a successor is appointed. The agreement may be terminated immediately by either the Company or the Depositary on the occurrence of certain events, including: (i) if the other party has committed a material and continuing breach of the terms of the Depositary Agreement; or (ii) in the case of the other's insolvency.

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

- (vi) A Broker Agreement dated 18 December 2015 between the Company and Liberum pursuant to which Liberum will act as corporate broker to the Company. As part of the engagement, Liberum has agreed, amongst other things, to advise on and co-ordinate an investor liaison programme for the Company, and to monitor and report to the Board where appropriate on the trading of the Ordinary Shares and significant movements in the Company's share price.

Liberum shall be entitled to a nominal fee in respect of its broker services, together with an amount equal to any expenses properly incurred on behalf of the Company.

The Broker Agreement may be terminated by either party on three months' notice, provided that neither party shall serve any written notice prior to 14 July 2016. The Broker Agreement may also be terminated for material unremedied breach. The Company has agreed to provide a customary indemnity to Liberum against all losses which Liberum may suffer or incur by reason of or arising out of or in connection with its engagement under the Broker Agreement.

The Broker Agreement is governed by and construed in accordance with the laws of England and Wales.

- (vii) An Origination Agreement dated 18 December between the Company and the Origination Partner pursuant to which it is intended that the Origination Partner has agreed to provide the Company with opportunities to acquire Credit Assets originated or acquired by the Origination Partner which meet specified underwriting criteria relating to the underlying borrower and the corresponding terms of credit (which may be modified from time to time at the discretion of the Investment Manager).

The Company will acquire beneficial title to the Credit Assets, and may also acquire legal title where legal title to the Credit Assets is held by the Origination Partner and the Origination Partner is able to transfer such legal title to the Company. Where the Company does not acquire legal title to a Credit Asset, the Origination Partner would retain legal title and remain the lender of record. In certain circumstances (including, among other things, the insolvency of the Origination Partner and termination of the Origination Agreement), the Origination Partner will be obliged to transfer legal title to all

loans acquired by the Company from the Origination Partner (to the extent that legal title is held by the Origination Partner) to the Company, or to such other person as the Company may direct.

The Origination Partner will be paid a fee calculated on the purchase price for each Credit Asset acquired by the Company from the Origination Partner. For so long as the Origination Partner is part of the same group as the Investment Manager, the amount of all fees payable by the Company to the Origination Partner shall be deducted from the Management Fee.

The Company shall reimburse the Origination Partner for the fees of Freedom Finance, the Referral Partners and the Servicer (in each case, to the extent paid by the Origination Partner) in connection with Credit Assets in which the Company acquires an interest. The Company has agreed to indemnify the Origination Partner for all losses suffered by the Origination Partner under or in connection with the performance of its obligations under the Origination Agreement, save to the extent caused by the gross negligence, fraud or wilful default of the Origination Partner.

The Origination Agreement may be terminated by mutual consent of the Origination Partner and the Company, on notice upon the occurrence of specified insolvency events with respect to either party, or if the Investment Manager's appointment is terminated under the Investment Management Agreement.

- (b) In addition to the documents described in section 10(a) of this Part XIII, the Company intends to enter into the following agreement, which may be material to the Company or which may contain a provision under which the Company has any obligation or entitlement which is material to the Company, on or prior to First Admission:
- (i) A servicing agreement to be entered into between the Company, the Origination Partner and Target pursuant to which it is intended that Target will agree to provide payment processing, loan servicing and portfolio management services as agent on behalf of the Company in respect of loan assets held by the Company.

In consideration for Target providing the services, it shall be entitled to a monthly fee in an amount equal to the greater of: (A) a “**Servicing Fee**” of between approximately 0.04 per cent. and approximately 0.06 per cent. of the total principal amount of loans in respect of which Target was providing services as at the last day of the immediately preceding month (excluding written-off loans), determined by reference to the total principal value of the loans in respect of which Target is providing services; and (B) a minimum monthly fee (£15,000 effective from the date on which Target commences provision of services under the agreement).

The servicing agreement will have an initial term of five years. At the end of the initial term, the agreement will continue in force unless and until terminated in accordance with its terms. The agreement may be terminated, *inter alia*, if either party is subject to an insolvency event or commits a material breach of the agreement which is not remedied. The Company may terminate the agreement for convenience at any time after expiry of the initial term by giving Target six months' written notice. The agreement is governed by the laws of England and Wales.

- (c) The Investment Manager has agreed to pay an affiliate of Liberum an amount equal to 20 per cent. of the Management Fee and 20 per cent. of the Performance Fee received by it each year, subject to certain terms and conditions.
- (d) Except with respect to the appointment letters and deeds of indemnity entered into between the Company and each director, the Investment Management Agreement and the Origination Agreement, the Company has not been a party to any related party transaction since its incorporation.

## 11. Working capital

Taking into account the Minimum Gross Proceeds, the Company is of the opinion that the Company has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this Prospectus.

## **12. Capitalisation and Indebtedness**

At the date of this Prospectus, the Company:

- (i) does not have any secured, unsecured or unguaranteed indebtedness, including direct and contingent indebtedness;
- (ii) has not granted any mortgage or charge over any of its assets; and
- (iii) does not have any contingent liabilities or guarantees.

As at the date of this Prospectus, the Company's issued share capital consists of 50,000 Management Shares of £1 each, all fully paid up and one Ordinary Share of £0.01.

## **13. No significant change**

There has been no significant change in the financial or trading position of the Company since the date of its incorporation.

## **14. Litigation**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) since the date of the Company's incorporation which may have, or have had in the recent past, significant effects on the financial position or profitability of the Company.

