

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to the action you should take, you are recommended to immediately seek your own personal independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised pursuant to the Financial Services and Markets Act 2000 as amended (FSMA), who specialises in advising on the acquisition of shares and other securities.

This document is an AIM admission document drawn up in accordance with the AIM Rules for Companies for the purpose of the application for admission to trading of the entire issued and to be issued share capital of the Company on AIM, the market of that name operated by the London Stock Exchange. This document does not contain an offer to the public within the meaning of FSMA or otherwise. Accordingly this document does not comprise a prospectus for the purposes of the Prospectus Rules issued by the Financial Conduct Authority (“FCA”) and has not been drawn up in accordance with the Prospectus Rules or approved by or filed with the FCA.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the official list of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on Admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.

The Company and the Directors, whose names appear on page 9 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. In connection with this document, no person is authorised to give any information or make any representation other than as contained in this document.

Your attention is drawn to the Risk Factors set out in Part 3 of this document which should be read in its entirety. The whole of this document should be read in light of these Risk Factors.

Application will be made for the entire issued and to be issued share capital of the Company to be admitted to trading on AIM. It is expected that Admission will become effective and that trading in the Shares will commence on AIM on 21 December 2017.

CIP Merchant Capital Limited

*(incorporated in Guernsey under The Companies (Guernsey) Law, 2008, as amended,
as a non-cellular company limited by shares with registered number 64013)*

**Subscription of 55,000,000 Shares at 100 pence per Share
and
Admission to trading on AIM**

***Investment Manager*
Merchant Capital Manager Limited**

***Nominated Adviser and Broker*
Strand Hanson Limited**

Strand Hanson Limited (“**Strand Hanson**”), which is a member of the London Stock Exchange, is authorised and regulated in the UK by the FCA and is acting as nominated adviser and broker to the Company for the purposes of the AIM Rules. Strand Hanson is not acting for, and will not be responsible to, any person other than the Company for providing the protections afforded to its customers or for advising any other person on the contents of this document or on any transaction or arrangement referred to in this document. Strand Hanson’s responsibilities as the Company’s nominated adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company, any Director or to any other person. No representation or warranty, express or implied, is made by Strand Hanson as to, and no liability is accepted by Strand Hanson in respect of, any of the contents of this document.

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

CONTENTS

	<i>Page</i>
IMPORTANT INFORMATION	3
NO INCORPORATION OF WEBSITE INFORMATION	7
EXPECTED TIMETABLE OF PRINCIPAL EVENTS	8
SUBSCRIPTION STATISTICS	8
DEALING CODES	8
DIRECTORS AND ADVISERS	9
PART 1 THE GROUP	10
PART 2 DIRECTORS, MANAGEMENT AND ADMINISTRATION	21
PART 3 RISK FACTORS	31
PART 4 TAXATION	44
PART 5 ADDITIONAL INFORMATION	49
DEFINITIONS	75

IMPORTANT INFORMATION

GENERAL

In assessing an investment in the Shares, investors should rely only on the information in this document and any supplementary admission document published by the Company prior to Admission. No person has been authorised to give any information or make any representations in relation to the Company other than those contained in this document and any such supplementary admission document and, if given or made, such information or representations must not be relied upon as having been authorised by the Company, the Directors, the Investment Manager, Strand Hanson, or any other person. Neither the delivery of this document nor any subscription or purchase of Shares made pursuant to this document shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since, or that the information contained herein is correct at any time subsequent to, the date of this document.

Apart from the responsibilities and liabilities, if any, which may be imposed on Strand Hanson by FSMA or the regulatory regime established thereunder or under the regulatory regime of any other jurisdiction, Strand Hanson accepts no responsibility whatsoever for the contents of this document or for any other statement made or purported to be made by it, or on its behalf, in connection with the Group, the Investment Manager, the Shares or the Subscription. Strand Hanson accordingly disclaims all and any liability whether arising in tort, contract or otherwise (save as referred to above), which it might otherwise have in respect of such document or any such statement.

The distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and persons into whose possession this document comes should inform themselves about and observe any such restrictions. This document does not constitute, and may not be used for the purposes of, an offer or an invitation to apply for any Shares by any person: (i) in any jurisdiction in which such offer or invitation is not authorised; or (ii) in any jurisdiction in which the person making such offer or invitation is not qualified to do so; or (iii) to any person to whom it is unlawful to make such offer or invitation. The distribution of this document and the offering of Shares in certain jurisdictions may be restricted. Accordingly, persons into whose possession this document comes are required to inform themselves about and observe any restrictions as to the offer or sale of Shares and the distribution of this document under the laws and regulations of any jurisdiction in connection with any application for Shares, including obtaining any requisite governmental or other consent and observing any other formality prescribed in such jurisdiction.

No action has been taken or will be taken in any jurisdiction by the Company that would permit a public offering of Shares in any jurisdiction where action for that purpose is required, nor has any such action been taken with respect to the possession or distribution of this document other than in any jurisdiction where action for that purpose is not required. The Shares are being offered and issued outside the United States in reliance on Regulation S. The Shares have not been nor will they be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. In addition, the Company has not registered and will not register under the U.S. Investment Company Act. The Shares have not been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering or the issue of the Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States and the re-offer or resale of any of the Shares in the United States may constitute a violation of U.S. law.

The Directors have taken all reasonable care to ensure that the facts stated in this document are true and accurate in all material respects, and that there are no other facts the omission of which would make misleading any statement in the document, whether of facts or of opinion. All the Directors accept responsibility accordingly.

If you are in any doubt about the contents of this document you should consult your accountant, legal or professional adviser or financial adviser.

REGULATORY INFORMATION

The Company is a registered closed-ended investment scheme registered pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended and the RCIS Rules. The GFSC, in granting registration, has not reviewed this document but has relied upon specific warranties provided by Maitland Administration (Guernsey) Limited, the Company's designated administrator.

The GFSC takes no responsibility for the financial soundness of the scheme or for the correctness of any of the statements made or opinions expressed with regard to it.

The Company is not (and is not required to be) regulated or authorised by the FCA, but is subject to the AIM Rules, the Market Abuse Regulation and the rules of the London Stock Exchange.

The Administrator has certain responsibilities under The Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999, as varied and supplemented from time to time, to verify the identity of investors. Failure to provide the necessary documentation may result in subscription applications being rejected or in delays in the dispatch of documents under the Subscription. The information that a prospective investor in the Company provides in documents in relation to a proposed subscription for Shares or subsequently by whatever means which relates to the prospective investor (if it is an individual) or a third party individual ("**personal data**") will be held and processed by the Company (and any third party in Guernsey to whom it may delegate certain administrative functions in relation to the Company) in compliance with the relevant data protection legislation and regulatory requirements of Guernsey. Each prospective investor (in respect of itself (if it is an individual) or a third party individual on its behalf) acknowledges and consents that such information will be held and processed by the Company (or any third party, functionary, or agent appointed by the Company) for the following purposes:

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

It may be necessary, from time to time, for the Company (or any third party service provider, functionary, or agent appointed by the Company) to disclose and/or transfer personal data without consent:

- to third party service providers, agents or functionaries appointed by the Company or its agents to provide services to prospective investors;
- to any government, regulatory authority, court of competent jurisdiction, stock exchange, clearing house or investigatory authority or as otherwise required by any applicable laws and regulations; and
- outside of the EEA to countries or territories which do not offer the same level of protection for the rights and freedoms of prospective investors as Guernsey.

If the Company (or any third party service provider, functionary or agent appointed by the Company) discloses personal data to such a third party, agent or functionary or discloses personal data to such a government, regulatory authority, court of competent jurisdiction, stock exchange, clearing house or investigatory authority and/or makes such a transfer of personal data it will use reasonable endeavours to ensure that any third party, agent or functionary to whom the relevant personal data is disclosed or transferred is contractually bound to provide an adequate level of protection in respect of such personal data. Prospective investors are responsible for informing any third party individual (to whom the personal data relates) of the disclosure and use of such data in accordance with these provisions.

PRESENTATION OF INFORMATION

Market, economic and industry data

Market, economic and industry data used throughout this document is sourced from various industry and other independent sources. The Company and the Directors confirm that such data has been accurately reproduced and, so far as they are aware and are able to ascertain from information published from such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Currency presentation

Unless otherwise indicated, all references in this document to “£” or “pence” are to the lawful currency of the UK and all references to “€” are to the lawful currency of the euro area.

Definitions

A list of defined terms used in this document is set out at pages 75 to 81.

Governing law

Unless otherwise stated, statements made in this document are based on the law and practice currently in force in England and Wales or Guernsey and are subject to change. All references to legislation in this document are to the legislation of England and Wales or Guernsey unless the contrary is indicated. Any reference to any provision of any legislation or regulation shall include any amendment, modification, re-enactment or extension thereof.

Investment considerations

The contents of this document are not to be construed as advice relating to legal, financial, taxation, investment or any other matters. Prospective investors should inform themselves as to:

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

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

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

FORWARD-LOOKING STATEMENTS

This document includes forward-looking statements. These statements relate to, among other things, analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable. These statements also relate to the Group's future prospects, developments and business strategies.

These forward-looking statements are identified by the use of terms and phrases such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “predict”, “project”, “will” or the negative of those variations, or comparable expressions, including references to assumptions. These statements are contained in all sections of this document. The forward-looking statements in this document, including statements concerning projections of the Group's future results, operating profits and earnings, are based

on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements.

Certain risks relating to the Group are specifically described in Part 3 of this document. If one or more of these risks or uncertainties arises, or if underlying assumptions prove incorrect, the Group's actual results may vary materially from those expected, estimated or projected. Given these uncertainties, potential Shareholders should not place over-reliance on forward-looking statements.

These forward-looking statements speak only as at the date of this document. The Company undertakes no obligation to update forward-looking statements or risk factors other than as required by the AIM Rules or applicable law, whether as a result of new information, future events or otherwise.

FOR THE ATTENTION OF PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

In relation to each Relevant Member State, no Shares have been offered or will be offered pursuant to the Subscription to the public in that Relevant Member State prior to the publication of a document in relation to the Shares which has been approved by the competent authority in that Relevant Member State, or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that offers of Shares to the public may be made at any time under the following exemptions under the Prospectus Directive, if they are implemented in that Relevant Member State:

- to any legal entity which is a "qualified investor" as defined in the Prospectus Directive;
- to fewer than 100, or, if the Relevant Member State has implemented the relevant provision of Directive 2010/73/EU (the "**2010 PD Amending Directive**") (as defined below), 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) in such Relevant Member State; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Shares shall result in a requirement for the publication of a document pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a Relevant Member State and each person who initially acquires any Shares under the Subscription will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive.

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

In addition, Shares will only be offered to the extent that Shares: (i) are permitted to be marketed into the relevant EEA jurisdiction pursuant to the AIFM Directive (if and as implemented into local law); or (ii) can otherwise be lawfully offered or sold (including on the basis of an unsolicited request from a professional investor). Each person who initially acquires Shares or to whom any offer is made will be deemed to have represented, warranted to and agreed with Strand Hanson and the Company (as the case may be) that: (i) it is a "qualified investor" within the meaning of the law in that Relevant Member State implementing Article 2.1(e) of the Prospectus Directive; and (ii) if that Relevant Member State has implemented the AIFM Directive, that it is a person to whom Shares in the Company may lawfully be marketed under the AIFM Directive or under the applicable implementing legislation (if any) of that Relevant Member State.

FOR THE ATTENTION OF PROSPECTIVE INVESTORS IN GUERNSEY

To the extent to which any promotion of the Shares in the Company is deemed to take place in Guernsey, the Shares are only being promoted in or from within Guernsey either (i) by persons licensed to do so under the POI Law or (ii) to persons licensed under the POI Law, the Insurance Business (Bailiwick of Guernsey)

Law, 2002 (as amended), the Banking Supervision (Bailiwick of Guernsey) Law, 1994 (as amended) or the Regulation of Fiduciaries, Administration Businesses and Company Directors, etc. (Bailiwick of Guernsey) Law, 2000 (as amended). Promotion is not being made in any other way.

