

This document comprises a prospectus relating to Personal Assets Trust plc prepared in accordance with the prospectus rules and listing rules of the UK Listing Authority made under section 73A of the Financial Services and Markets Act 2000. This document has been approved by the Financial Services Authority in accordance with Rule 3.2 of the Prospectus Rules. This document will be made available to the public in accordance with the Prospectus Rules by being made available at [www.patplc.co.uk](http://www.patplc.co.uk).

The Directors of the Company, whose names appear on page 16 of this document, and the Company each accept responsibility for the information contained in this document. The Directors and the Company having taken all reasonable care to ensure that such is the case, the information contained in this document is, to the best of the knowledge of the Directors and the Company, in accordance with the facts and does not omit anything likely to affect the import of such information.

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## **PERSONAL ASSETS TRUST PLC**

*(incorporated in Scotland with registered no. SC074582 and registered as an investment company under section 833 of the Companies Act 2006)*

**Placing of  
up to 300,000 New Shares  
in aggregate**

**Sponsored by  
Dickson Minto W.S.**

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Applications will be made to the UK Listing Authority for the New Shares to be admitted to the Official List and to the London Stock Exchange for the New Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that such admissions will become effective, and dealings in the New Shares will commence, during the period 1 April 2011 to 31 March 2012.

This Prospectus does not constitute, and may not be used for the purposes of, an offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. The distribution of this Prospectus and the offering of New Shares in certain jurisdictions may be restricted and accordingly persons into whose possession this document comes are required to inform themselves about and to observe such restrictions. The New Shares have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) or under any of the relevant securities laws of Canada, Australia or Japan. Accordingly, the New Shares may not (unless an exemption from such Act or such laws is available) be offered, sold or delivered, directly or indirectly, in or into the USA, Canada, Australia or Japan. The Company will not be registered under the United States Investment Company Act of 1940 (as amended) and investors will not be entitled to the benefits of such Act.

Dickson Minto W.S., which is authorised and regulated in the United Kingdom by the Financial Services Authority, is the sponsor and solicitor to the Company. Dickson Minto W.S. is not acting for any other person in connection with the Placings. Apart from the responsibilities and liabilities, if any, which may be imposed on Dickson Minto W.S. by the Financial Services and Markets Act 2000 or the regulatory regime established thereunder, Dickson Minto W.S. will not be responsible to anyone other than the Company for providing the protections afforded to clients of Dickson Minto W.S. and is not advising any other person in relation to any transaction contemplated in or by this document.

Potential investors should consult their stockbroker, bank manager, solicitor, accountant or other financial adviser before investing in the Company. Potential investors should also consider the risk factors relating to the Company set out on pages 7 to 10 of this document.

1 April 2011

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## SUMMARY

This summary should be read as an introduction to the Prospectus. Any decision to invest in the New Shares should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the EEA States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

### Introduction

Personal Assets Trust plc, which was launched in 1983, is an investment trust company run expressly for private investors. The Company's capital structure comprises only ordinary shares.

While the day-to-day management of the Company's portfolio has been delegated to Troy Asset Management Limited, the Company's investment adviser, the Company is a self-managed investment trust run by its Board, which takes all major investment decisions collectively.

### Investment Adviser and advisory relationship

The Company's investment adviser is Troy Asset Management Limited. Sebastian Lyon, the Chief Executive of Troy, has principal responsibility within the Investment Adviser for matters concerning the Company's portfolio.

Under the terms of the Investment Advisory Agreement with the Investment Adviser, the following matters have been expressly reserved to the Board: (a) the level and form of liquidity within the portfolio; (b) asset allocation within the portfolio; (c) the Company's gearing levels; (d) matters relating to the buying back and issuance of Shares; (e) matters relating to Shareholder communication; (f) hedging; (g) investment in any new asset class; and (h) such other matters as the Board may reasonably intimate from time to time. However, the Board engages in active dialogue with the Investment Adviser in relation to such matters, other than the buying back and issuance of Shares.

### Discount and premium control policy and background to the Placings

Investment trusts have long suffered from volatile discounts to net asset value. Sometimes, too, the shares of individual investment trusts may sell temporarily at a significant premium to their net asset value per share. This can put those investing regularly through investment plans at a disadvantage, because they may find themselves buying shares at a sizeable premium which almost certainly will not be sustained and which will therefore have an adverse effect on the return from their investment. In view of the disadvantages to shareholders of such discount and premium fluctuations, the Board's policy, which is enshrined in the Articles, is to ensure that the Shares always trade at close to the Net Asset Value per Share. The Board seeks to achieve this through a discount and premium control policy which involves a combination of share buy-backs and, of equal importance, the issue of new Shares at a small premium to the Net Asset Value per Share where demand exceeds supply.

The Prospectus Rules provide that where a company wishes to apply for the admission to trading on a regulated market of shares representing, over a period of 12 months, 10 per cent. or more of that company's shares which are already admitted to trading on that regulated market, then the company concerned is required to issue a prospectus. In view of the level of demand for the Company's Shares, the Company published a prospectus

on 9 April 2010 to allow the Company to continue to operate its premium control policy. That prospectus expired on 31 March 2011. In the period from 21 May 2010 to 30 March 2011, the Company, in operating the premium control policy described above, applied for the admission of 151,417 new Shares to trading on the London Stock Exchange's main market for listed securities (amounting to 15.7 per cent. of the Company's Shares as at 30 March 2011). Accordingly, given the continuing level of demand for the Company's shares, the publication of this document is necessary in order for the Company to continue its current policy of issuing Shares at a small premium to the Net Asset Value per Share where demand exceeds supply. The Board considers that the Company's continuing ability to issue Shares at a small premium is central to its ability to prevent a building up of excessive demand for the Shares and, more generally, to its ability to reduce the risk of volatility in the price of a Share relative to its net asset value.

Although this document is in relation to Placings which may occur from time to time in the period from the date of this document to 31 March 2012, the Company will continue its discount and premium control policy following the expiry of this period in accordance with the Articles and will seek to issue further prospectuses as and when required under the Prospectus Rules.

#### Summary of investment policy

The Company's investment objective is to protect and increase (*in that order*) the value of Shareholders' funds over the long term and to earn as high a total return as is compatible with a risk equivalent to that of the FTSE All-Share Index.

The Company's equity portfolio is usually concentrated in a short list of stocks and turnover tends to be low. There are no pre-defined maximum or minimum exposure levels for asset classes. The Company's holdings in individual companies are limited to a maximum of 15 per cent. by value of the Company's investments at the time of acquisition.

While the Company invests predominantly in the UK, overseas exposure for the Company may range between 50 per cent. of total assets and zero.

The Company is prepared to make use of both gearing and liquidity, the former by using either short-term borrowed funds or (*more likely*) derivatives such as FTSE 100 Futures. When the Company believes markets to be overvalued, it may either hold part of its resources in cash or short-term fixed interest securities, or use such derivatives as a way of reducing its equity exposure. Its gearing will not exceed 50 per cent. of Shareholders' funds. In exceptional circumstances, its liquidity could be as high as 100 per cent. of Shareholders' funds. These limits would not be exceeded without Shareholder approval.

The Company may from time to time hold fixed interest or index-linked securities and make use of currency hedging. The Company may also invest in other investment trusts, especially as a way of gaining exposure to a geographical or industrial area in which the Company preferred not to invest directly. The Company's policy is not to invest more than 15 per cent. of its gross assets in other investment trusts and other listed investment companies.

<b>Portfolio</b>	The Company's portfolio currently comprises equities, gold, fixed interest (including index-linked) securities and net current assets. As at 30 March 2011 (the latest practicable date prior to the publication of this document), the Company's portfolio comprised, by value, 56.2 per cent. equities, 13.9 per cent. exposure to gold, 27.2 per cent. fixed interest securities and 2.7 per cent. net current assets.
<b>Dividend policy</b>	The Company aims to pay as high, secure and sustainable a dividend as is compatible with maintaining its investment flexibility. The Company intends the present dividend rate to grow in real terms over the long term relative to both the CPI and the RPI and it is PAT's policy never to cut the dividend rate, so Shareholders know that each payment will at least equal the previous one (this is not a forecast of profits). With effect from 1 May 2011, the Directors intend to pay dividends on a quarterly basis in July, October, January and April of each year.
<b>Issue Price</b>	The Board considers that it would be unlikely that, in normal circumstances, the Issue Price of the New Shares in respect of any Placing would exceed a premium of 3 per cent. to the Net Asset Value per Share at the time of issue. In any event, the Issue Price of the New Shares in respect of each Placing will not exceed a premium of 5 per cent. to the Net Asset Value per Share at the time of issue.
<b>Maximum and minimum subscription</b>	The Company will issue a maximum of 300,000 New Shares in aggregate under the Placings. There is no minimum subscription level for the Placings to proceed.
<b>Risk factors</b>	<p>The principal risk factors relating to the Company are:</p> <ul style="list-style-type: none"> <li>• the value of an investment in the Company, and the income derived from it, may go down as well as up;</li> <li>• changes in economic conditions and other factors can substantially and adversely affect the value of investments and therefore the Company's performance and prospects;</li> <li>• the past performance of the Company is not necessarily indicative of future performance;</li> <li>• there is no guarantee that the Company's investment objective will be achieved;</li> <li>• the Company does not track any benchmark (although its investment policy includes an objective to earn as high a total return as is compatible with a risk equivalent to that of the FTSE All-Share Index). Accordingly, the portfolio of investments held by the Company will not mirror the stocks and weightings that constitute any particular index or indices, which may lead to the Shares failing to follow either the direction or extent of any moves in the financial markets generally;</li> <li>• the Company attempts to conduct its business so as to satisfy the conditions for approval as an investment trust under section 1158 of the Tax Act. In respect of each accounting period for which approval is granted, the Company will be exempt from United Kingdom taxation on its capital gains. Breach of the tests that a company must meet to obtain approval as an</li> </ul>

investment trust company could lead to the Company being subject to tax on capital gains;

- the fair value of equity and other financial securities held in the Company's portfolio fluctuates with market prices; and
- some of the Company's financial instruments are interest bearing. As such, the Company is exposed to interest rate risk due to fluctuations in the prevailing market rate.

New Shares are only suitable for investors:

- who understand the potential risks of loss to the value of their investment and who have sufficient resources to bear any loss which might result from such investment;
- for whom an investment in the New Shares constitutes part of a diversified investment portfolio;
- who are prepared to take a long-term investment view; and
- who understand and are willing to assume the specific risks involved in investing in the Company.

## RISK FACTORS

The risk factors set out below are those which the Directors consider to be material but are not the only risks relating to the Company or the Ordinary Shares. There may be additional risks that the Directors do not currently consider to be material or which are not presently known to the Directors. Before investing in the Ordinary Shares, potential investors should consult their stockbroker, bank manager, solicitor, accountant or other suitably qualified and independent financial adviser authorised under the Financial Services and Markets Act 2000 if they are in the United Kingdom or, in the case of Overseas Investors, another appropriately authorised financial adviser.

Potential investors should carefully consider all the information in this document, including the following risk factors, before deciding to invest in the Company.

### General

An investment in Ordinary Shares is only suitable for investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses which may arise therefrom (which may be equal to the whole amount invested). Such an investment should be seen as long term in nature and complementary to existing investments in a range of other financial assets.

Changes in economic conditions (including, for example, interest rates and rates of inflation), industry conditions, competition, changes in the law, political and diplomatic events and trends, tax laws and other factors can substantially and adversely affect the value of investments and therefore the Company's performance and prospects.

Past performance of the Company, and of investments managed by the Investment Adviser, are not necessarily indicative of future performance.

### The Shares

The market value of, and the income derived from, the Ordinary Shares can fluctuate and, notwithstanding the Company's discount and premium control policy which is enshrined in the Articles, may not always reflect the net asset value per Share. There can be no guarantee that any appreciation in the value of the Company's investments will occur and investors may not get back the full value of their investment. No assurance can be given that any sale of the Company's investments would realise proceeds which would be sufficient to repay any borrowings or provide funds for any capital repayment to Shareholders. Shareholders will bear the rewards and risks of the success or otherwise of the Company's investments.

The market value of the Ordinary Shares, as well as being affected by their net asset value, also takes into account their dividend yield and prevailing interest rates, supply and demand for the shares, market conditions and general investor sentiment.

Although the New Shares will be listed on the Official List and admitted to trading on the London Stock Exchange, it is possible that, notwithstanding the Company's discount and premium control policy which is enshrined in the Articles, there may not be a liquid market in the New Shares and Shareholders may have difficulty in selling them.

### Borrowing

The Company may incur borrowings for investment purposes. Whilst the use of borrowings should enhance the total return on the Shares where the return on the Company's underlying assets is rising and exceeds the cost of borrowing, it will have the opposite effect where the underlying return is falling, further reducing the total return on the Shares. As a result, the use of borrowings by the Company may increase the volatility of the net asset value per Share.

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

### Dividends

The Company will only pay dividends on the Ordinary Shares to the extent that it has profits (including available reserves) available for that purpose, which will largely depend on the amount of income which the Company receives on its investments and the timing of such receipt. The amount of dividends payable by the Company may fluctuate.

If under UK law or accounting rules and standards applicable to the Company there were to be a change to the basis on which dividends could be paid by companies, this could have a negative effect on the Company's ability to pay dividends.

### **Investment objective and strategy**

The Company is likely to maintain a more concentrated portfolio (both in terms of individual holdings and in terms of its exposure to particular industries) than those of many other investment funds. Accordingly, investors should be aware that the portfolio potentially carries a higher level of risk than a more diversified portfolio.

The number, quality and size of investment opportunities, and general market and economic conditions, may lead to delays in investing the net proceeds of the Placings. If equity prices rise or fall significantly before the net proceeds are fully invested, the potential returns available to Shareholders may differ from the returns which would have been available on the Company's existing portfolio.

There is no guarantee that the Company's investment objective will be achieved.

The Company may from time to time invest in other listed investment companies. As a consequence of these investments, the Company may itself be indirectly exposed to gearing through the borrowings from time to time of these other investment companies. The Company has a policy of not investing more than 15 per cent. of its gross assets in other listed investment companies. The net asset value of an Ordinary Share, which is a factor in determining the market value of the Ordinary Shares, will be linked to the underlying share price performance of any such other investment companies.

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

### **Gold bullion**

The Company currently has direct holdings of gold bullion. The price of gold has fluctuated over the past several years. If gold markets continue to be subject to wide fluctuations, this may result in potential losses if the Company decides to sell its gold bullion at a time when the price of gold is lower than it was when the gold bullion was acquired. Even if the Company holds its gold bullion for the long term, the Company may not make a profit in respect of any sale of its gold bullion.

### **Debt instruments**

Debt instruments held by the Company will be affected by general changes in interest rates that will, in turn, result in increases and decreases in the market value of those instruments. When interest rates decline, the value of the Company's investments in fixed rate debt obligations can be expected to rise and, when interest rates rise or are expected to rise, the value of those investments can be expected to decline.

### **Convertibles**

As convertibles are fixed interest or fixed dividend securities, they share in large part the same characteristics as normal debt securities and, accordingly, the risk factors set out above in the section entitled "*Debt instruments*" apply equally in relation to convertibles. However, in addition, as convertibles may be converted into equities at a future date, convertibles will be sensitive to the market value of the equities to which they relate (the market value of which may go down as well as up).

### **Credit and counterparty risk**

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Company. The Company's principal financial assets are investments, bank balances, cash and other receivables, which represent the Company's exposure to credit risk in relation to financial assets. The Company is exposed to potential failure by counterparties to deliver securities for which the Company has paid and to pay for securities which the Company has delivered. Risks relating to unsettled transactions are considered by the Company to be small as a result of the relatively short settlement period involved and the credit quality of the brokers used. Substantially all of the assets of the Company other than cash deposits are held by the Company's custodian. Bankruptcy or insolvency of the

custodian might cause the Company's rights in respect of the securities held by the custodian to be delayed or limited. The credit risk on liquid funds and derivative financial instruments is limited as the counterparties are banks with high credit ratings, rated AA or higher, assigned by international credit rating agencies. Bankruptcy or insolvency of any such financial institution may limit or delay the Company's ability to access cash placed on deposit.

### **Market price risk**

The fair value of equity and other financial securities held in the Company's portfolio fluctuates with changes in market prices. Prices are themselves affected by movements in currencies and interest rates and by other financial issues including the market perception of future risks.