## **15. General**

- (a) The total costs (including fees and commissions) (exclusive of recoverable VAT) payable by the Company in connection with the First Placing and First Admission are estimated to amount to up to £1.8 million assuming gross proceeds of £100 million. The estimated net cash proceeds accruing to the Company from the First Placing are £98.2 million (assuming 10 million Ordinary Shares are issued pursuant to the First Placing). Since the Company has not commenced operations and therefore has not generated any earnings, the First Placing will represent a significant gross change to the Company. At the date of this Prospectus and until First Admission, the assets of the Company are £50,000. Under the First Placing, on the basis that 10 million Ordinary Shares are to be issued, the net assets of the Company would increase by approximately £98.2 million immediately after First Admission assuming that the expenses of the First Placing do not exceed 1.8 per cent. of the gross proceeds of the First Placing. Following completion of the First Placing, the net proceeds of the First Placing will be invested in accordance with the Company's investment policy and pending investment will be held on deposit or invested in near cash instruments and consequently it is expected that the Company will derive earnings from Gross Assets in the form of dividends and interest.
- (b) The First Placing will result in the existing Ordinary Shares being diluted by more than 99.99 per cent. (assuming gross First Placing proceeds of £100 million). None of the Issue Shares available under the Issue are being underwritten.
- (c) The Issue in the UK is being carried out on behalf of the Company by Liberum which is authorised and regulated in the United Kingdom by the Financial Conduct Authority.
- (d) The Investment Manager may be a promoter of the Company. Save as disclosed in section 10 of this Part XIII no amount or benefit has been paid, or given, to the promoter or any of its subsidiaries since the incorporation of the Company and none is intended to be paid, or given.
- (e) Each of the Investment Manager and Liberum has given and not withdrawn its written consent to the issue of this Prospectus with references to its name in the form and context in which such references appear. The telephone number of the Investment Manager is +44 (0)20 3728 6750.
- (f) The Investment Manager accepts responsibility for: (i) the information in Sections 5.2, 5.3, 9.2, 9.3, 9.5 and 9.6 of Part VI of this Prospectus; and (ii) the information in Section 3 of Part IX of this Prospectus. The Investment Manager has taken all reasonable care to ensure that the information contained in: (i) Sections 5.2, 5.3, 9.2, 9.3, 9.5 and 9.6 of Part VI of this Prospectus; and (ii) Section 3 of Part IX of this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omissions likely to affect its import.

- (g) Where information contained in this Prospectus has been sourced from a third party, the Company confirms that such information has been accurately reproduced and, as far as the Company is aware and able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- (h) The Company has no existing interests in real property and has no tangible fixed assets which are material to its business.

**16. Documents available for inspection**

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of Slaughter and May, One Bunhill Row, London EC1Y 8YY up to and including 17 December 2016:

- (a) and the Articles;
- (b) the letters of appointment referred to in this Part XIII;
- (c) the letters of consent referred to in section 15(e) of this Part XIII; and
- (d) this Prospectus.

This Prospectus is dated 18 December 2015.

## PART XIV – TERMS AND CONDITIONS OF THE ISSUE

### 1. Introduction

Each investor which confirms its agreement to Liberum and to any subsequent placing agent (for the purposes of Part XIV, “**the Placing Agent**”), to subscribe for Issue Shares under the First Placing or Placing Programme (for the purposes of this Part XIV, a “**Placee**”) will be bound by these terms and conditions and will be deemed to have accepted them.

Each of the Company and/or the Placing Agent, as applicable, may require a Placee to agree to such further terms and/or conditions and/or give such additional warranties and/or representations as it (in its absolute discretion) sees fit and/or may require any such Placee to execute a separate placing letter (for the purposes of this Part XIV, a “**Placing Letter**”). The terms of this Part XIV will, where applicable, be deemed to be incorporated into that Placing Letter.

### 2. Agreement to subscribe for Issue Shares

Conditional on, amongst other things: (i) in the case of the First Placing, First Admission occurring and becoming effective by 8.00 a.m. on or prior to 23 December 2015 (or such later time and/or date, not being later than 8.00 a.m. on 31 January 2015, as the Company and Liberum may agree); (ii) in the case of the First Placing, the Minimum Gross Proceeds being raised pursuant to the First Placing; (iii) in the case of any issue of Issue Shares under the Placing Programme, Admission occurring in respect of those Issue Shares; (iv) in the case of any issue under the Placing Programme, to the extent required under the Prospectus Rules and the FSMA, a valid supplementary prospectus being published by the Company; (v) the Placing Agreement becoming otherwise wholly unconditional in all respects (other than in respect of any condition regarding First Admission) and not having been terminated in accordance with its terms at any time prior to the date of Admission of the relevant Issue Shares being issued; and (vi) the Placing Agent confirming to the Placees their allocation of Issue Shares, a Placee agrees to become a member of the Company and agrees to subscribe for those Issue Shares allocated to it by the Placing Agent at the relevant Issue Price. To the fullest extent permitted by law, each Placee acknowledges and agrees that it will not be entitled to exercise any remedy of rescission at any time. This does not affect any other rights the Placee may have.

Multiple applications or suspected multiple applications on behalf of a single investor are liable to be rejected.

Fractions of Issue Shares will not be issued.

