

This document comprises a prospectus (the "**Prospectus**") relating to Finsbury Growth & Income Trust PLC (the "**Company**") prepared in accordance with the Prospectus Rules made under section 84 of the Financial Services and Markets Act 2000 ("**FSMA**") and made available to the public for the purposes of section 85 of FSMA. This Prospectus does not contain or constitute an offer to sell or issue New Ordinary Shares or the solicitation of an offer to buy or subscribe for New Ordinary Shares. This Prospectus has been approved by and filed with the Financial Services Authority in accordance with the Prospectus Rules.

Potential investors are recommended to seek advice from their stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the FSMA before investing in the Company. Potential investors should also consider the risk factors relating to the Company set out at pages 9 to 12 of this Prospectus.

The Company, whose registered office appears on page 79 of this Prospectus, and the Directors, whose names appear on pages 29 and 30 of this Prospectus, accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Company and the Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omissions likely to affect the import of such information.

Application will be made in due course to the Financial Services Authority for any New Ordinary Shares issued pursuant to this Prospectus to be admitted to the Official List. Application will also be made to the London Stock Exchange for all such New Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. The International Security Identification Number (ISIN) for the existing shares and any New Ordinary Shares admitted to listing and trading is: GB0007816068.

FINSBURY GROWTH & INCOME TRUST PLC

(incorporated and registered in Scotland with registered number SC013958, an investment company under section 833 of the Companies Act 2006 (the "**Act**"))

Prospectus relating to the placing of up to 40,000,000 Ordinary Shares of 25p each

Winterflood Securities Limited, acting through its division Winterflood Investment Trusts, which is authorised and regulated by the Financial Services Authority, is acting for the Company in connection with the issue of New Ordinary Shares as described in this Prospectus and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Winterflood Securities Limited or for advising any such person in connection with the issue of New Ordinary Shares as described in this Prospectus.

The distribution of this Prospectus in certain jurisdictions may be restricted by law. No action has been taken by the Company or Winterflood Securities Limited that would permit an offer of the New Ordinary Shares or possession or distribution of this Prospectus or any other offering or publicity material in any jurisdiction where action for that purpose is required, other than in the United Kingdom. Persons into whose

possession this Prospectus comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

The New Ordinary Shares described in this Prospectus have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) or the securities laws of any states of the United States or under any of the relevant securities laws of Canada, Australia or Japan. Accordingly, the New Ordinary Shares may not (unless an exemption from such legislation or such laws is available) be offered, sold or delivered, directly or indirectly, in or into the United States, Canada, Australia or Japan. The Company will not be registered under the United States Investment Company Act 1940 (as amended) and investors will not be entitled to the benefits of such legislation. Persons resident in territories other than the United Kingdom should consult their professional advisers as to whether they require any governmental or other consents or need to observe any formalities to enable them to apply for, acquire, hold or dispose of New Ordinary Shares.

In particular, the attention of persons resident in the United States, Canada, Australia or Japan is drawn to paragraph 22 of Part 7 of this Prospectus. This Prospectus does not constitute an offer to sell or issue or the solicitation of an offer to buy or subscribe for New Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful.

12 December 2011

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SUMMARY

This summary section should be read as an introduction to the Prospectus and any decision to acquire New Ordinary Shares should be based on a consideration of the Prospectus as a whole.

Where a claim relating to the information contained in a Prospectus is brought before a court, a claimant investor might, under the national legislation of the EEA States, have to bear the costs of translating this Prospectus before the legal proceedings are initiated.

Civil liability attaches to those persons who are responsible for this summary, including any translation of the summary, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus.

The Issuer

Finsbury Growth & Income Trust PLC is an investment trust company with an indefinite life which was established in 1926. Ordinary Shares of the Company are admitted to the Official List and to trading on the London Stock Exchange.

Investment Objective and Summary of Investment Policy

The Company's investment objective is to achieve capital and income growth and to provide Shareholders with a total return in excess of that of the FTSE All-Share Index.

The Company invests principally in the securities of UK listed companies, whilst up to a maximum of 20 per cent of the Company's portfolio, at the time of acquisition, can be invested in quoted companies worldwide. Where possible, a minimum position size of 1 per cent of the Company's gross assets is held unless the holding concerned is being built or disposed of.

The portfolio is managed by Lindsell Train and will normally comprise approximately 30 investments. Unless driven by market movements, FTSE 100 companies, including preference shares issued by such companies, will normally represent between 50 per cent and 100 per cent of the portfolio; at least 70 per cent of the portfolio will normally be invested in companies within the FTSE 350.

Investment Process

The investment process adopted by Lindsell Train, the Company's investment manager, is underpinned by a focus on long term investments and total return as a prerequisite for stock selection.

The process seeks to add value by establishing holdings in a limited number of UK companies - the Company's portfolio typically consists of approximately 30 investments - and then maintaining these positions for very long periods. However, the Company will

sell the holdings when appropriate. The characteristics sought in portfolio companies are:

- durability: companies that can prosper through business cycles for many years to come;
- high return on equity: companies with the ability to grow earnings on a consistent basis are favoured over those with rapid short term growth, but uncertain long term prospects; and
- low capital intensity/high free cash flow generation: companies that do not have to make heavy balance sheet investment to generate earnings growth.

The key stage of the investment process is to identify companies that meet these criteria and Lindsell Train concentrates on areas where it believes it has a competitive advantage in identifying quality business, for example branded consumer goods, media and retail financial services.

Performance

The Company's performance is measured against that of the FTSE All-Share Index. To 30 September 2011 the performance, in total return terms, was as follows:

	6 months %	1 year %	3 years %	5 years %
Company (NAV per Ordinary Share - total return)	-3.6	5.8	65.0	21.5
FTSE All-Share Index (total return)	-11.8	-4.4	19.2	4.0

Source: Unaudited information from Morningstar.

Management

The Company's Manager, Frostrow Capital LLP, was established in 2007. Frostrow provides specialist management, administrative, company secretarial and marketing services to eight investment companies.

Investment Manager

Lindsell Train is an independent investment management company founded in 2000 which specialises in managing UK, Japanese and global equity mandates. The Company had £1.54 billion of total funds under management as at 31 October 2011.

New Ordinary Shares

The Board's policy is to issue Ordinary Shares at a premium to cum income NAV into the market when demand arises. At the Company's AGM held on 27 January 2011, the

Directors were granted authority to allot up to 5,294,742 shares. During the year ended 30 September 2011 4,290,000 Ordinary Shares were issued. At 30 September 2011 the Company had 57,237,423 Ordinary Shares of 25p each in issue. As at this date no Ordinary Shares were held in treasury. Following the year-end and up to 9 December 2011 (being the latest practicable date at which such figure could be ascertained before the publication of this Prospectus), a further 1,004,742 new Ordinary Shares have been issued and the Company had 58,242,165 Ordinary Shares in issue. All of these Ordinary Shares were issued by the Company in response to market demand. The Company's authority to allot Ordinary Shares on a non-pre-emptive basis under the AGM authority and the limit on the number of new Shares that can be admitted to the Official List without the publication of a prospectus have therefore been exhausted.

Because it is likely that there will be further demand for the Company's Ordinary Shares the General Meeting was convened, at which Shareholder authority to issue up to 5,824,216 New Ordinary Shares was granted. In order to enable the Company to continue to seek Admission of further Ordinary Shares, while remaining compliant with the Prospectus Rules, the Company is publishing this Prospectus. This Prospectus does not contain or constitute an offer to the public of New Ordinary Shares or the solicitation of an offer to buy or subscribe for New Ordinary Shares.

Should the Board wish to issue New Ordinary Shares in excess of this number, further authorities will be sought at an appropriate time by convening a general meeting of Shareholders for the purpose. It is expected that this Prospectus will remain valid for twelve months from the date hereof, subject to the requirement under the Prospectus Rules for the publication of supplementary prospectuses to disclose any significant changes in the financial or trading position of the Company.

The Placing

The Placing will open on 16 December 2011 and will close on the date on which this Prospectus ceases to remain valid, which is expected to be a date twelve months from the date of this Prospectus. The maximum number of Ordinary Shares to be issued pursuant to the Placing is 40,000,000. The allotment of New Ordinary Shares under the Placing is at the discretion of the Directors.

The Placing is not being underwritten and, as at the date of this document, the actual number of Ordinary Shares to be issued under the Placing is not known. The number of Ordinary Shares available under the Placing should not be taken as an indication of the number of Ordinary Shares finally to be issued.

The price at which each New Ordinary Share will be issued will be calculated by reference to the estimated cum income Net Asset Value of each existing Ordinary Share together with a premium intended to cover the costs and expenses of the Placing (including, without limitation, any placing commissions) and the initial investment of the amounts raised.

Share Buybacks

Since 2 April 2004, the Board has applied an active discount management policy, buying back Ordinary Shares where these are available in the market at a discount of 5 per cent (or more) to the ex income Net Asset Value per Ordinary Share. The making and timing of any share buybacks is at the absolute discretion of the Board.

Borrowings

The Company has a secured multicurrency revolving credit facility of £25 million for a fixed term expiring in October 2013. This facility carries a variable rate of interest of 1.35% over LIBOR. As at 8 December 2011 (being the latest practicable date at which such figure could be ascertained before the publication of this Prospectus), £14.05 million was drawn down under this facility, which equates to gearing of 7.5 per cent of the Company's net assets. This is consistent with the Company's gearing policy which is that the Company should not be less than 5 per cent geared nor more than 25 per cent geared without the approval of the Board.

Use of Proceeds

The net proceeds of the Placing will be invested by the Investment Manager on behalf of the Company in accordance with the Company's published investment policy.

Risk Factors

The attention of investors is drawn to the risks associated with an investment in the Company which, in particular, include the following:

- As the price of shares in an investment trust is determined by the interaction of supply and demand for those shares in the market, the share price can fluctuate and may represent a discount to the Net Asset Value per Ordinary Share.
- Conversely, the price of shares in an investment trust may represent a premium to the Net Asset Value per Ordinary Share, so that investors purchasing such shares in such circumstances may not realise the full extent of their purchase price in the event of winding up of the Company.
- It is possible that there may not be a liquid market in the New Ordinary Shares and Shareholders may have difficulty in selling such shares.
- Investors may not get back the full value of their investment, because past performance is not necessarily a guide to future performance and the value of, and income derived from, an investment in the Company can go down as well as up.
- The level of concentration of the Company's investment portfolio may lead to an investment return which is materially different from the Company's benchmark

index and may be considered to carry above average risk. Further, the investment portfolio includes investment in preference shares, which are illiquid and may be difficult to realise in the form of cash.

- A proportion of the Company's portfolio may be held in cash from time to time. Such proportion of the Company's assets will be out of the market and will not benefit from positive stock market movements, if any.
- The volatility of the Net Asset Value per Ordinary Share may be further increased by the effect of borrowings on the Net Asset Value of the Ordinary Shares where the underlying Net Asset Value is falling.
- The loss of the services of Nick Train, a director of Lindsell Train, could have an adverse effect on the Company's performance as the Company is substantially dependent on his services.
- Any changes to the tax status and treatment of the Company and/or investors could affect the value of the Company's investments and its ability to provide returns to Shareholders.
- The Company's prospects and the value of its portfolio can be affected by changes in economic conditions.
- The Company currently prepares its accounts in accordance with UK GAAP and the SORP and intends to continue doing so. Both of these are subject to change, which could affect the calculation of the Company's NAV and could adversely affect Shareholders.
- The Company currently qualifies as an Investment Trust (under Chapter 4 of Part 24 of the Corporation Tax Act 2010). Failure to qualify as such may lead to the Company being subject to corporation tax on its capital profits.
- The Company borrows in sterling at floating rates of interest and is therefore exposed to the risk that its cashflow will change due to movements in prevailing interest rates.
- Changes in law or regulations may have a material adverse effect on the Company's business, investments and results of operations

PART 1: RISK FACTORS

Existing and prospective investors should consider carefully the following risk factors in addition to the other information presented in this Prospectus. If any of the risks described below were to occur, it could have a material effect on the Company's business or financial condition or the results of its operations. Additional risks not currently known to the Company, or that the Company currently believes are not material, may also adversely affect its business, its financial condition and the results of its operations. The value of the New Ordinary Shares could go down due to any of these risk factors, and investors could lose part or all of their investment.

1. The Company and the New Ordinary Shares

The Company is an investment trust. Investment trusts aim to generate returns for Shareholders by investing in other companies. As an investment trust may invest in a range of different companies and sectors, it may represent a method for investors to gain a diversified investment exposure. However, prospective investors should be aware of certain factors which apply to the Company and to investment trusts generally.

The price of shares in an investment trust is determined by the interaction of supply and demand for such shares in the market as well as the Net Asset Value per share. The share price can therefore fluctuate and may represent a discount to the Net Asset Value per share. This discount is itself variable as conditions for supply and demand change. This can mean that the Company's share price may go down as well as up and the share price can fall when the Net Asset Value per share rises, or vice versa. There is no guarantee that the market price of the New Ordinary Shares will fully reflect their underlying Net Asset Value.

The Board has, since 2 April 2004, adopted an active discount management policy, buying back for cancellation or into treasury Ordinary Shares available in the market at discounts of 5 per cent to the ex income Net Asset Value per Ordinary Share. However, the discount management policy is at the absolute discretion of the Board and there is no guarantee that any buybacks of Ordinary Shares will be made or that the policy will be successful.

The price of shares in an investment trust may also represent a premium to the Net Asset Value per Ordinary Share. Investors purchasing New Ordinary Shares at a premium to Net Asset Value per Ordinary Share may not, in the event of a winding up of the Company, realise the full extent of their purchase price. The Company usually issues Ordinary Shares with a view, *inter alia*, to limiting the premium to Net Asset Value, but such issues are at the absolute discretion of the Board and there is no guarantee that New Ordinary Shares, or Ordinary Shares in the market, will be available at prices close to Net Asset Value per Ordinary Share.

Market liquidity in the shares of investment trusts is frequently inferior to the market liquidity of shares issued by larger companies traded on the London Stock Exchange.

Although it is expected that the New Ordinary Shares will be traded on the London Stock Exchange's market for listed securities, it is possible that there may not be a liquid market in the New Ordinary Shares and Shareholders may have difficulty in selling New Ordinary Shares.

As past performance is not necessarily a guide to future performance and the value of an investment in the Company, and the income derived from it, if any, may go down as well as up, there can be no guarantee that the investment objectives of the Company will be met. Therefore investors may not get back the full value of their investment.

If under UK law 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.

2. Portfolio

The Company's investment portfolio typically comprises approximately 30 investments. As at 31 March 2011 the portfolio was made up of the securities of 25 issuers and one limited liability partnership interest. This level of concentration may lead to an investment return which is materially different from the Company's benchmark index and may be considered to carry above average risk.

The investment portfolio is mainly focussed on the financial services, consumer staples and media sectors and the performance of the investment portfolio may therefore deliver a return which is materially different to that of the benchmark index, particularly if a specific event or events affects one or more of these sectors.

The investment portfolio includes investment in preference shares, which are illiquid and may be difficult to realise in the form of cash.

A proportion of the Company's portfolio may be held in cash from time to time. Such proportion of the Company's assets will be out of the market and will not benefit from positive stock market movements, if any.

3. Borrowings

Prospective investors should be aware that, whilst the use of borrowings should enhance the Net Asset Value of the Ordinary Shares where the value of the Company's underlying assets is rising, it will have the opposite effect where the underlying asset value is falling. This may further increase the volatility of the Net Asset Value per Ordinary Share.

4. Key Individuals

The Company is substantially dependent on the services of Nick Train, a director of the Company's investment manager Lindsell Train Limited, for the implementation of the Company's investment policy. The loss of the services of Nick Train could have an adverse effect on the Company's performance.

5. Taxation

The levels of, and reliefs from, taxation may change. The tax reliefs referred to in this Prospectus are those currently available and their value depends on the individual circumstances of investors.

Any change in the Company's tax status, including failure to satisfy the conditions to qualify as an investment trust under Chapter 4 of Part 24 Corporation Tax Act 2010, or any change in taxation legislation 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 such shareholders.