### **Interest rate risk**

Some of the Company's financial instruments are interest bearing. As such, the Company is exposed to interest rate risk due to fluctuations in the prevailing market rates.

### **Foreign currency risks**

Some of the Company's investments are in overseas securities. The Company accounts for its activities and reports its results in pounds sterling. Where the Company does not hedge its currency exposure, the movement of exchange rates may have a favourable or unfavourable effect on the gains and losses experienced on investments which are made or realised in currencies other than pounds sterling.

### **Discount and premium control policy**

The Company operates a discount and premium control policy as explained on page 19 of this document. The operation of the discount control element of this policy could lead to a significant reduction in the size of the Company over time, which would increase the Company's total expense ratio and prejudice the ability of the Company to pay satisfactory levels of dividend to Shareholders. While the Company intends to issue new Shares and to resell Shares held in treasury at a small premium to the Net Asset Value per Share where demand exceeds supply, this will be dependent upon the Company being able to issue new Shares and to resell Shares held in treasury at a premium, on market conditions generally at the relevant time, upon Shareholders in general meeting conferring appropriate authorities on the Board to issue further Shares and, where required under the Prospectus Rules, upon a prospectus having been approved by the Financial Services Authority and published. The ability of the Company to operate the discount control policy will depend on the Company being able to buy back Shares, which will be dependent upon Shareholders in general meeting conferring authority on the Board to buy back Shares. The Directors will seek renewal of this authority from Shareholders annually and at other times should this prove necessary. However, there can be no guarantee that requisite Shareholder approvals will be obtained.

In accordance with the Listing Rules, the extent of each buy-back authority which will be sought by the Company from Shareholders in general meeting will be limited to 14.99 per cent. of the Company's issued share capital as at the date on which the authority would be granted. In order to continue buying back Shares once any such authority has been exhausted, the Company would require to seek a renewed buy-back authority from Shareholders in general meeting.

The ability of the Company to buy back Shares will be subject to the Act and all other applicable legislation, rules and regulations of any government, regulatory body or market applicable to the Directors or the Company and, in particular, will be dependent on the availability of distributable reserves.

### **Cessation of investment trust status**

The Company attempts to conduct its business so as to satisfy the conditions for approval as an investment trust under section 1158 of the Tax Act. In respect of each accounting period for which approval is granted, the Company will be exempt from United Kingdom taxation on its capital gains. Breach of the tests that a company must meet to obtain approval as an investment trust company could lead to the Company being subject to tax on capital gains.

**Tax and accounting**

Any change in the Company's tax status or in taxation legislation or accounting practice could affect the value of the investments held by the Company, affect the Company's ability to provide returns to Shareholders or alter the post-tax returns to Shareholders. Representations in this document concerning the taxation of investors are based upon current tax law and practice which are, in principle, subject to change.

Any change in accounting standards may adversely affect the value of the Company's assets in its books of account or restrict the ability of the Company to pay dividends.

## **FORWARD LOOKING STATEMENTS**

To the extent that this document includes “forward looking statements” concerning the Company, those statements are based on the current expectations of the Board and are naturally subject to uncertainty and changes in circumstances. Forward looking statements include, without limitation, statements typically containing words such as “intends”, “expects”, “anticipates”, “targets”, “estimates” and words of similar import.

By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Given these risks and uncertainties, potential investors should not place undue reliance on forward looking statements as a prediction of actual results.

The Company does not undertake any obligation to update publicly or revise forward looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.

Information in this document will be updated as required by the Prospectus Rules, Listing Rules and Disclosure and Transparency Rules, as appropriate.

## EXPECTED TIMETABLE

	<i>Date</i>
Admission and dealings in New Shares commence	1 April 2011 to 31 March 2012*
Publication of Issue Price in respect of each Placing	As soon as practicable following each Placing
Crediting of CREST accounts in respect of New Shares	8.00 a.m. on each day New Shares are issued
Share certificates in respect of New Shares despatched (if applicable)	Approximately one week following the issue of any New Shares

In this document, where the context requires, references to 30 March 2011 should be treated as being references to the latest practicable date prior to the publication of this document.

\* New Shares will only be issued pursuant to the Placings at such times (if any) when the Directors believe it is advantageous to the Company's Shareholders to do so. New Shares will only be issued pursuant to the Placings during the period commencing at 8.00 a.m. on 1 April 2011 and ending at 5.00 p.m. on 31 March 2012.

## DEFINITIONS

In this document, the words and expressions listed below have the meanings set out opposite them (except where the context otherwise requires):

“1985 Act”	the Companies Act 1985 (as amended)
“Act”	the Companies Act 2006 (as amended)
“Admission”	in respect of New Shares, the admission of such New Shares to the Official List and to trading on the London Stock Exchange’s main market for listed securities
“Articles”	the articles of association of the Company, as amended from time to time
“Auditors”	Ernst & Young LLP
“Australia”	the Commonwealth of Australia, its territories and possessions and all areas under its jurisdiction and political sub-divisions thereof
“Calculation Time”	in respect of each Placing, the time of the conclusion of the agreement to effect such Placing
“Canada”	Canada, its provinces and territories and all areas under its jurisdiction and political sub-divisions thereof
“Combined Code”	the Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2008
“Company” or “PAT”	Personal Assets Trust plc, a company incorporated in Scotland (registered number SC074582), whose registered office is at 10 St Colme Street, Edinburgh EH3 6AA
“CPI”	the Consumer Prices Index published by the United Kingdom Office for National Statistics
“CREST”	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear UK & Ireland Limited in accordance with the Uncertificated Securities Regulations 2001 (SI 2001/3755) as amended
“Custodian”	JPMorgan Chase Bank, N.A. (London Branch)
“Directors” or “Board”	the directors of the Company
“Disclosure and Transparency Rules”	the disclosure and transparency rules made by the Financial Services Authority under Part VI of the Financial Services and Markets Act 2000 (as amended), as amended from time to time
“EEA States”	the member states of the European Economic Area
“Executive Office”	the employees of the Group, whose names appear on page 16 of this document
“F&C”	F&C Investment Business Limited, a company incorporated in Scotland (registered number SC151198), whose registered office is at 80 George Street, Edinburgh EH2 3BU
“fair value”	the amount for which an asset or liability could be exchanged in an arm’s length transaction between unrelated, willing parties
“FTSE”	FTSE International Limited
“FTSE 100 Futures”	FTSE 100 Index Futures traded on NYSE Liffe London
“FTSE 100 Index”	the index calculated by FTSE comprising the 100 most highly capitalised listed companies

“FTSE 250 Index”	the index calculated by FTSE comprising mid-capitalised listed companies not contained in the FTSE 100 Index
“FTSE All-Share Index”	the index calculated by FTSE comprising the FTSE 100 Index, the FTSE 250 Index and the FTSE SmallCap Index
“FTSE SmallCap Index”	the index calculated by FTSE comprising those listed companies with the smallest capitalisation
“Investment Advisory Agreement”	the investment advisory agreement dated 3 March 2009 between the Company and the Investment Adviser, further details of which are set out in paragraph 8.1 of Part 3 of this document
“Investment Adviser” or “Troy”	Troy Asset Management Limited, a company incorporated in England and Wales (registered number 03930846), whose registered office is at 1 Little New Street, London EC4A 3TR
“ISA”	an individual savings account for the purposes of section 694 of the Income Tax (Trading and Other Income) Act 2005
“Issue Price”	the price at which New Shares are to be issued under any Placing, which will be determined as explained in Part 1 of this document
“Japan”	Japan, its cities, prefectures, territories and possessions
“Listing Rules”	the listing rules made by the Financial Services Authority under Part VI of the Financial Services and Markets Act 2000 (as amended), as amended from time to time
“London Stock Exchange”	London Stock Exchange plc
“Net Asset Value per Share”	the prevailing net asset value per Share from time to time, calculated in accordance with the Company’s normal accounting policies
“New Shares”	the new Shares to be issued pursuant to any Placing
“Official List”	the official list of the UK Listing Authority
“Overseas Investor”	a person who is not resident in, or who is outside or who has a registered address outside, the United Kingdom
“PAT Group” or “Group”	PAT and its subsidiary, Personal Assets Trust Administration Company Limited
“Placing”	a placing of Ordinary Shares at the Issue Price for such placing, as described in this document
“Prospectus”	this document
“Prospectus Rules”	the prospectus rules made by the Financial Services Authority under Part VI of the Financial Services and Markets Act 2000 (as amended), as amended from time to time
“Regulatory Information Service”	a regulatory information service that is on the list of regulatory information services maintained by the Financial Services Authority
“RPI”	the Retail Prices Index published by the United Kingdom Office for National Statistics
“Shareholder”	a holder of Shares
“Shares” or “Ordinary Shares”	ordinary shares of £12.50 each in the capital of the Company
“SIPP”	a self-invested personal pension plan
“SSAS”	a small self-administered pension scheme
“Takeover Code”	the City Code on Takeovers and Mergers

“Tax Act”	the Corporation Tax Act 2010
“TCGA”	the Taxation of Chargeable Gains Act 1992
“Total Assets”	the aggregate gross value of the assets of the Company less current liabilities of the Company (but there shall not be included as current liabilities principal amounts borrowed for investment)
“UK Listing Authority” or “UKLA”	the Financial Services Authority, acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 (as amended)
“United States” or “USA”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
“US TIPS”	US Treasury Inflation Protected Securities

## DIRECTORS, EXECUTIVE OFFICE, INVESTMENT ADVISER AND OTHER ADVISERS

<b>Directors</b>	Hamish Noble Buchan ( <i>Chairman</i> ) Robin John Angus ( <i>Executive Director</i> ) John Martin Graham Hamilton-Sharp Gordon Joseph Neilly Stuart Watson Paul Frank Paul Rushbrook
	all non-executive (with the exception of Mr Angus) and of 10 St Colme Street Edinburgh EH3 6AA
<b>Registered Office</b>	10 St Colme Street Edinburgh EH3 6AA
<b>Executive Office</b>	Robin Angus ( <i>Executive Director</i> ) Steven Davidson ( <i>Company Secretary</i> ) Steven Budge Steven Cowie Matthew Fleming
	all of 10 St Colme Street Edinburgh EH3 6AA
<b>Investment Adviser</b>	Troy Asset Management Limited Brookfield House 44 Davies Street London W1K 5JA
<b>Sponsor and Solicitor to the Company in relation to the Placings</b>	Dickson Minto W.S. 16 Charlotte Square Edinburgh EH2 4DF
<b>Auditors</b>	Ernst & Young LLP Ten George Street Edinburgh EH2 2DZ
<b>Registrars</b>	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA
<b>Principal Banker and Custodian</b>	JPMorgan Chase Bank, N.A. (London Branch) 125 London Wall London EC2Y 5AJ

## PART 1

### PERSONAL ASSETS TRUST PLC

#### Introduction

Personal Assets Trust plc, which was launched in 1983, is an investment trust company run expressly for private investors. Its investment objective is to protect and increase (*in that order*) the value of Shareholders' funds over the long term and to earn as high a total return as is compatible with a risk equivalent to that of the FTSE All-Share Index.

Its capital structure is the simplest possible for an investment trust, consisting only of ordinary shares.

The Company is a self-managed investment trust run by its Board, which takes all major investment decisions collectively. The day-to-day management of the portfolio has been delegated by the Board to Troy Asset Management Limited ("Troy"), the Investment Adviser, and is the responsibility of Sebastian Lyon, the Chief Executive of Troy, in particular. Under the terms of the Investment Advisory Agreement between the Company and Troy, certain key matters have been expressly reserved to the Board (as explained further in the section entitled "*Investment advisory, administration and custodian arrangements*" in this Part 1 below).

The Directors, Sebastian Lyon and their respective families have substantial shareholdings in the Company (worth in aggregate £6.9 million as at 30 March 2011) and those who run the Company therefore have a community of interest with those who invest in it.

#### Background to the Placings

As explained in the section entitled "*Discount and premium control policy*" in this Part 1 below, the Board's policy is to ensure that the Shares always trade at close to the Net Asset Value per Share. The Board seeks to achieve this through a discount and premium control policy, enshrined in the articles of association of the Company, which involves a combination of share buy-backs and, of equal importance, the issue of new Shares at a small premium to the Net Asset Value per Share where demand exceeds supply.

The Prospectus Rules provide that where a company wishes to apply for the admission to trading on a regulated market of shares representing, over a period of 12 months, 10 per cent. or more of that company's shares which are already admitted to trading on that regulated market, then the company concerned is required to issue a prospectus. In view of the level of demand for the Company's Shares, the Company published a prospectus on 9 April 2010 to allow the Company to continue to operate its premium control policy. That prospectus expired on 31 March 2011. In the period from 21 May 2010 to 30 March 2011, the Company, in operating the premium control policy described above, applied for the admission of 151,417 new Shares to trading on the London Stock Exchange's main market for listed securities (amounting to 15.7 per cent. of the Company's Shares as at 30 March 2011). Accordingly, given the continuing level of demand for the Company's Shares, the publication of this document is necessary in order to allow the Company to continue its current policy of issuing Shares at a small premium to the Net Asset Value per Share where demand exceeds supply. The Board considers that the Company's continuing ability to issue Shares at a small premium in order to prevent the building up of excessive demand for the Shares is necessary to fulfil the obligation laid upon the Board by the Articles to reduce the risk of volatility in the price of a Share relative to its net asset value.

Although this document is in relation to Placings which may occur from time to time in the period from the date of this document to 31 March 2012, the Company will continue its discount and premium control policy following the expiry of this period in accordance with the Articles and will seek to issue further prospectuses as and when required under the Prospectus Rules.

#### Investment policy

The Company's investment policy is to protect and increase (*in that order*) the value of Shareholders' funds over the long term and to earn as high a total return as is compatible with a risk equivalent to that of the FTSE All-Share Index.

The Company's equity portfolio is usually concentrated in a short list of stocks and turnover tends to be low. There are no predefined maximum or minimum exposure levels for asset classes but these exposures are reported to, and monitored by, the Board in order to ensure that adequate diversification is achieved.

No holding in an individual company will represent more than 15 per cent. by value of the Company's investments at the time of acquisition.

The Company's portfolio will have a high UK content. Depending on circumstances, however, the Company may want to hold investments overseas, typically in the United States. While the Company invests predominantly in the UK, overseas exposure for the Company may range between 50 per cent. of total assets and zero. The Company is prepared to make use of both gearing and liquidity, the former by using either short-term borrowed funds or (*more likely*) derivatives such as FTSE 100 Futures. When it believes markets to be overvalued, the Company may either hold part of its resources in cash, cash equivalents (which may, depending on circumstances, include gold) or short-term fixed interest securities, or use such derivatives as a way of reducing its equity exposure. The Company's gearing will not exceed 50 per cent. of Shareholders' funds. In exceptional circumstances, the Company's liquidity could be as high as 100 per cent. of Shareholders' funds. These limits would not be exceeded without Shareholder approval.

The Company may from time to time hold fixed interest or index-linked securities and make use of currency hedging. The Company may also invest in other investment trusts, especially as a way of gaining exposure to a geographical or industrial area in which the Company preferred not to invest directly. The Company's policy is not to invest more than 15 per cent. of its gross assets in other investment trusts and other listed investment companies.

Any material change in the Company's investment policy will require the approval of Shareholders at a general meeting. In the event of a breach of the Company's investment policy, the Directors will announce through a Regulatory Information Service the actions which will be taken to rectify the breach.

### **Investment outlook**

As investor confidence grows and memories of 2008 gradually dissipate, the Board believes that a more volatile outlook needs to be considered and that Shareholders need to be aware that momentum investing has returned, which does not suit the Company's value-based, qualitative approach. In previous periods where there has been a paucity of attractive investment opportunities, the Company had the comfort of turning to liquid funds to preserve investors' capital and produce a reasonable positive real return. However, in an inflationary but zero interest rate world, this safety valve has been turned off. Shareholders can expect the Company to become more cautious as markets rise and the number of investment opportunities declines. Nonetheless, amid its natural caution, the Company is continuing to find a number of undervalued blue chips that are a refuge in which to invest new monies at expected attractive rates of return.

### **Capital structure**

The Company's share capital comprises ordinary shares only, all of which are listed in the Official List and admitted to trading on the London Stock Exchange's main market for listed securities. Shareholders are therefore entitled to such dividends as are declared by the Company and are entitled, on a return of capital on a winding up or otherwise, to all undistributed revenue of the Company and to the residual capital of the Company which remains after satisfying any liabilities.