FOR THE ATTENTION OF RESIDENTS OF SWITZERLAND

Neither the Shares nor this document or any other offering material relating to the Company may be distributed in or from Switzerland. The Company is not authorised by or registered with the Swiss Financial Market Supervisory Authority FINMA (“**FINMA**”) under the Swiss Federal Act on Collective Investment Schemes (“**CISA**”). Therefore, investors do not benefit from protection under CISA or supervision by FINMA. Neither this Admission Document nor any other offering or marketing material relating to the Company constitutes a prospectus as that term is understood pursuant to article 652a or 1156 of the Swiss Federal Code of Obligations or a prospectus pursuant to the CISA.

NON-MAINSTREAM POOLED INVESTMENTS STATUS

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

NO INCORPORATION OF WEBSITE INFORMATION

The contents of the Company’s website (www.cipmerchantcapital.com) or any hyperlinks accessible from the Company’s website do not form part of this document and investors should not rely on them.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	15 December 2017
Admission and dealings in the Shares commence on AIM	8.00 a.m. on 21 December 2017
Crediting of CREST stock accounts	21 December 2017
Despatch of definitive certificates (where applicable) expected by no later than	5 January 2018

The dates and times specified are subject to change at the discretion of the Company and Strand Hanson without further notice. All references to times in this document are to London time unless otherwise stated.

SUBSCRIPTION STATISTICS

Subscription Price	£1.00
Number of Subscription Shares	55,000,000
Number of Shares in issue on Admission	55,000,000
Market capitalisation of the Company at the Subscription Price immediately following Admission	£55.0 million
Gross proceeds of the Subscription	£55.0 million
Net proceeds of the Subscription	£52.4 million

DEALING CODES

The dealing codes for the Shares are as follows:

ISIN	GG00BF8NW879
SEDOL	BF8NW87
Ticker	CIP
LEI	213800HBX752BGRVW870

DIRECTORS AND ADVISERS

Directors	Adrian John Reginald Collins (<i>Independent Non-Executive Chairman</i>) Marco Fumagalli (<i>Non-Independent Non-Executive Director</i>) Carlo Sgarbi (<i>Non-Independent Non-Executive Director</i>) John Martyn Falla (<i>Independent Non-Executive Director</i>) Robert Paul King (<i>Independent Non-Executive Director</i>)
Registered office	3rd Floor, 1 Le Truchot St Peter Port GY1 1WD Guernsey
Investment Manager and AIFM	Merchant Capital Manager Limited 3rd Floor, 1 Le Truchot St Peter Port GY1 1WD Guernsey
Nominated Adviser and Broker	Strand Hanson Limited 26 Mount Row London W1K 3SQ United Kingdom
Legal Advisers to the Company (as to English law)	Gowling WLG (UK) LLP 4 More London Riverside London SE1 2AU United Kingdom
Legal Advisers to the Company (as to Guernsey law)	Ogier Redwood House St Julians Avenue St Peter Port GY1 1WA Guernsey
Legal Advisers to Strand Hanson	Stephenson Harwood LLP 1 Finsbury Circus London EC2M 7SH United Kingdom
Administrator and Company Secretary	Maitland Administration (Guernsey) Limited 3rd Floor, 1 Le Truchot St Peter Port GY1 1WD Guernsey
Reporting Accountant	BDO LLP 55 Baker Street London W1U 7EU United Kingdom
Auditor	BDO Limited Rue du Pré Saint Peter Port GY1 3LL Guernsey
Receiving Agent	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS99 6AH
Registrar	Computershare Investor Services (Guernsey) Limited 1st Floor, Tudor House Le Bordage St Peter Port GY1 1DB Guernsey
Company website	www.cipmerchantcapital.com

PART 1

THE GROUP

1. INTRODUCTION

The Company is a closed-ended investment company incorporated in Guernsey on 13 September 2017. The Company was incorporated as a vehicle through which to exploit the expertise of Merchant Capital Manager Limited (the “**Investment Manager**”), an affiliate of Continental Investment Partners SA (“**CIP**”), to generate returns for Shareholders through investment in listed equity and other financial products and instruments using a private equity approach. CIP will provide certain investment due diligence, monitoring and reporting services to the Investment Manager pursuant to the Services Agreement, further information on which is set out in paragraph 2.3 of Part 2 of this document.

The Company has agreed to issue, conditional upon Admission, 55.0 million Subscription Shares at the Subscription Price. It is anticipated that the gross proceeds of the Subscription will be £55.0 million. The Subscription is conditional, *inter alia*, on Admission becoming effective by no later than 8.00 a.m. on 21 December 2017 or such later date (being no later than 31 December 2017) as the Company and Strand Hanson may agree.

CIP was established in July 2013, as a result of a common need of clients of Marco Fumagalli and Carlo Sgarbi to generate returns through investment in financial products that are flexible and specialised. CIP is principally focused on three investment areas: (i) liquid strategies in regulated financial markets focused on corporate and financial bonds; (ii) private/public equity; and (iii) real estate.

The Company (as advised by the Investment Manager) intends to take a private equity approach to investment in predominately listed equities (and other financial products and instruments) in order to achieve enhanced returns by capitalising on the performance focussed characteristics of a private equity approach.

There are over 900 companies with a market capitalisation of below £500 million and over 700 small and medium sized companies, which the Investment Manager considers to be companies with a market capitalisation below £200 million, admitted to trading on AIM and the Main Market. These companies, in particular small and medium sized companies, typically have limited liquidity and low research coverage. The Board (as advised by the Investment Manager) believes that this lack of liquidity often results in undervaluation and may therefore lead to limited access to growth capital. The Board (as advised by the Investment Manager) considers that implementing a private equity approach to its investments can lead to increased returns by targeting these inefficiencies. The Directors anticipate that these conditions will lead to value creation opportunities where an active management approach is taken by both management of the relevant investee company and new cornerstone private equity investors.

In order to exploit the available market opportunities, the Company will focus mainly on investing in companies with strong fundamentals but which need support in: (i) returning to stable operational effectiveness (‘wounded eagles’); and/or (ii) capital deployment and management support for internal and/or external growth.

2. INVESTMENT OBJECTIVE AND INVESTING POLICY

2.1 Investment objective

The investment objective of the Company is to generate risk-adjusted returns for Shareholders through investment in equity and equity-related products and instruments, by targeting appreciation in the value of its investments over the medium to longer term, principally through capital growth.

2.2 Investing policy

The Company will seek to achieve its investment objective through investing primarily in equity and other products and instruments of predominantly listed and quoted companies, where the Board (as advised by the Investment Manager) believes the relevant target company is undervalued and could benefit from strategic, operational or management initiatives, achieved through a private equity style investment philosophy.

The Company will invest primarily in equity and equity-linked securities (and related instruments), as well as debt, convertible debt and other financial instruments with equity characteristics, of companies that the Board (as advised by the Investment Manager) believes typically have at least two or more of the following characteristics:

- ability to achieve a superior risk adjusted return with a medium/long term target IRR of 20 per cent;
- cash generative (or expected to generate cash within a reasonable investment horizon);
- attractive management track records;
- strong fundamentals;
- potential for liquidity or exit within an identified time frame; and/or
- potential for the relevant company to have a competitive advantage.

Investments may either be active, being investments made directly by the Company, or passive, being indirect investments made by the Company through similar funds or investment vehicles. The Company may set up (and potentially co-invest in) funds (including cornerstone investments in specialist funds on preferred terms (which may include lower management fees)).

The Company will consider investments in a number of industries and sectors, particularly those in which the Directors and the Investment Manager have the necessary expertise and experience to be able to identify and manage the opportunity. It is expected that investments will predominantly be in the following industries:

- oil and gas;
- healthcare;
- pharmaceutical; and
- real estate.

Investments will typically (but will not all) be listed on a Western European stock exchange, with a predominant focus on the markets of the London Stock Exchange. The Company will invest in companies with a market capitalisation of (listed) or valued at (unlisted) less than £500 million at the time of investment and will focus largely on investment in companies with a market capitalisation of or valued at less than £200 million at the time of investment.

The Company's investment holding period and the exit strategy will depend on the underlying asset, exit opportunities and the size of the Company's investment. While the Directors intend to hold the Company's investments on a medium to long term basis, the Company may dispose of investments outside this timeframe should an appropriate opportunity arise where, in the Board's opinion (as advised by the Investment Manager), the value that could be realised from such disposal would represent a satisfactory return on the initial investment and/or otherwise enhance the value of the Company, taken as a whole. In addition, the Company will also make, from time-to-time smaller investments in short term trades, based on an attractive opportunistic view of value appreciation.

The Company will at all times invest and manage its investments in a manner which is consistent with the objective of spreading investment risk.

2.3 **Investment restrictions**

The Company will observe the following investment restrictions:

- the maximum investment in or exposure to any single investee company will be no more than 20 per cent. of the Net Asset Value at the time of investment;
- investments in or exposure to unlisted/unquoted companies will be limited to, in aggregate, 30 per cent. of the Net Asset Value at the time of investment;
- the maximum investment in or exposure to any investee company or fund that itself invests in a portfolio of investments will not exceed 10 per cent. of the Net Asset Value at the time of investment; and
- investments concentrated in any one sector or industry shall not exceed 50 per cent. of the Net Asset Value at the time of investment.

The Board expects the portfolio to be relatively concentrated, typically consisting of exposure to five to ten companies once fully invested.

2.4 **Borrowing**

The Company may use gearing if it believes it will enhance Shareholder returns over the longer term. The Company may take on borrowings of up to 30 per cent. of the Net Asset Value at the time the borrowings are incurred. Borrowings may be used for working capital and/or investment purposes.

2.5 **Cash management**

The Company may, from time-to-time, have surplus cash. It is expected that any surplus cash will be temporarily invested in cash or cash equivalents, money market instruments, bonds, commercial paper or other debt obligations with banks or other counterparties having a single A- (or equivalent) or higher credit rating as determined by an internationally recognised rating agency or gilts or otherwise approved by the Board (as advised by the Investment Manager).

The Company will at all times seek to maintain sufficient cash and cash equivalents to cover its forecast working capital requirements for the next 12 months.

2.6 **Use of derivatives**

The Company may invest through derivatives for efficient portfolio management. In particular, the Company may engage in interest rate and/or currency hedging or otherwise seek to mitigate the risk of interest rate increases or currency fluctuations as part of the Company's efficient portfolio management.

2.7 **General**

The Company may make its investments directly or indirectly via other members of the Group and for cash or share consideration. The Company currently intends to make its investments via the Merchant Capital L.P. as detailed in paragraph 11 of this Part 1.

2.8 **Breach of investing policy**

In the event of a breach of the investing policy or restrictions set out above, the Investment Manager shall inform the Directors upon becoming aware of the same and, if the Directors consider the breach to be material, a notification will be made to a Regulatory Information Service.

2.9 **Change to investment objective or investing policy**

No material change will be made to the investment objective or the investing policy without the approval of Shareholders, given by ordinary resolution at a general meeting of the Company.

3. TARGET RETURNS AND DIVIDEND POLICY

On the basis of current market conditions as at the date of this document, the Company will, once the net proceeds of the Subscription have been substantially invested, target a total return (net of fees and expenses) of 20 per cent. annualised by reference to the Subscription Price over the longer term.

It is expected that returns will be achieved predominantly through the capital appreciation of the Group's underlying investments.

It is the current intention of the Directors to reinvest the net proceeds of any realisations in the Group's portfolio. However, the Directors may consider the payment of dividends (or other methods of returning net proceeds to Shareholders in a tax efficient manner) in the future when, in their view, the Company has sufficient distributable profits after taking into account the working capital needs and investment opportunities of the Company.

The total return target is a target only and not a profit forecast. There can be no assurance that the target can or will be met and this should not be taken as an indication of the Company's expected or future results. Accordingly, investors should place no reliance on this target when making an investment decision.