### 3. Payment for Issue Shares

Each Placee undertakes to pay in full the relevant Issue Price for the Issue Shares issued to such Placee in the manner and by the time directed by the Placing Agent, as applicable. In the event of any failure by a Placee to pay as so directed and/or by the time required by the Placing Agent, as applicable, the relevant Placee shall be deemed hereby to have irrevocably and unconditionally appointed the Placing Agent, as applicable, or any nominee of the Placing Agent as its agent to use its reasonable endeavours to sell (in one or more transactions) any or all of the Issue Shares in respect of which payment shall not have been made as directed, and to indemnify the Placing Agent and its respective affiliates on demand in respect of any liability for stamp duty and/or stamp duty reserve tax or any other liability whatsoever arising in respect of any such sale or sales. A sale of all or any of such Issue Shares shall not release the relevant Placee from the obligation to make such payment for relevant Issue Shares to the extent that the Placing Agent or its nominee has failed to sell such Issue Shares at a consideration which, after deduction of the expenses of such sale and payment of stamp duty and/or stamp duty reserve tax as aforementioned, is equal to or exceeds the relevant Issue Price per Issue Share.

### 4. Representations, warranties and undertakings

4.1 By agreeing to subscribe for Issue Shares, each Placee which enters into a commitment to subscribe for Issue Shares (for the purposes of this Part XIV, a “**Placing Commitment**”) will (for itself and for any person(s) procured by it to subscribe for Issue Shares and any nominee(s) for any such person(s)) be deemed to acknowledge, understand, undertake, represent and warrant to each of the Company, the Investment Manager, the Registrar and the Placing Agent, that:

- 4.1.1 in agreeing to subscribe for Issue Shares under the First Placing and/or the Placing Programme (as applicable) (the “**Placing**”), it is relying solely on this Prospectus and any supplementary prospectus issued by the Company, and in each case not on any other information given, or representation or statement made at any time, by any person concerning the Company, the Issue Shares or the Placing. It agrees that none of the Company, the Investment Manager, the Registrar or the Placing Agent, nor any of their respective officers, agents, employees or affiliates, will have any liability for any other information or representation. It irrevocably and unconditionally waives any rights it may have against any such persons in respect of any other information or representation;
- 4.1.2 if the laws of any territory or jurisdiction outside the United Kingdom are applicable to its agreement to subscribe for Issue Shares under the Placing, it warrants that it has 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 its application in any such territory or jurisdiction and that it has not taken any action or omitted to take any action which will or might reasonably be expected to result in the Company, the Investment Manager, the Registrar or the Placing Agent, or any of their respective officers, agents, employees or affiliates acting in breach of the regulatory or legal requirements, directly or indirectly, of any territory or jurisdiction outside the United Kingdom in connection with the Placing;
- 4.1.3 it has carefully read and understands this Prospectus (and any supplementary prospectus issued by the Company) in its entirety and acknowledges that it is acquiring Issue Shares on the terms and subject to the conditions set out in this Part XIV and, as applicable, in the contract note or placing confirmation referred to in section 4.1.11 of this Part XIV (for the purposes of this Part XIV, the “**Contract Note**” or the “**Placing Confirmation**”) and the Placing Letter (if any) and the Articles as in force at the relevant date of Admission;
- 4.1.4 it has not relied on the Placing Agent, or any person affiliated with the Placing Agent in connection with any investigation of the accuracy of any information contained in this Prospectus;
- 4.1.5 the content of this Prospectus is exclusively the responsibility of the Company and its Directors and neither the Placing Agent, the Investment Manager, the Registrar, nor any person acting on their behalf nor any of their affiliates are responsible for or shall have any liability for any information, representation or statement contained in this Prospectus (and any supplementary prospectus issued by the Company) or any information previously published by or on behalf of the Company and will not be liable for any decision by a Placee to participate in the Placing based on any information, representation or statement contained in this Prospectus or otherwise;
- 4.1.6 no person is authorised in connection with the Placing to give any information or make any representation other than as contained in this Prospectus and, if given or made, any information or representation must not be relied upon as having been authorised by the Placing Agent, the Company, the Investment Manager or the Registrar;
- 4.1.7 it is not applying as, nor is it applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in sections 67, 70, 93 or 96 (Depositary receipts and clearance services) of the Finance Act 1986;
- 4.1.8 the relevant Issue Price is payable to the Placing Agent on behalf of the Company in accordance with the terms of this Part XIV and, as applicable, in the Contract Note or Placing Confirmation and the Placing Letter (if any);
- 4.1.9 it has the funds available to pay in full for the Issue Shares for which it has agreed to subscribe pursuant to its Placing Commitment and that it will pay the total subscription in accordance with the terms set out in this Part XIV and, as applicable, as set out in the Contract Note or Placing Confirmation and the Placing Letter (if any) on the due time and date;