At a general meeting of the Company held on 13 December 2010, the Directors were granted authority to allot up to 300,000 Shares. The provisions of the Act which would confer pre-emption rights in respect of such allotments were also disapplied in respect of the allotment or issue out of treasury of 300,000 Shares for the period up until 22 October 2011 or, if earlier, the conclusion of the next annual general meeting of the Company. As at 30 March 2011, the Directors' remaining authority to issue new Shares on a non-pre-emptive basis for cash extended to 230,743 Shares.

The Company currently has no borrowings.

### **Dividend policy**

The Company aims to pay as high, secure and sustainable a dividend as is compatible with maintaining its investment flexibility. With effect from 1 May 2011, the Directors intend to pay dividends on a quarterly basis in July, October, January and April of each year. It is the Directors' intention that the dividend paid by the Company will continue to grow in real terms over the longer term relative to both the CPI and the RPI and it is the Directors' policy never to cut the dividend rate, so Shareholders know that each payment will at least equal the previous one (this is not a forecast of profits).

The New Shares will rank *pari passu* in all respects with the existing Shares, including as to dividends.

## Discount and premium control policy

Investment trusts have long suffered from volatile discounts to net asset value. Sometimes, too, the shares of individual investment trusts may sell temporarily at a significant premium to net asset value. This can put those investing regularly through investment plans at a disadvantage, because they may find themselves buying shares at a sizeable premium which almost certainly will not be sustained and which will therefore have an adverse effect on the return from their investment.

In view of the disadvantages to Shareholders of such discount and premium fluctuations, the Company's policy is to ensure that the Shares always trade at close to net asset value through a combination of share buy-backs coupled with the issue of new Shares at a small premium to net asset value where demand exceeds supply. This discount and premium control policy is enshrined in the articles of association of the Company (in relation to which, further details are set out in paragraph 3.8 of Part 3 of this document).

The Directors have been given authorities in accordance with the Act by the Shareholders in general meeting to allot new Shares, and to re-issue Shares from treasury, for cash on a non-pre-emptive basis. Further details of these authorities are set out in paragraph 2.5 of Part 3 of this document. The Directors will seek renewals of these authorities annually and at other times should this prove necessary.

New Shares will only be issued pursuant to the Placings for the purpose of operating the Company's premium control policy. In no circumstances would any issue of new Shares or re-issue of Shares from treasury be at an issue price which would result in a dilution of the Net Asset Value per Share.

At the Company's last annual general meeting, the Company was granted the authority to buy back up to 123,170 Shares. As at the date of this document, the Company has not purchased any Shares pursuant to this authority. The Directors will seek renewal of this authority from Shareholders annually and at other times should this prove necessary. Any buy-back of Shares will be made subject to the Act and within guidelines established from time to time by the Board and the making and timing of any buy-backs will be at the absolute discretion of the Board. The Directors are authorised to cancel any Shares purchased under this authority or to hold them in treasury. Purchases of Shares will only be made through the market for cash at prices below the prevailing net asset value of the Shares (as last published). Such purchases will also only be made in accordance with the rules of the UK Listing Authority which provide that the price to be paid must not be more than five per cent. above the average of the middle market quotations for the Shares for the five business days before the purchase is made, nor less than the nominal value of a Share.

It is the intention of the Directors that the share buy-back authority will be used to purchase Shares if the middle market price for a Share is below the Net Asset Value per Share from time to time (taking into account any rights to which the Shares are trading "ex"). However, nothing in this discount control policy will require the Directors to take any steps that would require the Company to make a tender offer for its Shares. Shareholders are referred to the risk factors on page 9 of this document.

## Directors

The Directors, who are non-executive (with the exception of Robin Angus) and all of whom are independent of the Investment Adviser, are responsible for the determination of the investment policy of the Company and its overall supervision. In addition, certain key matters have been expressly reserved to the Board, as explained further in the section entitled "*Investment advisory, administration and custodian arrangements*" below. The Directors are as follows:

**Hamish Buchan** (Chairman): Hamish Buchan joined the Board as a non-executive director in 2001. He has worked in the investment trust sector since 1969 and headed the award-winning Wood Mackenzie (later NatWest Securities) trust research team for many years. He is a past Chairman of the Association of Investment Companies and is a director of several other investment trusts.

**Robin Angus** (Executive Director): Robin Angus has worked in the investment trust sector since 1977 and has been a director of the Company since 1984 (an executive director since 2002). He trained as an investment trust manager at Baillie Gifford & Co. and worked with Hamish Buchan for 17 years as an investment trust analyst.

**Martin Hamilton-Sharp**: Martin Hamilton-Sharp has been a non-executive director since 1990. For over 20 years, he was responsible for managing Equitable Life Assurance Society's substantial investment trust portfolio. He later served as a director of Jupiter Asset Management.

**Gordon Neilly**: Gordon Neilly is the Managing Director, Corporate Finance of Canaccord Genuity, with responsibility for general financials and investment companies. He was previously Chief Executive of

Intelli Corporate Finance and Finance and Business Development Director of Ivory & Sime. Company Secretary of the Company for 10 years, he joined the Board as a non-executive Director in 1997 and has considerable experience and knowledge of investment trusts.

**Stuart Paul:** Stuart Paul is Joint Managing Partner of the Asia Pacific Global Emerging Markets equity team at First State Investments and has a wide knowledge of international markets.

**Frank Rushbrook:** Frank Rushbrook is a partner in Nettle Capital Management LLP and has considerable experience of European mid and small cap markets.

### **Investment Adviser**

Troy, which is authorised and regulated by the Financial Services Authority, was established in 2000. As at 31 December 2010, Troy managed £1,972 million of fund mandates.

Sebastian Lyon, who has principal responsibility within Troy for managing the Company's portfolio, has 21 years' experience of fund management, the majority of which has been spent managing UK funds. Sebastian Lyon is the Chief Executive of Troy.

### **Investment advisory, administration and custodian arrangements**

#### *Investment advisory arrangements*

The Board appointed Troy Asset Management Limited as Investment Adviser with effect from 3 March 2009. The Investment Advisory Agreement between the Company and the Investment Adviser is terminable on 6 months' notice. The advisory fee which is payable to the Investment Adviser in accordance with the Investment Advisory Agreement is based on Shareholders' funds and is 0.5 per cent. on the first £100 million; 0.625 per cent. on the next £50 million; 0.75 per cent. between £150 million and £500 million; and 0.625 per cent. thereafter. The fee is payable quarterly in arrears. No compensation is payable to the Investment Adviser in the event of termination of the contract over and above payment in respect of the required 6 months' notice.

Under the terms of the Investment Advisory Agreement, the following matters have been expressly reserved to the Board: (a) the level and form of liquidity within the portfolio; (b) asset allocation within the portfolio; (c) the Company's gearing levels; (d) matters relating to the buying back and issuance of Shares; (e) matters relating to shareholder communication; (f) hedging; (g) investment in any new asset class; and (h) such other matters as the Board may reasonably intimate from time to time. However, the Board engages in active dialogue with the Investment Adviser in relation to such matters, other than the buying back and issuance of Shares.

Further details of the terms of the Investment Advisory Agreement are set out in paragraph 8.1 of Part 3 of this document.

#### *Administration arrangements*

F&C provided secretarial and corporate support services to the Company until 31 March 2010. Further details of these former secretarial and administrative arrangements are set out in paragraph 8.3 of Part 3 of this document.

With effect from 31 March 2010, all secretarial and administrative services are now provided by the Company's own Executive Office.

#### *Custodian arrangements*

JPMorgan Chase Bank has been appointed as the principal custodian of the assets of the Company. The Custodian holds, or arranges for sub-custodians to hold, all of the cash, securities and other assets of the Company and arranges and settles (directly or acting through sub-custodians) all transactions relating to those assets as agent for the Company. Further details of the custody agreement between the Company and the Custodian are set out in paragraph 8.2 of Part 3 of this document.

### **Annual expenses**

The Company has incurred, and will continue to incur, administrative expenses, including, *inter alia*, audit fees, Directors' fees, custodian fees, regulatory fees, directors' and officers' liability insurance premiums and printing costs.

It is estimated that the total expenses of the Company for the financial year ending 30 April 2011 (excluding the costs of and incidental to the Placings) will not exceed £2.9 million, being 1.0 per cent. of Shareholders' funds as at 30 March 2011.

### **Accounting policies**

The Company charges 35 per cent. of the management fees to revenue and 65 per cent. to capital. The Company charges all other operating expenses to revenue.

### **Corporate governance**

The Chairman and each of the other Directors is independent of the Investment Adviser. With the exception of Robin Angus, each member of the Board is non-executive.

Notwithstanding the appointment of the Investment Adviser, the Company is a self-managed investment trust run by its Board, which takes all major decisions collectively. While Robin Angus has executive duties, all of the Directors regard themselves and one another as equal in the duties and responsibilities they owe to Shareholders and accordingly work together as a unitary Board within which the Chairman (who is elected by the Directors from among their own number) acts as *primus inter pares*.

The Directors regard corporate governance and accountability to Shareholders as fundamental. They therefore place considerable emphasis on running the Company in the way they believe to be best suited to the successful management of an investment trust on behalf of its Shareholders. Each Director is subject to re-election annually.

Arrangements in respect of corporate governance, appropriate to an investment trust, have been made by the Board. The Board has considered the principles and recommendations of the AIC's Code of Corporate Governance (the "AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies (the "AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in section 1 of the Combined Code on Corporate Governance issued by the Financial Reporting Council (the "Combined Code"), as well as setting out additional principles and recommendations which are of specific relevance to investment trusts.

The Board considers that reporting with reference to the principles and recommendations of the AIC Code, and with reference to the AIC Guide (which incorporates the Combined Code), will provide better information to Shareholders than if it had adopted the Combined Code (or, to the extent in effect in relation to the Company, the UK Corporate Governance Code, which replaces the Combined Code in relation to accounting periods beginning on or after 29 June 2010).

The Company complied in its most recent financial year, and continues to comply, with the recommendations of the AIC Code and the relevant provisions of the Combined Code (and, to the extent in effect in relation to the Company, the UK Corporate Governance Code), except as disclosed in this section below.

#### *The Board*

The Board does not consider it appropriate for a senior independent director to be appointed as recommended by provision A.3.3 of the Combined Code. The Board considers that it is not appropriate for the Directors to be appointed for a specified term as recommended by principle 3 of the AIC Code and provision A.7.2 of the Combined Code. However, the Board has agreed that each Director will retire annually.

The Board regularly reviews the independence of its members and, having due regard to the definitions and current AIC guidelines on independence, considers all Directors to be independent of the Investment Adviser. Martin Hamilton-Sharp has served on the Board for 20 years, Gordon Neilly has served on the Board for 13 years and Hamish Buchan has served on the Board for 9 years. The Board has considered the independence of these three Directors and feels they display all the characteristics of independence and can be relied upon so to act at all times. The Board subscribes to the view expressed within the AIC Code that long-serving Directors should not be prevented from forming part of an independent majority, and does not consider that a Director's length of tenure reduces his ability to act independently.

The Combined Code provides that the Board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual Directors. In order to review its effectiveness, the Board carries out a process of formal self-appraisal. The Directors consider how the Board functions as a whole and they also review the individual performance of its members. This process is led by the Chairman and encompasses quantitative and qualitative measures of performance implemented by

way of a discussion-based assessment process. The performance of the Chairman is evaluated by the other Directors.

#### *Audit committee*

The audit committee, chaired by Stuart Paul and comprising Mr Paul, Martin Hamilton-Sharp, Gordon Neilly and Frank Rushbrook, meets at least twice per year to coincide with the annual and interim reporting cycle. The principal role of the audit committee is to review the annual and interim financial statements, the accounting policies applied therein and to ensure compliance with financial and regulatory reporting requirements. The audit committee also reviews the system of internal controls, the terms of appointment of the auditors (including their remuneration), the objectivity of the auditors and the terms under which they are appointed to perform non-audit services.

#### *Nominations committee*

The nominations committee, chaired by Hamish Buchan and comprising Mr Buchan, Stuart Paul and Frank Rushbrook, considers the appointment of new Directors. The nominations committee meets at least annually.

#### *Remuneration committee*

The remuneration committee, chaired by Hamish Buchan and comprising Mr Buchan, Martin Hamilton-Sharp and Gordon Neilly, reviews the Directors' fees, employee salaries and the remuneration paid to the Investment Adviser (together with the terms and conditions of appointment of the Investment Adviser) on an annual basis.

### **Conflicts of interest**

The Investment Adviser and its officers and employees may be involved in other financial, investment or professional activities that may on occasion give rise to conflicts of interest with the Company. In particular, the Investment Adviser may provide investment management, investment advice or other services in relation to a number of funds that may have similar investment policies to that of the Company.

The Investment Adviser will have regard to its obligations under the Investment Advisory Agreement or otherwise to act in the best interests of the Company, so far as is practicable having regard to its obligations to other clients or funds, should potential conflicts of interest arise. In addition, the Investment Adviser's policies and procedures to avoid or manage actual or potential conflicts of interest include (a) a policy to ensure that, in the event of a trade being instigated for more than one client, an allocation between clients of the amount being traded is booked before the instructions to deal are passed to the broker and only varied in exceptional circumstances (for example, where the volume of dealings is too small to divide up meaningfully); (b) strict rules governing the execution of trades by members of staff, which cannot be effected without prior permission from authorised personnel and then only on the basis that the trade is not in conflict with the interests of any client; (c) a policy that the Investment Adviser will not receive remuneration from clients or others apart from the contractually agreed investment management fees stipulated in each client's investment management or investment advisory agreement; and (d) a policy which allows bonuses for the Investment Adviser's staff to be sourced only from the profits of the Investment Adviser on a pre-determined basis.

As part of the Investment Adviser's routine compliance monitoring procedures, its conflicts of interest policy is reviewed annually. The particular procedures and measures are monitored monthly to ensure ongoing compliance.

### **Reports to Shareholders and net asset values**

The annual report and accounts of the Company are made up to 30 April in each year. Copies of the annual report and accounts are sent to Shareholders in June of each year and annual general meetings of the Company are held in July of each year. Shareholders also receive an unaudited interim report covering the first six months of each financial year of the Company and a narrative quarterly report on matters relevant to the Company.

The net asset value of an Ordinary Share is calculated by the Company in accordance with the Company's accounting policies and is published daily through a Regulatory Information Service. The calculation of the Net Asset Value per Share 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. Details of any suspension in making such calculations will be announced through a Regulatory Information Service.

## Taxation

The Company has been approved by HM Revenue & Customs as an investment trust in respect of the year to 30 April 2010, the Company's most recent accounting period. The Directors intend to continue to conduct the affairs of the Company so as to satisfy the conditions to qualify as an investment trust under section 1158 of the Tax Act. In respect of each accounting period for which the requirements of section 1158 of the Tax Act are satisfied, the Company will be exempt from UK taxation on its capital gains. The Company will, however, be liable to UK corporation tax on its income in the normal way.

A guide to the general UK taxation position as at the date of this document is set out in paragraph 10 of Part 3 of this document.

**If you are in any doubt as to your taxation position, or are subject to tax in a jurisdiction other than the United Kingdom, you should consult your professional adviser without delay.**

## The Placings

### *General*

New Shares will only be issued pursuant to the Placings for the purpose of operating the Company's premium control policy. New Shares will only be issued pursuant to the Placings during the period commencing at 8.00 a.m. on 1 April 2011 and ending at 5.00 p.m. on 31 March 2012. However, the Company will continue its discount and premium control policy following the expiry of this period in accordance with the Articles and will seek to issue further prospectuses as and when required under the Prospectus Rules.

The Company will issue a maximum of 300,000 new Ordinary Shares under the Placings. Each Placing will be conditional upon admission of the relevant New Shares to the Official List and to trading on the London Stock Exchange's main market for listed securities becoming effective. None of the Placings will be underwritten.

The Placings have been proposed in principle by the Directors to allow the Company to issue New Shares to satisfy demand from investors at times when Shares are trading at a premium to the Net Asset Value per Share. Accordingly, the issue of New Shares pursuant to the Placings will not result in a dilution of the Net Asset Value per Share. The Directors intend to apply the net proceeds of any Placings in accordance with the Company's investment policy.