4. PIPELINE

The Investment Manager is continuously reviewing and considering various investment opportunities that may meet the Company's investment objective and investing policy as set out in paragraph 2 of this Part 1. Investment by the Company in any of these opportunities is subject, among other things, to the Investment Manager completing satisfactory due diligence and documentation, the Company having sufficient cash resources available and Board approval.

The Investment Manager estimates that the net proceeds of the Subscription will be substantially invested by the end of March 2019 and that the Company will remain substantially or fully invested thereafter.

There can be no assurance that any of these opportunities will be completed or will be purchased or funded by the Company. The Company (as advised by the Investment Manager) will, in any event, continue to evaluate other potential investment opportunities in accordance with its investment objective and investing policy.

5. CO-INVESTMENT ARRANGEMENTS

The Company may co-invest in funds, including alongside other accounts advised or managed by the Investment Manager, CIP or any other member of the CIP Group. Where the Company makes any such co-investments, the investments will be made on no worse economic terms than those offered to other accounts advised or managed by the Investment Manager, CIP or any other member of the CIP Group.

Details of potential and actual conflicts of interest between the Company, the Investment Manager and/or the CIP Group, as well as a description of the Investment Manager's conflict of interest policy are set out at paragraph 4 of Part 2 of this document.

6. INVESTMENT PROCESS

The Investment Manager intends to utilise CIP's network and expertise to procure investment opportunities for the Group and to monitor the Group's investments.

6.1 Sourcing opportunities

The Investment Manager intends to identify new investment opportunities through a variety of methods, including, but not limited to:

- *creating/pursuing opportunities through the Investment Manager and CIP's network of contacts:* the investment team of the Investment Manager have more than 50 years' of combined experience and a strong reputation in the private equity sector, together with a wide network of contacts throughout Europe to generate opportunities, including CEOs of listed business, non-

executive directors of listed companies, commercial banks, industry specialists, merger and acquisitions houses, private equity professionals and open and closed-ended investment funds focused on small and medium enterprises; and

- *proactive identification of target investments through CIP's proprietary database*: the Investment Manager has access to CIP's proprietary screening process to identify potential targets through a database of shadow investee companies.

6.2 Review and approval

Once an investment opportunity has been identified, the Investment Manager typically will consider a summary of the opportunity which will include an investment thesis and an analysis of the suitability of the opportunity against the Company's investing policy.

If the Investment Manager decides to investigate an investment opportunity further, it will take the following steps as appropriate:

- peer-group analysis;
- financial, commercial, technical and/or legal due diligence;
- internal and/or commissioned third party research;
- management referencing and analysis of track records; and
- consideration of potential exit scenarios.

More specifically, the Investment Manager will focus on the following:

- *time horizon*: the Investment Manager's private equity approach is focused on the medium to long term, typically ranging from three to five years. This approach to investment focuses on intrinsic value rather than short term opportunistic gains;
- *fundamental analysis*: the Investment Manager, supported by CIP, will carry out a bottom-up fundamental analysis of a potential investee company, starting with detailed insights into the relevant industries and sectors, typically including in-depth research into, for example, customers, suppliers, distributors, competitors and former employees, reviewing detailed information and carrying out a thorough assessment of the potential investee company's management and its effectiveness in deploying capital/resources.
- *philosophy*: the Investment Manager's philosophy in determining whether to make a recommendation to the Board to make an investment in a potential quoted or listed investee company, will be to consider whether, were the target private, the Investment Manager would recommend taking a controlling stake;
- *value-oriented investments*: the Investment Manager's approach is to specifically look for asymmetric return distributions that also provide a margin of safety. The asymmetry analysis is based in part on the presence of reliable cash flows, or, in respect of companies in the natural resources sector, the ability to create value enhancement for shareholders in the short to medium term, within the potential investee company such that the Investment Manager believes it is relatively undervalued and is not dependent on the potential investee company displaying or being expected to achieve high levels of growth; and
- *strategy and governance*: typically, private equity investors control the boards of their portfolio companies and are activist investors who seek to influence their strategy and governance. The Investment Manager will prepare detailed asset-by-asset valuation analysis and will also typically seek to develop value-enhancement plans with the management of the Company's investee companies. Additionally, where appropriate, the Investment Manager will seek to join the boards and/or nomination committees of its investee companies in order to support the delivery of such plans.

If the Investment Manager recommends the investment opportunity to the Board, the Board will, subject to any further conditions and/or due diligence it considers appropriate, make a decision by a majority of the Board and a majority of Independent Directors as to whether or not to make the investment.

6.3 Investment monitoring

The Investment Manager will monitor the progress of the Group's investments. The Investment Manager will update the Directors on the progress of the Group's investments at each meeting of the Board, with additional updates being provided where significant events have occurred which may impact the Group's income, expenditure or asset value.

The Company (as advised by the Investment Manager) believes it will benefit from a differentiated approach to portfolio management consisting of a well-balanced mix of asset management strategies, management of investee companies and portfolio allocation strategies.

In particular, the Investment Manager will focus on:

- *management approach*: the Board, the Investment Manager and CIP's team comprise very experienced investors that have a combination of private equity, consulting, public markets and legal experience. In addition, the Board believes the Investment Manager and CIP's team has deep industry expertise which will enable it to engage as peers with the senior management of target investee companies and assess the full potential of the target investee companies; and
- *portfolio allocation*: the Board (as advised by the Investment Manager) believes the Company will benefit from a balanced concentration of investments which will provide varied investment time horizon diversification and above all the ability to exploit market opportunities identified by the Investment Manager.

6.4 Holding and exit strategy

The Company's investment holding period and the exit strategy will depend on the nature of the underlying asset, the available exit opportunities and the size of the Company's investment. While the Directors intend to hold the Company's investments on a medium to long term basis, the Company may dispose of investments outside this timeframe should an appropriate opportunity arise where, in the opinion of the Directors (as advised by the Investment Manager), the value that could be realised from such disposal would represent a satisfactory return on the initial investment and/or otherwise enhance the value of the Company, taken as a whole.

7. COMPETITIVE ADVANTAGES

The Directors believe that the Company has a number of competitive advantages, including:

- *attractive diversification*: the Company intends to have a well-positioned portfolio of investments derived from a diverse group of high quality investee companies;
- *sector expertise and established track record*: a strategy overseen by a strong Board with extensive relevant experience. The investment team of the Investment Manager have a combined track record of more than 50 years' of combined experience and performance;
- *access to investment opportunities*: identification of new investment opportunities will be conducted by the Investment Manager, which has access to CIP's proprietary database and operational resources pursuant to the Services Agreement as further described in paragraph 2.3 of Part 2; and
- *taxation*: the tax efficient structure of the Group. The tax characteristics of the Company are set out at Part 4 of this document.

8. INVESTMENT OPPORTUNITY AND OUTLOOK

8.1 Investment Opportunity

The Board (as advised by the Investment Manager) believes that there is opportunity to make investments in accordance with the Company's investing policy with the following characteristics:

- companies with strong fundamentals that need capital and/or management support and can benefit from the Company's involvement through the provision of capital and/or Investment Manager's management expertise to: (i) return to stable operational effectiveness; and/or (ii) to take advantage of and unlock growth opportunities; and

- companies generally with a market capitalisation of (listed) or valued at (unlisted) under £500 million, in particular with a market capitalisation or valued at under £200 million, which have strong fundamentals but are deemed to be undervalued, for example due to unmet expectations or product or service liability, limited liquidity and lack of institutional shareholder following and/or acquirer/merger and acquisitions interest.

The Board (as advised by the Investment Manager) believes opportunities arise from investing in companies with the features outlined above because this provides the ability to:

- invest in tranches via specific brokers or over the counter with an ability to negotiate beneficially price, volumes, timing and terms and conditions with existing shareholders for the Company;
- exit through tranches via specific brokers, over the counter, through the market (once liquidity has improved) or through trade sales;
- negotiate discounts on existing price points as a result of persistent illiquidity; and
- actively manage value creation by:
 - exploiting internal cost-savings and business development; and
 - exert influence over an investee company through the Company's shareholding and, if appropriate, the Investment Manager's representation on its board of directors.

8.2 Outlook

The Board (as advised by the Investment Manager) believes that the outlook for the Company is positive in the current climate for the following reasons:

- there is an increasing number of small and mid-cap companies quoted on western European stock exchanges, many of which suffer from a lack of liquidity and access to capital;
- there is a lack of interest from institutional investors in under-capitalised companies; and
- the recovery of the European economy creates optimal investment conditions.

Furthermore, the Company could benefit from major macroeconomic trends in UK and Europe, and globally. Significant recovery of GDP in the Eurozone, Brexit, sterling depreciation, increase in inflation in the Eurozone and a possible medium term increase of the base interest rate by European Central Bank and changes to the structure of China's economy, are all factors that the Board (as advised by the Investment Manager) believes could act as catalysts for further growth in western European- and UK-listed equities.

Accelerating global growth and, in particular, an economic upturn in Europe is, in the view of the Board (as advised by the Investment Manager) favourable for small and mid-cap companies which are cyclical in nature. Top line growth of small cap companies has typically exceeded GDP growth by 2.5 per cent. since 2002. Any acceleration of economic growth should therefore feed through to a sales recovery and margin expansion for such companies, due to stronger operating leverage and higher profit growth. Profit growth for European, and in particular Eurozone, small and mid-cap companies are expected to be higher than that of large caps in 2017 and 2018. In terms of valuation, European small cap companies remain attractive relative to large cap companies which are at a more advanced stage of the cycle. Profits of European small cap companies are still below 2007 pre-financial crisis levels, and thus have significant catch-up potential which, on unchanged price earnings levels, will continue to underpin this asset class.

The Board (as advised by the Investment Manager) considers another performance driver will be the acceleration of merger and acquisition activity that it expects will occur in conjunction with rising interest rates. Over the past 30 years, 90 per cent. of merger and acquisition activity has been in small cap companies. Accordingly, the Board (as advised by the Investment Manager) believes that small and mid-cap companies are ideal targets for big groups seeking to grow in specific niche markets. In this context of rising inflation rates and accelerating growth, the Board (as advised by the Investment Manager) believes that European small and mid-cap companies should provide good returns.

9. THE SUBSCRIPTION

The Company has agreed to issue, conditionally upon Admission, 55.0 million Subscription Shares at the Subscription Price. It is anticipated that the gross proceeds of the Subscription will be £55.0 million and that net proceeds of the Subscription will be £52.4 million.

The Company has appointed Pegasus Alternative Fund Ltd SAC Class F “Theta Segregated Account” to act as an introducing agent in relation to the Subscription and to using its reasonable endeavours to introduce subscribers to the Company. Further details of the Introduction Agent Agreement are set out at paragraph 9.3 of Part 5 of this document.

The Subscription is conditional, *inter alia*, on Admission becoming effective by no later than 8.00 a.m. on 21 December 2017 or such later date (being no later than 31 December 2017) as the Company and Strand Hanson may agree.

The Subscription Shares will be issued credited as fully paid and will, on issue, rank *pari passu* with the Shares then in issue in all respects including, without limitation, in relation to any dividends and other distributions declared, paid or made following Admission. The Subscription Shares will be issued free from all liens, charges and encumbrances.

10. USE OF PROCEEDS

The Company has raised net proceeds of approximately £52.4 million pursuant to the Subscription, which are intended to be used to make investments in line with the Company’s investing policy and for on-going working capital purposes.

It is currently expected that the net proceeds of the Subscription will be substantially invested in accordance with the Company’s investing policy by the end of March 2019.

11. GROUP AND CAPITAL STRUCTURE

11.1 Group Structure

The Company has established the Merchant Capital Limited Partnership as a limited partnership in Guernsey under the Limited Partnerships (Guernsey) Law, 1995 (as amended) through which the Company will make its investments pursuant to its investing policy. The limited partners of the Merchant Capital Limited Partnership are the Company and the Investment Manager. The general partner of the Merchant Capital Limited Partnership is Merchant Capital GP, a wholly owned Guernsey subsidiary of the Company. The Directors also constitute the board of Merchant Capital GP and investment decisions will be taken by the Directors in their capacity as directors of the Company and in their capacity as directors of Merchant Capital GP (acting in its capacity as the general partner of the Merchant Capital Limited Partnership).