- 4.1.10 its commitment to acquire Issue Shares under the Placing will be agreed orally with the Placing Agent as agent for the Company and that a Contract Note or Placing Confirmation will be issued by the Placing Agent as soon as possible thereafter. That oral confirmation will constitute an irrevocable, legally binding commitment upon that person (who at that point will become a Placee) in favour of the Company and the Placing Agent to subscribe for the number of Issue Shares allocated to it and comprising its Placing Commitment at the relevant Issue Price on the terms and conditions set out in this Part XIV and, as applicable, in the Contract Note or Placing Confirmation and the Placing Letter (if any) and in accordance with the Articles in force as at the relevant date of Admission. Except with the consent of the Placing Agent such oral commitment will not be capable of variation or revocation after the time at which it is made;
- 4.1.11 its allocation of Issue Shares under the Placing will be evidenced by Contract Note or Placing Confirmation, as applicable, confirming: (i) the number of Issue Shares that such Placee has agreed to acquire; (ii) the aggregate amount that such Placee will be required to pay for such Issue Shares; and (iii) settlement instructions to pay the Placing Agent as agent for the Company. The terms of this Part XIV will be deemed to be incorporated into that Contract Note or Placing Confirmation;
- 4.1.12 settlement of transactions in the Issue Shares following relevant Admission will take place in CREST but the Placing Agent reserves the right in its absolute discretion to require settlement in certificated form if, in its opinion, delivery or settlement is not possible or practicable within the CREST system within the timescales previously notified to the Placee (whether orally, in the Contract Note or Placing Confirmation, in the Placing Letter or otherwise) or would not be consistent with the regulatory requirements in any Placee's jurisdiction;
- 4.1.13 none of the Issue Shares have been or will be registered under the laws of any member state of the EEA (a "**Member State**") (other than the United Kingdom), the United States, Canada, Japan, Australia, the Republic of South Africa or any other jurisdiction where the extension or availability of the Placing would breach any applicable law. Accordingly, the Issue Shares may not be offered, sold, issued or delivered, directly or indirectly, within any Member State (other than the United Kingdom), United States, Canada, Japan, Australia, the Republic of South Africa or any other jurisdiction where the extension or availability of the Placing would breach any applicable law unless an exemption from any registration requirement is available;
- 4.1.14 it: (i) is entitled to subscribe for the Issue Shares under the laws of all relevant jurisdictions; (ii) has fully observed the laws of all relevant jurisdictions; (iii) has the requisite capacity and authority and is entitled to enter into and perform its obligations as a subscriber for Issue Shares and will honour such obligations; and (iv) has obtained all necessary consents and authorities to enable it to enter into the transactions contemplated hereby and to perform its obligations in relation thereto;
- 4.1.15 if it is within the United Kingdom, it is a person who falls within: (i) Article 19(5) (Investment Professionals); or (ii) Articles 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 or is a person to whom the Issue Shares may otherwise lawfully be offered whether under such Order or otherwise, and if it is receiving the offer in circumstances under which the laws or regulations of a jurisdiction other than the United Kingdom would apply, that it is a person to whom the Issue Shares may be lawfully offered under that other jurisdiction's laws and regulations;
- 4.1.16 if it is a resident in a Member State, it is a "qualified investor" within the meaning of the law in the relevant Member State implementing Article 2(1)(e)(i), (ii) or (iii) of the Prospectus Directive and otherwise permitted to be marketed to in accordance with the provisions of the AIFM Directive as implemented in the relevant Member State in which it is located;
- 4.1.17 in the case of any Issue Shares acquired by an investor as a financial intermediary within the meaning of the law in the relevant Member State implementing Article 2(1)(e)(i), (ii) or (iii) of the Prospectus Directive: (i) the Issue Shares acquired by it in

the Placing have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the Placing Agent has been given to the offer or resale; or (ii) where Issue Shares have been acquired by it on behalf of persons in any relevant Member State other than qualified investors, the offer of those Issue Shares to it is not treated under the Prospectus Directive as having been made to such persons;

- 4.1.18 if it is outside the United Kingdom, neither this Prospectus (and any supplementary prospectus issued by the Company) nor any other offering, marketing or other material in connection with the Placing or the Issue Shares (for the purposes of this Part XIV, each a “**Placing Document**”) constitutes an invitation, offer or promotion to, or arrangement with, it or any person for whom it is procuring to subscribe for Issue Shares pursuant to the Placing unless, in the relevant territory, such offer, invitation, promotion or other course of conduct could lawfully be made to it or such person and such documents or materials could lawfully be provided to it or such person and Issue Shares could lawfully be distributed to and subscribed and held by it or such person without compliance with any unfulfilled approval, registration or other regulatory or legal requirements;
- 4.1.19 (i) the Issue Shares have not been and will not be registered under the Securities Act and are being offered only in “offshore transactions” to non-US persons as defined in and pursuant to Regulation S and that it is purchasing the Issue Shares outside the United States in compliance with such regulations; (ii) the Company has not registered, and does not intend to register, as an investment company under the Investment Company Act; and the Issue Shares may only be transferred in circumstances which will not result in the Company being required to register under the Investment Company Act; and (iii) that, in each case, it agrees to sell, transfer, assign, pledge or otherwise dispose of the Issue Shares in offshore transactions in compliance with Regulation S (which includes, for the avoidance of doubt, any *bona fide* sale on the London Stock Exchange’s Specialist Fund Market) or in transactions that are exempt from registration under the Securities Act and do not require the Company to register under the Investment Company Act;
- 4.1.20 it does not have a registered address in, and is not a citizen, resident or national of Canada, Japan, Australia, the Republic of South Africa or any other jurisdiction in which it is unlawful to make or accept an offer of the Issue Shares and it is not acting on a non-discretionary basis for any such person;
- 4.1.21 if the investor is a natural person, such investor is not under the age of majority (18 years of age in the United Kingdom) on the date of such investor’s agreement to subscribe for Issue Shares under the Placing and will not be any such person on the date that such Placing is accepted;
- 4.1.22 it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) relating to the Issue Shares in circumstances in which section 21(1) of the FSMA does not require approval of the communication by an authorised person and you acknowledge and agree that no Placing Document is being issued by the Placing Agent, in its capacity as an authorised person under section 21 of the FSMA and they may not therefore be subject to the controls which would apply if they were made or approved as financial promotion by an authorised person;
- 4.1.23 it is aware of and acknowledges that it is required to comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Placing in, from or otherwise involving, the United Kingdom;
- 4.1.24 it is aware of the obligations regarding insider dealing in the Criminal Justice Act 1993, section 118 of the FSMA and the Proceeds of Crime Act 2002 and confirm that it has and will continue to comply with those obligations;