6. Economic Conditions

Changes in economic conditions including, for example, interest rates, rates of inflation, industry conditions, competition, political and diplomatic events and trends, tax laws and other factors can substantially and adversely or favourably affect the Company's prospects and the value of the Company's portfolio.

7. Accounts

The Company currently prepares its accounts in accordance with UK GAAP and the SORP and intends to continue doing so. Both UK GAAP and SORP are subject to change and this may have an affect on the Company's calculation of NAV. Changes in the accounting policies of the Company could adversely affect Shareholders. The Company has a policy of charging one third of (a) the periodic fees and (b) loan and bank interest to the revenue account and two thirds of those amounts to the capital account. The Company also has a policy of charging 100 per cent of the Performance Fee paid under the terms of the Investment Management Agreement and the Management, Administrative and Secretarial Services Agreement to the capital account. Other financial charges and expenses are entirely charged to the revenue account.

8. Operational and Regulatory Risk

Failure to qualify as an Investment Trust under the terms of Section 1158 of the Corporation Tax Act 2010 may lead to the Company being subject to corporation tax on its capital profits. Control failures, either by the Manager, the Investment Manager or any other of the Company's service providers, may result in operational and/or reputational problems, erroneous disclosures or loss of assets through fraud, as well as breaches of regulations. An independent custodian has been appointed by the Company to safeguard the assets of the Company.

The Manager and the Investment Manager review the level of compliance with Section 1158 of the Corporation Tax Act 2010 and other financial regulatory requirements on a daily basis. All transactions, income and expenditure forecasts are reported to the Board.

The regulatory environment for investment funds and the managers of investment funds is evolving. Any change in the laws and regulations affecting the Company, or any change in the regulations affecting investment funds or investment fund managers generally may have a material adverse effect on the ability of the Company and the Manager to carry on their respective businesses which in turn could have a material adverse effect on the Company's performance and returns to holders of Ordinary Shares.

9. **Interest Rates**

The Company borrows in sterling at floating rates of interest and hence is exposed to the risk that its cashflow will change due to movements in prevailing interest rates. The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions and reviews these on a regular basis.

The Company also invests in fixed rate preference shares which are exposed to movements in their fair value arising from changes in interest rates.

PART 2: EXPECTED TIMETABLE AND STATISTICS

1. Expected Timetable of Principal Events

Placing opens	16 December 2011
Placing closes	11 December 2012

2. Issue Statistics

Maximum size of the placing	40,000,000 Ordinary Shares
Placing price	Not less than the cum income Net Asset Value per Ordinary Share at the time of allotment*

*The maximum Placing Price will be equal to the best offer price per share at the time the proposed allotment is agreed.

PART 3: DEFINITIONS

In this Prospectus, unless the context otherwise requires, the expressions as set out below shall bear the following meanings:

Act	the Companies Act 2006, as amended from time to time;
Admission	admission of New Ordinary Shares to listing on the Official List of the UKLA and to trading on the London Stock Exchange's market for listed securities;
AGM	an annual general meeting of the Company;
AIC Code	the AIC Code of Corporate Governance;
AIC Guide	AIC Corporate Governance Guide for Investment Companies;
Articles or Articles of Association	the articles of association of the Company, a summary of which is set out in paragraph 4 of Part 7 of this Prospectus;
Audit Committee	the Company's audit committee as described in paragraph 19.4 of Part 5 of this Prospectus;
Auditor	Grant Thornton UK LLP (a limited liability partnership incorporated in England and Wales with registered number OC307742);
Bank of New York Mellon	Bank of New York Mellon's London and Brussels branches;
Board or Directors	the directors of the Company whose names are set out in the paragraph headed "Directors" in Part 7 of this Prospectus;
Chairman	the chairman of the Board as elected from time to time;
Combined Code	the 2008 Combined Code on Corporate Governance;
Company	Finsbury Growth & Income Trust PLC;
Corporate Governance Code	the UK Corporate Governance Code published on 28 May 2010;

CREST	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear in accordance with the Regulations;
Custodian	Bank of New York Mellon;
Custody Agreement	the custody agreement between the Company and the Custodian, a summary of which is set out in paragraph 13.4 of Part 7 of this Prospectus;
Dealing Day	a day on which the London Stock Exchange is open for business;
Disclosure Rules	the disclosure rules made by the FSA under FSMA;
Euroclear	Euroclear UK & Ireland Limited (a company incorporated in England and Wales with registered number 02878738, being the operator of CREST);
FSA	the Financial Services Authority;
FSMA	Financial Services and Markets Act 2000;
FTSE 100	the 100 largest companies on the UK stock market;
FTSE 350	the 350 largest companies on the UK stock market;
FTSE All-Share Index	an index which shows the performance of the UK and European markets;
General Meeting	the general meeting of the Company held at 9.30 am on 8 December 2011;
HMRC	Her Majesty's Revenue and Customs;
Investment Management Agreement	the investment management agreement between the Company and the Investment Manager, a summary of which is set out in paragraph 13.2 of Part 7 of this Prospectus;
Investment Manager or Lindsell Train	Lindsell Train Limited (a company incorporated in England and Wales under the Act with registered number 03941727);
ISA and Junior ISA	Investment plan and child plan respectively for the purposes of Chapter 3 of Part 6 of the Income Tax

(Trading and Other Income) Act 2005 and the Individual Savings Account Regulations 1998 (SI 1998/1870) (as amended);

LIBOR

the London Interbank Offered Rate;

Limited Liability Partnership Agreement

the limited liability partnership agreement relating to the Manager between the Company and a number of other parties, a summary of which is set out in paragraph 13.5 of Part 7 of this Prospectus;

Listing Rules

the listing rules made by the FSA under FSMA;

London Stock Exchange

London Stock Exchange plc (a company registered in England and Wales with registered number 2075721);

Management, Administrative and Secretarial Services Agreement

the management, administrative and secretarial services agreement between the Company and the Manager, a summary of which is set out in paragraph 13.1 of Part 7 of this Prospectus;

Manager or Frostrow

Frostrow Capital LLP (a limited liability partnership incorporated in England and Wales under the Act with registered number OC323835);

Management Engagement Committee

the management engagement committee of the Company as described in paragraph 19.5 of Part 5 of this Prospectus;

Memorandum of Association

the memorandum of association of the Company;

Net Asset Value or NAV

in relation to an Ordinary Share, its net asset value and in relation to the Company, the aggregate net asset value of the Ordinary Shares, calculated in accordance with the Company's normal accounting policies from time to time;

New Ordinary Shares

the new ordinary shares of 25p each in the capital of the Company to be issued following the issue of this Prospectus;

Official List

the Official List of the UK Listing Authority;

Ordinary Shares

ordinary shares of 25p each in the capital of the Company including, without limitation, where the

	context so admits, the New Ordinary Shares;
Panel	the Panel on Takeovers and Mergers;
Performance Fee	the performance fee payable to Lindsell Train and Frostrow, as further described in paragraph 12 of Part 5 of this Prospectus;
Placing	the proposed placing of up to 40,000,000 Ordinary Shares, as described in this Prospectus;
Placing Price	the price at which the New Ordinary Shares will be issued to placees, being such price, not less than the prevailing cum income Net Asset Value per Ordinary Share nor more than the best offer price per Ordinary Share as quoted on the London Stock Exchange at the time that the proposed allotment is agreed, as shall be determined by the Directors in accordance with paragraph 6 of Part 4 of this Prospectus;
Prospectus	this Prospectus;
Prospectus Rules	the prospectus rules made by the United Kingdom Listing Authority under FSMA;
Recognised Investment Exchange	an investment exchange in relation to which a recognition order of the FSA is in force;
Regulations	the Uncertificated Securities Regulations 2001 (SI 2001/3755);
RPI	the Retail Price Index;
RIS	Regulatory Information Service;
Securities Act	the United States Securities Act of 1933, as amended;
Senior Independent Director	the senior independent director of the Company as elected from time to time;
Shareholders	the holders of the Ordinary Shares;
SORP	Statement of Recommended Practice for Financial Statements of Investment Trust Companies issued

	by the Association of Investment Trust Companies;
Takeover Code	the City Code on takeovers and Mergers, as amended from time to time;
UK GAAP	UK generally accepted accounting practice;
UK or United Kingdom	the United Kingdom of Great Britain and Northern Ireland;
UKLA	the United Kingdom Listing Authority;
VAT	Value Added Tax; and
Winterflood	Winterflood Securities Limited acting through its division Winterflood Investment Trusts.

In this Prospectus, unless otherwise specified, all references to sterling, pounds or £ are to United Kingdom pounds sterling and all references to “p” are to United Kingdom pence sterling.

PART 4: THE PLACING

1. Introduction

The Company intends to issue up to 40 million Ordinary Shares pursuant to the Placing. The Placing is flexible and may have a number of closing dates in order to provide the Company with the ability to issue Ordinary Shares over a period of time. The Placing is intended to partially satisfy market demand for the Ordinary Shares and to raise further money for investment in accordance with the Company's investment policy.

2. Background to and reasons for the Placing

At the Company's AGM held on 27 January 2011, the Directors were granted authority to allot up to 5,294,742 Ordinary Shares on a non-pre-emptive basis. As at 9 December 2011 (being the latest practicable date before the publication of this Prospectus), no Ordinary Shares remain to be allotted under the 2011 allotment.

During the year to 30 September 2011, the Ordinary Shares consistently traded close to the Net Asset Value per Ordinary Share, which indicates that there is reasonable demand for them in the market. In order to partially satisfy this demand, the Company issued 4,290,000 Ordinary Shares in the year ended 30 September 2011 and 1,004,742 Ordinary Shares between 1 October 2011 and 9 December 2011 (being the latest practicable date before the publication of this Prospectus). These Ordinary Shares were all issued at a premium to the cum income Net Asset Value per Share prevailing at the time of their issue. The Company's authority to allot Ordinary Shares on a non-pre-emptive basis under the AGM authority and the limit on the number of new Ordinary Shares that can be admitted to the Official List without the publication of a prospectus has now been exhausted.

Despite regular issuance of Ordinary Shares, the Ordinary Shares have continued to trade close to the Net Asset Value per Ordinary Share. On 8 December 2011 (being the latest practicable date before the publication of this Prospectus) the discount to the cum income Net Asset Value per Ordinary Share was 1.18 per cent. In the face of this continuing demand and having regard to the benefits of enlarging the Company, Shareholder authority to issue further Ordinary Shares on a non-pre-emptive basis was granted at the General Meeting. In seeking such authority the Directors took into account the desirability of limiting the premium to Net Asset Value per Ordinary Share at which the Company's Ordinary Shares trade in order to ensure that long term Shareholders who regularly acquire Ordinary Shares are not disadvantaged by being required to acquire additional Ordinary Shares at a high premium.

3. Benefits of the Placing

The Directors believe that the issue of Ordinary Shares pursuant to the Placing should yield the following principal benefits:

- (a) maintain the Company's ability to issue New Ordinary Shares, so as to better manage the premium at which the Ordinary Shares trade to NAV per Ordinary Share;
- (b) enhance the NAV per Ordinary Share of existing Ordinary Shares through new share issuance at a premium to the cum income NAV per Ordinary Share;
- (c) grow the Company, thereby spreading operating costs over a larger capital base which should reduce the total expense ratio; and
- (d) improve liquidity in the market for the Company's Ordinary Shares.

The Directors have considered the potential impact of the Placing on the payment of dividends to Shareholders and will take steps to ensure that it will not result in any material dilution of the dividends per Ordinary Share that the Company may be able to pay.

4. The Placing

The Placing will open on 16 December 2011 and will close on the date on which this Prospectus ceases to remain valid, which is expected to be a date twelve months from the date of this Prospectus. The maximum number of Ordinary Shares to be issued pursuant to the Placing is 40,000,000. No Ordinary Shares will be issued at a discount to the Net Asset Value per Ordinary Share at the time of the relevant allotment.

The allotment of New Ordinary Shares under the Placing is at the discretion of the Directors. Allotments may take place at any time prior to the closing date of the Placing. An announcement of each allotment will be released through a RIS. It is anticipated that dealings in the New Ordinary Shares will commence three Business Days after their allotment. Whilst it is expected that all New Ordinary Shares allotted pursuant to the Placing will be issued in uncertificated form, if any New Ordinary Shares are issued in certificated form it is expected that share certificates will be despatched ten Business Days after the relevant allotment date.

The minimum subscription pursuant to the Placing will be £50,000. There is no maximum subscription.

The Placing is not being underwritten and, as at the date of this document, the actual number of Ordinary Shares to be issued under the Placing is not known. The number of Ordinary Shares available under the Placing should not be taken as an indication of the number of Ordinary Shares finally to be issued.

So far as the Directors are aware as at the date of this document, no major Shareholders or Directors intend to make a commitment for Ordinary Shares under the Placing.

Applications will be made to the UKLA for the New Ordinary Shares issued pursuant to the Placing to be admitted to the Official List and to the London Stock Exchange for such

shares to be admitted to trading on its main market for listed securities. All Ordinary Shares issued pursuant to the Placing will be allotted conditionally on such Admission occurring. The Prospectus has been published in order to obtain Admission to the Official List of any Ordinary Shares issued pursuant to the Placing. This will include any Ordinary Shares issued under the Directors' existing authority to issue Ordinary Shares on a non-pre-emptive basis. Should the Board wish to issue New Ordinary Shares in excess of the amount which it will then be authorised to allot, further authorities will be sought at an appropriate time by convening a general meeting of Shareholders for this purpose.

The Ordinary Shares issued pursuant to the Placing will rank *pari passu* with the Ordinary Shares then in issue (save for any dividends or other distributions declared, made or paid on the Ordinary Shares by reference to a record date prior to the allotment of the relevant New Ordinary Shares).

The Placing will be suspended at any time when the Company is unable to issue New Ordinary Shares pursuant to the Placing under any statutory provision or other regulation applicable to the Company or otherwise at the Directors' discretion.

5. Conditions

Each allotment of Shares pursuant to the Placing is conditional on:

- (a) Shareholder authority for the disapplication of pre-emption rights in respect of the relevant allotment being in place;
- (b) the Placing Price being determined by the Directors as described below; and
- (c) Admission of the Ordinary Shares issued pursuant to such allotment.

In circumstances in which these conditions are not fully met, the relevant issue of Ordinary Shares pursuant to the Placing will not take place.

6. Calculation of the Placing Price

The Placing Price will be calculated by reference to the estimated cum income Net Asset Value of each existing Ordinary Share together with a premium intended to cover the costs and expenses of the Placing (including, without limitation, any placing commissions) and the initial investment of the amounts raised. The maximum Placing Price in respect of any allotment of New Ordinary Shares will be equal to the best offer price per Ordinary Share as quoted on the London Stock Exchange at the time that the proposed allotment is agreed. The Directors will determine the Placing Price on the basis described above so as to cover the costs and expenses of the Placing and thereby avoid any dilution of the Net Asset Value of the existing Ordinary Shares held by Shareholders.

Fractions of Ordinary Shares will not be issued and placing consideration will be allocated accordingly.

Where New Ordinary Shares are issued, the total assets of the Company will increase by that number of Ordinary Shares multiplied by the relevant Placing Price. It is not expected that there will be any material impact on the earnings and Net Asset Value per Ordinary Share, as the net proceeds resulting from any issue are expected to be invested in investments consistent with the investment objective and policy of the Company and the Placing Price will always represent a modest premium to the then prevailing Net Asset Value per Ordinary Share.

In the event that the Placing is fully subscribed, an existing Shareholder holding shares representing 5 per cent. of the Company's issued Ordinary Share capital, who does not participate in the Placing, would, following the completion of the Placing, hold shares representing approximately 2.96 per cent of the Company's issued Ordinary Share capital.

7. Settlement

Payment for New Ordinary Shares issued under the Placing will be made through CREST or through Winterflood, in any such case in accordance with settlement instructions to be notified to places by Winterflood. In the case of those subscribers not using CREST, monies received by Winterflood will be held in a segregated client account pending settlement.