The New Shares will rank *pari passu* in all respects with the existing issued Ordinary Shares.

The Directors believe that the profile of a typical investor in the Company is a professionally advised private individual with either a substantial amount of capital or an expectation to build it out of income, who is seeking to protect and increase (*in that order*) his funds over the long term and to earn as high a total return as is compatible with a risk equivalent to that of the FTSE All-Share Index. In the event that the maximum number of New Shares (being 300,000 New Shares) is issued under the Placings, the existing Ordinary Shares as at 30 March 2011 would represent 23.7 per cent. of the enlarged issued share capital.

### *Issue Price*

The Issue Price of each Placing, which will be determined by the Company's Executive Office, will be calculated by applying a premium of not more than 5 per cent. to the Net Asset Value per Share (whether published or unpublished) as at the relevant Calculation Time (rounded up to the nearest tenth of one penny). Notwithstanding this maximum premium, the Board considers that it would be unlikely that, in normal circumstances, the Issue Price of the New Shares in respect of any Placing would exceed a premium of 3 per cent. to the Net Asset Value per Share at the time of issue. The Net Asset Value per Share will be calculated in accordance with the Company's normal accounting policies. The Issue Price of each Placing will be announced through a Regulatory Information Service as soon as practicable following each Placing.

### *Listing and dealing*

Placings will only be made in the circumstances described in the paragraph headed "*General*" above. Where Placings are effected, it is expected that New Shares will be admitted to the Official List of the UKLA and to trading on the main market of the London Stock Exchange not later than the fourth business day following the Board's resolution to allot those New Shares. No dealings will commence before the relevant date of Admission.

New Shares issued pursuant to the Placings will be issued in registered form and may be held either in certificated form or settled through CREST. It is expected that definitive certificates in respect of New Shares will, where requested, be despatched by post in the week following the issue of the relevant New Shares. Temporary documents of title will not be issued. Pending despatch of such certificates, transfers will be certified against the register. Dealings in New Shares are expected to commence on 1 April 2011 at the earliest and no later than 5.00 p.m. on 31 March 2012. The Placings cannot be revoked after dealings in the relevant New Shares have commenced. The ISIN number for the New Shares is GB0006827546.

#### *Costs of the Placings*

The aggregate costs of and incidental to the publication of this document, which have been or will be borne by the Company, are approximately £125,000 (the “Documentation Costs”). The costs of each Placing, which will also be borne by the Company, are expected to be immaterial.

The immediate dilution in the Net Asset Value per Share arising from the Documentation Costs (on the assumption that no New Shares are issued pursuant to any Placing and based on the Net Asset Value per Share as at 30 March 2011) is approximately 0.04 per cent. New Shares will be issued at a level of premium to the Net Asset Value per Share such that, disregarding the Documentation Costs, no Placing is expected to be dilutive to the Net Asset Value per Share after taking into account the other costs of the Placings.

#### **Additional information**

Your attention is also drawn to the information set out in Parts 2 and 3 of this document and to the risk factors set out on pages 7 to 10.

## PART 2

### FINANCIAL INFORMATION (INCLUDING PORTFOLIO INFORMATION)

#### 1. INTRODUCTION

Statutory consolidated accounts of the Company (prepared in accordance with United Kingdom law and those International Financial Reporting Standards adopted by the European Union) for the three financial years ended 30 April 2010, in respect of which the Company's auditors, Ernst & Young LLP, Chartered Accountants, Ten George Street, Edinburgh EH2 2DZ, who are members of the Institute of Chartered Accountants in England and Wales, made an unqualified report under section 235 of the 1985 Act (or, as the case may be, under section 495 or section 497 of the Act), did not contain any statement under section 237(2) or (3) of the 1985 Act (or, as the case may be, under section 498(2) or (3) of the Act). Copies of the statutory accounts of the Company for the three financial years ended 30 April 2010, together with a copy of the Company's unaudited interim reports and accounts for the six months ended 31 October 2009 and 31 October 2010, are available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of Dickson Minto W.S., Broadgate Tower, 20 Primrose Street, London EC2A 2EW and 16 Charlotte Square, Edinburgh EH2 4DF until 31 March 2012.

#### 2. HISTORICAL FINANCIAL INFORMATION

Historical financial information relating to the Company on the matters referred to below is included in the published annual report and audited accounts of the Company for the three financial years ended 30 April 2010 and in the unaudited interim reports and accounts of the Company for the six months ended 31 October 2009 and 31 October 2010 as set out in the table below and is expressly incorporated by reference into this document.

<i>Nature of information</i>	<i>Statutory Accounts for Year ended</i>			<i>Interim Report for six months ended</i>	
	<i>30 April 2008</i>	<i>30 April 2009</i>	<i>30 April 2010</i>	<i>31 October 2009</i>	<i>31 October 2010</i>
	<i>Page No.</i>	<i>Page No.</i>	<i>Page No.</i>	<i>Page No.</i>	<i>Page No.</i>
Key Features	1	1	2	n/a	2
Financial summary	n/a	n/a	n/a	1	3
Income Statement	22	24	28	4	6
Statement of changes in equity	24	26	31	6	8
Balance sheet	23	25	29	6	8
Statement of cash flow	25	27	32	7	9
Notes to the financial statements	26 to 34	28 to 37	33 to 46	4 to 5	6 to 7
Audit report	35 to 36	39 to 40	26 to 27	n/a	n/a

#### 3. SELECTED FINANCIAL INFORMATION

The information in this paragraph 3 is information regarding the Company which has been prepared by the Company and has been extracted directly from the historical financial information referred to in paragraph 2 of this Part 2. Selected historical financial information relating to the Company which summarises the financial condition of the Company for the three years ended 30 April 2010 and for the six months ended 31 October 2009 and 31 October 2010 is set out in the following table:

	<i>Year ended</i> <i>30 April</i> <i>2008</i>	<i>Year ended</i> <i>30 April</i> <i>2009</i>	<i>Six months ended</i> <i>31 October</i> <i>2009</i>	<i>Year ended</i> <i>30 April</i> <i>2010</i>	<i>Six months ended</i> <i>31 October</i> <i>2010</i>
<b>Net asset value</b>					
Net assets (£'000)	188,664	171,132	203,226	233,785	263,251
Net asset value per Share (£)	257.37	229.64	260.67	286.75	302.82
<b>Share price (£)</b>	<b>258.25</b>	<b>233.00</b>	<b>263.00</b>	<b>289.50</b>	<b>306.75</b>
<b>Income</b>					
Revenue return after expenses and taxation (£'000)	4,036	3,896	1,713	3,600	2,086
Revenue return per Share (£)	5.59	5.34	2.25	4.61	2.50
Dividend per Share (£)	4.60	5.00	2.55	5.20	2.70
<b>Total expenses</b>					
As a percentage of average total Shareholders' funds	1.11	1.01	0.57	1.18	0.53
<b>Portfolio summary</b>					
Shareholders' funds	£188.7m	£171.1m	£203.2m	£233.8m	£263.3m
<b>NAV/share price returns</b>					
Net asset value return	(2.8%)	(10.8%)	13.5%	27.2%	6.6%
Share price return	(2.9%)	(9.8%)	12.9%	26.6%	6.9%

#### 4. OPERATING AND FINANCIAL REVIEW

A description of changes in the performance of the Company, both capital and revenue, and changes to the Company's portfolio of investments is set out in the sections headed "Chairman's Statement", "Investment Adviser's Report", "Managing Director's Report" and "Portfolio Comparisons" in the published statutory accounts of the Company as follows:

<i>Nature of information</i>	<i>Statutory Accounts for Year ended</i>			<i>Interim Report for six months ended</i>	
	<i>30 April</i> <i>2008</i> <i>Page No.</i>	<i>30 April</i> <i>2009</i> <i>Page No.</i>	<i>30 April</i> <i>2010</i> <i>Page No.</i>	<i>31 October</i> <i>2009</i> <i>Page No.</i>	<i>31 October</i> <i>2010</i> <i>Page No.</i>
Chairman's Statement	6	6 to 7	4 to 5	n/a	n/a
Investment Adviser's Report	n/a	8 to 9	6 to 7	n/a	n/a
Managing Director's Report	7 to 8	n/a	n/a	n/a	n/a
Portfolio Comparisons	9	10	8	2	4

#### 5. SIGNIFICANT CHANGE

Since 31 October 2010 (being the end of the last financial period of the Company for which financial information has been published), there has been no significant change in the financial or trading position of the Company.

## 6. ANALYSIS OF INVESTMENT PORTFOLIO

As at 30 March 2011, the Group's portfolio comprised investments with an aggregate unaudited value, calculated in accordance with the Group's accounting policies, of £296.1 million. The following tables show the distribution of the portfolio by asset class and sector as at 30 March 2011.

<i>By asset class</i>	<i>% of Total Assets</i>	
Listed equities		56.2
US TIPS		27.2
Gold bullion		13.9
Net current assets		2.7
		<u>100.0</u>

<i>By sector</i>	<i>Valuation (£'000s)</i>	<i>% of Total Assets</i>
Oil & gas	–	–
Basic materials	15,995	5.4
Industrials	–	–
Consumer goods	75,743	25.6
Healthcare	19,894	6.7
Telecom	8,966	3.0
Consumer services	13,631	4.6
Utilities	9,597	3.2
Financials	7,662	2.6
Technology	14,962	5.1
US TIPS	80,554	27.2
Gold bullion	41,104	13.9
Net current assets	7,967	2.7
	<u>296,075</u>	<u>100.0</u>

The Company's 10 largest holdings, as at 30 March 2011, were as follows:

<i>By sector</i>	<i>Valuation (£'000s)</i>	<i>% of Total Assets</i>
1. US TIPS 1.375% 15/07/18	65,945	22.2
2. Gold bullion	41,104	13.9
3. British American Tobacco	15,678	5.3
4. Nestle	13,543	4.6
5. Coca Cola	13,242	4.5
6. Centrica	9,597	3.2
7. Philip Morris	9,496	3.2
8. Diageo	9,249	3.1
9. US TIPS 1.125% 15/07/21	9,097	3.1
10. GlaxoSmithKline	9,015	3.0
Total	<u>195,966</u>	<u>66.2</u>

The information in this paragraph 6 is unaudited information on the Company, which has been extracted from internal management accounting records held by the Company and has not been reported on by an accountant.

## PART 3

### GENERAL INFORMATION

#### 1. Incorporation and general

- 1.1 The Company was incorporated and registered in Scotland on 23 April 1981 as a public company limited by shares under the Companies Act 1948 with the registered number SC074582. Shares in the Company were first admitted to listing in 1983. The Company operates under the Act and regulations made under the Act. Its registered office is 10 St Colme Street, Edinburgh EH3 6AA (telephone number: 0131 538 1400). Save for its compliance with the Act, the Listing Rules, the Disclosure and Transparency Rules and the Prospectus Rules, the Company is not a regulated entity.
- 1.2 The objects of the Company were previously set out in full in clause 4 of its memorandum of association, which, in accordance with the Act, now forms part of the Company's articles of association. The principal object of the Company is to carry on the business of an investment trust company or investment company in all its branches.
- 1.3 The Investment Adviser is a private limited company and was incorporated in England and Wales under the 1985 Act with the registered number 3930846 on 22 February 2000. The Investment Adviser operates under the Act. Its registered office is Hill House, 1 Little New Street, London EC4A 3TR and its principal place of business is Brookfield House, 44 Davies Street, London W1K 5JA (telephone number: 020 7499 4030). The Investment Adviser is authorised and regulated by the Financial Services Authority.
- 1.4 The Custodian is a company organised under the laws of the State of New York with limited liability. Its main office is in Ohio, USA and it was registered as a branch in England and Wales with registered number BR000746 on 11 April 1960. The Custodian's principal place of business in the United Kingdom is 125 London Wall, London EC2Y 5AJ (telephone number: 020 7777 2000). The Custodian is authorised and regulated by the Financial Services Authority with firm reference number 124491.

#### 2. Share capital and indebtedness

- 2.1 The issued share capital of the Company (all of which issued shares will be fully paid-up) as at the date of this document and immediately following Admission (assuming the maximum number of New Shares are issued) will be as follows:

	<i>No. of Ordinary Shares</i>	<i>Nominal</i>
<b>As at the date of this document</b>		
Ordinary Shares	966,698	£12,083,725.00
<b>Immediately following Admission of all of the New Shares</b>		
Ordinary Shares	1,266,698	£15,833,725.00

As at the date of this document, no Shares are held by the Company in treasury. The Company has no authorised share capital.

- 2.2 The following changes have occurred in the share capital of the Company between 1 May 2007 and 31 October 2010.
- (i) On 4 June 2007, the Company purchased 35 Ordinary Shares at a price of £261.00 per Ordinary Share.
  - (ii) On 5 June 2007, the Company purchased 800 Ordinary Shares to be held in treasury at a price of £263.00 per Ordinary Share.
  - (iii) On 6 June 2007, the Company purchased 250 Ordinary Shares to be held in treasury at a price of £263.25 per Ordinary Share.
  - (iv) On 7 June 2007, the Company purchased 599 Ordinary Shares to be held in treasury at a price of £262.75 per Ordinary Share.

- (v) On 8 June 2007, the Company purchased 250 Ordinary Shares to be held in treasury at a price of £262.75 per Ordinary Share.
- (vi) On 14 June 2007, the Company purchased 250 Ordinary Shares to be held in treasury at a price of £264.00 per Ordinary Share.
- (vii) On 15 June 2007, the Company purchased 154 Ordinary Shares to be held in treasury at a price of £262.75 per Ordinary Share.
- (viii) On 15 June 2007, the Company purchased 145 Ordinary Shares to be held in treasury at a price of £262.25 per Ordinary Share.
- (ix) On 19 June 2007, the Company purchased 262 Ordinary Shares to be held in treasury at a price of £265.00 per Ordinary Share.
- (x) On 26 June 2007, the Company purchased 500 Ordinary Shares to be held in treasury at a price of £265.00 per Ordinary Share.
- (xi) On 27 June 2007, the Company purchased 200 Ordinary Shares to be held in treasury at a price of £265.00 per Ordinary Share.
- (xii) On 28 June 2007, the Company purchased 334 Ordinary Shares to be held in treasury at a price of £264.00 per Ordinary Share.
- (xiii) On 29 June 2007, the Company purchased 500 Ordinary Shares to be held in treasury at a price of £263.125 per Ordinary Share.
- (xiv) On 3 August 2007, the Company purchased 500 Ordinary Shares to be held in treasury at a price of £265.00 per Ordinary Share.
- (xv) On 6 August 2007, the Company purchased 231 Ordinary Shares to be held in treasury at a price of £266.00 per Ordinary Share.
- (xvi) On 10 August 2007, the Company purchased 300 Ordinary Shares to be held in treasury at a price of £266.00 per Ordinary Share.
- (xvii) On 15 August 2007, the Company purchased 200 Ordinary Shares to be held in treasury at a price of £264.50 per Ordinary Share.
- (xviii) On 16 August 2007, the Company purchased 400 Ordinary Shares to be held in treasury at a price of £262.50 per Ordinary Share.
- (xix) On 17 August 2007, the Company purchased 200 Ordinary Shares to be held in treasury at a price of £262.50 per Ordinary Share.
- (xx) On 21 September 2007, the Company purchased 292 Ordinary Shares to be held in treasury at a price of £259.25 per Ordinary Share.
- (xxi) On 25 September 2007, the Company purchased 467 Ordinary Shares to be held in treasury at a price of £259.25 per Ordinary Share.
- (xxii) On 27 September 2007, the Company purchased 253 Ordinary Shares to be held in treasury at a price of £260.00 per Ordinary Share.
- (xxiii) During the period 16 November 2007 to 17 December 2007, the Company allotted 57 new Ordinary Shares and issued a further 3,573 Ordinary Shares from treasury at an aggregate price of £952,415.25 to the following:
  - (a) 57 new Ordinary Shares to HSDL Nominees Limited, a/c ISIS;
  - (b) 1,344 Ordinary Shares from treasury to Lloyds TSB Registrars Savings Nominees Limited;
  - (c) 1,729 Ordinary Shares from treasury to HSDL Nominees Limited, a/c ISIS; and
  - (d) 500 Ordinary Shares from treasury to Cazenove & Co.
- (xxiv) On 7 December 2007, the Company purchased 1,000 Ordinary Shares to be held in treasury at a price of £260.00 per Ordinary Share.