The Merchant Capital Limited Partnership has been established pursuant to the Merchant Capital Limited Partnership Agreement, pursuant to which the Investment Manager will receive a carried interest on the realisation of investments (further details of which are set out at paragraph 12.2 of this Part 1 and paragraph 9.5 of Part 5 of this document).

In addition, the Company, Merchant Capital GP and the Investment Manager have entered into the Investment Management Agreement in relation to the management of the assets of the Group (further details of which are set out at paragraph 12 of this Part 1 and paragraph 9.4 of Part 5 of this document).

11.2 Capital Structure

The Company’s issued share capital consists of Shares. The rights attaching to the Shares to be issued pursuant to the Subscription are set out in the Articles and summarised below.

The Shares carry the right to receive the profits of the Company by way of dividend at such times as the Directors may determine in accordance with the Articles.

On a winding up, the surplus assets attributable to the Shares (as determined by the Directors) and available for distribution shall be paid to the holders of Shares in accordance with the Articles and such assets shall be divided *pari passu* among the holders of Shares in proportion to the number of Shares held by them.

Holders of Shares have the right to receive notice of, and to attend and vote at, general meetings and class meetings of the Company. Each holder of Shares who is present in person (or, being a corporation, by representative) or by proxy at a general meeting or a class meeting on a show of hands has one vote and, on a poll, every such holder who is present in person (or, being a corporation, by representative) or by proxy has one vote in respect of each Share held by him.

12. INVESTMENT MANAGEMENT REMUNERATION AND INCENTIVE ARRANGEMENTS

The Directors believe that the success of the Company depends, in part, on the future performance of the Investment Manager and recognise the importance of ensuring that the Investment Manager is incentivised and identify closely with the success of the Company. Accordingly, the Company has agreed to pay the Investment Manager a management fee and has established a profit participation scheme in the form of a carried interest plan.

12.1 Management Fee

The Investment Manager is entitled, pursuant to the terms of the Investment Management Agreement, to receive from the Company a management fee which is calculated and paid quarterly in arrears at an annual rate of 2 per cent. per annum of the prevailing Net Asset Value.

Further details of the Investment Management Agreement are set out at paragraph 9.4 of Part 5 of this document.

12.2 Carried Interest

From Admission, the Company will operate a carried interest plan in order to incentivise the Investment Manager. Each carried interest plan will, in certain circumstances, share the profit of realisations with the Investment Manager and operate for: (i) primary investments made during a 24 month period (save that the first carried interest plan will operate from Admission to 31 December 2019); and (ii) 'follow-on' investments made in those primary investments for a further 24 month period.

Once the Company has received an aggregate annualised 5 per cent. realised return on investments made during the relevant investment period and for the subsequent 24 month 'follow-on' period, the Investment Manager will receive 20 per cent. of the net realised cash profits from such investments. The Investment Manager's return is subject to a 'catch-up', a further explanation of which is set out at paragraph 9.5 of Part 5 of this document. The Investment Manager will cease to be entitled to any carried interest from the Company if the Investment Management Agreement is terminated for cause.

As is common for private equity structures of this nature, the carried interest to be paid to the Investment Manager will be via its participation in the Merchant Capital Limited Partnership. See paragraph 11.1 of this Part 1 for further details on the structure of the Group. Further details of the Merchant Capital Limited Partnership Agreement are set out at paragraph 9.5 of Part 5 of this document.

13. FURTHER ISSUE OF SHARES

There are no provisions of Guernsey law which confer rights of pre-emption in respect of the issue of Shares. The Articles, however, contain pre-emption rights in relation to issues of Shares for cash.

Pursuant to a resolution passed by the Company's initial shareholder, the Directors will have authority following the issue of the Subscription Shares and Admission to issue up to another 55,000,000 Shares for cash or by way of a sale of treasury shares on a non-pre-emptive basis to expire on 30 June 2021, representing 100 per cent. of the Company's issued share capital on Admission.

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

No Shares will be issued at an issue price below the prevailing Net Asset Value per Share without the prior approval of Shareholders.

14. DISCOUNT MANAGEMENT

14.1 Buybacks of Shares by the Company

The Directors believe that the most effective means of minimising any discount to Net Asset Value which may arise on the Company's share price, is to deliver strong, consistent performance from the assets held by the Group in both absolute and relative terms. However, the Board recognises that wider market conditions and other considerations affect the rating of the Shares in the short term and the Board may seek to limit the level and volatility of any discount to Net Asset Value at which the Shares may trade. The means by which this might be done could include the Company repurchasing Shares. Therefore, subject to the requirements of the Companies Law, the Articles and other applicable legislation, the Company may purchase Shares in the market in order to address any imbalance between the supply of and demand for Shares or to enhance the Net Asset Value of the Shares.

In deciding whether to make any such purchases, the Directors will have regard to what they believe to be in the best interests of Shareholders and to the applicable Guernsey legal requirements which require the Directors to be satisfied on reasonable grounds that the Company will, immediately after any such repurchase, satisfy a solvency test prescribed by the Companies Law and any other requirements in its Memorandum and Articles.

The Directors will have general authority to make market purchases immediately following Admission of up to 14.99 per cent. of the issued share capital on Admission. Such authority shall expire, and seek to be renewed, at the first annual general meeting of the Company. There is no present intention to exercise such general authority. However, the making and timing of any market purchases is at the absolute discretion of the Board and not at the option of the Shareholders.

Market purchases may only be made provided the price to be paid is not more than the higher of: (i) 5 per cent. above the average of the mid-market value of the Shares for the five business days before the day the purchase is made; or (ii) that stipulated by the regulatory technical standards adopted by the EU pursuant to the Market Abuse Regulation from time to time. Shares purchased by the Company may be cancelled or held as treasury shares.

The Company may borrow and/or realise investments in order to finance such Share purchases.

14.2 Treasury Shares

The Company may hold any Shares repurchased by it 'in treasury', meaning that the Shares remain in issue owned by the Company rather than being cancelled. Shares held in treasury are not entitled to receive any dividend declared by the Company or to exercise voting rights. Shares held in treasury may be subsequently cancelled or sold for cash. There is no limit on the number of Shares which may be held in treasury.

Whilst the Company currently has authority to sell Shares out of treasury for cash on a non-pre-emptive basis, the Directors do not intend to sell any Shares out of treasury at a price which represents a discount to the then prevailing NAV per Share. Shares being held in treasury should give the Company the ability to sell such Shares quickly and cost efficiently and should provide the Company with additional flexibility in the management of its capital base. In addition, the Board believes that the effective use of treasury shares could assist the Company in improving liquidity in the Shares and managing any imbalance between supply and demand.

15. TAXATION

Investors are referred to Part 4 of this document for details of the taxation of the Company and Shareholders in Guernsey and the UK. Investors who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than Guernsey and the UK are strongly advised to consult their own professional advisers immediately.

16. LIFE OF THE COMPANY

The Company has been incorporated with an unlimited life.

17. PROFILE OF TYPICAL INVESTORS

An investment in the Shares is only suitable for institutional investors, private investors who are professionally-advised and/or highly knowledgeable investors who understand and are capable of evaluating the risks and merits of such an investment and who have sufficient resources to be able to bear any losses (which may equal the whole amount invested) that may result from such an investment.

18. RISK FACTORS

The Company's performance is dependent on many factors and potential investors should read the whole of this document and in particular the risk factors set out at Part 3 of this document.

PART 2

DIRECTORS, MANAGEMENT AND ADMINISTRATION

1. THE DIRECTORS

The Directors are responsible for the determination of the Company's investing policy and strategy and have overall responsibility for the Company's activities including the review of investment activity and performance. The Directors will meet at least four times per annum, and the Audit Committee of the Company will meet at least three times per annum.

The Directors are as follows:

Adrian Collins (Independent Non-Executive Chairman, aged 63)

Mr. Collins has worked in the fund management business for over 35 years, a large part of which was at Gartmore Investment Management Limited where latterly he was managing director. He is chairman of Liontrust Asset Management plc and is also on the boards of Bahamas Petroleum Company, City Natural Resources High Yield Trust plc, CQS New City High Yield Fund Limited and a number of other companies.

Marco Fumagalli (Non-Independent Non-Executive Director, aged 47)

Mr. Fumagalli has a significant transaction track-record as a Global Partner at the PE house 3i Group, with significant results in the management of investments in both private (e.g. Giochi Preziosi, Coelsanus Preserves and Vis Pharmaceuticals) and listed companies (e.g. Biosearch Italy and Datamat Novuspharma). From 2010 to 2013, he was responsible for managing the private equity activities within a Swiss family office. Mr. Fumagalli is a co-founder and principal of CIP and is currently a non-executive director of AIM quoted companies Sound Energy plc, Echo Energy Plc and Saffron Energy plc.

Carlo Sgarbi (Non-Independent Non-Executive Director, aged 53)

Mr. Sgarbi has over 20 years' experience in investment banking with IMI Group, part of Intesa Sanpaolo, a leading Italian banking group, which included being appointed Head of Debt Capital Markets in 1995 for Banca IMI, the investment bank of the Intesa Sanpaolo. Mr. Sgarbi was subsequently appointed Global Head of Fixed Income and Derivatives, Co-Head of Global Markets Equities and Derivatives, where he was responsible for managing approximately 300 professionals specialised in different areas of market activities and risk. From 2007 to 2013, he was responsible for managing all investment activities within a Swiss family office, which Mr. Fumagalli was also involved with from 2010. In 2013, he founded CIP along with Mr. Fumagalli and is a Managing Partner of CIP.

John Falla (Independent Non-Executive Director, aged 55)

Mr. Falla trained with Ernst & Young in London before moving to their Corporate Finance Department. On returning to Guernsey he worked for an international bank, before joining the Channel Islands Stock Exchange as a member of the Market Authority. In 2000, Mr. Falla joined the Edmond de Rothschild Group in Guernsey and provided corporate finance advice to clients including open and closed-ended investment funds and institutions with significant property interests. He was also a director of a number of Edmond de Rothschild Group operating and investment companies. Mr. Falla is now a non-executive director of a number of investment companies, the majority of which are listed on the London Stock Exchange, and a consultant. Mr. Falla is a Chartered Accountant and has a BSc Hons degree in Property Valuation and Management from The City University, London. He is a Chartered Fellow of the Chartered Institute for Securities and Investment having been awarded their diploma.

Robert King (Independent Non-Executive Director, aged 54)

Mr. King is a non-executive director for a number of open and closed ended investment funds including Chenavari Capital Solutions Limited and Weiss Korea Opportunities Fund Limited. Before becoming an independent non-executive director in 2011, he was a director of Cannon Asset Management Limited and its associated companies. Prior to this, he was a director of Northern Trust International Fund Administration Services (Guernsey) Limited (formerly Guernsey International Fund Managers Limited) where

he had worked from 1990 to 2007. He has been in the offshore finance industry since 1986 specialising in administration and structuring of offshore open and closed ended investment funds.

2. THE INVESTMENT MANAGER AND CIP

The Company's investment manager is Merchant Capital Manager Limited, which is licensed and regulated in Guernsey under the Protection of Investors (Bailiwick of Guernsey) Law, 1987. The Investment Manager was founded by Marco Fumagalli and Carlo Sgarbi in August 2017 for the purpose of acting as the investment manager to the Company. Mr. Fumagalli and Mr. Sgarbi are the sole shareholders of the Investment Manager and accordingly it is an affiliate of CIP.

CIP was established in July 2013 as a result of a common need of clients of Mr. Fumagalli and Mr. Sgarbi, who together own, in aggregate, 50 per cent. of CIP, with the purpose of originating, arranging and advising on investment opportunities for investors seeking to generate returns through a private equity approach to investment in financial products that are flexible and specialised with a focus on value creation, by exploiting market conditions and investments in value-orientated companies. CIP is principally focused on three investment areas: (i) liquid strategies in regulated financial markets focused on corporate and financial bonds; (ii) private/public equity; and (iii) real estate.