To the extent that any placing commitment is rejected in whole or in part, any monies received will be returned without interest at the risk of the placee.

8. Costs of the Placing

The Company's fixed expenses in connection with the Placing are estimated to amount to £110,000 (inclusive of VAT). Assuming that the Placing is fully subscribed and a Placing Price of £321.80 pence per New Ordinary Share, the gross proceeds would be £128,720,000, the costs of the Placing would be £110,000 and the net proceeds of the Placing would be £128,610,000.

9. Net Asset Value

As at 8 December 2011 (being the latest practicable date before the publication of this Prospectus), the unaudited Net Asset Value of the Company as a whole was £187,423,038 million and the unaudited cum income Net Asset Value per Ordinary Share was 321.80 pence and the unaudited ex income Net Asset Value per Ordinary Share was 320.53 pence.

10. Use of proceeds

The net proceeds of the Placing will be invested by the Investment Manager on behalf of the Company in accordance with the Company's published investment policy.

11. **Profile of typical investor**

The typical investors for whom the New Ordinary Shares are intended are professionally advised private investors, or institutional investors, seeking capital and income growth from a portfolio of securities of mainly UK listed companies. The New Ordinary Shares may also be suitable for financially sophisticated non-advised private investors who are capable of evaluating the risks and merits of an investment in the Company and who have sufficient resources to bear any loss that may result from such an investment. However, such investors should consider consulting an independent financial adviser authorised under FSMA before investing.

PART 5: THE COMPANY

1. Introduction

Finsbury Growth & Income Trust PLC is an investment trust company with an indefinite life which was established in 1926. Ordinary Shares of the Company are admitted to the Official List and to trading on the London Stock Exchange.

At at 9 December 2011, the Company had 58,242,165 Ordinary Shares in issue, representing 58.24 per cent of its authorised share capital on that date. In order to enable the Company to continue to seek Admission of further Ordinary Shares, in response to market demand, while remaining compliant with the Prospectus Rules, the Company is publishing this Prospectus. This Prospectus does not contain or constitute an offer to the public of New Ordinary Shares or the solicitation of an offer to buy or subscribe for New Ordinary Shares.

2. Investment Policy and Objective

The Company's investment objective is to achieve capital and income growth and to provide Shareholders with a total return in excess of that of the FTSE All-Share Index.

The Company invests principally in the securities of UK quoted companies, although up to a maximum of 20% of the Company's portfolio, at the time of acquisition, can be invested in quoted companies worldwide. Where possible, a minimum position size of 1% of the Company's gross assets is held unless the holding concerned is being built or disposed of.

The portfolio is managed by Lindsell Train and will normally comprise approximately 30 investments. Unless driven by market movements, FTSE 100 companies, including preference shares issued by such companies, will normally represent between 50% and 100% of the portfolio; at least 70% of the portfolio will normally be invested in companies within the FTSE 350.

The Company does not and will not invest more than 10%, in aggregate, of the value of its gross assets in other closed ended investment companies (including investment trusts) listed on the London Stock Exchange, except where the investment companies themselves have stated investment policies to invest no more than 15% of their gross assets in other closed ended investment companies (including investment trusts) listed on the London Stock Exchange. The Company does not and will not invest more than 15%, in aggregate, of the value of the gross assets of the Company in other closed ended investment companies (including investment trusts) listed on the London Stock Exchange.

No investment will be made in any company or fund where Lindsell Train acts as the investment manager without the prior approval of the Board.

The Board has set a maximum level of gearing of 25% of the Company's net assets.

The Company has the ability to invest a proportion (up to 25% of its gross assets) in preference shares, bonds and other debt instruments, although no more than 10% of any one issue may be held. In addition, a maximum of 10% of the Company's gross assets can be held in cash, where the Investment Manager believes market or economic conditions make equity investment unattractive or while seeking appropriate investment opportunities or to maintain liquidity.

Whilst performance is measured against the FTSE All-Share Index, the Company's portfolio is constructed and managed without reference to a stock market index, investments being selected only after extensive research by the Investment Manager. The Investment Manager uses a bottom-up stock picking approach and looks to invest in a universe of excellent UK listed businesses that appear undervalued.

In accordance with the Listing Rules, the Company can only make a material change to its investment policies with the approval of its Shareholders.

3. Investment Process

The investment process adopted by Lindsell Train, the Company's investment manager, is underpinned by a focus on long term investments and total return as a prerequisite for stock selection.

The process seeks to add value by establishing large holdings in a limited number of UK companies - the Company's portfolio normally comprises approximately 30 investments - and then maintaining these positions for long periods. However, the Company will sell the holdings when appropriate. The characteristics sought in portfolio companies are:

- durability: companies that can prosper through business cycles for many years to come;
- high return on equity: companies with the ability to grow earnings on a consistent basis are favoured over those with rapid short term growth, but uncertain long term prospects; and
- low capital intensity/high free cash flow generation: companies that do not have to make heavy balance sheet investment to generate earnings growth.

The key stage of the investment process is to identify companies that meet these criteria and Lindsell Train concentrates on areas where it believes it has a competitive advantage in identifying quality business, for example branded consumer goods, media and retail financial services.

4. Investment Portfolio

As at the close of business on 8 December 2011 (being the latest practicable date before the publication of this Prospectus), the investments of the Company and the sectoral portfolio allocation were:

Investment	Business Sector	Percentage of Company's Investments
Equities		
Burberry Group	Non-Cyclical Consumer Goods	3.1
Barr (A.G.)	Non-Cyclical Consumer Goods	8.7
Celtic	Cyclical Services	0.3
Daily Mail & General Trust	Cyclical Services	2.9
Diageo	Non-Cyclical Consumer Goods	11.9
Dr Pepper Snapple^	Non-Cyclical Consumer Goods	2.6
Euromoney Institutional Investor	Cyclical Services	3.0
Fidessa	Information Technology	5.5
Frostrow Capital LLP+	Financials	0.2
Fuller Smith & Turner	Cyclical Services	2.4
Greene King	Non-Cyclical Consumer Goods	3.3
Hargreaves Lansdown	Financials	1.9
Heineken **	Cyclical Services	2.7
Kraft Foods^	Non-Cyclical Consumer Goods	4.2
Lindsell Train Investment Trust	Financials	1.1
London Stock Exchange	Financials	2.8
Marston's	Cyclical Services	3.0
Pearson	Cyclical Services	7.2

Rathbone Brothers	Financials	4.9
Reed Elsevier	Cyclical Services	3.9
Thompson Reuters -	Cyclical Services	1.7
Sage Group	Information Technology	5.2
Schroders	Financials	4.1
Unilever	Cyclical Services	10.2
Young & Co.'s Brewery	Cyclical Services	2.1
Preference shares		
Celtic 6 per cent (cum pref)*	Cyclical Services	-
Lloyds Banking Group 9.25 per cent (non cum pref)*	Financials	1.1

All of the above investments are equities unless identified as set out below:

- ^ Listed in the United States
- - Listed in Canada
- * Non-equity – Preference shares
- + Unquoted limited liability partnership interest
- ** Listed in the Netherlands

Sector	Percentage of Company's investments
Consumer Goods	43.5
Consumer Services	29.7
Financials (excluding preference shares)	15.0
Information Technology	10.7
Preference shares	1.1
	<u>100.0</u>

The above information is sourced from the Company's management accounts and is unaudited. Further details of the Company's investments are set out in Part 7 of this Prospectus.

5. Investment Trends and Outlook

The Company's portfolio performed better than the market in respect of the year ended 30 September 2011 and the Company's NAV per Ordinary Share outperformed its benchmark, the FTSE All-Share Index.

The Company's investment strategy has continued to deliver good returns and during the year ended 30 September 2011 the Net Asset Value total return was 5.8 per cent with the share price total return being 6.5 per cent. These returns compare to a negative total return from the Company's benchmark index of 4.4 per cent.

The investment strategy adopted by the Investment Manager has remained largely unchanged since its appointment in late 2000. The strategy adopted involves making long term commitments to a limited number (due to their scarcity) of exceptional companies. These companies are companies that own strong brands or business franchises. The Investment Manager's strategy pays little attention to macro-economic factors on the grounds of their belief that such concerns have little impact on the long term value of quality equity assets.

The Investment Manager continues to believe that macro economics factors will not affect the Company's investment performance and, over the long term, value will be created by secular profit growth and productivity gains delivered mainly by technological change. The Investment Manager believes that one of the most important pieces of news in relation to technological change in the second half of 2011 was Amazon's announcement of its new product 'Kindle Fire'. This device is expected to further extend the reach of the internet into daily work practices and lives. News, information, entertainment and on line purchasing is expected to be more freely available through this and other similar devices. What is also observed is that many of the heavily capitalised sectors of global equity markets will be impacted by the spread of fixed line and mobile telephony, technology hardware, software, internet, media, retail and leisure. Overall it is believed that technological developments will continue to drive increased profitability and productivity.

The Investment Manager believes that a number of the franchises held within the Company's investment portfolio will be beneficiaries of technological change, in particular Financial Times, Penguin, Pearson Education, Economist, MailOnline, Metal Bulletin, Bank Credit Analyst, Reuters, London Stock Exchange and others. It is believed that technology is helping to make these products more valuable to their users, with associated lower costs. In addition, the durability and long term value of many of the brands owned by investee companies within the portfolio are expected to continue to deliver strong investment returns for shareholders.

Overall the Investment Manager believes that the investment strategy adopted, as supported by technological change over time, will lead to superior investment performance over the long term in the form of capital growth and income returns.

6. Performance

The Company's performance is measured against that of the FTSE All-Share Index. To 30 September 2011, the performance, in total return terms, was as follows:

	6 months %	1 year %	3 years %	5 years %
Company (NAV per Ordinary Share - total return)	-3.6	5.8	65.0	21.5
FTSE All-Share Index (total return)	-11.8	-4.4	19.2	4.0

Source: Unaudited information from Morningstar.

7. Directors

The Directors, all of whom are non-executive and all of whom are independent of the Investment Manager, are responsible for the determination of the investment policy of the Company and the supervision of the implementation of such policy. The Board consists of:

Anthony Townsend (Chairman)

Anthony Townsend, aged 63, rejoined the Board in February 2005 and became Chairman in January 2008. He has spent over 40 years working in the City and was chairman of the Association of Investment Companies from 2001 to 2003. He is chairman of Baronsmead VCT 3 plc, British & American Investment Trust PLC, F&C Global Smaller Companies PLC and Miton Worldwide Growth Investment Trust Plc. He is also a director of Worldwide Healthcare Trust PLC. Anthony is chairman of the Management Engagement Committee.

John Allard

John Allard, aged 65, has served on the Board since 2000. He was an investment manager with M&G for over 20 years, specialising in equity income funds. John has been a director of various investment trust companies since 1981.

Neil Collins

Neil Collins, aged 64, joined the Board in 2008. He has spent most of his career in financial journalism and was City Editor of The Daily Telegraph for nearly 20 years until he retired from the position in 2005. Prior to that he had been City Editor of the London Evening Standard and The Sunday Times. A former columnist for the London Evening

Standard and commentator for Reuters, he is a director of Templeton Emerging Markets Investment Trust PLC.

David Hunt, FCA

David Hunt, aged 64, joined the Board in 2006. A Chartered Accountant, he was formerly a director in the Assurance and Business Services division of Smith & Williamson Limited. David has over 30 years' experience advising quoted companies. He is chairman of the Audit Committee and is also the Senior Independent Director.

Vanessa Renwick

Vanessa Renwick, aged 50, has served on the Board since 2000. She has over 20 years' experience in the investment funds industry, having worked for Laing & Cruickshank and UBS Warburg. She has particular expertise in corporate finance and marketing.

Giles Warman

Giles Warman, aged 63, has served on the Board since 1989. He is a director of European Assets Trust NV and was formerly employed by Numis Securities Limited. Prior to this he was a partner at Sheppards & Chase and a director of Charterhouse Tilney. He has over 40 years' experience in the investment industry.

8. Manager

The Manager was established in 2007 and provides specialist management, administrative, company secretarial and marketing services to eight investment companies.

9. Investment Manager

Lindsell Train is an independent investment management company founded in 2000 which specialises in managing UK, Japanese and global equity mandates. The Company had £1.54 billion of total funds under management as at 31 October 2011.

10. Management, Administrative and Secretarial Services Agreement

Management and administrative, secretarial and other services are provided by Frostrow. The Management, Administrative and Secretarial Services Agreement may be terminated by either party giving not less than 12 months' notice.

An annual fee is payable by the Company to Frostrow of 0.15 per cent of the adjusted market capitalisation of the Company (calculated in accordance with the Management, Administrative and Secretarial Services Agreement) (the "**Periodic Fee**"). The Manager is also entitled to an annual fixed fee (the "**Fixed Fee**") of £70,000 calculated monthly and payable monthly in arrears.

Frostrow, under the terms of the Management, Administrative & Secretarial Services Agreement provides *inter alia* the following services:

- marketing and shareholder services;
- company secretarial and administrative services;
- advice and guidance in respect of corporate governance requirements;
- performance measurement reports;
- maintenance of adequate accounting records and management information;
- preparation and despatch of the audited annual financial statements, the unaudited interim report and the interim management statements; and
- attending to general tax affairs where necessary.

11. **Investment Management Agreement**

Discretionary investment management services are provided by Lindsell Train. The Investment Management Agreement may be terminated by either party giving not less than 12 months' notice.

The Investment Manager is appointed to manage the investment trust and to advise the Company in relation to the investment portfolio.

An annual fee is payable by the Company to Lindsell Train of 0.45 per cent of the average market capitalisation of the Company over the year (the "**Periodic Fee**").

Lindsell Train, under the terms of the Investment Management Agreement, is responsible for:

- seeking out and evaluating investment opportunities for investment by the Company, including making such company visits and obtaining such information as may prove necessary from time to time;
- recommending the manner in which any moneys raised by the Company might be invested taking into account the Company's particular requirements;
- recommending the manner in which any moneys required for outgoings of the Company should be retained or realised;
- advising whether and in what manner all rights conferred by the investments of the Company should be exercised;
- analysing the performance of the investments and advising the Company generally in relation to investment trends, market movements and all other

matters likely, or which might reasonably be considered likely, to affect the investment policy of the Company;

- providing such information to the Board as it reasonably requests, and at such times and with such frequency as it will reasonably request; and
- marketing the shares in the Company as may be required from time to time, subject to the FSMA and the FSA rules.

12. **Performance Fee**

Dependent on the level of performance achieved, Lindsell Train and Frostrow are entitled to the payment of the Performance Fee. The calculation basis of the Performance Fee is by reference to the annual increase in the Company's adjusted market capitalisation per share, but only after attainment of an absolute return hurdle, which is the sum of the increase in the RPI in the year, plus a fixed return of 6 per cent.

Lindsell Train receives 85 per cent and Frostrow receives 15 per cent of the Performance Fee. The total Fixed, Periodic and Performance Fees payable in any one year to Lindsell Train and Frostrow are capped at 1.25 per cent of the Company's market capitalisation. Any outperformance, that would have resulted in a higher fee being paid had there been no cap, is carried forward into the calculation of future years' fees.

Similarly, in the case of underperformance, any underperformance has to be made up in future years before a performance fee becomes payable in those years.

During the year to 30 September 2011 the RPI rose by 5.59 per cent, therefore the performance fee hurdle, as at 30 September 2011, was 507.78p per Ordinary Share. The Company's adjusted market capitalisation per share as at 30 September 2011 was 311.01p. In the year to 30 September 2011, no performance fee was accrued or paid. There has been no accrual or payment of performance fees in the period from 1 October 2011 to 8 December 2011 (being the latest practicable date at which such figure could be ascertained before the publication of this Prospectus).

13. **Capital Structure**

13.1 Share capital and duration

The Company's share capital structure consists solely of Ordinary Shares. As at 9 December 2011 (being the latest practicable date at which such figure could be ascertained before the publication of this Prospectus), the Company had 58,242,165 Ordinary Shares in issue. The Ordinary Shares are in registered form and may be held in certificated or in uncertificated form.