- (xxv) On 10 December 2007, the Company purchased 796 Ordinary Shares to be held in treasury at a price of £256.00 per Ordinary Share.
- (xxvi) On 10 December 2007, the Company purchased 185 Ordinary Shares to be held in treasury at a price of £255.50 per Ordinary Share.
- (xxvii) On 12 December 2007, the Company purchased 381 Ordinary Shares to be held in treasury at a price of £255.41 per Ordinary Share.
- (xxviii) On 12 December 2007, the Company purchased 250 Ordinary Shares to be held in treasury at a price of £253.25 per Ordinary Share.
- (xxix) On 12 December 2007, the Company purchased 129 Ordinary Shares to be held in treasury at a price of £254.00 per Ordinary Share.
- (xxx) On 14 December 2007, the Company purchased 1,300 Ordinary Shares to be held in treasury at a price of £254.75 per Ordinary Share.
- (xxxi) On 14 December 2007, the Company purchased 338 Ordinary Shares to be held in treasury at a price of £255.25 per Ordinary Share.
- (xxxii) On 14 December 2007, the Company purchased 750 Ordinary Shares to be held in treasury at a price of £254.50 per Ordinary Share.
- (xxxiii) On 17 December 2007, the Company purchased 250 Ordinary Shares to be held in treasury at a price of £254.50 per Ordinary Share.
- (xxxiv) On 18 December 2007, the Company purchased 1,011 Ordinary Shares to be held in treasury at a price of £254.26 per Ordinary Share.
- (xxxv) On 18 December 2007, the Company purchased 78 Ordinary Shares to be held in treasury at a price of £255.17 per Ordinary Share.
- (xxxvi) On 7 March 2008, the Company purchased 222 Ordinary Shares to be held in treasury at a price of £255.68 per Ordinary Share.
- (xxxvii) During the period 1 February 2008 to 12 November 2008, the Company issued 30,928 Ordinary Shares from treasury at an aggregate price of £7,649,715.50 to the following:
  - (a) 8,949 Ordinary Shares to Lloyds TSB Registrars Savings Nominees Limited;
  - (b) 7,913 Ordinary Shares to HSDL Nominees Limited, a/c ISIS;
  - (c) 4,900 Ordinary Shares to Cazenove & Co;
  - (d) 650 Ordinary Shares to Winterflood Securities Limited;
  - (e) 1,153 Ordinary Shares to Brewin Nominees Limited;
  - (f) 5,873 Ordinary Shares to Pershing Nominees Limited; and
  - (g) 1,490 Ordinary Shares to James Brearley Crest Nominees Limited.
- (xxxviii) On 6 March 2008, the Company purchased 100 Ordinary Shares to be held in treasury at a price of £254.00 per Ordinary Share.
- (xxxix) On 18 July 2008, the Company purchased 126 Ordinary Shares to be held in treasury at a price of £254.4682 per Ordinary Share.
- (xl) On 25 July 2008, the Company purchased 1,460 Ordinary Shares to be held in treasury at a price of £253.00 per Ordinary Share.
- (xli) On 25 July 2008, the Company purchased 500 Ordinary Shares to be held in treasury at a price of £252.50 per Ordinary Share.
- (xlii) On 31 July 2008, the Company purchased 1,656 Ordinary Shares to be held in treasury at a price of £253.38 per Ordinary Share.
- (xliii) On 11 September 2008, the Company purchased 465 Ordinary Shares to be held in treasury at a price of £251.30 per Ordinary Share.

- (xliv) On 18 September 2008, the Company purchased 476 Ordinary Shares to be held in treasury at a price of £255.6575 per Ordinary Share.
- (xlv) On 27 October 2008, the Company purchased 565 Ordinary Shares to be held in treasury at a price of £207.25 per Ordinary Share.
- (xlvi) On 28 October 2008, the Company purchased 987 Ordinary Shares to be held in treasury at a price of £219.88 per Ordinary Share.
- (xlvii) On 29 October 2008, the Company purchased 669 Ordinary Shares to be held in treasury at a price of £213.00 per Ordinary Share.
- (xlviii) On 29 October 2008, the Company purchased 1,100 Ordinary Shares to be held in treasury at a price of £209.00 per Ordinary Share.
- (xlix) On 3 November 2008, the Company purchased 500 Ordinary Shares to be held in treasury at a price of £211.44 per Ordinary Share.
- (l) On 4 November 2008, the Company purchased 456 Ordinary Shares to be held in treasury at a price of £208.00 per Ordinary Share.
- (li) On 5 November 2008, the Company purchased 1,935 Ordinary Shares to be held in treasury at a price of £215.155 per Ordinary Share.
- (lii) On 6 November 2008, the Company purchased 354 Ordinary Shares to be held in treasury at a price of £217.00 per Ordinary Share.
- (liii) On 7 November 2008, the Company purchased 500 Ordinary Shares to be held in treasury at a price of £229.00 per Ordinary Share.
- (liv) On 7 November 2008, the Company purchased 400 Ordinary Shares to be held in treasury at a price of £231.75 per Ordinary Share.
- (lv) On 7 November 2008, the Company purchased 421 Ordinary Shares to be held in treasury at a price of £231.85 per Ordinary Share.
- (lvi) On 10 November 2008, the Company purchased 672 Ordinary Shares to be held in treasury at a price of £225.00 per Ordinary Share.
- (lvii) On 21 November 2008, the Company purchased 125 Ordinary Shares to be held in treasury at a price of £222.00 per Ordinary Share.
- (lviii) On 27 November 2008, the Company purchased 1,000 Ordinary Shares to be held in treasury at a price of £205.00 per Ordinary Share.
- (lix) On 28 November 2008, the Company purchased 8,993 Ordinary Shares to be held in treasury at a price of £194.25 per Ordinary Share.
- (lx) On 2 December 2008, the Company purchased 1,600 Ordinary Shares to be held in treasury at a price of £215.25 per Ordinary Share.
- (lxi) On 3 December 2008, the Company purchased 1,023 Ordinary Shares to be held in treasury at a price of £214.25 per Ordinary Share.
- (lxii) On 5 December 2008, the Company purchased 550 Ordinary Shares to be held in treasury at a price of £224.00 per Ordinary Share.
- (lxiii) On 5 December 2008, the Company purchased 1,500 Ordinary Shares to be held in treasury at a price of £223.8333 per Ordinary Share.
- (lxiv) On 8 December 2008, the Company purchased 550 Ordinary Shares to be held in treasury at a price of £220.50 per Ordinary Share.
- (lxv) On 9 December 2008, the Company purchased 635 Ordinary Shares to be held in treasury at a price of £223.50 per Ordinary Share.
- (lxvi) On 11 February 2009, the Company purchased 500 Ordinary Shares to be held in treasury at a price of £233.50 per Ordinary Share.
- (lxvii) On 11 February 2009, the Company purchased 900 Ordinary Shares to be held in treasury at a price of £237.00 per Ordinary Share.

- (lxxviii) On 13 February 2009, the Company purchased 137 Ordinary Shares to be held in treasury at a price of £239.00 per Ordinary Share.
- (lxix) On 13 February 2009, the Company purchased 500 Ordinary Shares to be held in treasury at a price of £242.00 per Ordinary Share.
- (lxx) On 17 February 2009, the Company purchased 300 Ordinary Shares to be held in treasury at a price of £240.00 per Ordinary Share.
- (lxxi) On 17 February 2009, the Company purchased 400 Ordinary Shares to be held in treasury at a price of £233.00 per Ordinary Share.
- (lxxii) On 19 February 2009, the Company purchased 1,000 Ordinary Shares to be held in treasury at a price of £231.50 per Ordinary Share.
- (lxxiii) On 20 February 2009, the Company purchased 2,078 Ordinary Shares to be held in treasury at a price of £227.86 per Ordinary Share.
- (lxxiv) On 23 February 2009, the Company purchased 850 Ordinary Shares to be held in treasury at a price of £230.18 per Ordinary Share.
- (lxxv) On 26 February 2009, the Company purchased 5,500 Ordinary Shares to be held in treasury at a price of £234.50 per Ordinary Share.
- (lxxvi) On 27 February 2009, the Company purchased 250 Ordinary Shares to be held in treasury at a price of £231.00 per Ordinary Share.
- (lxxvii) On 27 February 2009, the Company purchased 650 Ordinary Shares to be held in treasury at a price of £232.50 per Ordinary Share.
- (lxxviii) On 2 March 2009, the Company purchased 150 Ordinary Shares to be held in treasury at a price of £233.75 per Ordinary Share.
- (lxxix) On 2 March 2009, the Company sold 166 Ordinary Shares held in treasury.
- (lxxx) On 3 March 2009, the Company purchased 750 Ordinary Shares to be held in treasury at a price of £235.50 per Ordinary Share.
- (lxxxi) On 3 March 2009, the Company sold 82 Ordinary Shares held in treasury.
- (lxxxii) On 4 March 2009, the Company sold 30 Ordinary Shares held in treasury.
- (lxxxiii) On 4 March 2009, the Company sold 167 Ordinary Shares held in treasury.
- (lxxxiv) On 6 March 2009, the Company sold 10,225 Ordinary Shares held in treasury.
- (lxxxv) On 9 March 2009, the Company sold 71 Ordinary Shares held in treasury.
- (lxxxvi) On 11 March 2009, the Company sold 403 Ordinary Shares held in treasury.
- (lxxxvii) On 18 March 2009, the Company sold 5,600 Ordinary Shares held in treasury.
- (lxxxviii) On 23 March 2009, the Company sold 296 Ordinary Shares held in treasury.
- (lxxxix) On 25 March 2009, the Company sold 3,000 Ordinary Shares held in treasury.
- (xc) On 26 March 2009, the Company sold 192 Ordinary Shares held in treasury.
- (xci) On 31 March 2009, the Company sold 2,500 Ordinary Shares held in treasury.
- (xcii) On 1 April 2009, the Company sold 500 Ordinary Shares held in treasury.
- (xciii) On 2 April 2009, the Company sold 1,131 Ordinary Shares held in treasury.
- (xciv) On 6 April 2009, the Company sold 2,957 Ordinary Shares held in treasury.
- (xcv) On 9 April 2009, the Company sold 5,646 Ordinary Shares held in treasury.
- (xcvi) On 16 April 2009, the Company sold 173 Ordinary Shares held in treasury.
- (xcvii) On 20 April 2009, the Company sold 1,172 Ordinary Shares held in treasury.
- (xcviii) On 23 April 2009, the Company sold 332 Ordinary Shares held in treasury.
- (xcvix) On 30 April 2009, the Company sold 4,327 Ordinary Shares held in treasury.

- (c) On 1 May 2009, the Company sold 599 Ordinary Shares held in treasury.
- (ci) On 7 May 2009, the Company sold 1,200 Ordinary Shares held in treasury.
- (cii) On 8 May 2009, the Company sold 190 Ordinary Shares held in treasury.
- (ciii) On 12 May 2009, the Company sold 300 Ordinary Shares held in treasury.
- (civ) On 15 May 2009, the Company sold 882 Ordinary Shares held in treasury.
- (cv) On 22 May 2009, the Company sold 1,558 Ordinary Shares held in treasury.
- (cvi) On 3 June 2009, the Company sold 2,025 Ordinary Shares.
- (cvii) On 12 June 2009, the Company sold 103 Ordinary Shares.
- (cviii) On 3 July 2009, the Company sold 3,757 Ordinary Shares.
- (cix) On 8 July 2009, the Company sold 564 Ordinary Shares.
- (cx) On 10 July 2009, the Company sold 82 Ordinary Shares.
- (cxi) On 15 July 2009, the Company sold 271 Ordinary Shares.
- (cxii) On 24 July 2009, the Company sold 64 Ordinary Shares.
- (cxiii) On 24 August 2009, the Company sold 8,000 Ordinary Shares.
- (cxiv) On 2 September 2009, the Company sold 4,200 Ordinary Shares.
- (cxv) On 16 September 2009, the Company sold 77 Ordinary Shares.
- (cxvi) On 23 September 2009, the Company sold 61 Ordinary Shares.
- (cxvii) On 30 September 2009, the Company sold 1,661 Ordinary Shares.
- (cxviii) On 1 October 2009, the Company sold 800 Ordinary Shares.
- (cxix) On 2 October 2009, the Company sold 80 Ordinary Shares.
- (cxx) On 6 October 2009, the Company sold 500 Ordinary Shares.
- (cxxi) On 7 October 2009, the Company sold 334 Ordinary Shares.
- (cxxii) On 8 October 2009, the Company sold 350 Ordinary Shares.
- (cxxiii) On 9 October 2009, the Company sold 297 Ordinary Shares.
- (cxxiv) On 14 October 2009, the Company sold 2,499 Ordinary Shares.
- (cxxv) On 16 October 2009, the Company sold 662 Ordinary Shares.
- (cxxvi) On 21 October 2009, the Company sold 583 Ordinary Shares.
- (cxxvii) On 23 October 2009, the Company sold 2,518 Ordinary Shares.
- (cxxviii) On 4 November 2009, the Company sold 2,032 Ordinary Shares.
- (cxxix) On 11 November 2009, the Company sold 935 Ordinary Shares.
- (cxxx) On 13 November 2009, the Company sold 190 Ordinary Shares.
- (cxxxi) On 16 November 2009, the Company sold 1,600 Ordinary Shares.
- (cxxxii) On 18 November 2009, the Company sold 90 Ordinary Shares.
- (cxxxiii) On 19 November 2009, the Company sold 1,400 Ordinary Shares.
- (cxxxiv) On 20 November 2009, the Company sold 189 Ordinary Shares.
- (cxxxv) On 4 December 2009, the Company sold 2,784 Ordinary Shares.
- (cxxxvi) On 9 December 2009, the Company sold 219 Ordinary Shares.
- (cxxxvii) On 11 December 2009, the Company sold 2,101 Ordinary Shares.
- (cxxxviii) On 15 December 2009, the Company sold 750 Ordinary Shares.
- (cxxxix) On 16 December 2009, the Company sold 100 Ordinary Shares.

- (cxl) On 18 December 2009, the Company sold 1,869 Ordinary Shares.
- (cxli) On 23 December 2009, the Company sold 718 Ordinary Shares.
- (cxlii) On 30 December 2009, the Company sold 805 Ordinary Shares.
- (cxliii) On 5 January 2010, the Company sold 600 Ordinary Shares.
- (cxliv) On 6 January 2010, the Company sold 155 Ordinary Shares.
- (cxlv) On 8 January 2010, the Company sold 68 Ordinary Shares.
- (cxlvi) On 13 January 2010, the Company sold 226 Ordinary Shares.
- (cxlvii) On 14 January 2010, the Company sold 750 Ordinary Shares.
- (cxlviii) On 19 January 2010, the Company sold 1,000 Ordinary Shares.
- (cxlix) On 20 January 2010, the Company sold 615 Ordinary Shares.
- (cl) On 22 January 2010, the Company sold 191 Ordinary Shares.
- (cli) On 25 January 2010, the Company sold 1,900 Ordinary Shares.
- (clii) On 27 January 2010, the Company sold 621 Ordinary Shares.
- (cliii) On 29 January 2010, the Company sold 1,895 Ordinary Shares.
- (cliv) On 2 February 2010, the Company sold 900 Ordinary Shares.
- (clv) On 3 February 2010, the Company sold 822 Ordinary Shares.
- (clvi) On 23 February 2010, the Company sold 1,400 Ordinary Shares.
- (clvii) On 24 February 2010, the Company sold 333 Ordinary Shares.
- (clviii) On 3 March 2010, the Company sold 1,220 Ordinary Shares.
- (clix) On 5 March 2010, the Company sold 103 Ordinary Shares.
- (clx) On 9 March 2010, the Company sold 700 Ordinary Shares.
- (clxi) On 10 March 2010, the Company sold 1,356 Ordinary Shares.
- (clxii) On 11 March 2010, the Company sold 400 Ordinary Shares.
- (clxiii) On 12 March 2010, the Company sold 305 Ordinary Shares.
- (clxiv) On 17 March 2010, the Company sold 371 Ordinary Shares.
- (clxv) On 24 March 2010, the Company sold 639 Ordinary Shares.
- (clxvi) On 26 March 2010, the Company sold 1,788 Ordinary Shares.
- (clxvii) On 21 April 2010, the Company sold 1,382 Ordinary Shares.
- (clxviii) On 23 April 2010, the Company sold 128 Ordinary Shares.
- (clxix) On 21 May 2010, the Company sold 3,901 Ordinary Shares.
- (clxx) On 26 May 2010, the Company sold 216 Ordinary Shares.
- (clxxi) On 28 May 2010, the Company sold 209 Ordinary Shares.
- (clxxii) On 2 June 2010, the Company sold 2,077 Ordinary Shares.
- (clxxiii) On 4 June 2010, the Company sold 954 Ordinary Shares.
- (clxxiv) On 8 July 2010, the Company sold 807 Ordinary Shares.
- (clxxv) On 9 July 2010, the Company sold 1,182 Ordinary Shares.
- (clxxvi) On 14 July 2010, the Company sold 1,191 Ordinary Shares.
- (clxxvii) On 20 July 2010, the Company sold 1,570 Ordinary Shares.
- (clxxviii) On 21 July 2010, the Company sold 200 Ordinary Shares.
- (clxxix) On 28 July 2010, the Company sold 2,660 Ordinary Shares.