2.1 Track record

As at the date of this document, CIP has arranged and advised its clients on transactions in private and listed equity and bond investments.

Typically, having identified an opportunity and depending on, *inter alia*, the size and nature of the investment, CIP will structure a transaction in order to maximise returns for its clients. Investments are generally made through special purpose vehicles formed for the purpose of the specific investments and having made the investment CIP enters into an advisory agreement with the respective vehicle, pursuant to which CIP provides advice to the vehicle on its investment in accordance with CIP's active management principles.

The portfolio of investments arranged, advised and made by CIP on behalf of its clients to date, consists predominantly of public and private companies listed in the UK, and the investments have primarily been through participation in debt and equity fundraisings or 'take private' transactions.

Over the period from December 2012 to December 2017, CIP has, *inter alia*, arranged and currently manages investments in the following companies:

Corin Group plc ("Corin")

Corin is a group based in Cirencester, UK operating in the orthopaedic industry. Corin develops, manufactures and sells orthopaedic prosthesis for knee, hip, ligaments. Corin, which was listed on the Main Market, was taken private in 2012 through a £30.5 million management buyout.

Having identified the investment opportunity, CIP advised its clients on providing funding to support the offer, and on completion of the offer, and in line with CIP's strategy, Mr. Fumagalli joined the board of Corin.

The transaction was considered attractive by CIP on the basis that:

- the relevant market was structurally attractive for capital investment and is not cyclical;
- management had a strong track record;
- the business was solid with good fundamentals and growth potential; and
- the price point was attractive.

Sound Energy plc (“Sound”)

Sound is an African and European upstream gas company, with assets in Italy (held for disposal) and Morocco. Sound is quoted on AIM and having identified the company’s potential, CIP advised its clients on providing, in aggregate, approximately £50 million of funding to Sound through a mixture of equity and debt to fund the development of Sound’s assets in Italy and Morocco. CIP took a private equity approach to the transaction on behalf of its clients and secured a seat on the company’s board of directors.

The investment was considered attractive by CIP on the basis that:

- the share price appeared to be undervalued when compared to Sound’s estimated net asset value;
- the wholesale gas price in Italy was higher than in other EU countries;
- at the time, Sound had a strategy of geographical expansion; and
- Sound had a strong management team to deliver its strategy of developing its assets.

CIP has arranged the following investments in Sound:

- July 2014: equity placing and participation in debt funding for, in aggregate, £14 million plus associated warrants;
- November 2014: provision of a reserve based lending facility of £7 million;
- June 2015: arrangement of £12 million open offer plus associated warrants; and
- June 2016: provision of a 5 year secured bond for, in aggregate, €28.8 million to Sound, to fund its proposed work programme and included the settlement of the previous £7 million reserve based lending facility and the £7 million corporate loan from Greenberry, plus associated warrants.

CIP continues to manage the investments in Sound on behalf of its clients and as at 14 December 2017, being the last practicable date prior to the date of this document, its clients were interested in 6.66 per cent. of the issued share capital of Sound.

Iacobucci HF Aerospace SpA (“Iacobucci”)

Iacobucci is a leading manufacturer and supplier of galley inserts and seating products for both commercial and business aviation markets. The company focuses mainly on espresso coffee makers, induction ovens, trash compactors and luxury seats.

CIP arranged a €7.5 million bond for Iacobucci, in which its clients invested alongside a major Italian private equity fund. The bonds were listed on the Vienna Stock Exchange and warrants were attached to the bond to provide investors with exposure to the equity upside.

The transaction was considered attractive by CIP on the basis that:

- there was considered to be strong long-term growth potential in the aviation sector;
- the company was the market leader in the following sectors: espresso coffee, rubbish compactors and induction ovens;
- there were notable technological barriers to entry into the sector – each product has to be tested and certified by aviation sector authorities and approved by each model of aircraft;
- the company demonstrated a large, loyal and diversified customer base (including aircraft manufacturers, aviation companies, refurbishment specialists, and private jet owners); and
- CIP identified significant opportunities for growth in terms of product range and the development of existing products.

Source Bioscience plc (“Source”)

Source is an international laboratory services and products business with state of the art facilities in the UK, USA, Ireland, and Germany.

Source which was admitted to trading on the Main Market of the London Stock Exchange, was acquired via management buyout in September 2016 for approximately £63 million. CIP advised certain investment advisory clients on investing in the acquisition alongside funds managed by Harwood Capital LLP. The investment was structured through a mixture of equity, convertible loan notes and debt financing.

The transaction was considered attractive by CIP on the basis that:

- the sector and the company demonstrated growth potential;
- the business was strongly cash generative; and
- the company was acquired at a low market multiple (EV/EBITDA was 7/8x compared to a market multiple of 12/14x).

Echo Energy Plc (“Echo”)

Echo was incorporated in June 2005 in the UK to consolidate and fund a number of promising oil and gas projects. Echo has a number of assets under development including a major oil prospect in Bolivia.

On 1 November 2017, Echo announced a binding farm-in agreement with Compañía General de Combustibles S.A. (a privately-owned subsidiary of the conglomerate Corporación América International) for the acquisition by Echo of a 50 per cent. interest in four on-shore fields in Argentina. By virtue of its size, the farm-in transaction constitutes a reverse takeover under the AIM Rules. Accordingly, Echo’s shares have been suspended from trading on AIM with effect from 30 October 2017, pending publication of Echo’s AIM admission document and circular to shareholders to approve the farm-in transaction or an announcement that the transaction has been terminated.

CIP structured the investment on behalf of its clients in Echo via a bond and equity funding in multiple steps between March and May 2017.

The investment was considered attractive by CIP on the basis that:

- in its opinion the market cap was low;
- there was an opportunity to exploit Echo’s current strategy and deal pipeline; and
- there was an opportunity to exploit CIP’s track record and management expertise developed through its investment in Sound.

As at 14 December 2017 (the latest practicable date prior to the publication of this document), a company affiliated to CIP had an approximate 11.8 per cent. interest in the issued share capital of Echo and have achieved a return on its investment in Echo’s shares of approximately 10 times. The bonds are also performing in line with their terms.

2.2 Investment Manager and CIP’s team

The Investment Manager will not have any direct employees and, accordingly, has entered into a service agreement with its affiliate, CIP, pursuant to which CIP will provide certain investment due diligence, monitoring and reporting services to the Investment Manager. Further information on the Services Agreement is set out in paragraph 2.3 of this Part 2. CIP’s team currently comprises Marco Fumagalli and Carlo Sgarbi, whose biographies are set out above, and the following individuals who will also be involved in the provision of investment management services to the Company:

Piero Sansalone, Investment Manager

Mr. Sansalone began his career in corporate finance at Deloitte and later at KMPG. Mr. Sansalone has expertise in business analysis and valuation, as well as turnaround, restructuring and merger and acquisitions. Between 2011 and 2013 Mr. Sansalone worked for the same major Swiss family office as Messrs Sgarbi and Fumagalli where he was responsible for managing private equity investments. Mr. Sansalone is an investment manager at CIP, responsible for the Private Equity and Real Estate activities.

Alexander Nakh lupin, Investment Manager

Mr. Nakh lupin began his career at Deutsche Bank in Kiev and later at Deutsche Bank in Moscow, focusing on commodities and FX, becoming an expert in the CIS region. In 2011, Mr. Nakh lupin joined the Russian based Coal Company Zarechnaya LLC as CFO and co-led the creation and operation of CCZ Trade SA, a Lugano based trading company of Zarechnaya Group. In January 2016 Mr. Nakh lupin joined CIP as an Investment Manager, responsible for Private Equity and Real Estate activities.

Valeria Giral din, Administrative Officer

Mrs. Giral din has over 20 years' experience in the accounting/administration departments of different multinational companies in Italy and Switzerland. From 2003 to 2013 she was in charge of the administration activities for the same major Swiss family office as Messrs Sgarbi and Fumagalli. Since October 2013 Mrs. Giral din has been in charge of CIP's accounting and administration activities.

2.3 The Services Agreement

The Investment Manager and CIP have entered into the Services Agreement. Under the Services Agreement, CIP will provide certain investment due diligence, monitoring and reporting services to the Investment Manager. These services include, but are not limited to, carrying out bottom-up fundamental analysis of potential investee companies, preparation of due diligence reports, monitoring and reporting of fund performance and investments, monitoring the listed and private equity and debt markets generally, introducing contacts to the Investment Manager with a view to enabling it to create and/or pursue investment opportunities and providing access to the CIP's proprietary database of shadow investee companies and its proprietary screening to enable the Investment Manager to identify potential investee companies.

2.4 The Investment Management Agreement

The Company, Merchant Capital GP and the Investment Manager have entered into the Investment Management Agreement, a summary of which is set out at paragraph 9.4 of Part 5 of this document. Under the Investment Management Agreement, the Investment Manager has been appointed to act as the Group's investment manager and AIFM, subject to the overall control and supervision of the Directors.

The Investment Manager is entitled to receive from the Company a management fee which is calculated and paid quarterly in arrears at an annual rate of 2 per cent. per annum of the prevailing Net Asset Value.

2.5 Carried interest arrangements

The Directors believe that the success of the Company depends, in part, on the future performance of the Investment Manager and recognise the importance of ensuring that the Investment Manager is incentivised and identify closely with the success of the Company. Accordingly, the Company has established a profit participation scheme in the form of a carried interest plan. Please see paragraph 12.2 of Part 1 and paragraph 9.5 of Part 5 of this document for further details.

3. SERVICE PROVIDERS, FEES AND EXPENSES

3.1 Service providers

Administrator and company secretary

Maitland Administration (Guernsey) Limited (a company incorporated in Guernsey on 20 January 2010 with company number 51371) has been appointed as the designated administrator and company secretary to the Company pursuant to the Administration and Company Secretarial Agreement (further details of which are set out in paragraph 9.9 of Part 5 of this document). In such capacity, the Administrator provides the day-to-day administration of the Company and is also responsible for the Company's general administrative and secretarial functions, such as the

calculation and publication of the Net Asset Value and maintenance of the Company's accounting and statutory records.

Under the terms of the Administration and Company Secretarial Agreement, the Administrator is entitled to an administration fee comprising an initial fee, an administration services fee and a company secretarial services fee. The initial fee in respect of initial set up services is £20,000. The administration services fee in respect of administration services is a quarterly periodic fee calculated quarterly at a rate of 0.09 per cent. of Net Asset Value, subject to a minimum fee of £10,000 per quarter. The company secretarial services fee in respect of company secretarial services is a quarterly periodic fee of £10,000. The first administration services fee and a company secretarial services fee shall be calculated pro-rata in respect of the period from the date of Admission. The Administration and Company Secretarial Agreement may be terminated on not less than three months' written notice by the Company to the Administrator or not less than three months' written notice by the Administrator to the Company and is also terminable, *inter alia*, on shorter notice in the event of breach of the agreement or insolvency.

Registrar

Computershare Investor Services (Guernsey) Limited (a company incorporated in Guernsey on 3 September 2009 with registration number 50855) has been appointed as registrar to the Company pursuant to the Registrar Agreement. In such capacity, the Registrar is responsible for the transfer and settlement of Shares held in certificated and uncertificated form. The Register may be inspected at the registered office of the Registrar. Under the terms of the Registrar Agreement, the Registrar is entitled to a fee calculated on the number of Shareholders and the number of transfers processed (exclusive of VAT). The Registrar is also entitled to reimbursement of all out of pocket costs, expenses and charges properly incurred on behalf of the Company. The Registrar Agreement may be terminated on six months' written notice, such notice not to expire prior to the end of the first year of appointment and is also terminable, *inter alia*, on shorter notice in the event of breach of the agreement or insolvency.

Auditor

BDO Limited will provide audit services to the Company and the other members of the Group. The annual report and accounts will be prepared according to accounting standards laid out under IFRS.

3.2 Expenses associated with the Subscription and Admission

The costs and expenses incurred by the Company in connection with the Subscription and Admission are approximately £2.6 million and will be borne by the Company.