The Company does not have a winding-up date or any periodic continuation votes.

13.2 Further issues of Ordinary Shares

The Board's policy is to issue New Ordinary Shares at a premium to the cum income NAV per Ordinary share into the market when demand arises. The Company issued 4,290,000 Ordinary Shares in response to market demand between 1 October 2010 and 30 September 2011. Following the year end and up to 9 December 2011 (being the last practicable date at which such figure could be ascertained before the publication of this Prospectus), a further 1,004,742 Ordinary Shares were issued. The Company's authority to allot Ordinary Shares on a non-pre-emptive basis under the 2011 AGM authority and the Limit on the number of new Ordinary Shares that can be admitted to the Official List without the publication of a prospectus has been exhausted. Shareholder authority was granted at the General Meeting to issue up to 5,824,216 New Ordinary Shares.

The proceeds from the issue of New Ordinary Shares will be used in accordance with the Company's current investment policy and objective, as described in paragraph 2 of part 5 above, which can only be materially changed with the approval of Shareholders. Such proceeds will not necessarily be invested in securities of the portfolio companies set out in paragraph 4 above.

Should the Board wish to issue New Ordinary Shares in excess of the amount which it will then be authorised to allot, further authorities will be sought at an appropriate time by convening a general meeting of Shareholders for the purpose. It is expected that this Prospectus will remain valid for twelve months from the date hereof, subject to the requirement under the Prospectus Rules to the publication of supplementary prospectuses to disclose any significant changes in the financial or trading position of the Company.

13.3 Borrowings

The Company has a secured multicurrency revolving credit facility of £25 million for a fixed term expiring in October 2013. This facility carries a fixed rate of interest of 1.35% over LIBOR. As at 8 December 2011 (being the latest practical date at which such figure could be ascertained before the publication of this Prospectus), £14.05 million was drawn down under this facility, which equates to gearing of 7.5 per cent of the Company's net assets. This is consistent with the Company's gearing policy which is that the Company should not be less than 5 per cent geared nor more than 25 per cent geared without the approval of the Board.

14. **Share Buybacks**

Since 2 April 2004, the Board has applied an active discount management policy, buying back Ordinary Shares where these are available in the market at a discount of approximately 5 per cent (or more) to the ex income Net Asset Value per Ordinary Share. The making and timing of any share buybacks is at the absolute discretion of the Board.

The Board's policy is that Ordinary Shares bought back by the Company will, to the maximum extent permitted by law, be retained in treasury to be reissued at a future date and resold by the Company. Such Ordinary Shares may (subject to there being in force a resolution of Shareholders to disapply the statutory rights of pre-emption that would otherwise apply) be resold by the Company at a discount to the prevailing ex income Net Asset Value per Ordinary Share, provided that the discount at which they are sold is less than the discount at which they were bought back by the Company.

In the year ended 30 September 2011, no Ordinary Shares were repurchased by the Company and no Ordinary Shares were reissued out of treasury. At the date of this Prospectus, the Company did not hold any Ordinary Shares in treasury.

15. Dividend Policy

In respect of the year ended 30 September 2011, the Company paid aggregate dividends of 9.2p per Ordinary Share. Future dividends paid by the Company will reflect the dividends earned on the Company's portfolio and, subject to unforeseen circumstances, the Board's long term objective is to have a progressive dividend policy.

The Board's current policy is to pay two interim dividends in respect of the Company's financial year, typically in April and November. On 31 March 2011 the Board declared an interim dividend of 4.4p per Ordinary Share which was paid on 6 May 2011 to those Shareholders on the register of members on 1 April 2011. On 22 September 2011 the Board declared a second interim dividend of 4.8p per Ordinary Share which was paid on 4 November 2011 to those Shareholders on the register of members on 30 September 2011.

16. Shareholder Information

The Company's annual report and accounts are prepared up to 30 September each year and copies are normally sent to Shareholders in December of the same year. Shareholders also receive an unaudited interim report covering the six months to 31 March each year which is expected to be despatched in May or June of that year. The Net Asset Value of an Ordinary Share is published daily and information on performance, holdings and investment activity is collated monthly by the Manager in the form of a factsheet.

17. Investment Trust and Regulatory Status

The Directors intend to continue to conduct the affairs of the Company so as to satisfy the conditions for approval as an investment trust under Chapter 4 of Part 24 of the Corporation Tax Act 2010. For the financial year ended on 30 September 2011, the Directors believe that the Company has satisfied all the conditions for approval as an investment trust. However, the Company has not yet received formal notice from HMRC that the Company has investment trust status for that period. The Company is not (and is not required to be) regulated or authorised by the FSA under FSMA but, in common

with other investment trusts listed on the Official List, is subject to the Listing Rules and the Disclosure Rules made by the FSA and is bound to comply with applicable laws including the Act and FSMA.

18. **Custody Arrangements**

The Company has appointed the Bank of New York Mellon as its custodian under the Custodian Agreement, further details of which are set out in paragraph 13.4 of Part 7.

19. **Corporate Governance**

19.1 Compliance

The Company is committed to high standards of corporate governance and the Board attaches importance to the matters set out in the Corporate Governance Code and continues to apply the "Main and Supporting Principles" of the Corporate Governance Code where relevant.

As an investment trust company, most of the Company's day to day responsibilities are delegated to third parties and the Directors are all non-executive. Thus not all the provisions of the Corporate Governance Code are directly applicable to the Company. The Board has taken appropriate action to ensure that the appropriate level of corporate governance is attained and the Company's practices are consistent with the Principles of the Corporate Governance Code.

The Board considers that it managed its affairs throughout the year ended 30 September 2011 in compliance with the recommendations of the AIC Code and the relevant provisions of Section 1 of the Corporate Governance Code, save that, for the reasons referred to below, the Company does not comply with the Corporate Governance Code provisions relating to:

- (a) the role of the chief executive;
- (b) executive directors' remuneration;
- (c) the need for an internal audit function

For the reasons set out in the AIC Guide, and in the preamble to the AIC Code, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment trust. The Company has therefore not reported further in respect of these provisions.

19.2 Internal Audit

As the Company delegates to third parties its day-to-day operations and has no employees, the Board has determined that there are no requirements for an internal audit function. The Board reviews annually whether a function equivalent to an internal

audit is needed and it will continue to monitor its systems of internal controls in order to provide assurance that they operate as intended.

19.3 Board Independence, Composition and Tenure

The Board, chaired by Anthony Townsend who is responsible for its leadership and for ensuring its effectiveness in all aspects of its role, currently consists of six non-executive Directors. The Directors' biographical details, set out in paragraph 7 of this Part 5, demonstrate a breadth of investment, commercial and professional experience. David Hunt has been designated as the Senior Independent Director, who can act as a sounding board for the Chairman and also acts as an intermediary for the other Directors when necessary. The Directors review their independence annually.

All Directors have agreed to stand for re-election annually. As a result of this decision Directors are required to seek election more frequently than as currently set out in the Company's Articles of Association.

John Allard, Vanessa Renwick and Giles Warman have all served in excess of nine years on the Board. Nonetheless, the Board considers them to be independent in character and judgement and does not consider that the criterion of length of service should necessarily preclude them from being so considered. Anthony Townsend, David Hunt and Neil Collins are all also considered by the Board to be independent. This position accords with the recommendation of the AIC Code that a director may be viewed as being independent notwithstanding service that could be considerably more than nine years. 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. It does not consider that a Director's tenure necessarily reduces his or her ability to act independently and, following formal performance evaluations, believes that each of those Directors is independent in character and judgement and that there are no other relationships or circumstances which are likely to affect their judgement.

The Chairman regularly reviews the training and development needs of each Director. Directors' appointments are reviewed formally every three years by the Board. Any Director may resign in writing to the Board at any time.

The Board also receives regular briefings from, amongst others, the Auditor and the Manager regarding any proposed developments or changes in laws or regulations that could affect the Company and/or the Directors.

19.4 Audit Committee

The Audit Committee meets at least twice per year. It comprises the entire Board including the Chairman and is chaired by David Hunt. The Audit Committee is responsible for the review of the annual report and the interim report, the nature and scope of the external audit and the findings there from, and the terms of appointment of the auditors, including their remuneration and the provision of any non-audit services by them.

The Audit Committee reviews the need for non-audit services and authorises such on a case by case basis, non-audit services provided are considered to be cost effective and have not created any infringement on the independence and objectivity of the auditors.

The Audit Committee meets representatives of the Manager and the Investment Manager and their Compliance Officers who report as to the proper conduct of business in accordance with the regulatory environment in which the Company, the Manager and the Investment Manager operate. The Company's Auditor also attends the Audit Committee at its request and reports on its work procedures, the quality and effectiveness of the Company's accounting records and its findings in relation to the Company's statutory audit. The Company meets with the Auditor, without representatives of the Manager and the Investment Manager being present, at least once a year.

19.5 Management Engagement Committee

The Management Engagement Committee meets at least once per year. It comprises the entire Board and is chaired by Anthony Townsend. The Management Engagement Committee is responsible for the regular review of the terms of the Management, Administrative and Secretarial Agreement and Investment Management Agreement with, and the performance of, the Manager and Investment Manager and also the Company's other service providers. The Committee last met in September 2011, at which time it was agreed that no amendments to the agreements were required. The agreements will continue to be reviewed on a periodic basis as necessary.

19.6 Other committees of the Board

During the year ended 30 September 2011, the Board delegated certain responsibilities and functions to committees. In line with the AIC Code, the Board disbanded the Nominations and Remuneration Committees in favour of the full Board adopting the responsibilities of such committees under the chairmanship of the Chairman Anthony Townsend.

19.7 Policy on Directors' Fees

The fees of the non-executive Directors are determined by reference to the limits set out in the Articles, the aggregate amount currently being £150,000. There are no performance conditions attaching to the remuneration of the Directors as the Board does not believe that this is appropriate for non-executive directors. The Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits. An ordinary resolution will also be put to Shareholders at the AGM to be held on 18 January 2012 to increase the aggregate limit on Directors' fees to £200,000.

19.8 Directors' Service Contracts

It is the Board's policy that none of the Directors has a service contract. The terms of the Directors' appointment provide that they will retire and be subject to election at the

first AGM after their appointment and to re-election annually thereafter. Those terms also provide that a Director may be removed without notice and that compensation will not be due on leaving office.

20. **Taxation**

Information concerning the tax issues of the Company and the taxation of Shareholders is contained in paragraph 14 of Part 7 of this Prospectus. If any potential investor is in any doubt about the tax consequences of his/her acquiring, holding or disposing of New Ordinary Shares, he/she should seek advice from his/her own independent professional adviser.

PART 6: FINANCIAL INFORMATION RELATING TO THE COMPANY

1. Statutory accounts for three financial years ended 30 September 2010 and the interim reports for the six months ended 31 March 2011 and 31 March 2010

Statutory accounts of the Company for the three financial years ended 30 September 2010, in respect of which the Company's auditor, Grant Thornton UK LLP, Chartered Accountants and Statutory Auditor, of 30 Finsbury Square, London EC2P 2YU, has given unqualified opinions that the accounts give a true and fair view of the state of affairs of the Company and of its total return and cash flows for the year ended 30 September 2010 and have been properly prepared in accordance with the Companies Act 2006. Grant Thornton UK LLP merged with the Company's previous auditor, RSM Robson Rhodes LLP, in 2007 and is a member of the Institute of Chartered Accountants in England and Wales.

The interim reports for the six months ended 31 March 2011 and 31 March 2010 have been prepared under the historic cost convention and in accordance with UK GAAP and SORP, but have not been reviewed by the Auditor.

2. Published interim reports for the six months ended 31 March 2011 and 31 March 2010

2.1 Interim financial information

The published interim reports for the Company for the six months ended 31 March 2011 and 31 March 2010, which have been incorporated in this Prospectus by reference, included, on the pages specified in the table below, the following information:

<i>Nature of Information</i>	Interim report for the six months ended 31 March	
	2010 Page No(s)	2011 Page No(s)
Income statement	11	12
Balance sheet.....	13	14
Cash flow statement.....	14	15
Notes to the financial statements.....	15-17	16 - 18

2.2 Selected financial information

The key unaudited figures that summarise the Company's financial condition in respect of six months ended 31 March 2011 and 31 March 2010, which have been extracted without material adjustment from the interim financial information referred to in paragraph 2.1 of this Part 6 (unless otherwise indicated in the notes below the following table), are set out in the following table:

	As at or for the six months ended 31 March	
	2010	2011
Total net assets (£'000).....	143,337	174,345
NAV per Share (pence).....	281.9	326.0
<i>Revenue</i>		
Gross return (£'000)*.....	2,163	1,560
Return per Share (pence).....	4.1	2.8
Dividend per Share (pence).....	4.4	4.4
<i>Total</i>		
Gross return (£'000)†.....	19,420	15,546
Return attributable to Shareholders (£'000).....	19,176	15,338
Return per Share (pence).....	37.8	28.9

* Income less management fees and other expenses.

† Return on ordinary activities before finance charges and taxation.

2.3 Operating and financial review

The Company's published interim report for the six months ended 31 March 2011 and 31 March 2010 included, on the pages specified in the table below, descriptions of the Company's financial condition (in both capital and revenue terms); details of the Company's investment activity and portfolio exposure; and changes in its financial condition for those six months.

	Interim report for the six months ended 31 March	
	2010 Page No(s)	2011 Page No(s)
<i>Nature of Information</i>		
Chairman's statement.....	3-4	3-4
Investment manager's review	5-6	5-7
Portfolio distribution and analysis	7-9	8-10
Performance summary	1	1

The causes of material changes in the capital value of the Company's assets in these three financial years can be summarised as follows:

Six months ended 31 March 2011

During the six months under review the Company delivered a total return of £15,338,000, made up of a capital return of £13,879,000 and a net revenue return of £1,459,000. A first interim dividend of £2,353,000 was declared for the year ending 30 September 2011 representing 4.4p per Ordinary Share.

The Company delivered a Net Asset Value total return of 10.3% and a share price total return of 8.3%. These results compare to the benchmark index, the FTSE All-Share Index measured on a total return basis, which delivered a return of 8.5% over the period. The principal contributors to NAV performance were Rathbone Brothers, Schroders, Diageo and Fidessa.

Six months ended 31 March 2010

During the six months under review the Company delivered a total return of £19,176,000, made up of a capital return of £17,117,000 and a net revenue return of £2,059,000. A first interim dividend of £2,224,000 was declared for the year ending 30 September 2010 representing 4.4p per share.

The Company delivered a Net Asset Value total return of 15.6% and a share price total return of 17.1%. The results compare to a return from the FTSE All-Share Index measured on a total return basis of 12.2%. The Company performed competitively despite having little or no exposure to the cyclical commodity and recovery sectors. Gains were derived from true growth companies whose earnings advanced despite a recessionary environment. In particular technology and media shares performed well, led by Fidessa, Pearson and Sage.

3. Published annual reports and accounts for three financial years ended 30 September 2010

3.1 Historical financial information

The published annual reports and audited accounts for the Company for the three financial years ended 30 September 2010, which have been incorporated in this Prospectus by reference, included, on the pages specified in the table below, the following information:

<i>Nature of Information</i>	Annual report and accounts for the year ended 30 September		
	2008 Page No(s)	2009 Page No(s)	2010 Page No(s)
Income Statement.....	31	32	31
Balance sheet.....	33	34	33
Cash flow statement.....	34	35	34
Accounting policies.....	35-36	36-37	35-36
Notes to the financial statements (incorporating summary of principal accounting policies).....	35-46	36-46	35-46
Audit report.....	29-30	30-31	29-30

3.2 Selected financial information

The key audited figures that summarise the Company's financial condition in respect of the three financial years ended 30 September 2010, which have been extracted without material adjustment from the historical financial information referred to in paragraph 3.1 of this Part 7 (unless otherwise indicated in the notes below the following table), are set out in the following table:

	As at or for year ended 30 September		
	2008	2009	2010
Total net assets (£'000).....	109,784	127,659	159,590
NAV per Share (pence).....	215.5	249.0	301.4
<i>Revenue</i>			
Gross return (£'000)*.....	5,629	4,815	4,577
Return per Share (pence).....	10.1	9.1	8.5
Dividend per Share (pence).....	9.5	9.5	8.8
<i>Total</i>			
Gross return (£'000)†.....	(46,502)	22,400	32,622
Return attributable to Shareholders (£'000).....	(47,550)	21,865	32,208
Return per Share (pence).....	(91.1)	43.1	62.5

* Income less management fees and other expenses.