- (clxxx) On 30 July 2010, the Company sold 761 Ordinary Shares.
- (clxxxii) On 2 August 2010, the Company sold 570 Ordinary Shares.
- (clxxxiii) On 4 August 2010, the Company sold 2,075 Ordinary Shares.
- (clxxxiv) On 25 August 2010, the Company sold 1,745 Ordinary Shares.
- (clxxxv) On 26 August 2010, the Company sold 800 Ordinary Shares.
- (clxxxvi) On 27 August 2010, the Company sold 426 Ordinary Shares.
- (clxxxvii) On 1 September 2010, the Company sold 354 Ordinary Shares.
- (clxxxviii) On 3 September 2010, the Company sold 5,750 Ordinary Shares.
- (clxxxix) On 6 September 2010, the Company sold 450 Ordinary Shares.
- (cxc) On 7 September 2010, the Company sold 250 Ordinary Shares.
- (cxci) On 8 September 2010, the Company sold 400 Ordinary Shares.
- (cxcii) On 9 September 2010, the Company sold 500 Ordinary Shares.
- (cxciii) On 10 September 2010, the Company sold 103 Ordinary Shares.
- (cxciv) On 15 September 2010, the Company sold 770 Ordinary Shares.
- (cxcv) On 17 September 2010, the Company sold 649 Ordinary Shares.
- (cx cvi) On 22 September 2010, the Company sold 1,015 Ordinary Shares.
- (cx cvii) On 24 September 2010, the Company sold 1,181 Ordinary Shares.
- (cx cviii) On 27 September 2010, the Company sold 1,953 Ordinary Shares.
- (cx cxix) On 28 September 2010, the Company sold 500 Ordinary Shares.
- (cc) On 29 September 2010, the Company sold 882 Ordinary Shares.
- (cci) On 1 October 2010, the Company sold 1,062 Ordinary Shares.
- (ccii) On 5 October 2010, the Company sold 1,238 Ordinary Shares.
- (cciii) On 6 October 2010, the Company sold 1,839 Ordinary Shares.
- (cciv) On 8 October 2010, the Company sold 192 Ordinary Shares.
- (ccv) On 11 October 2010, the Company sold 650 Ordinary Shares.
- (ccvi) On 20 October 2010, the Company sold 1,898 Ordinary Shares.
- (ccvii) On 21 October 2010, the Company sold 500 Ordinary Shares.
- (ccviii) On 22 October 2010, the Company sold 3,982 Ordinary Shares.
- (ccix) On 25 October 2010, the Company sold 1,500 Ordinary Shares.
- (ccx) On 26 October 2010, the Company sold 1,200 Ordinary Shares.
- (ccxi) On 27 October 2010, the Company sold 1,454 Ordinary Shares.
- (ccxii) On 28 October 2010, the Company sold 2,000 Ordinary Shares.
- (ccxiii) On 29 October 2010, the Company sold 425 Ordinary Shares.

As at 1 May 2007, the Company had in issue 750,876 Ordinary Shares and, as at 31 October 2010, the Company had in issue 869,322 Ordinary Shares.

- 2.3 The following table sets out the capitalisation and indebtedness of the Company (distinguishing between guaranteed and unguaranteed, secured and unsecured indebtedness) as at 31 October 2010 (the last date in respect of which interim financial information on the Company has been published) and as at 28 February 2011:

	<i>31 October</i> 2010	<i>28 February</i> 2011
Total current debt		
– Guaranteed	–	–
– Secured	–	–
– Unguaranteed/unsecured	–	–
Total Non-current debt		
– Guaranteed	–	–
– Secured	–	–
– Unguaranteed/unsecured	–	–
Shareholders' equity		
– Share capital	£10,866,525	£11,849,550
– Legal reserves (excl. revenue reserves)	£249,465,769	£274,489,715
– Other reserves (excl. revenue reserves)	–	–
Total	<u>£260,332,294</u>	<u>£286,339,265</u>

- 2.4 No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 2.5 At an extraordinary general meeting of the Company held on 13 December 2010, the Directors were authorised as follows:
- (i) generally and unconditionally pursuant to section 551 of the Act, to allot Shares up to an aggregate nominal amount of £3,750,000 (such authority to expire on 22 October 2011 or, if earlier, at the conclusion of the Company's next annual general meeting); and
  - (ii) pursuant to sections 570 and 573 of the Act, to allot equity securities (as defined in section 560 of the Act) and to sell Shares held by the Company in treasury, wholly for cash pursuant to the authority noted in paragraph 2.5(i) above as if sub-section 561(1) of the Act did not apply to any such allotment or sale, provided that this authority is to expire on 22 October 2011 or, if earlier, at the conclusion of the next annual general meeting of the Company (but so that the Company may make an offer or agreement which would or might require equity securities to be allotted after expiry of this power and the Directors may allot equity securities in pursuance of that offer or agreement as if this power had not expired) and is limited to the allotment of equity securities and the sale of treasury shares for cash up to an aggregate nominal amount of £3,750,000.
- 2.6 The disapplication of statutory pre-emption rights in the terms provided under the special resolution noted at paragraph 2.5(ii) above gives the Company the flexibility to resell Shares which it holds in treasury for cash without first being required to offer such Shares to existing Shareholders in proportion to their existing holdings.
- 2.7 The Company has authority to buy back up to 123,170 Shares. The Company has not purchased any Shares pursuant to this authority.
- 2.8 The provisions of section 561 of the Act, which confer on Shareholders certain rights of pre-emption in respect of the allotment of equity securities which are to be paid up in cash, apply to the unissued capital of the Company except as referred to in paragraph 2.5 above.
- 2.9 Placings will only be made in the circumstances described in the section entitled “*The Placings*” in Part 1 of this document. Where Placings are made, it is expected that the New Shares will be issued pursuant to resolutions of the Board conditional upon admission of those Shares to the Official List and to trading on the London Stock Exchange's main market for listed securities. All of the Ordinary Shares are (or, in the case of any New Shares which are issued, will be) admitted to trading on the main market of the London Stock Exchange.

- 2.10 The Issue Price of the New Shares in respect of each Placing will be at a premium of not more than 5 per cent. to the latest Net Asset Value per Share (whether published or unpublished) as at the relevant Calculation Time (rounded up to the nearest tenth of one penny).
- 2.11 Under the Placings, the New Shares will be issued fully paid and in registered form and may be held in either certificated or uncertificated form. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificates and transferred otherwise than by written instruments. The Articles permit the holding of New Shares under the CREST system. CREST is a voluntary system and holders of New Shares who wish to receive and retain share certificates will be able to do so. Temporary documents of title will not be issued in respect of New Shares issued in certificated form under the Placings. Definitive certificates for such New Shares are expected to be despatched in the week following completion of the relevant Placing.
- 2.12 JPMorgan Cazenove, Canaccord Genuity, Collins Stewart, Numis Securities and Winterflood Securities act as market makers in respect of the Shares and have agreed to act as market makers in respect of the New Shares.

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

The Ordinary Shares (which at the date of this document are the only class of share in issue in the Company) have attached thereto the respective rights and privileges and are subject to the respective limitations and restrictions set out in this paragraph 3. The Articles contain provisions, *inter alia*, to the following effect:

#### **3.1 Dividends**

Subject to the provisions of the Act, the Company may by ordinary resolution from time to time declare dividends in accordance with the respective rights of the members, but only on the recommendation of the Board and no dividend shall exceed the amount recommended by the Board. The Board may also pay such interim dividends as appear to them to be justified by the financial position of the Company and may also pay any dividend payable at a fixed rate at intervals settled by the Board whenever the financial position of the Company justifies its payment.

Any dividend unclaimed for a period of 12 years from the date of declaration of such dividend shall be forfeited and shall revert to the Company.

Surpluses arising from the realisation of investments cannot be distributed as dividends.

In the event that a restriction notice (as detailed in paragraph 3.2.2 below) has been served, and the person holding the restricted Shares holds at least 0.25 per cent. in number or nominal value of the Shares in the Company, the Board may withhold the payment of all or part of any dividend (including shares issued in lieu of dividends) due on those restricted Shares.

#### **3.2 Voting**

##### **3.2.1 General voting rights**

The holder of an Ordinary Share shall be entitled to receive notice of and to attend, speak and vote at all general meetings of the Company in person (or, if a corporation, by a duly authorised representative) or by proxy. At any general meeting, on a show of hands every holder of Ordinary Shares who is present and entitled to vote shall have one vote and upon a poll every such holder of shares present in person, by corporate representative or by proxy shall have one vote in respect of each share held by him and every corporate representative present in person may exercise all the powers on behalf of the company which authorised him to act as its representative and shall have one vote for every share in respect of which he is appointed the corporate representative. However, no member shall be entitled to exercise a vote at any general meeting (or class meeting): (i) in relation to an Ordinary Share if any call or other sum immediately payable by him in respect of that Ordinary Share remains unpaid; or (ii) in relation to any Shares if a member has been served with a statutory notice by the Directors in the manner described in paragraph 3.2.2 below and has failed to supply to the Company the information required thereby within 14 days.

### 3.2.2 Restrictions on voting

If a holder of Shares or any person appearing to be interested in those Shares is served with a statutory notice by the Company under section 793 of the Act (which notice demands the disclosure of certain information regarding the relevant receiver's interest in the Shares) but defaults in supplying to the Company the information thereby required within 14 days of the service of such notice then the Directors may serve on the holder of those Shares a further notice (a "restriction notice") the effect of which is, *inter alia*, to prevent the holder from voting at any general meeting or class meeting of the Company in respect of those Shares.

### 3.3 Redeemable Shares

The Company may (subject to company law and any rights conferred on the holders of any other Shares) issue Shares which are to be redeemed, or are liable to be redeemed, at the option of the Company or the holder of the Share and the Board is authorised to determine the terms, conditions and manner of redemption of any such Shares.

### 3.4 Transfer of Shares

The Articles provide that Shares may be transferred on the following basis:

- (i) any member may transfer all or any of his uncertificated Shares by means of a relevant system in such manner provided for, and subject as provided in the Uncertificated Securities Regulations 2001 and the rules of any relevant system, and accordingly no provision of the Articles shall apply in respect of an uncertificated share to the extent that it requires or contemplates the effecting of a transfer by an instrument in writing or the production of a certificate for the Share to be transferred; and
- (ii) any member may transfer all or any of his certificated shares by an instrument of transfer in any usual form or in any other form which the Board may approve. The instrument of transfer shall be executed by or on behalf of the transferor and (in the case of a partly paid share) the transferee, and the transferor shall be deemed to remain the holder of the share concerned until the name of the transferee is entered in the register of members of the Company in respect of it.

However the Board may, in its absolute discretion and without giving any reason for so doing, decline to register any transfer of any Share which is not fully paid provided that where such Share is admitted to the Official List such discretion may not be exercised in such a way as to prevent dealings in Shares of that class from taking place on an open and proper basis.

The Board may also decline to register a transfer of an uncertificated Share in the circumstances set out in the Uncertificated Securities Regulations 2001, 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.

In relation to certificated Shares, the Board may also decline to register any transfer unless:

- (i) the instrument of transfer is left at the registered office of the Company or such other place as the Board may from time to time determine accompanied (save in the case of a transfer by a person to whom the Company is not required by law to issue a certificate and to whom a certificate has not been issued) by the certificate for the Share to which it relates and such other evidence as the Board may reasonably require to show the right of the person executing the instrument of transfer to make the transfer;
- (ii) (if stamp duty is generally chargeable on transfers of certificated Shares) the instrument of transfer is duly stamped or adjudged or certified as not chargeable to stamp duty;
- (iii) the instrument of transfer is in respect of only one class of Share; and
- (iv) in the case of a transfer to joint holders, the number of joint holders to whom the Share is to be transferred does not exceed four.

The Directors may in addition decline, subject to the Uncertificated Securities Regulations 2001, to register the transfer of a Share subject to a restriction notice (as detailed in paragraph 3.2.2 above) where the person holding the restricted Shares holds at least 0.25 per

cent in number or nominal value of the Shares in the Company. This restriction cannot be applied where the transfer is pursuant to an “arms’ length sale”.

### 3.5 *Variations of rights*

All or any of the rights for the time being attached to any class of Shares in issue may from time to time (whether or not the Company is being wound up) be varied either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class (excluding any Shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of those Shares. All the provisions of the Articles as to general meetings of the Company (described at paragraph 3.12 below) shall, *mutatis mutandis*, apply to any such separate general meeting, but so that the necessary 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 (excluding any Shares of that class held as treasury shares), (but so that at any adjourned meeting one holder present in person or by proxy (whatever the number of Shares held by him) shall be a quorum), that every holder of Shares of the class present in person or by proxy (excluding any Shares of that class held as treasury shares) shall be entitled on a poll to one vote for every Share of the class held by him (subject to any rights or restrictions attached to any class of Shares) and that any holder of Shares of the class present in person or by proxy may demand a poll. The foregoing provisions shall apply to the variation of the special rights attached to some only of the Shares of any class as if each group of Shares of the class differently treated formed a separate class and their special rights were to be varied.

### 3.6 *Reduction of Capital*

The Company may by special resolution reduce its share capital, any capital redemption reserve, any share premium account or any other undistributable reserve in any manner permitted by law.

### 3.7 *Untraced Shareholders*

Subject to various notice requirements, the Company may sell on the London Stock Exchange at the best price reasonably obtainable any certificated Share (including further Shares issued in respect of that Share) provided that for a period of 12 years at least three dividends on those Shares have become payable and no such dividend has been claimed by presentation at a bank of the relevant cheque or warrant or been satisfied by the transfer of funds to a bank account designated by the holder of (or person entitled to) the Shares or otherwise been transferred through CREST (or another relevant service), and so far as the directors are aware the Company has not received any communication during the relevant period from the holder of, or person entitled to, those Shares.

### 3.8 *Maintenance of middle market price*

Subject to it being in the interests of Shareholders as a whole and the Directors having all necessary authorities under company law and the Articles, the Directors are obliged to allot and to ensure that the Company offers to purchase Shares with a view to maintaining the middle market price at which the Shares trade on the main market of the London Stock Exchange at close to the Net Asset Value per Share as most recently published by the Company (taking into account any rights in respect of which the Shares are trading “ex”).

### 3.9 *Capital reserve*

The Board shall establish a reserve to be called the “capital reserve” and shall either carry to the credit of such reserve from time to time all capital profits or appreciations arising on the sale, transposition, payment off of or revaluation of any investment or other capital asset of the Company in excess of the book value thereof or apply the same in providing for depreciation or contingencies. For the avoidance of doubt, accrued but unpaid interest or any sum received in respect of accrued but unpaid interest shall not be treated as capital profits or appreciations arising on the sale, transposition, payment off of or revaluation of any investment or other capital asset. Any losses realised on the sale, transposition, payment off of or revaluation of any investment or other capital asset and any other expenses, loss or liability (or provision therefor) considered by the Board to be of a capital nature shall be carried to the debit of the capital reserve except in so far as the Board may in its discretion decide to make good the same out of

other funds of the Company. Any increase or diminution in the amount of any index-linked stock or other index-linked obligation of the Company shall be carried to the debit or credit of the capital reserve, except in so far as the Board may in its discretion decide to make good the same out of or credit the same to other funds or reserves of the Company.