3.3 Ongoing annual expenses

Ongoing annual expenses of the Group will be borne by the Company including fees paid to the Directors and service providers, travel, accommodation, printing, audit, finance costs, due diligence and legal fees. Certain reasonable out-of-pocket expenses of the Investment Manager and Administrator, the Registrar and the Directors relating to the Group will also be borne by the Company.

The Directors estimate that, including the 2 per cent. management fee, the total expenses ratio of the Company, excluding costs associated with making or realising investments, will be approximately 2.6 per cent. The on-going annual expenses of the Company for the 12 month period ending 31 December 2018 are expected to be approximately £1.5 million.

4. CONFLICTS

There are potential and actual conflicts of interest between the Company, the Group, the Investment Manager, CIP and the other members of the CIP Group. Certain of these relationships are described below.

The Investment Manager, which is an affiliate of CIP, provides services to the Company and Merchant Capital GP. In due course, it may provide financial, investment and/or professional advice to other clients. CIP is involved in other financial, investment and professional activities and accordingly will not devote their full time and attention to the affairs of the Group. The Investment Management Agreement generally does not limit or restrict the Investment Manager's ability to engage in any business or manage any other investment, subject to certain restrictions contained therein.

In such circumstances, it is the policy of the Investment Manager to endeavour to ensure that such conflicts are resolved, and any investment opportunities allocated, fairly. Each such conflict will be fully disclosed to the Company and Merchant Capital GP by the Investment Manager provided that such disclosure does not breach any law or regulation. In addition, the Investment Manager shall disclose to the Board prior to making any investment recommendation to the Company whether the Investment Manager or CIP has invested or intends to invest or co-invest in such investee company.

It has been agreed that the Company will have a right of first refusal in respect of any investment opportunity identified by the Investment Manager and/or CIP falling within the Company's investing policy. The Investment Manager, however, will have no obligation to originate, sell or exchange any investment for the Company which the Investment Manager and/or CIP may originate, purchase, sell or exchange for one or more other funds/clients if the Investment Manager believes in good faith at the time the investment decision is made that such transaction or investment would be unsuitable, impractical or undesirable for the Company.

All final decisions in respect of any investment made or disposed of by the Group are made by the Board.

The activities of the Investment Manager, in its capacity as the Company's Investment Manager are subject to the overall policies, supervision and review of the Board.

5. THE CITY CODE ON TAKEOVERS AND MERGERS

The City Code on Takeovers and Mergers applies to the Company.

6. CORPORATE GOVERNANCE

The Directors recognise the importance of sound corporate governance and the Directors intend to observe the requirements of the AIC Code so far as practicable and intend to apply for membership of the AIC following Admission.

On 1 January 2012, the GFSC's "Finance Sector Code of Corporate Governance" (the "**GFSC Code**") came into effect, which applies to all companies that hold a licence from the GFSC under the regulatory laws or which are registered or authorised as collective investment schemes. The GFSC has stated in the GFSC Code that companies which report against the UK Corporate Governance Code or the AIC Code are deemed to meet the GFSC Code.

The Board has established an Audit Committee and Management Engagement Committee, with formally delegated duties and responsibilities as described below.

Audit Committee

The Audit Committee will be responsible for monitoring the integrity of the Company's financial statements, reviewing significant financial reporting issues, reviewing the effectiveness of the Company's internal control and risk management systems and overseeing the relationship with the external auditor (including advising on their appointment, agreeing the scope of the audit and reviewing the audit findings). The Audit Committee will monitor the need for an internal audit function following Admission.

The Audit Committee will comprise all of the Independent Directors with John Falla acting as the chair of the committee. The Audit Committee will meet at least three times a year at appropriate times in the

reporting and audit cycle and otherwise as required. The Audit Committee will also meet with the Company's external auditor as required.

Management Engagement Committee

The Company has established a management engagement committee which comprises all of the Independent Directors with Robert King acting as the chair of the committee. The management engagement committee will meet at least once a year. The management engagement committee's main function is to review and make recommendations on any proposed amendment to the Investment Management Agreement and keep under review the performance of the Investment Manager and other service providers.

7. VALUATIONS AND CALCULATION OF NET ASSET VALUE

7.1 Valuations

The valuations of the Company's investments will be in compliance with IFRS on the basis of fair market value using bid prices for listed investments. If the Company has any unlisted investments, these will be valued by the Investment Manager quarterly in accordance with The International Private Equity and Venture Capital Valuation (IPVEC) Guidelines. Accordingly, full valuations of the Company's investments, listed and unlisted, will be conducted as at 31 December for each financial period. Interim valuations will also be performed on a quarterly basis as at 31 March, 30 June and 30 September.

7.2 Calculation of Net Asset Value

The Net Asset Value is the value of the group assets of the Company after deduction of all liabilities determined in accordance with the accounting policies adopted by the Company from time to time.

The unaudited Net Asset Value (and Net Asset Value per Share) will be calculated weekly by the Administrator. The unaudited Net Asset Value per Share will be notified weekly through a Regulatory Information Service and will be available through the Company's website at www.cipmerchantcapital.com.

Such unaudited Net Asset Values are calculated on the same basis as the calculation of the Net Asset Value per Share for the purpose of the Company's published financial statements and, accordingly, are calculated in accordance with IFRS on the basis of market value using bid prices for listed investments, for unlisted investments, these will be priced using the last quarter's valuation unless otherwise specified. As set out above, such unlisted investments will be valued by the Investment Manager quarterly in accordance with IPVEC Guidelines.

For the purpose of the Company's financial statements, the Net Asset Value per Share will be calculated in accordance with IFRS and IPVEC Guidelines.

Net Asset Value calculations are prepared on the following basis:

- securities listed, traded or quoted on a stock exchange or over-the-counter market will be valued by reference to the bid price on such stock exchange or market as at the close of business of the relevant exchange or market on the relevant valuation day (or, if the relevant exchange or market is not open for business on the relevant valuation day, the securities are valued as at the last day on which the relevant exchange or market was open for business) as shown in the relevant exchange's or market's recognised method of publication of prices for such securities (and where a security is listed, traded or quoted on more than one stock exchange or over-the-counter market, the Board may, in its absolute discretion, select any one of such exchanges or markets);
- any securities that are not listed, traded or quoted on a stock exchange or over-the-counter market will be valued at fair value as determined by the Board (as advised by the Investment Manager) using appropriate valuation methodologies such as earnings multiples, recent transactions and net assets in accordance with the IPVEC Guidelines;

- derivative instruments will be valued at fair value using appropriate valuation methodologies as determined by the Board (as advised by the Investment Manager);
- cash and bank deposits will be valued by reference to their face value;
- assets and liabilities in currencies other than sterling (being the Company's functional currency) will be translated into sterling at the rates of exchange applying on the relevant valuation date; and
- notwithstanding the above, the Directors shall be entitled, at their absolute discretion, to apply a method of valuing any asset differently from that described in this paragraph if such method would, in their opinion, better reflect the fair value of such asset, and in such cases the alternative methodology applied will be noted in the relevant Company announcement or financial statements.

All investments held by the Company are classified as "fair value through profit or loss". As the Company's business is investing in financial assets with a view to profiting from their total return in the form of interest, dividends or increase in fair value, listed equities, unlisted equities and fixed income securities are designated as fair value through profit or loss on initial recognition. The Company manages and evaluates the performance of these investments on a fair value basis in accordance with its investment strategy. Investments are initially recognised at cost, being the fair value of the consideration, less any transaction costs payable.

After initial recognition, investments will be measured at fair value, with movements in fair value of investments and impairment of investments recognised in the Statement of comprehensive income and allocated to capital.

For investments actively traded in organised financial markets, fair value will generally be determined by reference to stock exchange quoted market bid prices at the close of business on the valuation date, without adjustment for transaction costs necessary to realise the asset.

In respect of unquoted instruments, or where the market for a financial instrument is not active, fair value is established by using recognised valuation methodologies, in accordance with IPVEC Guidelines. New investments are initially carried at cost, for a limited period, being the price of the most recent investment in the investee company. This is in accordance with IPVEC Guidelines as the cost of recent investments will generally provide a good indication of fair value. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. The making of valuations will only be suspended in circumstances where the underlying data necessary to value the investments of the Company cannot readily, or without undue expenditure, be obtained.

The calculation of the Net Asset Value will only be suspended in circumstances where the underlying data necessary to value the investments of the Company cannot readily, or without undue expenditure, be obtained or in other circumstances which prevents the Company from making such calculations. Details of any suspension in making such calculations will be announced through a Regulatory Information Service as soon as practicable after any such suspension occurs.

8. MEETINGS, REPORTS AND ACCOUNTS

The audited accounts of the Company will be prepared in sterling under IFRS. The Company's annual report and accounts will be prepared up to 31 December each year, with the first accounting period of the Company ending on 31 December 2018. It is expected that copies of the report and accounts will be sent to Shareholders before the end of the following April each year. The Company will also publish an unaudited half-yearly report covering the six months to 30 June each year. The Company intends to hold its first annual general meeting within 18 months of the date of its incorporation and will hold an annual general meeting each year thereafter.

9. DISCLOSURE OBLIGATIONS

The provisions of Chapter 5 of the Disclosure Guidance and Transparency Rules (as amended from time to time) of the Financial Conduct Authority Handbook applies to the Company as a 'non-UK issuer'.

However, a Shareholder is required under the Articles to notify the Company of the percentage of voting rights it holds as a holder of Shares or holds or is deemed to hold through the direct or indirect holding of financial instruments if, as a result of an acquisition or disposal of Shares (or financial instruments), the percentage of voting rights reaches, exceeds or falls below the relevant percentage thresholds being, 3 per cent., 4 per cent., 5 per cent., 6 per cent., 7 per cent., 8 per cent., 9 per cent., 10 per cent. and each 1 per cent. threshold thereafter up to 100 per cent.

10. SHARE DEALING CODE

The Company has adopted a share dealing code, in conformity with the requirements of the AIM Rules and the Market Abuse Regulation, and will take steps to ensure compliance by the Board and relevant senior staff with the terms of the policy.

11. ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE

As a company incorporated in Guernsey, the Company is a non-EU AIF for the purposes of the AIFM Directive. The Investment Manager acts as AIFM to the Company. The AIFM, also incorporated in Guernsey, is a non-EU AIFM for the purposes of the AIFM Directive. The Company and the AIFM comply and will continue to comply with the requirements of the AIFM Directive, as applicable to them.

PART 3

RISK FACTORS

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

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

References to the past performance of investments made, arranged or advised on by the Investment Manager and/or CIP or their respective principals or investment professionals referred to in this document are for information or illustrative purposes only and should not be interpreted as an indication, or as a guarantee, of future performance.

RISKS RELATING TO THE COMPANY AND ITS INVESTMENT STRATEGY

The Company is newly formed and has no operating history

The Company was incorporated on 13 September 2017 and has not begun operations. Any investment in the Shares is, therefore, subject to all of the risks and uncertainties associated with a new business, including the risk that the Company will not achieve its investment objective and that the value of any future investment made by the Company, and of the Shares, could substantially decline.

The Company may not meet its investment objective

The Company may not achieve its investment objective. Meeting that objective is a target but the existence of such an objective should not be considered as an assurance or guarantee that it can or will be met. The effects of market fluctuations may affect the Company's business, operating results or financial condition. These are factors which are outside the Company's control which may affect the volatility of underlying asset values and the liquidity and the value of the Company's portfolio. Changes in economic conditions (including, for example, interest rates, foreign exchange rates and rates of inflation), industry conditions, competition, changes in the law, political and diplomatic events and trends, tax laws and other factors can substantially affect the value, adversely or positively, of investments made by the Company and, therefore, the Company's performance and prospects, in addition to the value of the Shares.

Failure/delays in the deployment of funds from the Subscription

There can be no assurance as to how long it will take for the Company to invest any or all of the net proceeds of the Subscription in appropriate assets. The Company is likely to face competition from a variety of other potential purchasers in identifying and acquiring suitable assets. The longer the period before investment the greater the likelihood that the Company's financial condition, business, prospects and results of operations will be materially adversely affected. Market conditions may have a negative impact on the Company's ability to identify and execute investments in suitable assets that generate acceptable returns.