† Return on ordinary activities before finance charges and taxation.

3.3 Operating and financial review

The Company's published annual reports and accounts for the three financial years ended 30 September 2010 included, on the pages specified in the table below, descriptions of the Company's financial condition (in both capital and revenue terms); details of the Company's investment activity and portfolio exposure; and changes in its financial condition for each of those years.

	Annual report and accounts for the year ended 30 September		
	2008 Page No(s)	2009 Page No(s)	2010 Page No(s)
<i>Nature of Information</i>			
Chairman's statement.....	4-5	3-4	3-4
Investment manager's review	6-7	5-6	5-6
Portfolio distribution and analysis	10	9	9
Performance summary	1	1	1

The causes of material changes in the capital value of the Company's assets in these three financial years can be summarised as follows:

Year ended 30 September 2008

During the year the Company delivered a total loss of £47,550,000, made up of a capital loss of £52,833,000 and a net revenue return of £5,283,000. A dividend of £4,916,000 was declared for the year representing 9.5p per Ordinary Share.

The Company experienced a difficult year with a Net Asset Value total return of -31.4% and a share price total return of -33.1%. The results compare to a total return from the benchmark index, the FTSE All-Share Index, of -22.3%. The Company's geared position contributed to the overall performance together with disappointing performance from regional brewing companies and financial stocks. In relative terms the Company benefitted from the performance of its business-facing Media and Software companies, notably Pearson, Reed and Sage.

Year ended 30 September 2009

During the year the Company delivered a total return of £21,865,000, made up of a capital return of £17,226,000 and a net revenue return of £4,639,000. A dividend of £4,826,000 was declared for the year representing 9.5p per Ordinary Share.

After a difficult first half to the year markets rallied strongly in the second half and the Company delivered a Net Asset Value total return of 24% and a share price total return of 22.9%. The results compare to a total return from the benchmark index, the FTSE All-Share index measured on a total return basis, of 10.8%. The main contributors to the strong outperformance were holdings in A.G. Barr, Cadbury, Fidessa, Unilever and Pearson.

Year ended 30 September 2010

During the year the Company delivered a total return of £32,208,000, made up of a capital return of £27,824,000 and a net revenue return of £4,384,000. A dividend of £4,554,000 was declared for the year representing 8.8p per Ordinary Share.

The Company delivered a Net Asset Value total return of 25.6% and a share price total return of 33.1%, The results compare to a 12.5% return from the benchmark index, the FTSE All-Share measured on a total return basis. The main contributors to the strong relative performance were A.G. Barr, Pearson, Fidessa, Burberry Group and Diageo. The main detractor from performance was the Company's investment in Lloyds Bank preference shares which were forced to suspend their dividend leading to a cut in the level of the Company's own dividend.

3.4 Availability of annual reports and accounts for inspection

Copies of the Company's interim reports for the six months ended 31 March 2011 and 31 March 2010 and annual reports and audited accounts for the three financial years ended

30 September 2010 are available for inspection at the address of Frostrow set out in paragraph 23 of Part 7 of this Prospectus.

PART 7: GENERAL INFORMATION

1. Responsibility

The Company, whose registered office appears in paragraph 2.1.4 of this Part 7, and the Directors, whose names appear on pages 29 and 30 of this Prospectus, accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Company and the Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omissions likely to affect the import of such information.

2. The Company

2.1 Incorporation

2.1.1 The Company was incorporated in Scotland with an unlimited life on 15 January 1926. The Company is registered as an investment company under section 833 of the Act.

2.1.2 The issued Ordinary Shares in the Company are listed on the Official List and are admitted to trading on the London Stock Exchange.

2.1.3 The principal legislation under which the Company operates is the Act. The Company is domiciled in the United Kingdom.

2.1.4 The address of the registered office of the Company is 50 Lothian Road, Festival Square, Edinburgh EH3 9WJ, with telephone number 0131 473 6000.

2.1.5 The Company has no employees and most of its day-to-day activities are delegated to third parties.

2.2 Principal Activities

2.2.1 The Memorandum of Association of the Company provides that the principal object of the Company is to carry on the business of an investment trust company in all its branches. The objects of the Company are set out in full in clause 4 of the Memorandum of Association, a copy of which is available for inspection at the address specified in paragraph 24 of this Part 7 of this Prospectus.

3. Share Capital

The following shows the authorised and issued share capital of the Company as at 30 September 2010 (being the last date in respect of which the Company has published financial information):

	Number of Ordinary Shares
Issued Share Capital (Ordinary Shares of 25p each, fully paid).....	52,947,423
Authorised Share Capital (Ordinary Shares of 25p each).....	100,000,000

As at 9 December 2011 (being the latest predictable date before the publication of this Prospectus), the Company had 58,242,165 Ordinary Shares in issue.

For the three financial years ended 30 September 2011, the authorised share capital has remained as set out above.

The Company's issued share capital history during the last three financial years and since 30 September 2008 is as follows:

- At 30 September 2008, the Company had 50,950,673 Ordinary Shares in issue and 1,846,750 Ordinary Shares were held in treasury. During the year 150,000 New Ordinary Shares were issued and 667,396 Ordinary Shares were reissued out of treasury; 2,514,146 Ordinary Shares were repurchased to be held in treasury;
- At 30 September 2009 the Company had 51,271,673 Ordinary Shares of 25p each in issue and 1,525,750 Ordinary Shares were held in treasury. During the year 1,330,000 Ordinary Shares were reissued out of treasury and 1,009,000 Ordinary Shares were repurchased to be held in treasury.
- At 30 September 2010 the Company had 52,947,423 Ordinary Shares of 25p each in issue. As at this date no Ordinary Shares were held in treasury. During the year 150,000 new Ordinary Shares were issued, 3,983,011 Ordinary Shares were reissued out of treasury and 2,457,261 Ordinary Shares were repurchased to be held in treasury.

By virtue of the special resolution passed at the General Meeting, Shareholders' authority to issue on a non pre-emptive basis up to 5,824,216 New Ordinary Shares was granted.

This Prospectus relates to the issue of up to 40,000,000 New Ordinary Shares, being the authorised but unissued share capital. The Prospectus Rules require the Company to set a maximum price for the issue of New Ordinary Shares under this Prospectus; to permit maximum flexibility the Directors have set this maximum issue price at £10 per New Ordinary Share.

4. **Articles of Association**

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

4.1 Share capital

The Company's authorised share capital consists of Ordinary Shares. The authorised share capital of the Company is £25,000,000 divided into 100,000,000 Ordinary Shares of 25p each. Every Shareholder has one vote for every Ordinary Share held. The shares of the Company are issued with or have attached to them such rights and restrictions as are set out in the Articles.

4.2 Modification of Rights

Subject to the Act (and other company legislation) whenever the share capital of the Company is divided into different classes of shares, all or any of the rights and restrictions for the time being attached to any class of shares for the time being issued may from time to time (whether or not the Company is being wound up) be altered or abrogated with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of such shares. To any such separate general meeting all the provisions of the Articles as to the general meetings of the Company apply *mutatis mutandis*, but the necessary quorum for such meeting or any adjournment thereof is persons holding or representing not less than one half of the shares or stock of the relevant class present personally or represented. Any special rights conferred upon the holders of any shares or class of shares are not (unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares) deemed to be altered by the creation or issue of further shares ranking *pari passu* therewith.

4.3 Alteration of share capital

The Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- (b) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association (subject, nevertheless, to the Act and other company legislation) and so that the resolution whereby any share is sub-divided may determine that as between the holders of the shares resulting from such sub-division one or more of the shares may have any such preferred or other special rights over, or may have such deferred or qualified rights or be subject to any restrictions as compared with, the other or others as the Company has power to attach to unissued or new shares;

- (c) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its authorised share capital by the amount of the shares so cancelled;

and may also by special resolution:

- (d) subject to any information or consent required by the Act (and other company legislation), reduce its authorised and issued share capital or any capital redemption reserve or any share premium account in any manner.

4.4 Purchase by the Company of its own shares

Subject to and in compliance with the Act (and other company legislation), the Company may, from time to time, purchase its own shares of any class so long as such shares are fully paid. Such purchase may be made out of profits or the proceeds of a fresh issue of shares made for the purpose or with any funds (including capital assets) in the hands of the Company and may be made on such terms as the Directors think fit. Any such purchase must be sanctioned (in addition to any other sanction required by the Act (and other company legislation)) by a special resolution passed at a separate class meeting of the holders of any class of convertible shares then in issue.

4.5 Issue of shares

Subject to the Act (and other company legislation) and the Articles, the unissued shares of the Company (whether forming part of the original or any increased capital) are at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and upon such terms and conditions as they may determine.

4.6 Transfer of shares

Subject to the Articles, any Shareholder can transfer all or any of his certificated shares by an instrument of transfer in the usual common form or in any other manner (whether or not by written instrument) which the Board approves.

Written instruments of transfer in respect of certificated shares have to be signed by or on behalf of the transferor and, if the share is only partly paid, the transferee. The transferor is deemed to remain the holder of the share until the name of the transferee is entered in the register in respect of the share. The Company may retain all registered instruments of transfer.

The Directors can from time to time determine that the register of shares be suspended for a specified period not exceeding in whole thirty days in each year, provided that notice is given by advertisement in one national newspaper and such other newspaper, if any, as the Act (and other company legislation) requires.

The Directors have absolute discretion to decline, without giving reasons, the registration of any transfer of any certificated share which is not a fully paid share unless:

- (a) in the case of a share of a class which is listed on the Official List, maintained by the UKLA, to do so would prevent dealings in those shares from taking place on an open and proper basis; or
- (b) any written instrument of transfer, duly stamped, is lodged with the Company (or such other place as the Directors may decide) together with the certificate for the shares to which it relates and there is provided such evidence of ownership as the Directors may reasonably require to show the right of the transferor to make the transfer, the instrument of transfer is in respect of only one class of share and, 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.

If the Directors so decline to register a certificated share, the transferee must be sent notice of that refusal within two months (or such other period, if any, as may be prescribed by the Act (and other company legislation)).

4.7 Uncertificated shares

Subject to the Act (and other company legislation) and the Regulations and the requirements of the relevant system, the Directors may resolve that a class of shares is to become a participating security and that a class of shares is to cease to be a participating security.

Uncertificated shares may be transferred in accordance with the Regulations.

Uncertificated shares of a class are not regarded as forming a separate class from certificated shares of that class.

A Shareholder may, in accordance with the Regulations, change a share of a class which is a participating security from a certificated share to an uncertificated share and from an uncertificated share to a certificated share.

The Company may give notice to a Shareholder requiring that Shareholder to change uncertificated shares to certificated share by the time stated in the notice. The notice may also state that that Shareholder may not change certificated shares to uncertificated shares. If that Shareholder does not comply with the notice, the Directors may authorise a person to change the uncertificated shares in the name and on behalf of that Shareholder.

4.8 Borrowing

The Directors may borrow any sum or sums of money upon such terms as to interest or otherwise as they may deem fit, and for the purpose of securing the same and interest, or for securing the repayment or payment of any other debt, liability or obligation of the

Company or of any subsidiary or subsidiaries of the Company for the time being, or for any other purpose, create, issue, make and give respectively bonds or any perpetual or redeemable debentures or debenture stock, or any bond, ex facie absolute disposition, mortgage or charge on the undertaking or the whole or any part of the property, present or future, or unissued or uncalled capital of the Company, and any bonds, debentures, debenture stock and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.

The aggregate principal amount borrowed (including any premium payable on the final repayment) and at any one time remaining outstanding by the Company and all its subsidiaries for the time being (excluding inter-company loans) may not, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to twice the aggregate of (i) the nominal amount of the consolidated share capital of the Company for the time being issued and paid up and (ii) the amounts standing to the credit of the capital and revenue reserves including profit and loss account, share premium account and capital redemption reserve (after deduction of any amount property attributable to minority interests) but excluding any sums set aside for taxation all as shown in the latest published Consolidated Balance Sheet of the Company and its subsidiaries, if any, or if none, as shown in a pro-forma statement as certified by the Auditor for the time being of the Company, but adjusted as may be necessary in respect of any share capital of the Company issued or paid up since the date of that Balance Sheet or pro-forma statement (as the case may be).

4.9 General Meetings

The Directors will convene and the Company will hold general meetings as AGMs in accordance with the requirements of the Act (and other company legislation) at such times and places as the Directors will appoint. Any meeting of the Company other than an AGM will be called a general meeting.

The Director may, whenever it thinks fit, convene a general meeting and general meetings will be convened on such requisition or in default may be convened by such requisitions as is provided by the Act (and other company legislation).

Notice for AGMs and meetings at which it is proposed to pass a special resolution is 21 days' written notice. Notice for all other general meetings is 14 days' written notice. The notice will specify the place, day and time of the meeting and, in the case of special business, the general nature of that business.

The quorum for a general meeting is two Shareholders present in person or by proxy and entitled to vote. If within 30 minutes (or such longer time and exceeding one hour as the chairman of the meeting may decide to wait) after the time appointed for a meeting a quorum is not present, the meeting, if convened on the requisition of the Shareholder, will be dissolved. In any other case, it will be adjourned to such other day and at such other time (not being less than fourteen nor more than twenty eight days later) or place

as the chairman of the meeting may determine. The Company must give at least seven days' notice in writing of any such adjourned meeting and must state in that notice that one Shareholder present in person or by proxy is a quorum.

The chairman of the Board or, in his absence, a deputy chairman (if any) will preside as chairman at every general meeting of the Company, unless the chairman or deputy chairman is not present within 15 minutes after the time appointed for holding the meeting, in which case the Directors present will choose one of their number to act, or if one Director only is present he will preside as chairman if willing to act. If no Director is present, or if each of the Directors present declines to take the chair, the persons present and entitled to vote on a poll will elect one of their number to be chairman.

The chairman of a general meeting may take any action he considers appropriate for, for example, the safety of people attending a general meeting, the proper and orderly conduct of a general meeting or in order to reflect the wishes of the majority. He may, for example, require any people to prove who they are, carry out security searches and stop certain things being taken into the meeting. The chairman may on reasonable grounds refuse to allow any person into a meeting, or may arrange for any person who refuses to comply with any reasonable requirements he may impose to be removed from a meeting. Additionally, the Directors may arrange for any people whom they consider cannot be seated in the main meeting room (where the chairman will be) to attend and take part in a general meeting in an overflow room or rooms which will have a live video link from the main room and a two-way sound link. The notice convening the meeting need not give details of any of these arrangements.

4.10 Votes of Members

Subject to any special terms as to voting upon which any shares may be issued or may for the time being be held, on a show of hands every Shareholder who is present in person at a general meeting of the Company will have one vote and on a poll every Shareholder who is present in person or by proxy will have one vote for each share of which he is the holder or to which he is entitled pursuant to the Articles. At the date of this Prospectus no shares are in issue or held subject to any special terms as to voting.

A proxy need not be a Shareholder. An instrument appointing a proxy must be in writing and must, if not sent in electronic form, be left at the place specified not less than 48 hours before the time appointed for holding the meeting.

4.11 Dividends

Subject to the Act (and other company legislation) and the Articles, the Company in general meeting may from time to time declare dividends to be paid to the Shareholders according to their rights and interests in the profits available for distribution, but no dividend can be declared in excess of the amount recommended by the Directors.

The Directors may from time to time pay to the Shareholders such interim dividends as appear to the Directors to be justified by the position of the Company. The Directors may also pay any fixed dividend, which is payable on any shares of the Company, half-yearly or on any other dates, whenever such position in the opinion of the Directors justifies such payment.