Subject to the Act and without prejudice to the foregoing generality, the Board may determine whether any amount received by the Company is to be dealt with as income or capital or partly one and partly the other. The Board may determine whether any cost, liability or expense (including, without limitation, any costs incurred or sums expended in connection with the management of the assets of the Company or finance costs (including, without limitation, any interest payable by the Company in respect of any borrowings of the Company)) is to be treated as a cost, liability or expense chargeable to capital or to revenues or partly one and partly the other, having regard, *inter alia*, to the investment objectives of the Company, and to the extent the Board determines that any such cost, liability or expense should reasonably and fairly be apportioned to capital the Board may debit or charge the same to the capital reserve.

Any surplus over the book value derived from the sale or realisation of any capital asset and any other sums representing capital profits within the meaning of section 832 of the Act or any other accretions to capital assets, including in particular any sums resulting from the writing up of the book values of any capital assets and any surpluses arising from the realisation of investments, shall not be transferred to the revenue account or be regarded or treated as profits of the Company available for dividend or any other distribution within the meaning ascribed thereto by section 829 of the Act (otherwise than by way of the redemption or purchase of any of the Shares in accordance with Chapter 3 or 4 of Part 18 of the Act).

### 3.10 *Borrowing powers*

The Board may, subject to the restrictions set out below, exercise all of the powers of the Company to borrow money and to mortgage or charge its undertaking, property, assets and uncalled capital, or any part thereof, and to issue debentures, debenture stock and other securities, whether outright or as security for any debt, liability or obligation of the Company or of any third party.

The Board shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries (if any) so as to secure (as regards subsidiaries so far as by such exercise they can secure) that the aggregate amount for the time being remaining undischarged of all moneys borrowed by the Group (exclusive of intra group borrowings) shall not, except with the sanction of the Company in general meeting, exceed at the time of borrowing an amount equal to the aggregate of twice (1) the amount paid up or credited as paid up on the capital of the Company plus (2) the amount standing to the credit of the consolidated capital and revenue reserves (including share premium account and any balance on the consolidated profit and loss account), all as shown in the latest published consolidated balance sheet of the Company and its subsidiaries but (i) adjusted in respect of any variation in the paid up capital and share premium account of the Company since the date of that balance sheet and (ii) excluding any amounts set aside for taxation and any amounts attributable to outside shareholders in subsidiaries and (iii) deducting any debit balance on the consolidated profit and loss account at the date of that balance sheet and (iv) excluding any amount representing unrealised appreciation on capital assets as shown in such balance sheet.

The term “moneys borrowed” shall be deemed to include:

- (i) the nominal amount of any issued debentures (as defined in section 738 of the Act) notwithstanding that the same be issued in whole or in part for a consideration other than cash;
- (ii) the nominal amount of any issued share capital and the principal amount of any moneys borrowed, the repayment whereof is guaranteed by the Company or any of its subsidiaries (together in each case with any fixed or minimum premium payable on final redemption or repayment) except so far as either (i) such share capital or the debt owing in respect of such borrowed moneys are for the time being beneficially owned by the Company or by any of its subsidiaries or (ii) such borrowed moneys are otherwise taken into account as moneys borrowed by the Company or any of its subsidiaries.

### 3.11 *Directors*

#### 3.11.1 *Number of Directors*

The minimum number of Directors is two and the maximum number of Directors is ten.

#### 3.11.2 *Appointment and removal of Directors*

The Company may by ordinary resolution appoint any person who is willing to act to be a Director (either as an addition to the Board or to fill a vacancy). The Board may also appoint any person to the Board (either as an addition or to fill a vacancy) for the period from the date of appointment until the next general meeting.

Each Director shall retire from office at the third annual general meeting after the annual general meeting at which he was last elected.

The Company may remove a Director at any time by special resolution.

The office of Director shall also be vacated if:

- (i) he resigns his office by notice in writing; or
- (ii) by notice in writing he offers to resign and the Board resolves to accept such offer; or
- (iii) by notice in writing his resignation is requested by all of the other Directors and all of the other Directors are not less than three in number; or
- (iv) he is or has been suffering from mental ill health or becomes a patient for any purpose of any statute relating to mental health and the Board resolves that his office is vacated; or
- (v) 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; or
- (vi) he becomes bankrupt or compounds with his creditors generally; or
- (vii) he is prohibited by law from being a Director; or
- (viii) he ceases to be a Director by virtue of company law or is removed from office pursuant to the Articles.

#### 3.11.3 *Directors' fees, expenses and remuneration*

The fees paid to Directors for their services as Directors shall not exceed £175,000 in aggregate or such higher amount as the Company may by ordinary resolution determine. A Director may also be paid his reasonable travelling, hotel and incidental expenses of attending and returning from meetings of the Board (or any committee thereof) and any other meeting that he is entitled to attend and 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. A Director who is appointed to any executive office or who performs services which, in the opinion of the Board, go beyond the ordinary duties of a Director may be paid such extra remuneration as the Board (or any committee thereof) may think fit.

#### 3.11.4 *Directors' interests*

No Director or proposed or intending director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatever, nor shall any contract in which any Director is in any way interested be liable to be avoided, nor shall any Director who is so interested be liable to account to the Company or the members for any remuneration, profit or other benefit realised by the contract by reason of the Director holding that office or of the fiduciary relationship thereby established.

A Director may hold any other office or place of profit with the Company (except that of auditor) for such period (subject to company law) and upon such terms as the Board may decide, and may be paid such extra remuneration for so doing as the Board or any committee authorised by the Board may decide.

A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or in which the Company may be interested or as regards which it has any power of appointment, and shall not be liable to account to the Company or the members for any remuneration, profit or other benefit received by him as a Director or officer of or from his interest in the other company.

A Director may act by himself or his firm in a professional capacity (otherwise than as auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.

A Director shall not vote on or be counted in the quorum in relation to any resolution of the Board concerning his own appointment, or the settlement or variation of the terms or the termination of his own appointment, as the holder of any office or place of profit with the Company or any other company in which the Company is interested.

A Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board in respect of any actual or proposed transaction or arrangement with the Company in which he has an interest which (taken together with any interest of any person connected with him) is to his knowledge an interest of which he is aware, or ought reasonably to be aware, does conflict, or can reasonably be regarded as likely to give rise to a conflict, with the interests of the Company and, if he shall do so, his vote shall not be counted (subject to certain exceptions provided under the Articles).

A Director who is in any way, whether directly or indirectly, interested in an actual or proposed transaction or arrangement with the Company shall declare the nature and extent of his interest at the meeting of the Board at which the question of entering into the contract is first taken into consideration, if he knows his interest then exists, or in any other case at the first meeting of the Board after he knows that he is or has become so interested.

In respect of any situation in which a Director has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company, the Board may authorise the matter, on such terms as they may determine, provided that:

- (i) the Director has declared the full nature and extent of the situation to the Board; and
- (ii) it is proposed (either by the Director in question or another) that the Board authorise the matter and upon the resolution to do so the requirement for the quorum is met without counting the Director in question and the resolution was agreed to without such Director voting or would have been agreed to if that conflicted Director's vote had not been counted.

Any authorisation given by the Board under the Articles may provide that, where the interested director obtains (other than through his position as a director of the Company) information that is confidential to a third party, he will not be obliged to disclose it to the Company or use it in relation to the Company's affairs in circumstances where to do so would amount to breach of confidence.

Subject to company law and the Listing Rules, the Company may by ordinary resolution suspend or relax the above provisions on directors' conflicts to any extent or ratify any contract not properly authorised by reason of a contravention of the Articles.

### 3.11.5 *Voting and quorum*

Questions arising at any meeting 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.

The quorum at Board meetings shall be two Directors (unless fixed at another number by the Board).

### 3.12 *General meetings*

Annual general meetings shall be convened by not less than 21 clear days' notice in writing. Subject to the Act, all other general meetings shall be called by not less than 14 clear days' notice in writing. The notice shall specify the place, day and time of the meeting, the general nature of the business to be transacted, the address of the website where information relating to the meeting is available, the record date, any procedures as to attendance and voting and an explanation of the right to ask questions and the right to requisition resolutions in accordance with the Act. Notice of every general meeting shall be given to all members other than any who, under the provisions of the Articles or the terms of issue of the Shares they hold, are not entitled to receive such notices from the Company, and also to the Auditors.

Subject to the Act, and notwithstanding that a meeting of the Company is convened by shorter notice than that specified above, it shall be deemed to have been properly convened if it is so agreed:

- (i) in the case of an annual general meeting, by all the members entitled to attend and vote at the meeting; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

The Directors may, from time to time, make such arrangements for the purpose of controlling the level of attendance at any such place as they shall, in their absolute discretion, consider appropriate, and may from time to time vary any such arrangements or make any new arrangements in place of them, provided that the entitlement of a member to attend a meeting or adjourned meeting shall be satisfied by his being given the entitlement to attend at such place as may be specified by the Directors for the purpose.

The Board may direct that persons wishing to attend any general meeting should submit to such searches or other security arrangements or restrictions as the Board shall consider appropriate in the circumstances and shall be entitled in its absolute discretion to refuse entry to, or to eject from, such general meeting any person who fails to submit to such searches or otherwise to comply with such security arrangements or restrictions.

## **4. Directors' and other interests**

- 4.1 The aggregate of the remuneration paid and benefits in kind granted to the Directors by the Company for the financial period which ended on 30 April 2010 was £256,580 (being £21,516 to Hamish Buchan (the Chairman), £187,000 to Robin Angus (an executive Director), £12,000 to Martin Hamilton-Sharp, £12,000 to Gordon Neilly, £9,516 to Stuart Paul, £9,516 to Frank Rushbrook and £5,032 to Robert White (the former Chairman). Mr Paul and Mr Rushbrook each became a Director during the course of the financial period which ended on 30 April 2010. It is estimated that the aggregate remuneration to be paid and benefits in kind granted to the Directors by the Company for the current financial period ending 30 April 2011 will not exceed £90,000 in fees and £190,000 in salaries. The total remuneration and benefits in kind granted to the Directors will not be varied as a consequence of the Placing. None of the Directors is eligible for pension, retirement or similar benefits and no amounts have been set aside by the Company or its subsidiary to provide pension, retirement or similar benefits.

- 4.2 Robin Angus (the executive Director) has a rolling twelve month contract of employment, signed in November 2002. In the event of termination of Mr Angus's contract otherwise than on notice, the Company would incur a liability for 12 months' salary. Any new Directors appointed during the year must stand for re-appointment at the first annual general meeting following their appointment. The Board has established the policy that all executive and non-executive Directors shall submit themselves for re-election at each annual general meeting of the Company. Other than for Robin Angus, the Company has the right to terminate the appointment of each Director without compensation if the relevant Director is required to vacate office in accordance with the Articles and, subject thereto, there are no contractual provisions regarding any compensation which would be payable upon early termination by the Company. The fees which are payable in respect of the financial year ending 30 April 2011 are £30,000 to Hamish Buchan, the Chairman, and £15,000 to each of Martin Hamilton-Sharp, Gordon Neilly, Stuart Paul and Frank Rushbrook. The fees payable in respect of the financial year ending 30 April 2012 will be £36,000 per annum to Hamish Buchan and £18,000 per annum to each of Martin Hamilton-Sharp, Gordon Neilly, Stuart Paul and Frank Rushbrook. The fees are reviewed annually and may be increased in line with usual market rates. Robin Angus, the executive Director, is paid a salary of £190,000 per annum under his contract of employment. Mr Angus does not receive a separate Director's fee. Save as set out in this paragraph 4.2, there are no existing or proposed service contracts or letters of engagement between any of the Directors and the Company.
- 4.3 No Director has or has had any direct or indirect interest in any transaction which is or was unusual in its nature or conditions or which is or was significant to the business of the Company and which has been effected by the Company since its date of incorporation.
- 4.4 No loan or guarantee has been granted or provided by the Company for the benefit of any Director.
- 4.5 The Directors do not have any options over Shares. As at the date of this document, the interests of the Directors in the issued share capital of the Company were as follows:

<i>Director</i>	<i>No. of Shares</i>	<i>Percentage of issued share capital</i>
Hamish Buchan	1,014	0.1
Robin Angus	2,759	0.3
Martin Hamilton-Sharp	2,717	0.3
Gordon Neilly	1,200	0.1
Stuart Paul	1,024	0.1
Frank Rushbrook	12,037	1.2

As at the date of this document, Sebastian Lyon held interests in 1,651 Shares (representing 0.2 per cent. of the issued share capital of the Company).

- 4.6 As at close of business on 30 March 2011 (being the latest practicable date prior to publication of this document), the Company was aware of the following interests in three per cent. or more of the issued share capital of the Company:

	<i>No. of Shares</i>	<i>Percentage of issued share capital</i>
Personal Assets Trust ISA	169,519	17.5%
Personal Assets Trust Investment Plan	141,382	14.6%
Personal Assets Trust PEP	39,842	4.1%

The Directors are not aware of any person or persons who, following the Placings, will or could, directly or indirectly, jointly or severally, exercise control over the Company. There are no different voting rights for any Shareholder.

4.7 Details of those companies (other than the Company, its subsidiary and subsidiaries of the companies disclosed below) and partnerships of which the Directors have been a member of the administrative, management or supervisory body or a partner at any time since 1 April 2006 are as follows:

	<i>Current Directorships</i>	<i>Previous Directorships</i>
(i) R J Angus	None	Collective Assets Trusts PLC Personal Assets Investments Limited The Edinburgh Agency Limited
	<i>Current Directorships</i>	<i>Previous Directorships</i>
(ii) H N Buchan	Aberforth Smaller Companies Trust PLC Community Foundation Network JPMorgan American Investment Trust PLC Standard Life European Private Equity Trust PLC Templeton Emerging Markets Investment Trust PLC The Scottish Community Foundation The Scottish Investment Trust PLC	Collective Assets Trust PLC Personal Assets Investments Limited Shires Income PLC SIF Education Company Limited The Edinburgh Agency Limited Wiston Investment Company Limited Topshire Limited The Association of Investment Companies
	<i>Current Directorships</i>	<i>Previous Directorships</i>
(iii) J M G Hamilton-Sharp	MHS Associates Limited	Collective Assets Trust PLC Murray TMT PLC Northern Investors Company PLC Personal Assets Investments Limited The Edinburgh Agency Limited
	<i>Current Directorships</i>	<i>Previous Directorships</i>
(iv) G J Neilly	Eye 2 Detail Limited Intelli Partners Limited The Buildstore Share Scheme Trustees Limited	Buildstore Limited Irvine Bay Urban Regeneration Company MAM Funds PLC Personal Assets Investments Limited The Edinburgh Agency Limited
	<i>Current Directorships</i>	<i>Previous Directorships</i>
(v) S W Paul	Commonwealth Bank of Australia (UK) Staff Benefits Scheme Trustee Company Limited Didasko Education Company Limited	James Paul and Sons Limited SI Group ESOP Trustee Limited First State Investments (UK Holdings) Limited First State Investments (UK) Limited Stewart Ivory Unit Trust Managers Limited Colonial First State International Assets Colonial First State Limited Roodhill Nominees Limited
	<i>Current Directorships</i>	<i>Previous Directorships</i>
(vi) F P Rushbrook	Rushbrook & Company LLP Nettle Capital Management LLP	None

- 4.8 As at the date of this document none of the Directors:
- (a) has any convictions in relation to fraudulent offences for at least the previous five years;
  - (b) has been the subject of any bankruptcies, receiverships or liquidations when acting in the capacity of a member of the administrative, management or supervisory body or a partner of the companies and/or partnerships referred to in paragraph 4.7 above, save as disclosed in paragraph 4.9 below;
  - (c) has any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.
- 4.9 Each of Hamish Buchan, Robin Angus and Martin Hamilton-Sharp was a non-executive director of Collective Assets Trust plc, which was placed in members' voluntary liquidation on 29 June 2005. Mr Hamilton-Sharp was also a non-executive director of Murray TMT plc, which was placed in members' voluntary liquidation on 24 November 2003 and was dissolved on 19 September 2008. Stuart Paul was a director of each of Colonial First State International Assets and Colonial First State Limited, which were placed in members' voluntary liquidation on 4 July 2003 and were dissolved on 11 November 2007, Roodhill Nominees Limited, which was placed into members' voluntary liquidation on 27 April 2009 and dissolved on 13 January 2010, and SI Group ESOP Trustee Limited, which was placed into members' voluntary liquidation on 14 July 2003 and dissolved on 13 June 2007. The liquidation of each of the companies referred to in this paragraph 4.9 was on a solvent basis.
- 4.10 There are no potential conflicts of interest between any duties of the Directors to the Company and their private interests and/or other duties. All of the Directors are independent of the Investment Adviser and any other company in the same group of companies as the Investment Adviser.