- 4.1.25 it has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this Prospectus (and any supplementary prospectus issued by the Company) or any other Placing Document to any persons within the United States or to any US Person, nor will it do any of the foregoing;
- 4.1.26 no action has been taken or will be taken in any jurisdiction other than the United Kingdom that would permit a public offering of the Issue Shares or possession of this Prospectus (and any supplementary prospectus issued by the Company), in any country or jurisdiction where action for that purpose is required;
- 4.1.27 the Placing Agent, nor any of its affiliates nor any person acting on their behalf is making any recommendations to it, advising it regarding the suitability of any transactions it may enter into in connection with the Placing or providing any advice in relation to the Placing and participation in the Placing is on the basis that it is not and will not be a client of the Placing Agent and that the Placing Agent has no duties or responsibilities to it for providing the protections afforded to its clients or for providing advice in relation to the Placing nor, if applicable, in respect of any representations, warranties, undertaking or indemnities contained in any Placing Letter;
- 4.1.28 that, save in the event of fraud on the part of the Placing Agent, none of the Placing Agent, its ultimate holding companies nor any direct or indirect subsidiary undertakings of such holding Company, nor any of its respective directors, members, partners, officers and employees shall be responsible or liable to a Placee or any of its clients for any matter arising out of the Placing Agent's role as placing agent, broker or otherwise in connection with the Placing and that where any such responsibility or liability nevertheless arises as a matter of law the Placee and, if relevant, its clients, will immediately and irrevocably waive any claim against any of such persons which the Placee or any of its clients may have in respect thereof;
- 4.1.29 that where it is subscribing for Issue Shares for one or more managed, discretionary or advisory accounts, it is authorised in writing for each such account: (i) to subscribe for the Issue Shares for each such account; (ii) to make on each such account's behalf the undertakings, acknowledgements, representations, warranties and agreements set out in this Prospectus; and (iii) to receive on behalf of each such account any documentation relating to the Placing in the form provided by the Company and the Placing Agent. It agrees that the provision of this paragraph shall survive any resale of the Issue Shares by or on behalf of any such account;
- 4.1.30 it irrevocably appoints any Director and any director of the Placing Agent to be its agent and on its behalf (without any obligation or duty to do so), to sign, execute and deliver any documents and do all acts, matters and things as may be necessary for, or incidental to, its subscription for all or any of the Issue Shares comprising its Placing Commitment, in the event of its own failure to do so;
- 4.1.31 if the Placing does not proceed or the conditions to the Placing under the Placing Agreement are not satisfied or the Issue Shares for which valid application is received and accepted are not admitted to trading on the London Stock Exchange's Specialist Fund Market for any reason whatsoever then none of, the Placing Agent, the Company or Investment Manager nor persons controlling, controlled by or under common control with any of them nor any of their respective employees, agents, officers, members, stockholders, partners or representatives, shall have any liability whatsoever to it or any other person;
- 4.1.32 in connection with its participation in the Placing it has observed all relevant legislation and regulations, in particular (but without limitation) those relating to money laundering and terrorist financing under the Proceeds of Crime Act 2002, the Terrorism Act 2000 and the Money Laundering Regulations 2007 (for the purposes of this Part XIV, together the "**Money Laundering Regulations**") and that its application for Issue Shares under the Placing is only made on the basis that it accepts full responsibility for any requirement to verify the identity of its clients and other persons in respect of whom it has applied for Issue Shares. In addition, it warrants that it is a person: (i) subject to the Money Laundering Regulations in force in the United Kingdom; or (ii) subject to the Money Laundering Directive (2005/60/EC of the European Parliament and of the EC Council of 26 October 2005 on the prevention of

the use of the financial system for the purpose of money laundering and terrorist financing); or (iii) acting in the course of a business in relation to which an overseas regulatory authority exercises regulatory functions and is based or incorporated in, or formed under the law of, a country in which there are in force provisions at least equivalent to those required by the Money Laundering Regulations;

- 4.1.33 due to anti-money laundering requirements, the Placing Agent may require proof of identity and verification of the source of the payment before the application for Issue Shares under the Placing can be processed and that, in the event of delay or failure by the applicant to produce any information required for verification purposes, the Placing Agent may refuse to accept the application and the subscription monies relating thereto. It holds harmless and will indemnify the Placing Agent against any liability, loss or cost ensuing due to the failure to process such application, if such information as has been requested has not been provided by it in a timely manner;
- 4.1.34 it is aware of, has complied with and will at all times comply with its obligations in connection with money laundering under the Money Laundering Regulations;
- 4.1.35 any personal data provided by it to the Company or Registrar will be stored both on the Registrar's computer system and manually. Such personal data is used by the Registrar to maintain the Company's register of Shareholders and mailing lists and this may include sharing such data with third parties in one or more other countries when: (a) effecting the payment of dividends and other distributions to Shareholders; and (b) filing returns of Shareholders and their respective transactions in Issue 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 Issue Shares a person becomes a data subject (as defined in the Data Protection Act 1998) and is deemed to have consented to the processing by the Company or the Registrar of any personal data relating to them in the manner described above.
- 4.1.36 the Placing Agent is entitled to exercise any of their rights under the Placing Agreement (including, without limitation, rights of termination) or any other right in its absolute discretion without any liability whatsoever to them;
- 4.1.37 the representations, undertakings and warranties contained in this Part XIV and, as applicable, in the Contract Note or Placing Confirmation and the Placing Letter (if any), are irrevocable. It acknowledges that the Placing Agent and the Company and their respective affiliates will rely upon the truth and accuracy of the foregoing representations, warranties and undertakings and it agrees that if any of the representations or warranties or undertakings made or deemed to have been made by its subscription of the Issue Shares under the Placing are no longer accurate, it shall promptly notify the Placing Agent and the Company;
- 4.1.38 where it or any person acting on behalf of it is dealing with the Placing Agent any money held in an account with the Placing Agent on behalf of it and/or any person acting on behalf of it will not be treated as client money within the meaning of the relevant rules and regulations of the FCA which therefore will not require the Placing Agent to segregate such money, as that money will be held by the Placing Agent under a banking relationship and not as trustee;
- 4.1.39 any of its clients, whether or not identified to the Placing Agent will remain its sole responsibility and will not become clients of the Placing Agent for the purposes of the rules of the FCA or for the purposes of any other statutory or regulatory provision;
- 4.1.40 the allocation of Issue Shares in respect of the Placing shall be determined by the Placing Agent in its absolute discretion with the prior agreement of the Company and that the Placing Agent may scale down any Placing Commitment on such basis as they may determine (which may not be the same for each Placee);
- 4.1.41 time shall be of the essence as regards its obligations to settle payment for the Issue Shares subscribed under the Placing and to comply with its other obligations under the Placing;