Any dividend unclaimed after period of twelve years from the date of declaration of such dividend or from the date such dividend became due for payment will be forfeited and will revert to the Company.

4.12 Untraced Shareholders

The Company is entitled to sell at the best price reasonably obtainable any share of a Shareholder or any share to which a person is entitled by transmission if:

- (a) for a period of 12 years in the course of which at least three dividends have become payable in respect of the share in question, no cheque or warrant sent by the Company through the post in a prepaid letter addressed to the Shareholder or to the person entitled by transmission to the share at his address on the Company's register of Shareholders or other last known address given by the Shareholder or the person entitled by transmission to which cheques and warrants are to be sent has been cashed and no communication has been received by the Company from the Shareholder or the person entitled by transmission;
- (b) the Company has at the expiration of that 12 year period by advertisement in both a national newspaper and in a newspaper circulating in the area in which the address referred to in (a) above is located giving notice of its intention to sell such share;
- (c) the Company has not during a further period of three months after the date of advertisement and prior to the exercise of the power of sale received any communication from the Shareholder or person entitled by transmission; and
- (d) the Company has first given written notice to the FSA of its intention to sell such share.

The Company must account to the Shareholder or other person entitled to the share for the net proceeds of sale and will be deemed to be his debtor and not a trustee for him or her in respect of the same. Any money not accounted for to the Shareholder or other person entitled to such share will be carried to a separate account and will be a permanent debt of the Company. Money in that account may either be employed in the business of the Company or invested in such investments as the Directors may from time to time think fit.

4.13 Suspension of share rights

Where a registered holder or bearer of shares in the Company fails to comply, within the specified period, with a notice given by the Directors under the Act (and other company legislation) requiring him or her to give particulars of any interest in any such shares, the Company may give that person a notice stating or to the effect that such shares will from the service of such restriction notice confer on such person no right to attend or vote at any general meeting of the Company or at any separate general meeting of the holders of the shares of that class until the statutory notice has been complied with and such shares will accordingly not confer any right to attend or vote in relation to any such meeting.

Where the shares in respect of which such a notice has been issued represent 0.25 per cent or more of the class of share concerned, the notice may in addition direct that:

- (a) any dividend or other money which would otherwise be payable on such shares will be retained by the Company until the notice is cancelled or ceases to have effect without any liability to pay interest thereon when such money is finally paid to the person entitled to it; and/or
- (b) no transfer will be registered unless the registered holder or bearer of them is not himself or herself in default for the failure to supply information and that person satisfies the Directors that no person in default is interested in any of the shares in question.

The period specified in such a notice in respect of any particular Shareholder may not be less than 14 days from the date of service of the notice. The restrictions may be cancelled by the Directors at any time and will automatically cease to have effect where any share is sold:

- (a) to an offeror in acceptance of an offer made to the holders of all the shares in the Company or the holders of a particular class of those shares to acquire all of those shares or a specified proportion of them;
- (b) where the whole beneficial ownership of the shares is sold to a person unconnected with the vendor and any one else interested in those shares; or
- (c) when the sale is made through a Recognised Investment Exchange or any stock exchange outside the UK on which the Company's shares are normally traded.

Directors

Subject to an ordinary resolution of the Company, there must be at least three Directors of the Company and there is no maximum number. Directors are not subject to any shareholding qualification.

4.13.1 Appointment and Removal of Directors

A Director may be appointed by an ordinary resolution of the Company, either to fill a casual vacancy or in addition to the existing Directors. If a Director is appointed by the other Directors, he only holds office until the next AGM at which he is eligible for re-election, and that Director is not taken into account when determining the Directors who are to retire by rotation.

Other than in the case of a Director retiring at a general meeting, no person can be appointed a Director unless the appropriate written notices are submitted by the Shareholder proposing that person for election and the candidate himself or herself not less than seven and not more than forty-two clear days prior to the meeting.

The Company can by special resolution or by ordinary resolution of which special notice has been given, remove any Director before the expiration of his or her period of office. Another Director may be appointed in his or her place by ordinary resolution and such Director is subject to retirement at the same time as if he had become a Director when the Director in whose stead he is appointed became a Director.

4.13.2 Retirement of Directors by rotation

At every general meeting any Director who was not elected or re-elected at either of the two preceding AGMs will retire from office and be eligible for re-election together with such additional Directors as to bring the number of Directors retiring by rotation to at least one third of the number of Directors in office. The additional Directors to retire on each occasion are those who have been longest in office since their last election. If there are Directors who were last elected on the same date, they can agree on who is to retire and, if they are unable to agree, they must draw lots to decide. In default of the Company electing a new person to the office of Director, the retiring Director will, if willing to continue to act, be deemed to have been re-elected, unless it is expressly resolved at the meeting not to fill such vacated office or a resolution for the re-election of that Director is lost at the meeting.

4.13.3 Disqualification of Directors

The office of Director must be vacated if all the other Directors request his or her resignation by written notice or the Director:

- (a) himself or herself delivers a written notice of resignation;
- (b) becomes of unsound mind or a mental health patient as defined in statute and the Directors resolve that he should vacate office;
- (c) is absent without leave from meetings of the Directors for six consecutive months and the Directors resolve that he should vacate office;

- (d) becomes bankrupt or compounds with his or her creditors;
- (e) is prohibited by law from being a Director; or
- (f) ceases to be a Director by virtue of the Act (and other company legislation) or is removed from office pursuant to the Articles.

No Director will be required to vacate office and no person will be disqualified from being appointed a Director by reason only of the fact that he has attained the age of 70 years. But where a meeting is convened at which a Director will be proposed for election or re-election who has, at the date of that meeting, attained the age of 70 years, notice of him or her having attained the age of 70 in the notice convening the meeting or any prospectus sent with it.

4.13.4 Directors' Fees and Expenses

Each of the Directors is paid a fee at a rate from time to time determined by the Directors, subject to a maximum aggregate amount of £150,000 per annum. An ordinary resolution will also be put to Shareholders at the AGM to be held on 18 January 2012 to increase the aggregate limit on Directors' fees to £200,000.

Each Director is also entitled to his or her reasonable travelling, hotel and incidental expenses of attending and returning from general meetings, meetings of the Directors and committees of the Directors together with all expenses properly and reasonably incurred by him or her in the conduct of the Company's business or in the discharge of his or her duties as a Director.

A Director may hold any other office or place of profit with the Company, except that of auditor, in conjunction with his or her office of Director for such period, upon such terms and for such extra remuneration as the Directors may determine. Similarly a Director may act by himself or herself or his or her firm in a professional capacity for the Company (otherwise than as auditor) and will be entitled to remuneration for those professional services.

4.13.5 Permitted interests of Directors

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 and is not liable to account to the Company for any remuneration, profit or other benefit received by him or her from such position or interest.

No Director or proposed or intending Director is disqualified by his or her office from contracting with the Company, either with regard to his or her tenure of any office or place of profit or as vendor, purchaser or in any other manner

whatever (and no such contract is liable to be avoided and the Director is not liable to account to the Company in respect of such contracts).

4.13.6 Restrictions on voting

Directors cannot vote or be counted in the quorum on any Directors' resolution concerning his or her own appointment as the holder of any office or place of appointment with the Company or any other company in which the Company is interested. Where proposals are under consideration concerning the appointment of 2 or more Directors to offices or employment with the Company or any company in which the Company is interested, such proposals will be divided and considered in relation to each Director separately and in such cases each of the Directors concerned will be entitled to vote (and to be counted in the quorum) in respect of each resolution except that concerning his own appointment.

A Director who, to his or her knowledge, is interested, in any way, whether directly or indirectly, and whether for himself or herself or through a person connected with him or her, in a contract, transaction, arrangement or proposed contract with the Company must declare the nature of that interest in accordance with the Act (and other company legislation).

A Director may not vote on any Directors' resolution in respect of any contract or other proposal in which he is to his or her knowledge materially interested and if he does so his or her vote will not be counted. However this is subject to the following exceptions:

- (a) the giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by him or her or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- (b) the giving of any security, guarantee or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which the Director himself or herself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (c) the granting of any indemnity or provision of funding unless the terms of such arrangement confer upon such Director a benefit not generally available to any other Director;
- (d) an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which offer he is or is to be or may be entitled to

participate as a holder of securities or as an underwriter or sub-underwriter;

- (e) any matters involving or relating to any other company in which he or any person connected with him or her has a direct or indirect interest (whether as an officer or shareholder or otherwise), provided that he and any persons connected with him or her are not to his or her knowledge the holder (otherwise than as a nominee for the Company or any of its subsidiary undertakings) of or beneficially interested in one per cent. or more of any class of the equity share capital of such company (or of any third company through which his or her interest is derived) or of the voting rights available to members of the relevant company (any such interest being deemed for the purpose of this Article to be a material interest in all circumstances);
- (f) an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him or her any privilege or benefit not generally awarded to the employees to whom the arrangement relates;
- (g) the purchase and/or maintenance of any insurance policy for the benefit of Directors or for the benefit of persons including Directors.

4.14 Winding up

If the Company is wound up, the liquidator may, with the relevant sanctions, divide amongst the Shareholders *in specie* or in kind the whole or any part of the assets of the Company and may determine how such division will be carried out as between the Shareholders or difference classes of them, vesting them in trust where the liquidator thinks fit, but so that no Shareholder will be compelled to accept any shares or other assets upon which there is any liability.

5. **Squeeze-out and Sell-out Rules relating to the Ordinary Shares**

The Takeover Code applies to the Company. Under the Takeover Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquirer and its concert parties to Ordinary Shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer (and depending on the circumstances, its concert parties) would be required, except with the consent of the Panel, to make a cash offer for the outstanding Ordinary Shares in the Company at a price not less than the highest price paid for any interests in the Ordinary Shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by an acquisition of Ordinary Shares by a person holding (together with its concert parties) Ordinary Shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights.

6. **Valuation Policy**

Frostrow is responsible for determining and calculating the NAV per Ordinary Share of the Company. NAV per Ordinary Share is calculated on each Dealing Day and is announced to a Regulatory Information Service. The NAV is calculated in accordance with UK GAAP, the SORP and guidelines published by the Association of Investment Companies. The calculation of the NAV on each Dealing Day accrues fully for any performance fee potentially payable in accordance with paragraph 13.3 below. All of the Company's investments, save for Frostrow Capital LLP, are listed and are valued at the closing prices. Valuations of NAV per Ordinary Share will be suspended only in any circumstances in which the underlying data necessary to value the investments of the Company cannot readily or without undue expenditure be obtained. Any such suspension will be announced to a Regulatory Information Service.

7. **Net Asset Value and Ordinary Share price**

As at the close of business on 8 December 2011 (being the latest practicable date prior to the publication of this Prospectus), the unaudited cum income Net Asset Value per Ordinary Share was 321.80 pence and the share price was 318.00 pence, representing a 1.18 per cent discount to the cum income Net Asset Value per Ordinary Share. The unaudited ex income Net Asset Value per Ordinary Share was 320.53 pence and the share price was 318.00 pence, representing a 0.79 per cent discount to the ex income Net Asset Value per Ordinary Share.

8. **Conflicts of Interest**

The Manager, the Investment Manager, any of their respective directors, officers, employees, agents and affiliates and the Directors and any person or company with whom they are affiliated or by whom they are employed (each an "**Interested Party**") may be involved in other financial, investment or other professional activities which may cause conflicts of interest with the Company. In particular, Interested Parties may provide services similar to those provided to the Company to other entities and will not be liable to account for any profit from any such services. For example, an Interested Party may acquire on behalf of a client an investment in which the Company may invest.

9. **Investment Portfolio**

As at the close of business on 8 December 2011 (being the latest practicable date prior to the publication of this Prospectus) further details of the Company's investments are as follows:

Investment	Book Cost (£'000)	Market Value (£'000)	% of issued Ordinary Shares held	Earnings per share (p)	Dividend per share (p)	Dividend cover (times)
Equities						
Barr (A.G.)	3,256	17,580	3.72	58.84	25.41	2.3
Burberry Group	1,201	6,318	0.12	47.90	20.00	2.4
Celtic	806	508	1.71	-2.37	-	-
Daily Mail & General Trust	7,230	5,814	7.53	29.20	16.30	1.8
Diageo	14,238	23,821	0.07	76.20	40.40	1.9
Dr Pepper Snapple	2,609	5,254	0.10	219.00	114.00	1.9
Euromoney Institutional Investor	4,148	5,952	0.75	38.02	18.00	2.1
Fidessa	4,166	11,015	1.83	77.80	34.00	2.3
Frostrow Capital LLP	75	470	n/a	n/a	n/a	n/a
Fuller Smith & Turner	1,192	4,865	2.13	48.53	11.80	4.1
Greene King	6,671	6,546	0.65	49.70	23.10	2.2
Hargreaves Lansdown	2,446	3,769	0.18	19.80	12.91	1.5
Heineken	5,501	5,498	0.07	263.00	76.00	3.5
Kraft Foods	4,681	8,419	0.02	240.00	116.00	2.1
Lindsell Train Investment	1,000	2,130	5.00	380.00	365.00	1.0

Trust						
London Stock Exchange	4,466	5,643	0.25	56.40	26.80	2.1
Marston's	5,269	5,951	3.71	12.10	5.80	2.1
Pearson	10,422	14,553	0.16	66.00	39.70	1.7
Rathbone Brothers	7,915	9,895	2.07	49.76	45.00	1.1
Reed Elsevier	8,356	7,884	0.13	27.30	20.65	1.3
Sage Group	8,442	10,539	0.28	14.35	7.90	1.8
Schroders	7,116	8,200	0.27	111.80	39.00	2.9
Thomson Reuters	25	3,347	0.02	109.00	122.00	0.9
Unilever	14,203	20,419	0.07	151.00	75.53	2.0
Young & Co Brewery	1,092	4,232	2.83	36.97	13.26	2.8
Preference shares						
Celtic 6 per cent Cum Pref	88	56	-	-	3.24	-
Lloyds Banking Group 9.25 per cent (Non Cum Pref)	4,377	2,184	-	-	-	-
	130,991	200,862				

The above information is sourced from the Company's management accounts and is unaudited.

10. **Investment Restrictions**

In order to comply with the Listing Rules, the Company will not invest more than 10 per cent, in aggregate, of the value of its total assets (calculated at the time of any relevant investment) in other investment companies or investment trusts which are listed on the Official List (save to the extent that these investment companies or investment trusts have stated investment policies to invest no more than 15 per cent of their gross assets in other investment companies (including investment trusts) which are listed on the Official List).

In order for the Company to be approved as an investment trust under Chapter 4 of Part 24 of the Corporation Tax Act 2010, not more than 15 per cent of the Company's assets (at cost and before deducting borrowed money) may be lent to, or invested in the securities of, any one company (other than holdings in another investment trust which has been approved by HMRC or which would qualify for such approval but for the fact that it is not listed) including loans to or shares in its own subsidiaries.

In the event of any material breach of the investment restrictions applicable to the Company, Shareholders will be informed of the actions to be taken by the Manager through a Regulatory Information Service.

11. **Interests of Directors, major shareholders and related party transactions**

11.1 Directors' interests

As at 30 September 2011, being the most practicable date before the publication of this Prospectus, the Directors had beneficial interests in the following number of Ordinary Shares:

	Ordinary Shares	per cent of issued Share Capital
Anthony Townsend.....	120,638	0.207
John Allard.....	17,094	0.029
Vanessa Renwick.....	18,514	0.031
Giles Warman.....	78,540	0.135
Neil Collins	12,986	0.022
David Hunt	20,500	0.035

11.2 Directors' contracts with the Company

All the Directors of the Company are non-executive. It is the Board's policy that none of the Directors has a service contract. The terms of their appointment provide that a director may be removed without notice and that no compensation will be due on leaving office.

Giles Warman was appointed to the Board on 13 November 1989, Neil Collins was appointed to the Board on 30 January 2008, David Hunt was appointed to the Board on 6 July 2006, John Allard and Vanessa Renwick were both appointed on 11 October 2000 and Anthony Townsend was appointed on 1 February 2005. The appointment of each Director has continued through re-election.