## 5. Subsidiary undertaking

The Company is the holding company of the PAT Group. The Company has only one subsidiary undertaking, details of which are set out below.

<i>Name and Registered Office</i>	<i>Place of incorporation</i>	<i>Business Activity</i>	<i>Shares Owned</i>	<i>Percentage of Share Capital Owned</i>
Personal Assets Trust Administration Company Limited	Scotland	Company secretarial and administrative services	1 ordinary share of £1	100

The Company holds the full voting power in the subsidiary undertaking. The subsidiary undertaking provides secretarial and administration services to the Company and other investment companies.

## 6. Related party transactions

The Company was not a party to, nor had any interest in, any related party transaction (as defined in the standards adopted according to the Regulation (EC) No 1606/2002) at any time during the three financial periods ended 30 April 2010 in respect of which the Company has published statutory accounts, the six month period to 31 October 2010 in respect of which the Company has published a half-yearly report and accounts or during the period from 1 November 2010 to the date of this document.

## 7. Mandatory bids, squeeze-out and sell-out rules

### 7.1 *Mandatory bids*

As a company incorporated in Scotland with shares admitted to trading on the London Stock Exchange, the Company is subject to the provisions of the Takeover Code. Under Rule 9 of the Takeover Code, any person or group of persons acting in concert with each other which, taken together with shares already held by that person or group of persons, acquires 30 per cent. or more of the voting rights of a public company which is subject to the Takeover Code or holds not less than 30 per cent. but not more than 50 per cent. of the voting rights exercisable at a

general meeting and acquires additional shares which increase the percentage of their voting rights, would normally be required to make a general offer in cash at the highest price paid within the preceding 12 months for all the remaining equity share capital of the Company.

Under Rule 37 of the Takeover Code, when a company purchases its own voting shares, a resulting increase in the percentage of voting rights carried by the shareholdings of any person or group of persons acting in concert will be treated as an acquisition for the purposes of Rule 9. A shareholder who is neither a director nor acting in concert with a director will not normally incur an obligation to make an offer under Rule 9. However, under note 2 to Rule 37, where a shareholder has acquired shares at a time when it had reason to believe that a purchase by the company of its own voting shares may take place, an obligation to make a mandatory bid under Rule 9 may arise in certain circumstances. The buying back by the Company of Ordinary Shares could, therefore, have implications for Shareholders with significant shareholdings.

#### 7.2 *Squeeze-out and sell-out rules*

Other than as provided by the Act, there are no rules or provisions relating to squeeze-out and sell-out rules in relation to the Ordinary Shares.

### 8. **Material contracts**

The following are all of the material contracts, other than contracts entered into in the ordinary course of business, to which any member of the PAT Group has been a party within the two years preceding the date of publication of this document and any other contract, not being a contract entered into in the ordinary course of business, that has been entered into by any member of the PAT Group which contains any provisions under which any member of the PAT Group has any obligation or entitlement which is material to the Company as at the date of this document:

- 8.1 The Investment Advisory Agreement pursuant to which the Investment Adviser has agreed, subject to the overall policy and supervision of the Directors, the matters reserved to the Directors and such directions as the Directors may give from time to time, to advise upon investments in accordance with the Company's investment policy. The Investment Adviser receives an advisory fee in accordance with the Investment Advisory Agreement and which is payable quarterly in arrears. The advisory fee is based on the value of Shareholders' funds and is 0.5 per cent. per annum of the first £100 million, 0.625 per cent. per annum of the next £50 million, 0.75 per cent. per annum between £150 million and £500 million and 0.625 per cent. per annum in respect of Shareholders' funds in excess of £500 million.

The Investment Advisory Agreement continues until terminated at any time by either party giving to the other not less than six months' written notice. The agreement is therefore ongoing at the date of this document. If the Company gives less than the prescribed period of notice, then the Investment Adviser is entitled to receive a sum calculated by reference to the unexpired period of such notice. However, the Investment Advisory Agreement may also be terminated by either party forthwith and without compensation if: (i) any petition is presented or a resolution passed for the winding up of the other party (other than a winding up for the purposes of a reconstruction or amalgamation on terms previously approved in writing by the relevant party); (ii) a receiver or similar officer is appointed to the property and undertaking of the other party or the other party becomes insolvent, is dissolved or goes into liquidation; or (iii) the other party commits any material breach which remains unremedied or is guilty of fraud, wilful default or negligence. In addition, the Investment Advisory Agreement may be terminated by the Company forthwith and without compensation if: (i) there is a change of control of the Investment Adviser (other than an acquisition of control by the Investment Adviser's existing management team) or a change in corporate structure which might reasonably be expected to be materially prejudicial to the Company's interests; (ii) if Sebastian Lyon ceases to be a full-time executive of the Investment Adviser; or (iii) if the Investment Adviser (or any of its key employees) commits a material breach of the UK regulatory system.

The Company has agreed to indemnify the Investment Adviser against all costs, claims and demands arising directly out of the proper performance of its duties except where such liabilities result from the breach of duties or obligations, wilful default, fraud or negligence of the Investment Adviser. Such indemnity is in a form which is usual for an agreement of this kind.

- 8.2 The Company has in place a global custody agreement with the Custodian (the “**Custody Agreement**”) under which the Company appoints the Custodian to act as its custodian in relation to the cash and securities of the Company and to provide, *inter alia*, the following services: holding cash and securities and arranging settlement of transactions in relation to those assets, collecting and processing income from the assets and providing statements of account and other services typical of services provided by a custodian to an investment company. The Custodian is permitted to act through and hold securities with sub-custodians chosen by it (using reasonable care). Under the Custody Agreement, the Company agrees to indemnify the Custodian, and any sub-custodian, nominees, directors, officers, agents and employees in respect of all liabilities, losses, claims, costs, damages, penalties, fines, obligations or expenses of any kind imposed on or incurred by or asserted against the indemnified persons or any of them arising as a result of any action or omission taken in accordance with the instructions given by any person authorised by the Company to give such instructions, except where they arise out of the negligence, fraud or wilful default of the indemnified persons. The Custodian is required to use all reasonable care in performing its obligations and is to carry out its duties with the skill and care appropriate to a professional custodian, but it is only to be liable to the extent that it or any employee, agent or nominee has been negligent, fraudulent or in wilful default in the performance of their duties and it is to have no liability for indirect, incidental, consequential or special damages. The Custodian is also liable for direct losses incurred by the Company that result from the failure of a sub-custodian to act with reasonable care in accordance with the standards prevailing in the relevant market, the fraud or wilful default of the sub-custodian in the provision of the custodial services by it and from the insolvency of any sub-custodian affiliated with the Custodian. The Custody Agreement shall continue for an initial term of three years, following the date on which the Custodian commenced providing services under it, and, thereafter, may be terminated by the Custodian on 180 days’ written notice to the Company and by the Company on 60 days’ written notice to the Custodian. Under the Custody Agreement, the Custodian is entitled to receive the fees agreed with the Company together with reasonable out of pocket or incidental expenses (including legal fees).
- 8.3 The Company was previously party to an agreement with F&C for the provision of certain company secretarial and administrative services. The charge for those services was £125,000 per annum. In addition, the Company received investment advisory services from F&C beginning on 13 October 2008 for which the Company paid £25,000 per month. The provision of investment advisory services was terminated on 31 January 2009 and the provision of company secretarial and administrative services terminated on 31 March 2010. Company and secretarial services are now provided by the Company’s own Executive Office.
- 8.4 The Company has in place an agreement with Halifax Share Dealing Limited (“HSDL”) pursuant to which the Company delegates the administration of ISAs and investment plans to HSDL. The administration services include processing applications, operating investors’ accounts, processing purchases and sales and sending statements. The Company will pay to HSDL an initial payment of £30 per ISA account and £25 per investment plan account that HSDL administers and thereafter an annual charge of £35 per ISA account and £25 per investment plan account administered in that period. HSDL is entitled to charge the following additional service fees if certain services are requested or events occur: £11.95 per sale of an ISA or investment plan; £15 for each account closure; and £30 per account transfer. The initial term of the agreement is to expire on 5 April 2013 and thereafter the agreement will continue until terminated by either party on six months’ notice or sooner in the event of certain breaches of the agreement or insolvency events. The Company’s liability under the agreement is subject to an aggregate cap per twelve month period of the lesser of £100,000 or the amount of the fees payable to HSDL in the twelve months preceding the date on which the cause of action arose. HSDL’s liability to the Company for loss of profits, revenue, contracts or goodwill is specifically excluded as is any liability to an investor arising from the provision by HSDL of services under the agreement.

## **9. Investment restrictions**

- 9.1 In accordance with the requirements of the UK Listing Authority, the Company:
- (i) will not invest more than ten per cent. in aggregate of the value of the total assets of the Company in other investment companies or investment trusts which are listed in the Official List (except to the extent that those investment companies or investment trusts

- have published investment policies to invest no more than 15 per cent. of their gross assets in other investment companies or investment trusts which are listed on the Official List);
- (ii) will not conduct any trading activity which is significant in the context of the Company as a whole;
  - (iii) will, at all times, invest and manage its assets:
    - (a) in a way which is consistent with its object of spreading investment risk; and
    - (b) in accordance with its published investment policy.
- 9.2 As an investment trust, the Company complies with section 1158 of the Tax Act which requires that the Company's income is derived wholly or mainly from shares or securities and, in general, that no holding in a company, other than another investment trust, represents more than 15 per cent. by value of the Company's investments.
- 9.3 In accordance with the requirements of the UK Listing Authority, the Company will not make any material change to its published investment policy without the approval of its Shareholders by ordinary resolution. Such an alteration would be announced by the Company through a Regulatory Information Service.
- 9.4 In the event of any breach of the investment restrictions applicable to the Company, Shareholders will be informed of the actions to be taken by the Company by an announcement issued through a Regulatory Information Service approved by the UK Listing Authority.

## 10. Taxation

The information contained in this document relating to taxation is a summary of the taxation matters which the Directors consider should be brought to the attention of prospective investors. The following statements are intended as a general guide only and do not constitute legal or tax advice to any Shareholder or prospective Shareholder or investor. They are based upon the United Kingdom law and HM Revenue & Customs practice currently in force, and relate only to the position of Shareholders who are beneficial owners of their Shares. They may not relate to certain categories of Shareholders, such as dealers in securities. Prospective investors should consult their own professional advisers on the potential tax consequences of acquiring, holding or selling Ordinary Shares in the Company.

### 10.1 *The Company*

It is the intention of the Directors to conduct the affairs of the Company so as to satisfy the conditions for approval as an investment trust under section 1158 of the Tax Act and to apply annually to HM Revenue & Customs for such approval which is granted retrospectively. In order to maintain its investment trust status for an accounting period, the Company must not, *inter alia*, be a close company at any time in that accounting period. The Directors do not anticipate that the Company will be a close company. In respect of each accounting period for which approval is granted, the Company will be exempt from United Kingdom taxation on its capital gains.

The Company will, however, be liable to UK corporation tax on its income profits in the normal way, with dividend income generally being exempt from corporation tax. Income arising from overseas investments may be subject to foreign withholding taxes at varying rates, but double taxation relief may be available on overseas income other than dividend income.

### 10.2 *Shareholders*

#### 10.2.1 *Taxation of capital gains*

Shareholders resident or ordinarily resident in the UK for taxation purposes may, depending upon their personal circumstances, be liable to UK capital gains tax or, in the case of corporations, corporation tax on chargeable gains arising from the sale or other disposal (which includes disposal upon a winding up) of their Shares for the purposes of the TCGA ("Capital Gains Tax"). On such a disposal by an individual Shareholder who is resident or ordinarily resident in the UK for taxation purposes, a rate of Capital Gains Tax of 18 per cent. applies for basic rate taxpayers and 28 per cent. for higher and additional rate taxpayers. An individual may be able to claim certain reliefs (including the personal allowance in respect of the first £10,600 of capital gains received in the

financial year 2011/2012). Shareholders which are corporations resident in the UK will benefit from an indexation allowance which, in general terms, increases the Capital Gains Tax base cost of an asset in accordance with changes in the Retail Prices Index.

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

#### 10.2.2 *Taxation of dividends*

Under current legislation, no withholding tax will be deducted from any dividends paid by the Company to UK resident Shareholders.

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

The dividend additional rate of income tax of 42.5 per cent. applies with effect from 6 April 2010 to UK resident individuals who receive dividends and who have taxable income from all sources in excess of £150,000 per annum. Accordingly, an additional rate tax payer will be liable to income tax on the sum of the dividend plus the tax credit (to the extent that, taking that sum at the top slice of his income, it falls above the threshold for the additional rate of income tax) at the rate of 42.5 per cent., against which he can offset the 10 per cent. tax credit.

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

UK resident corporate Shareholders (other than dealers and certain insurance companies) are not liable to corporation tax or income tax in respect of dividends.

Non-UK resident Shareholders may be subject to tax on dividend income under any law to which they are subject outside the UK.

#### 10.3 *Stamp duty and stamp duty reserve tax*

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

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

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

#### 10.4 ISAs

New Shares will qualify for the stocks and shares component of an ISA, provided that they are acquired by an ISA manager in the market. Shares subscribed for directly pursuant to a Placing will not qualify for the stocks and shares component of an ISA. Direct transfers to an ISA will render such shares ineligible for ISAs.

#### 10.5 SIPPs and SSASs

Ordinary Shares will be permitted investments for SIPPs and SSASs.

### 11. General

11.1 Assuming that the maximum number of New Shares available for issue under the Placings is issued at an Issue Price of £312.40 (representing a premium of two per cent. to the Net Asset Value per Share calculated as at close of business on 30 March 2011), £93,720,000 in aggregate would be raised under the Placings. Assuming that the maximum number of New Shares available for issue under the Placings is issued by way of a single Placing, the total costs and expenses of and incidental to the Placings payable by the Company will be approximately £125,000, being 0.4 per cent. of the total proceeds of the Placings.

11.2 Assuming £93.7 million is raised under the Placing, the net proceeds available for investment by the Company will be approximately £93.6 million and these net proceeds will be invested in accordance with the Company's investment policy described in Part 1 of this document.

11.3 There are no governmental, legal or arbitration proceedings (and, in so far as the Company is aware, there are no governmental, legal or arbitration proceedings pending or threatened) which may have, or have had in the previous 12 months, significant effects on the Company's and/or the PAT Group's financial position or profitability.

11.4 The Company is of the opinion that the working capital available to the PAT Group is sufficient for the PAT Group's present requirements (that is, for at least the next 12 months from the date of this document).

11.5 The Company employs Robin Angus (the executive Director). Personal Assets Trust Administration Company Limited employs each of the other employees who together form the Executive Office. No member of the PAT Group has any other employees. No member of the PAT Group owns any premises.

11.6 Dickson Minto W.S. has given and not withdrawn its written consent to the issue of this document with inclusion therein of its name in the form and context in which they are included.

11.7 The unaudited Net Asset Value per Share as at 30 March 2011 was £306.2748 including current income.

### 12. Documents available for inspection

Copies of the following documents are available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of Dickson Minto W.S., Broadgate Tower, 20 Primrose Street, London EC2A 2EW and 16 Charlotte Square, Edinburgh EH2 4DF until 31 March 2012:

- (i) the articles of association of the Company;
- (ii) the annual reports and accounts of the Company for the three financial years ended 30 April 2010;
- (iii) the unaudited interim reports of the Company for the six months ended 31 October 2009 and 31 October 2010 respectively; and
- (iv) this document.

### **13. Availability of Prospectus**

The Prospectus is available for inspection at [www.hemscott.com/nsm.do](http://www.hemscott.com/nsm.do) and, until 31 March 2012, copies are available for collection, free of charge, from the offices of Dickson Minto W.S., Broadgate Tower, 20 Primrose Street, London EC2A 2EW and 16 Charlotte Square, Edinburgh EH2 4DF and from the registered office of the Company, 10 St Colme Street, Edinburgh EH3 6AA.

1 April 2011