- 4.1.42 it authorises the Placing Agent to deduct from the total amount subscribed under the Placing the aggregation commission (if any) (calculated at the rate agreed with the Placee) payable on the number of Issue Shares allocated under the Placing;
- 4.1.43 in the event that a supplementary prospectus is required to be produced pursuant to section 87G of the FSMA and in the event that it chooses to exercise any right of withdrawal pursuant to section 87(Q)(4) of the FSMA, such Placee will immediately re-subscribe for the Issue Shares previously comprising its Placing Commitment;
- 4.1.44 the First Placing will not proceed if the First Placing does not raise the Minimum Gross Proceeds; and
- 4.1.45 the commitment to subscribe for Issue Shares on the terms set out in this Part XIV and, as applicable, in the Contract Note or Placing Confirmation and the Placing Letter (if any) will continue notwithstanding any amendment that may in the future be made to the terms of the Placing and that it will have no right to be consulted or require that its consent be obtained with respect to the Company's conduct of the Placing.

The Company, the Investment Manager, the Registrar, the Placing Agent will rely upon the truth and accuracy of the foregoing representations, warranties, undertakings and acknowledgements. You agree to indemnify and hold each of the Company, the Investment Manager, the Registrar, the Placing Agent and their respective affiliates harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of any breach of the representations, warranties, undertakings, agreements and acknowledgements in this Part XIV.

## **5. Purchase and transfer restrictions concerning US securities laws**

- 5.1 By participating in the Placing, each Placee acknowledges and agrees that it will (for itself and any person(s) procured by it to subscribe for Issue Shares and any nominee(s) for any such person(s)) be further deemed to acknowledge, understand, undertake, represent and warrant to each of the Company, the Investment Manager, the Registrar, and the Placing Agent that:
  - 5.1.1 the Issue Shares have not been and will not be registered under the Securities Act and are being offered only in "offshore transactions" to non-US persons as defined in and pursuant to Regulation S and that it is purchasing the Shares outside the United States in compliance with such regulations; (ii) the Company has not registered, and does not intend to register, as an investment company under the Investment Company Act and the Issue Shares may only be transferred under circumstances which will not result in the Company being required to register under the Investment Company Act and (iii) that, in each case, it agrees to sell, transfer, assign, pledge or otherwise dispose of the Shares in offshore transactions in compliance with Regulation S (which includes, for the avoidance of doubt, any *bona fide* sale on the London Stock Exchange's Specialist Fund Market) or in transactions that are exempt from registration under the Securities Act and do not require the Company to register under the Investment Company Act;
  - 5.1.2 it acknowledges that the Company has put in place transfer restrictions with respect to persons located in the United States and US persons (as defined in Regulation S) to ensure that the Company will not be required to register as an investment company;
  - 5.1.3 it will not be entitled to the benefits of the US Investment Company Act;
  - 5.1.4 unless the Company expressly consents in writing otherwise, no portion of the assets used to purchase, and no portion of the assets used to hold, the Issue Shares or any beneficial interest therein constitutes or will constitute the assets of: (i) an "employee benefit plan" as defined in Section 3(3) of the United States Employee Retirement Income Security Act of 1974 as amended (for the purposes of this Part XIV, "ERISA") that is subject to Title I of ERISA; (ii) a "plan" as defined in Section 4975 of the Internal Revenue Code, including an individual retirement account or other arrangement that is subject to Section 4975 of the US Internal Revenue Code; or (iii) an entity which is deemed to hold the assets of any of the foregoing types of plans, accounts or arrangements that is subject to Title I of ERISA or Section 4975 of the

US Internal Revenue Code. In addition, if an investor is a governmental, church, non-US or other employee benefit plan that is subject to any federal, state, local or non-US law that is substantially similar to the provisions of Title I of ERISA or Section 4975 of the US Internal Revenue Code, its purchase, holding, and disposition of the Issue Shares must not constitute or result in a non-exempt violation of any such substantially Similar Law; and

- 5.1.5 the Company reserves the right to make inquiries of any holder of the Issue Shares or interests therein at any time as to such person's status under the US federal securities laws and to require any such person that has not satisfied the Company that holding by such person will not violate or require registration under the US securities laws to transfer such Issue Shares or interests in accordance with the Articles (as amended from time to time).

## **6. Supply and disclosure of information**

If the Placing Agent, the Registrar or the Company or any of their agents request any information about a Placee's agreement to subscribe for Issue Shares under the Placing, such Placee must promptly disclose it to them and ensure that such information is complete and accurate in all respects.

## **7. Miscellaneous**

The rights and remedies of the Placing Agent, the Registrar, the Investment Manager and the Company under these terms and conditions are in addition to any rights and remedies which would otherwise be available to each of them and the exercise or partial exercise of one will not prevent the exercise of others.