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

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

Company. Failure by any service provider to carry out its obligations to the Company in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Company.

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

Investors contemplating an investment in the Shares should recognise that their market value can fluctuate and may not always reflect their underlying value. Returns achieved are reliant primarily upon the performance of the Company's portfolio. No assurance is given, express or implied, that Shareholders will receive back the amount of their original investment in the Shares. Shareholders could lose their full investment in the Company.

The Company may experience fluctuations in its operating results due to a number of factors, including changes in the values of investments made by the Company, changes in the amount of distributions, dividends or interest paid by companies in the portfolio, changes in the Company's operating expenses, variations in and the timing of the recognition of realised and unrealised gains or losses, the degree to which the Company encounters competition and general economic and market conditions. Such variability may lead to volatility in the trading price of the Shares and cause the Company's results for a particular period not to be indicative of its performance in a future period.

The Company may be exposed to risks associated with borrowings

The Company's investing policy permits borrowings of up to 30 per cent. of Net Asset Value at the time the borrowings are incurred. While the use of borrowings should enhance the total return on the Shares where the return on the Company's underlying assets is rising and exceeds the cost of borrowing, it will have the opposite effect where the return on the Company's underlying assets is rising at a lower rate than the cost of borrowing or falling, further reducing the total return on the Shares. As a result, the use of borrowings by the Company may increase the volatility of the Net Asset Value per Share.

Any reduction in the value of the Company's investments may lead to a correspondingly greater percentage reduction in its Net Asset Value (which is likely to adversely affect the price of a Share). Any reduction in the number of Shares in issue (for example, as a result of buy backs) will, in the absence of a corresponding reduction in borrowings, result in an increase in the Company's level of gearing.

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

UK exit from the European Union

A referendum was held on 23 June 2016 to decide whether the UK should remain in the EU. A vote was given in favour of the UK leaving the EU ("**Brexit**"). The extent of the impact of Brexit on the Company will depend in part on the nature of the arrangements that are put in place between the UK and the EU following the eventual Brexit and the extent to which the UK continues to apply laws that are based on EU legislation. The Company may be subject to a significant period of uncertainty in the period leading up to eventual Brexit including, *inter alia*, uncertainty in relation to any potential regulatory or tax change. In addition, the macroeconomic effect of an eventual Brexit on the value of investments in the UK and, by extension, the value of the investments in the Company's eventual investment portfolio, is unknown. Brexit could also create significant UK (and potentially global) stock market uncertainty, which may have a material adverse effect on the Net Asset Value and the price of the Shares. As such, it is not possible to accurately state the impact that Brexit will have on the Company and its proposed investments at this stage. Brexit may also make it more difficult for the Company to raise capital in the EU and/or increase the regulatory compliance burden on the Company. This could restrict the Company's future activities and thereby negatively affect returns.

Economic conditions

Economic recessions, downturns, and uncertainties can lead to volatility and instability in financial markets. In addition, the performance of the underlying issuers of the Company's investments, the price and liquidity of its investments and the level of income it receives from its investments may be affected, substantially

and either adversely or favourably, by a variety of other factors (many of which are outside the control of the Company or the Investment Manager), including, but not limited to:

- changes in economic conditions (including, for example, unemployment, inflation, volatile exchange rates, changes in interest rates and low business or consumer confidence);
- changes in industry conditions or the competitive environment;
- restricted availability of financing;
- changes in law, taxation, regulation or government policy;
- foreign currency fluctuations;
- exchange controls or withholding taxes;
- stock market movements and investor perceptions;
- natural disasters, political and diplomatic events, terrorism, social unrest, civil disturbances or the outbreak of war; and
- insofar as they are affected by any of the above, the response of the issuers to the above.

RISKS RELATING TO THE INVESTMENT MANAGER

The Company's performance is dependent on the Investment Manager and CIP

The performance of the Company depends on the ability of the Investment Manager to provide complete, attentive and efficient services to the Company. There can be no assurance that, over time, the Investment Manager will be able to provide such services, which could have a material adverse effect on the performance of, and returns to, the Company.

The Investment Manager is party to the Services Agreement with CIP, pursuant to which CIP provides certain investment due diligence, monitoring and reporting services to the Investment Manager. The performance of the Investment Manager depends on the ability of CIP to provide complete, attentive and efficient services to the Investment Manager.

The past performance of other investments managed, arranged or advised on by the Investment Manager and/or CIP or its principals or investment professionals cannot be relied upon as an indicator of the future performance of the Company.

Investor returns will be dependent upon the Company successfully pursuing its investing policy. The success of the Company will depend *inter alia* on the Investment Manager's ability to identify, acquire and realise investments in accordance with the Company's investing policy. This, in turn, will depend on the ability of the Investment Manager to apply its investment processes in a way which is capable of identifying suitable investments for the Company to invest in. The Investment Manager's ability to do so is in part dependent on the provision of services by CIP under the Services Agreement. There can be no assurance that the Investment Manager will be able to do so or that the Company will be able to invest its assets on attractive terms or generate any investment returns for Shareholders or indeed avoid investment losses.

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

The past or current performance of CIP or the Investment Manager is not a guarantee of the future performance of the Company

The past or current performance of investments arranged or made by CIP or in relation to which it has advised is not indicative, or intended to be indicative, of future performance of the Company.

The previous experience of the investment management team may not be directly comparable with the Company's proposed business. Differences between the circumstances of the Company and the circumstances under which the track record information in this document was generated include (but are not limited to) actual acquisitions and investments made, investment objectives, fee arrangements, structure (including for tax purposes), terms, leverage, performance targets, market conditions and investment horizons. All of these factors can affect returns and impact the usefulness of performance

comparisons and, as a result, none of the historical information contained in this document is directly comparable to the Company's business or the returns which the Company may generate.

The Company's performance is dependent on the Investment Manager's investment professionals and the Company cannot assure Shareholders that it will have continued access to them

The Company will depend on the diligence, skill and business contacts of the Investment Manager and its investment professionals, and the information and deal flow they generate during the normal course of their activities and the Company's success will depend on the continued service of these individuals, who are not obliged to remain employed with the Investment Manager. The departure of any of the Investment Manager's investment professionals for any reason, or the failure to appoint or any delay in appointing qualified or effective successors in the event of such departures, could have a material adverse effect on the Company's ability to achieve its investment objective. Additionally, the Company is therefore exposed to the risk that the Investment Manager could cease to provide the investment management services to the Company, whether because of insolvency of the Investment Manager or otherwise.

The Company's management incentive arrangements

From Admission, the Company will operate carried interest plans in order to incentivise the Investment Manager. Each carried interest plan will operate for: (i) primary investments made during a 24 month period (save that the first carried interest plan will operate from Admission to 31 December 2019); and (ii) 'follow on' investments made in those primary investments for a further 24 month period. Once the Company has received an aggregate annualised 5 per cent. realised return on investments made during the relevant investment period and 'follow-on' investments, the Investment Manager will receive 20 per cent. of the net realised cash profits from such investments.

As the performance of the Investment Manager is assessed over 24 month performance periods (and their associated 'follow-on' period), the Company is exposed to the risk of the Investment Manager receiving a return in respect of realisations from one or more performance periods in circumstances where the Company has suffered realised or unrealised losses in respect of another performance period.

The departure of some or all of the Investment Manager's investment professionals could hinder the Company from achieving its investment objective

The Company depends on the diligence, skill, judgment and business contacts of the Investment Manager's investment professionals, in particular Marco Fumagalli and Carlo Sgarbi, and the information and deal flow they generate during the normal course of their activities. The Company's future success depends on the continued service of these individuals, who are not obligated to remain employed with the Investment Manager, and the Investment Manager's ability to strategically recruit, retain and motivate new talented personnel. However, the Investment Manager might not be successful in its efforts to recruit, retain and motivate the required personnel as the market for qualified investment professionals is extremely competitive. The Investment Management Agreement contains 'Key Person' provisions. As at the date of this document the Key Persons are Marco Fumagalli and Carlo Sgarbi, but may in future include additional key people or replacements who are approved by the Company. Should two Key Person cease to provide the Services to the Company and/or Merchant Capital GP and the Company and Merchant Capital GP decline the nomination of any replacement key person proposed by the Investment Manager then the Company may terminate the Investment Management Agreement on giving 60 business days' notice to the Investment Manager.

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

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

Neither the Investment Manager nor CIP is required to commit all of its resources to the Company's affairs. Insofar as the Investment Manager or CIP devotes resources to other business interests, its ability to devote resources and attention to the Company's affairs will be limited. In particular, the Investment Manager and CIP's strategy is limited and, to the extent that the Investment Manager or CIP chooses to allocate investment opportunities to other clients, this could adversely affect the Company's ability to achieve its investment objective, which could have a material adverse effect on the Company's profitability, Net Asset Value and share price.

The Investment Manager and its respective affiliates (including CIP) may provide services to other clients which could compete directly or indirectly with the activities of the Company and may be subject to conflicts of interest in respect of their respective activities on behalf of the Company

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

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

The Investment Manager's due diligence may not identify all risks and liabilities

Prior to entering into any agreement to acquire any asset, the Investment Manager will perform or procure the performance of due diligence on the proposed investment. To the extent the Investment Manager or other third parties underestimate or fail to identify risks and liabilities associated with the investment in question, the Company may incur, directly or indirectly, unexpected liabilities. In addition, if there is a failure of due diligence, there may be a risk that assets are acquired which are not consistent with the Company's investing policy. This may, in turn, have a material adverse effect on the Company's performance, financial condition and business prospects.

RISKS RELATING TO THE COMPANY'S PORTFOLIO

Nature of investee companies

The Company's portfolio is focused towards small and mid-sized companies. These companies may involve a higher degree of risk than larger sized companies. The relatively small capitalisation of listed small and mid-sized companies could cause the market in their shares to be less liquid and, as a consequence, their share price may be more volatile than may be the case with investments in larger companies.

In addition, the Company may invest up to 30 per cent. of its gross assets in companies that are not listed or admitted to trading upon any recognised stock exchange. Such investments, by their nature, involve a higher degree of valuation and performance uncertainties and liquidity risk than investments in listed and quoted securities and they may be more difficult to realise. Unlisted securities may be less liquid than publicly traded securities and such investments may therefore be more difficult to realise. Unquoted securities, by their nature, involve a higher degree of valuation and performance uncertainties and liquidity risks than investments in listed and quoted securities. The illiquidity of such investments may make it difficult for the Company to sell them if the need arises and may result in the Company realising significantly less than the value at which it had previously recorded such investments.

In comparison with listed and quoted investments, unquoted companies are subject to further particular risks, including that such companies:

- may be subject to a higher risk of default under financing and contractual arrangements, leading to severe adverse consequences for those companies and the value of the Company's investment in them;
- may have limited financial resources and reduced access to financing sources;
- may have shorter operating histories, narrower product lines and smaller market shares, rendering them more vulnerable to competitors' actions and market conditions, as well as general economic downturns;
- are more likely to depend on the management talents and efforts of a founder or small group of persons and, if any such persons were to cease to be involved in the management or support of such companies, this could have a material adverse impact on their business and prospects and the investment in them made by the Company;
- generally have less predictable operating results and may require significant additional capital to support their operations, expansion or competitive position; and
- investments which are unquoted at the time of acquisition may remain unquoted and may therefore be difficult to value and/or realise.

Investment in the securities of smaller companies may involve greater risks than are customarily associated with investments in larger, more established companies. In particular, such companies may often have limited product offerings, markets or financial resources and may be dependent on a small number of key individuals.

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

Concentrated portfolio

The majority of the Company's portfolio is expected to be invested in five to ten companies. As a result, the portfolio carries a higher degree of stock-specific risk than a more diversified portfolio. If the value of even one investment were to decline materially, this would have an adverse effect on the Company's Net Asset Value.