John Allard, Vanessa Renwick and Giles Warman retired at the last AGM (held on 27 January 2011) and, offering themselves for re-election, were duly re-elected. All Directors will be standing for re-election at the next AGM.

For the year ended 30 September 2011, Mr Townsend was paid fees of £27,500 per annum, Mr Hunt was paid fees of £21,000 per annum and the other Directors are paid fees of £18,000 per annum quarterly in arrears. In respect of the financial year ended 30 September 2011, the aggregate remuneration paid to the Directors was £120,500.

As of October 2011, Mr Townsend is paid fees of £30,000 per annum, Mr Hunt is paid fees of £23,000 per annum and the other Directors are paid fees of £20,000 per annum quarterly in arrears.

11.3 Directors' other interests

Over the five years preceding the date hereof, the Directors have held the following directorships' (apart from their directorships' of the Company) and/or partnerships:

Neil Collins

Company	Position	Appointed	Resigned
Dyson James Limited	Director	10 October 2006	10 October 2007
Templeton Emerging Markets Investment PLC	Director	29 September 2006	Ongoing

Anthony Townsend

Company	Position	Appointed	Resigned
Baronsmead VCT 3 PLC	Director	4 August 2009	Ongoing
BRIT UW Limited	Director	12 September 2005	15 May 2008
BRIT Insurance Limited	Director	17 August 2004	15 May 2008
BRIT Insurance Holdings Limited	Director	2 August 1999	15 May 2008
BRIT Syndicates Limited	Director	16 December 1999	15 May 2008
British & American Investment Trust PLC	Director	6 October 1999	Ongoing
Cranleigh School	Director	21 November 1998	Ongoing
Cranleigh Enterprises Limited	Director	4 November 1999	Ongoing
Cranleigh Foundation	Director	13 December 2007	Ongoing
F&C Global Smaller Companies PLC	Director	24 September 2004	Ongoing
Hansa Capital Limited	Director	20 October 1998	Ongoing
Miton Worldwide Growth Investment Trust PLC	Director	23 February 2004	Ongoing
RCM Technology Trust PLC	Director	7 November 1995	9 April 2008
The Biotech Growth Trust PLC	Director	4 June 1997	8 November 2007
The Ukraine Opportunity Trust PLC	Director	22 August 2005	23 May 2007
Worldwide Healthcare Trust PLC	Director	14 February 1995	Ongoing

Giles Warman

Company	Position	Appointed	Resigned
European Assets Trust NV	Director	27 April 2001	Ongoing

David Hunt

Company	Position	Appointed	Resigned
Astra House (IOW) Limited	Director	14 January 2009	Ongoing
Nexia Smith & Williamson Audit Limited	Director	17 October 2002	30 April 2011
Smith & Williamson Limited	Director	4 December 2002	30 June 2006

11.4 The Directors in the five years before the date of this Prospectus:

(a) do not have any convictions in relation to fraudulent offences;

(b) have not been associated with any bankruptcies, receiverships or liquidations of any partnership or company through acting in the capacity as a member of the administrative, management or supervisory body or as a partner, founder or senior manager of such partnership or company, with the exception of the following:

John Allard

Tynepower Limited	Dissolved on 29 January 2007
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Anthony Townsend

Oxfordshire Biotechnet Limited	Members' voluntary liquidation on 13 May 2008
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Giles Warman

Tynepower Limited	Dissolved on 29 January 2007
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Vanessa Renwick

Tynepower Limited	Dissolved on 29 January 2007
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(c) do not have any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) and have not been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any issuer or from acting in the management or conduct of the affairs of any issuer.

11.5 Major shareholders

As at 8 December 2011 (being the latest practicable date before publication of this Prospectus), the following parties were known to be interested in 3 per cent or more of the Company's share capital (being the threshold for notification under the Act):

Investment Manager	Registered Holder(s)	Number of shares	per cent of issued share capital
Brewin Dolphin	Various Brewin Nominee Managed Accounts	9,179,926	15.8
Alliance Trust Savings	Alliance Trust Savings Nominees	6,452,192	11.1
Rathbone	Various Rathbone Nominee Managed Accounts	4,489,058	7.7
Investec Wealth Investment	Various Nominee Accounts	3,392,127	5.8
Henderson Global Investors	Various Nominee Accounts	3,314,751	5.7
JP Morgan Asset Management	Chase Nominees, Bank of New York Nominees	2,736,290	4.7
Charles Stanley	Rock Nominees	2,350,009	4.7
Legal & General Investment Management	Various Nominee Accounts	1,892,926	3.3

The Company is not aware of any person who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company. The Company is not aware of any arrangement the operation of which may at a subsequent date result in a change of control of the Company. The Company's major Shareholders do not have any different floating rights from other Shareholders.

11.6 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 years to 30 September 2011 or during the period 1 October 2011 to 9 December 2011 (being the latest practicable date before publication of this Prospectus).

12. Share options

At the date of this Prospectus no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option.

13. Material Contracts

The following is a summary of each material contract, other than contracts entered into in the ordinary course of business, to which the Company or its subsidiary is a party, for the two years immediately preceding publication of this Prospectus or which contains any provision under which the Company or its subsidiary has any obligation or entitlement which is material to them at the date of this Prospectus.

13.1 Management, Administrative and Secretarial Services Agreement

Frostrow is the Manager under the Management, Administrative and Secretarial Services Agreement dated 4 April 2007, amended by way of a letter agreement dated 23 January 2009, on the terms of which it is appointed to, subject to the policies and restrictions of the Directors of the Company and among other things, provide specialist management, administrative, marketing and company secretarial services.

Frostrow is entitled to be reimbursed, on invoice, in respect of all commissions, transfer and registration fees, stamp duty and similar liabilities, the fees of any of its duly appointed advisers and any other costs properly in the performance of its duties as an investment manager under the Management, Administrative and Secretarial Services Agreement.

The Management, Administrative and Secretarial Services Agreement may be terminated by either party giving not less than 12 months' notice.

An annual fee is payable by the Company to Frostrow of 0.15 per cent of the adjusted market capitalisation of the Company (calculated in accordance with the Management, Administrative and Secretarial Services Agreement) (the "**Periodic Fee**"). The Manager is also entitled to an annual fixed fee (the "**Fixed Fee**") of £70,000 calculated monthly and payable monthly in arrears.

Frostrow, under the terms of the Management, Administrative & Secretarial Services Agreement provides *inter alia* the following services:

- (a) marketing and shareholder services;
- (b) company secretarial and administrative services;
- (c) advice and guidance in respect of corporate governance requirements;
- (d) performance measurement reports;

- (e) maintenance of adequate accounting records and management information;
- (f) preparation and despatch of the audited annual financial statements, the unaudited interim report and the interim management statements; and
- (g) attending to general tax affairs where necessary.

The Management, Administrative and Secretarial Services Agreement may be terminated by either party giving to the other not less than 12 months' written notice, except in any of the following circumstances, in which the Company is entitled summarily to terminate the Management, Administrative and Secretarial Services Agreement by notice in writing:

- (a) if the Manager has a receiver appointed of the whole or any part of its undertaking or if any order is made or an effective resolution passed for the winding up of the Manager (save for the purpose of and followed by an amalgamation or reconstruction) or if an Administration Order is made or a voluntary arrangement comes into effect under the Insolvency Act 1986 in relation to the Manager or if a distress or execution is levied or enforced upon or against any of the property or assets of the Manager is not discharged or paid out within 14 days;
- (b) of a person or a group of persons acting in concert (as defined in the City Code on Takeovers and Mergers) acquires more than 50 per cent of the votes normally exercisable at general meetings of the Manager; or
- (c) if Alastair Smith (or any approved replacement) ceases for any reason to co-ordinate the provision of the Manager's Services under the Management, Administrative and Secretarial Services Agreement and is not within 120 days of such cessation replaced by an individual approved by the Board.

The Management, Administrative and Secretarial Services Agreement contains an indemnity in favour of Frostrow against all claims by third parties which may be made against Frostrow in connection with any action properly taken in accordance with the Management, Administrative and Secretarial Services Agreement, except to the extent that the claim is due to the negligence, wilful default or fraud of Frostrow or its employees or delegates or any material breach of the Management, Administrative and Secretarial Services Agreement by Frostrow.

Provided its ability to perform its obligations under the Management, Administrative and Secretarial Services Agreement is not impaired, Frostrow is entitled to carry on any business similar to, or in competition with, the Company or to provide similar services or any other services whatsoever to any other customer without accounting to the Company for its profits.

In the year ended 30 September 2010 the fees payable under the Management, Administrative, and Secretarial Services Agreement amounted to £272,000.

13.2 Investment Management Agreement

Lindsell Train acts as the Investment Manager under the Investment Management Agreement dated 4 April 2007, amended by way of a letter agreement dated 23 September 2010. Under the terms of the Investment Management Agreement, Lindsell Train provides discretionary investment management services to the Company for a periodic fee equal to 0.45 per cent per annum of the Company's market capitalisation. The Investment Manager under the terms of the Agreement provides inter alia the following services:

- (a) seeking out and evaluating investment opportunities;
- (b) recommending the manner by which monies should be invested, disinvested, retained or realised;
- (c) advising on how rights conferred by the investments should be exercised;
- (d) analysing the performance of investments made
- (e) advising the Company in relation to trends, market movements and other matters which may affect the investment policy of the Company; and
- (f) marketing the shares in the Company as may be required from time to time, subject to the FSMA and the FSA rules.

The Investment Management Agreement may be terminated by either party giving to the other not less than 12 months' written notice.

In any of the following circumstances the Company is entitled summarily to terminate the Investment Management Agreement by notice in writing:

- (a) if Lindsell Train commits any material or persistent breach of or omits to observe any of the material obligations on its part contained in this Agreement and (if such breach is capable of remedy) fails (within 30 days after having been required by the Company so to do) to remedy such breach to the satisfaction of the Company;
- (b) if Lindsell Train ceases to carry on business or is or comes to be prohibited by law or under any rules, regulations, order or decree of the FSA or any other governmental agency, administrative agency, court, stock exchange, self-regulatory organisation or other regulatory organisation from providing its services or complying with its obligations under the Investment Management Agreement;
- (c) if Lindsell Train has a receiver appointed of the whole or any part of its undertaking or if any order is made or an effective resolution passed for the winding up of Lindsell Train or if an Administration Order is made or a voluntary

arrangement comes into effect under the Insolvency Act 1986 in relation to Lindsell Train or if a distress or execution shall be levied or enforced upon or against any of the property or assets of Lindsell Train and is not discharged or paid out within 14 days;

- (d) if Nick Train or any replacement approved under the Investment Management Agreement by the Company to perform the services set out in the Investment Management Agreement ceases to be available to perform those services and Lindsell Train failed within 120 days after the happening of that event to provide a replacement approved by the Company; or
- (e) if a Non-Permitted Controller or Non-Permitted Controllers (as defined in the Investment Management Agreement) shall acquire at least 50 per cent of the votes normally exercisable at general meetings of Lindsell Train in which event the right of the Company to terminate the Investment Management Agreement summarily must be exercised by giving notice to Lindsell Train not later than 90 days after the Board is made aware that a Non-Permitted Controller or Non-Permitted Controllers (as defined in the Investment Management Agreement) has or have acquired at least 50 per cent of the votes normally exercisable at general meetings of Lindsell Train.

In the following circumstances Lindsell Train is entitled to terminate the Investment Management Agreement summarily by notice:

- (a) the Company has a receiver appointed of the whole or any part of its undertaking;
- (b) any order is made or an effective resolution passed for the winding up of the Company (save for the purpose of and followed by an amalgamation or reconstruction (provided that the Company is solvent));
- (c) an Administration Order is made or a voluntary arrangement comes into effect under the Insolvency Act 1986 in relation to the Company; or
- (d) a distress or execution is levied or enforced upon or against any of the property or assets of the Company and not discharged or paid out within 14 days.

The Investment Management Agreement contains an indemnity in favour of Lindsell Train against all claims by third parties which may be made against Lindsell Train in connection with any action properly taken in accordance with the Investment Management Agreement, except to the extent that the claim is due to the negligence, wilful default or fraud of Lindsell Train or its employees or any material breach of the Investment Management Agreement by Lindsell Train.

Provided its ability to perform its obligations under the Investment Management Agreement is not impaired, Lindsell Train is entitled to carry on any business similar to, or in competition with, the Company or to provide similar services or any other services

whatsoever to any other customer without accounting to the Company for its profits. The Investment Advisory Agreement makes it clear that Lindsell Train is permitted to effect transactions in which Lindsell Train or any of its associates has, directly or indirectly, a material interest or a relationship of any description with another party which may involve a potential conflict of interest with Lindsell Train's duty to the Company, again without being liable to account to the Company for its profits, provided, *inter alia*, that where there is such a conflict uses its best endeavours to ensure that the terms of the relevant transaction are no less favourable to the Company than if the conflict had not existed and that it discloses of all such transactions to the Company.

In the year ended 30 September 2010 the fees payable under the Investment Management Agreement amounted to £606,000.

13.3 Performance Fee

Dependent on the level of performance achieved, Lindsell Train and Frostrow are also entitled to the payment of the Performance Fee. The calculation basis of the Performance Fee is by reference to the annual increase in the Company's adjusted market capitalisation per share, but only after attainment of an absolute return hurdle, which is the sum of the increase in the RPI 5.59 per cent in the year, plus a fixed return of 6 per cent.

During the year to 30 September 2011 the RPI rose by 4.64 per cent, therefore the performance fee hurdle, as at 30 September 2011, was 507.78p per share. The Company's adjusted market capitalisation per share as at 30 September 2011 was 311.01p. Lindsell Train receives 85 per cent and Frostrow receives 15 per cent of the Performance Fee. The total Fixed, Periodic and Performance Fees payable in any one year to Lindsell Train and Frostrow are capped at 1.25 per cent of the Company's market capitalisation. Any outperformance, that would have resulted in a higher fee being paid had there been no cap, is carried forward into the calculation of future years' fees. Similarly, in the case of underperformance, any underperformance has to be made up in future years before a Performance Fee becomes payable in those years.

In the year to 30 September 2011 no Performance Fee was accrued or paid. Since that date end no Performance Fee has been accrued.

13.4 Custody Agreement

The Bank of New York Mellon's London and Brussels branches (together "the Bank of New York") act as custodian for the Company under the Custody Agreement. The Bank of New York is a company incorporated under the laws of the United States. Its headquarters are in New York, USA, and it was registered as a branch in England and Wales with registration number: BR000818 on 1 June 1965 and as a company in England and Wales with registered number: FC005522 on 11 September 1964. The Custodian is authorised and regulated by the FSA under FSMA with firm reference number: 122467.

The fees of the Bank of New York are paid by the Company. In the year ended 30 September 2011 these fees amounted to £20,752. The Custody Agreement contains an indemnity in favour of the Bank of New York against certain losses incurred in claims against it by third parties except to the extent that such losses are not caused as a direct result of the negligence, fraud or wilful default of the Bank of New York and the Bank of New York's losses extend to taxes on or attributable to its fee income.

The Custody Agreement may be terminated by either party giving to the other not less than 90 days' notice in writing or, where the Company is dissolved, automatically upon its dissolution.

The Bank of New York is authorised to hold the securities and other investments of the Company at any of its branches and, subject to its duty to exercise reasonable care in their selection and continued appointment, to cause those investments to be held by any other institution acting as securities depository, clearing house or system or custodian on such terms as the Bank of New York may require.

The Bank of New York is the sole custodian. Subject to exercising its duties of supervision and control as prescribed by the rules of the FSA, the Bank of New York is authorised to act through and hold the Company's investments with sub-custodians. The Bank of New York will use reasonable care in the selection and appointment of sub-custodians. The applicable sub-custodian who is appointed by the Bank of New York as at the date of this document and who might be relevant for the purposes of holding the Company's investments is:

Country	Name of sub-custodian	Regulator
The Netherlands	Euroclear SA/NV	Financial Services and Markets Authority (FSMA), Belgium

13.5 Limited Liability Partnership Deed

The Limited Liability Partnership Deed governs Frostrow Capital LLP (in this section only the "LLP"). In accordance with the Limited Liability Partnership Deed, the Company acquired a 10% interest in the LLP at a cost of £150,000 in 2007, of which £75,000 was repaid to the Company by the LLP in 2008.