On application, if a Placee is an individual, that Placee may be asked to disclose in writing or orally his nationality. If a Placee is a discretionary fund manager, that Placee may be asked to disclose in writing or orally the jurisdiction in which its funds are managed or owned. All documents provided in connection with the Placing will be sent at the Placee's risk. They may be sent by post to such Placee at an address notified by such Placee to the Placing Agent.

Each Placee agrees to be bound by the Articles (as amended from time to time) once the Issue Shares, which the Placee has agreed to subscribe for pursuant to the Placing, have been acquired by the Placee. The contract to subscribe for Issue Shares under the Placing and the appointments and authorities mentioned in this Prospectus will be governed by, and construed in accordance with, the laws of England and Wales. For the exclusive benefit of the Placing Agent, the Company, the Investment Manager and the Registrar, each Placee irrevocably submits to the jurisdiction of the courts of England and Wales and waives any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum. This does not prevent an action being taken against Placee in any other jurisdiction.

In the case of a joint agreement to subscribe for Issue Shares under the Placing, references to a Placee in these terms and conditions are to each of the Placees who are a party to that joint agreement and their liability is joint and several.

The Placing Agent and the Company expressly reserve the right to modify the Placing (including, without limitation, its timetable and settlement) at any time before allocations are determined. The Placing is subject to the satisfaction of the conditions contained in the Placing Agreement and to the Placing Agreement not having been terminated. Further details of the terms of the Placing Agreement are contained in Part XIII of this Prospectus.

## PART XV – DEFINITIONS

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

“Adjusted Net Asset Value”	has the meaning given on page 66 of this Prospectus
“Administration Agreement”	the accounting and administration services agreement between the Company and the Administrator, a summary of which is set out in section 10 of Part XIII of this Prospectus
“Administrator”	Apex Fund Services (UK) Limited, a company incorporated under the laws of England and Wales with company number 07429775 and with its registered address at Veritas House, 125 Finsbury Pavement, London, EC2A 1NQ, UK
“Admission”	the admission of Issue Shares to trading on the Specialist Fund Market of the London Stock Exchange becoming effective in accordance with the LSE Admission Standards
“AIC”	the Association of Investment Companies
“AIC Code”	the AIC Code of Corporate Governance, as amended from time to time
“AIC Guide”	the AIC Corporate Governance Guide for Investment Companies, as amended from time to time
“AIF”	an Alternative Investment Fund, as defined in the AIFM Directive
“AIFM”	an Alternative Investment Fund Manager, as defined in the AIFM Directive
“AIFM Directive”	Directive 2011/61/EU on Alternative Investment Fund Managers
“AIFM Regulation”	Alternative Investment Fund Managers Regulations 2013 (SI 2013/1773)
“APR”	Annual Percentage Rate
“Articles”	the articles of association of the Company (as adopted as at First Admission)
“Board”	the directors of the Company whose names are set out on page 63 of this Prospectus
“Broker Agreement”	the broker agreement between the Company and Liberum, a summary of which is set out in section 10 of Part XIII of this Prospectus
“Business Day”	a day on which the London Stock Exchange and banks in England and Wales are normally open for business
“C Shares”	C shares of ten pence each in the capital of the Company issued as “C Shares” and having the rights and being subject to the restrictions set out in the Articles, which will convert into Ordinary Shares as set out in the Articles
“CCA”	Consumer Credit Act 1974
“Companies Act”	the Companies Act 2006, as amended from time to time
“Company”	Honeycomb Investment Trust plc
“Company Secretary”	Apex Fund Services (UK) Limited, a company incorporated under the laws of England and Wales with company number 07429775 and with its registered address at Veritas House, 125 Finsbury Pavement, London, EC2A 1NQ, UK
“Credit Assets”	has the meaning given to it on page 41 of this Prospectus
“CREST”	the relevant system (as defined in the Regulations) in respect of which Euroclear is the operator (as defined in the Regulations)
“CREST Account”	an account in the name of the relevant holder in CREST
“CTA 2010”	Corporation Tax Act 2010, as amended from time to time

“Deferred Shares”	has the meaning given on page 94 of this Prospectus
“Depositary”	Indos Financial Limited, a company incorporated under the laws of England and Wales with company number 08255973 and with its registered address at 25 North Row, London, W1K 6DJ, UK
“Depositary Agreement”	the depositary agreement between the Company, the Investment Manager and the Depositary, a summary of which is set out in section 10 of Part XIII of this Prospectus
“Directors”	the directors of the Company whose names are set out on page 63 of this Prospectus
“DTRs” or “Disclosure and Transparency Rules”	the disclosure and transparency rules made by the FCA under Part VI of the FSMA
“EEA”	the states which comprise the European Economic Area
“entu” or the “entu group”	Entu (UK) plc, a company incorporated under the laws of England and Wales with company number 08957339 and with its registered office at Bow Chambers, 8 Tib Lane, Manchester, M2 4JB, UK, and its subsidiaries
“Equity Asset”	has the meaning given on page 41 of this Prospectus
“ERISA”	has the meaning given on page 117 of this Prospectus
“Euroclear”	Euroclear UK and Ireland Limited, the operator of CREST
“FCA”	the UK Financial Conduct Authority
“First Admission”	Admission of the Ordinary Shares issued pursuant to the First Placing
“First Placing”	the conditional placing by Liberum on behalf of the Company of up to 10 million Ordinary Shares at the Issue Price pursuant to the Placing Agreement
“Freedom Finance”	Freedom Finance Limited, a company incorporated under the laws of England and Wales with company number 06297533 and with its registered office at Atlantic House, Atlas Business Park, Simonsway, Manchester, M22 5PR, UK
“FSMA”	the Financial Services and Markets Act 2000, as amended from time to time
“Governance Code”	the UK Corporate Governance Code dated September 2014, as amended from time to time
“Gross Assets”	the aggregate value of the total assets of the Company
“HMRC”	HM Revenue and Customs
“IFRS”	International Financial Reporting Standards, as adopted by the European Union, as amended from time to time
“Internal Revenue Code”	the US Internal Revenue Code of 1986, as amended from time to time
“Invesco”	Invesco Asset Management Limited, acting as agent for and on behalf of its discretionary managed clients
“Investment Company Act” or “ICA”	the US Investment Company Act of 1940, as amended from time to time
“Investment Management Agreement”	the investment management agreement between the Company and the Investment Manager, a summary of which is set out in section 10 of Part XIII of this Prospectus
“Investment Manager”	Pollen Street Capital Limited
“Investment Trust Regulations”	The Investment Trust (Approved Company) (Tax) Regulations 2011, as amended from time to time
“IRS”	the US Internal Revenue Service

“Issue”	the First Placing and any subsequent issue of Issue Shares under the Placing Programme
“Issue Price”	the price at which Issue Shares are being issued, being £10 per Ordinary Share in the case of the First Placing and being the relevant Placing Programme Price in the case of the Placing Programme
“Issue Shares”	Ordinary Shares and/or C Shares, as the context may require
“Liberum”	Liberum Capital Limited
“LIBOR”	the London Interbank Offered Rate
“Listing Rules”	the Listing Rules made by the FCA under Part VI of the FSMA, as amended from time to time
“London Stock Exchange”	London Stock Exchange plc
“Management Fee”	the fee payable by the Company to the Investment Manager, as described in Part VIII of this Prospectus
“Management Shares”	redeemable management shares of £1 each in the capital of the Company
“Minimum Gross Proceeds”	£70 million, being the total amount to be raised by the First Placing prior to the deduction of the First Placing commission and the other fees and expenses payable by the Company which are related to the First Placing
“Model Code”	the Model Code as set out in Annex 1 of Listing Rule 9
“Money Laundering Regulations”	the Money Laundering Regulations 2007
“Net Asset Value” or “NAV”	the net asset value of the Company calculated in accordance with the valuation policies of the Company from time to time as appropriate
“Official List”	the Official List of the UK Listing Authority
“OFT”	Office of Fair Trading
“Old Mutual”	Old Mutual Global Investors (UK) Limited
“Ordinary Shares”	ordinary shares (issued and to be issued) of one penny each in the share capital of the Company
“Origination Agreement”	the origination agreement to be entered into between the Company and the Origination Partner on or prior to First Admission, a summary of which is set out in section 10 of Part XIII of this Prospectus
“Origination Partner”	Honeycomb Finance plc, a company incorporated under the laws of England and Wales with company number 08849931 and with its registered office at 8 Hanover Street, London W1S 1YF, UK
“Pay4Later”	Pay4Later Limited, a company incorporated under the laws of England and Wales with company number 06447333 and with its registered office at Exchequer Court, 33 St. Mary Axe, London, EC3A 8AG, UK
“Placee”	a person subscribing for Issue Shares under the Issue
“Placing Agreement”	the Placing Agreement between the Company, the Directors, the Investment Manager, and Liberum, as described in section 10 of Part XIII of this Prospectus
“Placing Programme”	the conditional programme of placings of Issue Shares as described in Part XI of this Prospectus
“Placing Programme Price”	the applicable price at which new Issue Shares are issued under the Placing Programme
“Portfolio”	the portfolio of Credit Assets and Equity Assets owned by the Company from time to time

“Prospectus”	this Prospectus
“Prospectus Directive”	means Directive 2003/71/EC of the European Parliament and of the Council of the European Union and any relevant implementing measure in each implementing member state of the EEA
“Prospectus Rules”	the Prospectus Rules made by the FCA under Part VI of the FSMA
“Referral Partner”	a business that refers lending opportunities (including loan applications) to the Origination Partner from time to time including, as at the date of this Prospectus, Freedom Finance, Pay4Later, entu and Shawbrook
“Registrar”	Computershare Investor Services PLC, a company incorporated under the laws of England and Wales with company number 03498808 and with its registered office at The Pavilions, Bridgwater Road, Bristol, BS13 8AE, UK
“Registrar Agreement”	the registrar agreement between the Company and the Registrar, a summary of which is set out in section 10 of Part XIII of this Prospectus
“Regulation S”	Regulation S under the Securities Act
“Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)
“RNS announcement”	an announcement by a regulatory news service
“Securities Act”	the US Securities Act of 1933, as amended
“Servicer”	Target
“Shareholder”	a holder of Issue Shares in the Company
“shares”	Transferable securities
“Shawbrook”	Shawbrook Bank Limited, a private limited company incorporated under the laws of England and Wales with company number 00388466 and with its registered office at Lutea House, The Drive, Warley Hill Business Park, Great Warley, Brentwood, Essex, CM13 3BE, UK
“Similar Law”	any US federal, state, local or foreign law that is similar to provision 406 of ERISA or section 4975 of the Internal Revenue Code
“SME”	a small or medium enterprise
“Subsequent Admission”	Admission of any Issue Shares issued pursuant to the Placing Programme
“SPV”	special purpose vehicle
“Takeover Code”	the City Code on Takeovers and Mergers
“Target”	Target Servicing Limited
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	the FCA acting in its capacity as the competent authority for the purposes of Part VI of the FSMA and in the exercise of its functions in respect of admission to the Official List
“US” or “United States”	the United States of America (including the District of Columbia) and any of its territories, possessions and other areas subject to its jurisdiction
“US Person”	a “US Person” as defined in Regulation S of the Securities Act
“VAT”	value added tax as provided for in the Value Added Tax Act 1994 and any regulations made thereunder