The LLP will terminate and dissolve upon the occurrence of any of the following events, but the Limited Liability Partnership Agreement will not terminate until the affairs of the LLP have been wound up:

- (a) a determination by three quarters in number of the members of the LLP to dissolve the LLP;

- (b) the LLP ceasing to be authorised by the FSA or any other regulatory body in the United Kingdom having principal responsibility for the supervision of its affairs if the LLP is at the relevant time required to have any such authorisation in order to carry on the LLP's business; or
- (c) the occurrence of any event which shall make it unlawful for the LLP to be continued.

If the LLP is dissolved, no member or former member of the LLP will be liable to contribute further to the assets of the LLP other than as required by law.

The Limited Liability Partnership Deed sets out that the members to the LLP will not receive interest on their capital contributions and may be required to make further contributions.

The members of the LLP do not have the right directly or indirectly to withdraw or receive back any part of the amount standing to the credit of their capital contribution account except in the following circumstances:

- (a) where a member ceases to be a member and an equal amount is contributed to the capital contribution accounts of the remaining members;
- (b) upon termination and dissolution of the LLP and the LLP having ceased to be authorised to carry on regulated activities; or
- (c) where a member ceases to be a member where the LLP will, notwithstanding such payment, remain in compliance with applicable prudential requirements relating to partnership capital.

The Limited Liability Partnership Deed contains an indemnity that each member of the LLP and its officers, directors, and employees and each person, if any, who controls a member is entitled to be indemnified from and out of the assets of the LLP from and against any loss, liability, damage, cost, or expense actually and reasonably incurred arising from actions or omissions concerning the business of the LLP or activities undertaken by or on behalf of the LLP (otherwise than when due to the bad faith, recklessness, gross negligence or wilful default of the indemnified party, or due to breaches of any of the provisions of the Limited Liability Partnership Deed by the indemnified party, or due to the indemnified party not having acted in good faith in the reasonable belief that its actions were in, or not opposed to, the best interests of the LLP).

14. **Taxation**

14.1 Introduction

The following statements are intended only as a general guide to current UK tax legislation and to what is understood to be the current practice of HMRC, both of which

are subject to change with retrospective effect. They may not apply to certain Shareholders, such as dealers in securities, insurance companies, collective investment schemes or Shareholders who have (or are deemed to have) acquired their shares by virtue of an office or employment, who may be subject to special rules. They apply only to Shareholders of the Company resident and ordinarily resident for UK tax purposes in the United Kingdom (except in so far as express reference is made to the treatment of non-United Kingdom residents), who hold Ordinary Shares in the Company as an investment (rather than as securities to be realised in the course of a trade) and who are the absolute beneficial owners of those Ordinary Shares.

Shareholders or potential investors who are in any doubt about their tax position, or who are resident or otherwise subject to taxation in a jurisdiction outside the United Kingdom, should consult their own professional advisers immediately.

14.2 The Company

It is the intention of the Directors to conduct the affairs of the Company so as to continue to satisfy the conditions for it to qualify as an investment trust under Chapter 4 of Part 24 Corporation Tax Act 2010. In respect of each accounting period for which the Company continues to be approved by HMRC as an investment trust, the Company will be exempt from UK taxation on its capital gains. The Company will, however, be liable to UK corporation tax on its income in the normal way.

From 1 July 2009 the rules relating to the taxation of foreign profits were revised such that overseas dividend income received after that date will in most cases be exempt from UK corporation tax. Income arising from any overseas investments may be subject to foreign withholding tax at the relevant jurisdiction's applicable rate, but relief may be available under the terms of an applicable double tax treaty.

14.3 Shareholders

14.3.1 Taxation of capital gains

Depending on their personal circumstances, individual Shareholders, or Shareholders who are not within the charge to United Kingdom corporation tax, who are resident or ordinarily resident in the United Kingdom for taxation purposes may be subject to capital gains tax in respect of any gain arising on a disposal of their Ordinary Shares. The current rate of capital gains tax is 18 per cent for basic rate taxpayers and 28 per cent for higher or additional rate taxpayers. No indexation allowance is available to such holders, but Shareholders may be entitled to an annual exemption from capital gains (for the tax year 2011/12, this is £10,600).

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

Shareholders within the charge to United Kingdom corporation tax may be liable to United Kingdom corporation tax on chargeable gains on a disposal of the Ordinary Shares. Indexation allowance may be available to reduce the amount of any chargeable gain (but cannot be used to create or increase an allowable loss).

14.3.2 Taxation of dividends

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

An individual Shareholder who is resident in the United Kingdom (for tax purposes) and who receives a dividend from the Company should be entitled to a tax credit which may be set off against the Shareholder's total income tax liability on the dividend. The tax credit will be equal to 10 per cent of the aggregate of the dividend and the tax credit (the "gross dividend"), which is also equal to one-ninth of the cash dividend received.

A United Kingdom resident individual Shareholder who is liable to income tax at the basic rate will be subject to tax on the dividend at the rate of 10 per cent of the gross dividend, so that the tax credit will satisfy in full such Shareholder's liability to income tax on the dividend.

A higher rate of income tax of 40 per cent applies to United Kingdom resident individuals with taxable non-savings and savings income above £35,000. The rate of income tax that applies to dividends received by a United Kingdom resident individual Shareholder who is liable to income tax at the higher rate will be 32.5 per cent. In such circumstances, the tax credit will be set against but not fully match the Shareholder's tax liability on the gross dividend and such Shareholder will have to account for additional tax equal to 22.5 per cent of the gross dividend (which is also equal to 25 per cent of the cash dividend received) to the extent that the gross dividend when treated as the top slice of the Shareholder's income falls above the threshold for higher rate income tax.

An additional rate of income tax of 50 per cent applies to United Kingdom resident individuals with taxable non-savings and savings income above £150,000. The rate of income tax that applies to dividends received by a United Kingdom resident individual Shareholder who is liable to income tax at the additional rate will be 42.5 per cent. In such circumstances, the tax credit will be set against but not fully match the Shareholder's tax liability on the gross dividend and such Shareholder will have to account for additional tax equal to 32.5 per cent of the gross dividend (which is also equal to 36.1 per cent of the cash dividend received) to the extent that the gross dividend when treated as the top slice of the Shareholder's income falls above the threshold for additional rate income tax.

There will be no payment of the tax credit (or any part of it) to an individual Shareholder whose liability to income tax on the dividend and the related tax credit (or any part of it) is less than the amount of the tax credit, including a Shareholder who holds the Ordinary Shares on which the dividend is paid through an ISA.

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

Most United Kingdom and overseas dividends received by UK corporate shareholders (subject to specific anti-avoidance rules) will be exempt from United Kingdom corporation tax. Shareholders within the charge to United Kingdom corporation tax are however advised to consult their professional advisers in relation to the tax implications of dividends received. Such Shareholders will not be able to claim repayment of tax credits attaching to dividends.

Non-United Kingdom resident Shareholders will not generally be able to claim repayment from HMRC of any part of the tax credit attaching to dividends paid by the Company. A Shareholder resident outside the United Kingdom may also be subject to foreign taxation on dividend income under local law. Shareholders who are not resident in the United Kingdom (for tax purposes) should obtain their own tax advice concerning tax liabilities on dividends received from the Company.

14.3.3 Stamp duty and stamp duty reserve tax

Transfers on sale of Ordinary Shares in the Company will generally be subject to United Kingdom stamp duty at the rate of 0.5 per cent of the consideration given for the transfer (rounded up to the next £5). The purchaser normally pays the stamp duty.

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

Paperless transfers of Ordinary Shares in the Company within the CREST system are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the CREST system. Deposits of

shares into CREST will not generally be subject to SDRT, unless the transfer into CREST is itself for consideration.

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

14.4 ISAs

The Ordinary Shares should be eligible to be held in the stocks and shares component of an ISA or Junior ISA, subject to applicable annual subscription limits (£10,680 for an ISA and £3,600 for a Junior ISA for the 2011/2012 tax year). Investments held in ISAs or Junior ISAs will be free of UK tax on both capital gains and income. The opportunity to invest in Ordinary Shares through an ISA is restricted to certain UK resident individuals aged 18 or over. Junior ISAs are available for UK resident children aged under 18 and born before 1 September 2002 or after 2 January 2011. Sums received by a Shareholder on a disposal of Ordinary Shares held within an ISA or Junior ISA will not count towards the Shareholder's annual limit. Individuals wishing to invest in Ordinary Shares through an ISA should contact their professional advisers regarding their eligibility as should individuals wishing to invest through a Junior ISA for children under 18 years old.

14.5 Self-Invested Personal Pensions (SIPPs)

The Ordinary Shares in the Company should constitute permitted investments for SIPPs.

15. **Litigation**

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

16. **No significant change**

There has been no significant change in the financial or trading position of the Company since 31 March 2011, being the date to which the latest interim report of the Company was published.

17. **Third party information and consents**

Winterflood Investment Trusts, as sponsor and stockbroker broker, has given and not withdrawn its written consent to the inclusion in this Prospectus of references to its name in the form and context in which it appears.

In relation to information provided by Morningstar UK, the Company confirms that the information has been accurately reproduced and as far as the Company is aware and is able to ascertain from the information published by that third party, no facts have been omitted which would render the information reproduced inaccurate or misleading.

18. **General**

Where new Ordinary Shares are issued in the Placing, the total assets of the Company will increase by that number of Ordinary Shares multiplied by the relevant Placing Price. It is not expected that there will be any material impact on the earnings and Net Asset Value per Ordinary Share, as the net proceeds resulting from any issue are expected to be invested in investments consistent with the investment objective and policy of the Company and the Placing Price will always represent a modest premium to the then prevailing Net Asset Value.

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

The Company has no subsidiaries.

19. **Auditor**

The auditor of the Company for the three financial years ended 30 September 2010 was Grant Thornton UK LLP of 30 Finsbury Square, London, EC2P 2YU.

20. **Working Capital**

In the Company's opinion, the Company has sufficient working capital for its present requirements, that is for at least 12 months following the date of this Prospectus.

21. **Capitalisation and indebtedness**

The following table shows, sourced from the Company's internal accounting records, the Company's unaudited indebtedness (distinguishing between guaranteed and unguaranteed, secured and unsecured indebtedness) as at 8 December 2011 (being the latest practicable date prior to the publication of this Prospectus) and the Company's audited capitalisation as at 30 September 2010 (being the last date in respect of which the Company has published financial information).

	8 December 2011 £'000
<i>Total current debt</i>	
Guaranteed.....	0
Secured.....	14,050
Unguaranteed/unsecured.....	0
Total current debt.....	14,050
<i>Non-current debt (excluding current portion of long-term debt)</i>	
Guaranteed.....	0
Secured.....	0
Unguaranteed/unsecured.....	0
Total non-current debt.....	0
	30 September 2010 £'000
<i>Shareholders' equity</i>	
Share capital.....	13,237
Legal reserve.....	0
Other reserves*.....	142,029
Total Shareholders' equity*.....	155,266

*Excludes the Company's revenue reserve

As at 8 December 2011 (being the latest practicable date prior to the publication of this Prospectus), there has been no material change in the audited capitalisation of the Company as at 30 September 2010 (being the last date in respect of which the Company has published financial information), save that the "Total Shareholders' equity" (excluding revenue reserve) had increased £186,681,825 due to the issuance of Ordinary Shares and changes in the market value of the Company's portfolio (sourced from the Company's internal accounting records).

The following table shows, sourced from its internal accounting records, the Company's unaudited net indebtedness as at 8 December 2011 (being the latest practicable date prior to the publication of this Prospectus). Save as disclosed above there is no secured or guaranteed indebtedness.

	8 December 2011 £'000
A Cash.....	236
B Cash equivalent.....	-
C Trading Securities.....	-
D Liquidity (A+B+C).....	236
E Current financial receivables.....	-
F Current bank debt.....	14,050
G Current position of non-current debt.....	-
H Other current financial debt.....	-
I Current financial debt (F+G+H).....	14,050
J Net current financial indebtedness (I-E-D).....	13,814
K Non-current bank loans.....	-
L Bonds issued.....	-

M	Other non-current loans.....	-
N	Non-current loans (K+L+M).....	-
O	Net financial indebtedness (J+N).....	13,814

There are no indirect or contingent liabilities.

22. **Overseas investors**

If you receive a copy of the Prospectus in any territory other than the United Kingdom you may not treat it as constituting an invitation or offer to you. It is your responsibility, if you are outside the United Kingdom and wishing to make an application for Ordinary Shares, to satisfy yourself that you have fully observed the laws of any relevant territory or jurisdiction in connection with your application, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory. The Company reserves the right, in its absolute discretion, to reject any application received from outside the United Kingdom.

Without limiting the above, the Ordinary Shares may not be offered, sold or delivered, directly or indirectly, within Canada, Australia, Japan, the Republic of Ireland or in the United States except in reliance on, or in a transaction not subject to, the registration requirements under the Securities Act or other relevant legislation. If you subscribe for Ordinary Shares you will, unless the Company agrees otherwise in writing, be deemed to represent and warrant to the Company and its agents that you are not in Canada, Australia, Japan, the Republic of Ireland or the United States. No application will be accepted if it bears an address in Canada, Australia, Japan, the Republic of Ireland or the United States or appears to have been posted from Canada, Australia, Japan, the Republic of Ireland or the United States or otherwise where there is cause to believe you are in Canada, Australia, Japan, the Republic of Ireland or the United States.

23. **Availability of Prospectus**

Copies of this Prospectus are available for inspection at the National Storage Mechanism at www.hemscott.com/nsm.do and, for as long as New Ordinary Shares are available for issue under this Prospectus, are available for collection, free of charge from the offices of Frostrow Capital LLP, 25 Southampton Buildings, London, WC2A 1AL. The Prospectus will also be available on the Company's website - www.finsburygt.com.

24. **Documents on display**

The following documents will be available for inspection during usual business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of Frostrow Capital LLP, 25 Southampton Buildings, London, WC2A 1AL, from 18 December 2011 for the period of 12 months from the date of this Prospectus:

24.1 this Prospectus dated 12 December 2011;

- 24.2 the Memorandum and Articles of Association of the Company;
- 24.3 the circular to Shareholders dated 22 November 2011 convening the General Meeting;
- 24.4 the audited accounts of the Company for the financial years ended 30 September 2010 and 2009;
- 24.5 the interim report for the six months to 31 March 2011 and 31 March 2010; and
- 24.6 the material contracts referred to in paragraph 13 of Part 7 of this Prospectus.

DIRECTORS, MANAGER, INVESTMENT MANAGER AND ADVISERS

Directors

Anthony Townsend (Chairman)
John Allard
Neil Collins
David Hunt, FCA
Vanessa Renwick
Giles Warman
All of 50 Lothian Road, Festival Square, Edinburgh EH3 9WJ

Registered Office of the Company

50 Lothian Road, Festival Square, Edinburgh EH3 9WJ

Website of the Company

www.finsburygt.com

Manager, Administrator and Company Secretary

Frostrow Capital LLP
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Telephone: 020 3008 4910
E-Mail: info@frostrow.com
Website: www.frostrow.com
Authorised and Regulated by the Financial Services Authority under the Financial Services and Markets Act 2000

Investment Manager

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Website: www.lindselltrain.com
Authorised and Regulated by the Financial Services Authority under the Financial Services and Markets Act 2000

Sponsor and Corporate Stockbroker

Winterflood Investment Trusts
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Authorised and Regulated by the Financial Services Authority under the Financial Services and Markets Act 2000

Legal Advisers to the Company

As to English law:

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As to Scottish law:

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Festival Square
Edinburgh EH3 9WJ

Auditor

Grant Thornton UK LLP
30 Finsbury Square,
London EC2P 2YU

Registrars

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