Capacity of the Investment Manager's strategy

The Company's investment focus is investing the majority of the portfolio in European listed and quoted companies using private equity investment techniques. In particular, the Investment Manager has a highly focussed investment strategy which results in low portfolio turnover and a limited number of new investments are made in any year. This focussed investment strategy in smaller companies has limited capacity and, to the extent that the Investment Manager is unable to identify suitable investments for acquisition, this may have an adverse effect on the Company's performance and share price.

Foreign exchange rate risk

In any instances where the Company does not hedge its currency exposure, the movement of exchange rates between sterling and any other currencies in which the Company's investments are denominated may have a material effect, unfavourable as well as favourable, on the return otherwise experienced on the investments made by the Company. Although the Investment Manager will seek to manage any foreign exchange exposure in relation to the Company, there is no assurance that this can be performed effectively. Currency hedging may force the Investment Manager to realise underlying investments as well as affecting the overall value of the portfolio and the Net Asset Value per Share.

Movements in the foreign exchange rate between sterling and the currency applicable to a particular Shareholder may have an impact upon that Shareholder's returns in its own currency of account.

Exchange controls and withholding tax

The Company may from time to time purchase investments that will subject the Company to exchange controls or withholding taxes in various jurisdictions. In the event that exchange controls or withholding taxes are imposed with respect to any of the Company's investments, the effect will generally reduce any income received by the Company on its investments.

Geographical and sectoral diversification

The Company is not constrained from weighting to any geographical location (but will seek to invest predominantly companies listed in the UK) and may invest up to 50 per cent. of its Net Asset Value in any one sector. This may lead to the Company having significant exposure to portfolio companies from certain geographical areas or business sectors from time to time. Greater concentration of investments in any one geographical location or sector may result in greater volatility in the value of the Company's investments and consequently the Net Asset Value and may materially and adversely affect the performance of the Company and returns to Shareholders.

Interest rates

The costs associated with any leverage used by the Company are likely to increase when interest rates rise. Interest rate movements may affect the level of income receivable on cash deposits and interest payable on the Company's variable rate cash borrowings.

The Group may invest in illiquid investments

The Group's investments may be illiquid and may not be able to be transferred within a reasonable timeframe or at all. Such illiquidity may affect the Group's ability to vary its portfolio of assets or dispose of or liquidate part of its portfolio in a timely manner and at satisfactory prices in response to changes in economic, market or other conditions. This could have an adverse effect on the Company's financial condition and returns to Shareholders. In particular, any unquoted investments are likely to be less liquid than quoted investments.

Cash drag

There is no guarantee that cash held by the Company will be invested within a particular timescale, or that appropriate investments will become available. To the extent that the Company holds a substantial proportion of its assets in cash, that cash holding may (taking into account inflation and its current return profile) result in a drag on the overall return the Company is able to generate.

RISKS RELATING TO THE COMPANY'S SHARES AND SECURITIES

Shares may trade at a discount or premium to Net Asset Value

The market price of the Shares may not reflect the underlying value of the Net Asset Value. The price at which the Shares are quoted and the price which investors may realise for their Shares will be influenced by a large number of factors, some specific to the Company and its operations and some which may affect the quoted investment sector or investment or quoted companies generally and which are outside the Company's control. These factors could include the performance of the Company, large purchases or sales of the Shares, legislative changes, general economic, political or regulatory conditions, or changes in market sentiment towards the Shares. Any of these events could result in a material decline in the market price of the Shares.

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

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

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

their investment in the Company may therefore be required to dispose of their Shares in the market. There can be no guarantee that a liquid market in the Shares will develop or that the Shares will trade at prices close to their underlying Net Asset Value. Accordingly, Shareholders may be unable to realise their investment at such Net Asset Value or at all.

Limited regulatory control

Shareholders will not enjoy protections or rights other than those reflected in the Articles and those rights conferred by the Act.

Dilution arising from further issues of Shares

Future issues of Shares could dilute the interests of existing Shareholders and lower the price of the Shares. Pursuant to a resolution passed by the Company's initial shareholder, the Directors will have authority following Admission to issue up to 55,000,000 further Shares for cash or by way of a sale of treasury shares on a non-pre-emptive basis to expire on the earlier of the Company's third annual general meeting of the Company to be held by 30 June 2021. As such, it may not be possible for existing Shareholders to participate in any future issue of Shares, which would dilute the existing Shareholders' interests in the Company. The issue of additional Shares, or the possibility of such an issue, may cause the market price of the Shares to decline.

The interest of any significant investor may conflict with those of other Shareholders

Upon Admission and at any time thereafter, certain investors may acquire significant holdings of Shares. Accordingly, they will potentially possess sufficient voting power to have a significant influence on matters requiring Shareholder approval. The interests of any significant investor may accordingly conflict with those of other Shareholders. In addition, any significant investor may make investments in other businesses in the sector that may be, or may become, competitors of the Company or any of its portfolio companies.

The Company has not registered, and will not register, the Shares with the U.S. Securities and Exchange Commission, which may limit the Shareholders' ability to resell them

The Shares have not been, and will not be, registered under the U.S. Securities Act or any U.S. state securities laws. The Company will be relying upon exemptions from registration under the U.S. Securities Act and applicable state securities laws in offering and selling the Shares. As a consequence, for U.S. Securities Act purposes, the Shares can only be transferred or re-sold in the United States or to a U.S. Person in transactions registered under the U.S. Securities Act, or in accordance with exemptions from the registration requirements of the Securities Act and exemptions under applicable state securities laws. Shareholders will not have registration rights and, therefore, will not be entitled to compel the Company to register their securities.

The Company has not, and will not, register as an investment company under the U.S. Investment Company Act

The Company is not, and does not intend to become, registered in the United States as an investment company under the U.S. Investment Company Act and related rules. The U.S. Investment Company Act provides certain protections to investors and imposes certain restrictions on companies that are registered as investment companies. As the Company is not so registered and does not plan to register, none of these protections or restrictions are or will be applicable to the Company. In addition, to avoid being required to register as an investment company under the U.S. Investment Company Act, the Company may, under the Articles, serve a notice upon any person to whom a sale or transfer of Shares may cause the Company to be classified as an investment company under the U.S. Investment Company Act requiring such person to transfer the Shares to an eligible transferee within 14 days of such notice. If, within 14 days, the notice has not been complied with, the Company may cause Shareholders to forfeit the Shares or sell the Shares. These procedures may materially affect certain Shareholders' ability to transfer their Shares.

The Shares may be subject to significant forced transfer provisions

The Shares have not been registered and will not be registered in the United States under the U.S. Securities Act or under any other applicable securities laws. The Shares are being offered and sold outside the United States to non-U.S. Persons (as defined in Regulation S under the U.S. Securities Act). If at any time the holding or beneficial ownership of any shares in the Company by any person (whether on

its own or taken with other shares), in the opinion of the Directors: (i) would cause the assets of the Company to be treated as “plan assets” of any benefit Plan Investor under Section 3(42) of ERISA or the U.S. Code; or (ii) would or might result in the Company and shares issued by the Company being required to register or qualify under the U.S. Investment Company Act and/or the U.S. Securities Act and/or the U.S. Securities Exchange Act of 1934 and/or any laws of any state of the U.S. that regulate the offering and sale of securities; or (iii) may cause the Company not to be considered a “Foreign Private Issuer” under the U.S. Securities Exchange Act of 1934; or (iv) may cause the Company to be a controlled foreign corporation for the purpose of the U.S. Code; or (v) creates a significant legal or regulatory issue for the Company under the U.S. Bank Holding Company Act of 1956 (as amended) or regulations or interpretations thereunder, the Directors may require the holder of such shares to dispose of such shares and, if the shareholder does not sell such shares, may dispose of such shares on their behalf. These restrictions may make it more difficult for a U.S. Person to hold and Shareholders generally to sell the Shares and may have an adverse effect on the market value of the Shares.

Local laws or regulations may mean that the status of the Company or the Shares is uncertain or subject to change, which could adversely affect a Shareholder’s ability to hold Shares

For regulatory and tax purposes, the status and treatment of the Company and the Shares may be different in different jurisdictions. For instance, in certain jurisdictions and for certain purposes, the Shares may be treated as units in a collective investment scheme. Furthermore, in certain jurisdictions, the regulatory and tax status of the Company and/or the Shares may be uncertain or subject to change, or it may differ depending on the availability of certain information or as a result of disclosures made by the Company. Changes in the status or treatment of the Company or the Shares for regulatory and/or tax purposes may have unforeseen effects on the ability of investors to hold Shares or the consequences to investors of doing so.

General

An investment in the Shares is only suitable for investors capable of evaluating the risks (including the risk of capital loss) and merits of such investment and who have sufficient resources to sustain a total loss of their investment. An investment in the Shares should be seen as long-term in nature and complementary to investments in a range of other financial assets and should only constitute part of a diversified investment portfolio. Accordingly, typical investors in the Company are expected to be institutional investors, private client fund managers and private client brokers, as well as private individuals who have received advice from their professional advisers regarding investment in the Shares and/or who have sufficient experience to enable them to evaluate the risks and merits of such investment themselves.

Conditionality of the Subscription

The Subscription is conditional upon, *inter alia*, Admission. In the event that any condition to which Admission is subject is not satisfied or, if capable of waiver, waived, Admission will not take place.

Share price volatility and liquidity

Following Admission, the market price of the Shares may be subject to wide fluctuations in response to many factors, including stock market fluctuations and general economic conditions or changes in political sentiment that may substantially affect the market price of the Shares irrespective of the progress the Company may make. These factors could include the performance of the Company, purchases or sales of the Shares (or the perception that the same may occur), legislative changes and market, economic, political or regulatory conditions or price distortions resulting from limited liquidity. The share price for publicly traded companies, particularly those at an early stage of development, such as the Company, can be highly volatile. The Company’s quotation on AIM should not be taken as implying that a liquid market for the Shares either exists, or will develop or be sustained. Active, liquid trading markets generally result in lower price volatility and more efficient execution of buy and sell orders for investors. The liquidity of a securities market is often a function of the volume of the underlying shares that are publicly held by unrelated parties. If a liquid trading market for the Shares does not develop, the price of the Shares may become more volatile and it may be more difficult to complete a buy or sell order even for a relatively small number of such Shares.

Substantial sales of Ordinary Shares could cause the price of Ordinary Shares to decline

There can be no assurance that certain Directors or other Shareholders will not elect to sell their Shares in the future. The market price of Ordinary Shares could decline as a result of any such sales of Shares or as a result of the perception that these sales may occur. In addition, if these or any other sales were to occur, the Company may in the future have difficulty in offering Shares at a time or at a price it deems appropriate.

There is no guarantee that the Company's Ordinary Shares will continue to be traded on AIM

The Company cannot assure investors that the Company's Shares will always continue to be traded on AIM or on any other exchange. If such trading were to cease, certain investors may decide to sell their Shares, which could have an adverse impact on the price of the Shares. Additionally, if in the future the Company decides to obtain a listing on another exchange in addition or as an alternative to AIM, the level of liquidity of the Shares traded on AIM could decline.

Investment in AIM traded securities

The Shares are, and the New Shares will be, traded on AIM rather than admitted to the Official List of the UK Listing Authority. AIM is designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. The rules of AIM are less demanding than those admitted to the Official List and an investment in shares traded on AIM may carry a higher risk than an investment in shares admitted to the Official List. In addition, the market in shares traded on AIM may have limited liquidity, making it more difficult for an investor to realise its investment on AIM than to realise an investment in a company whose shares are admitted to the Official List. Investors should therefore be aware that the market price of the Shares may be more volatile than that of shares admitted to the Official List, and may not reflect the underlying value of the Company. Investors may, therefore, not be able to sell at a price which permits them to recover their original investment and could lose their entire investment.

RISKS RELATING TO TAXATION AND REGULATION

Changes in laws or regulations, or a failure to comply with any laws and regulations, may adversely affect the Company's business, investments and performance

The Company is subject to laws and regulations enacted by European, national and local governments. In particular, the Company is subject to and will be required to comply with certain regulatory requirements that are applicable to listed closed-ended investment companies. In addition, the Company is subject to the continuing obligations imposed by the London Stock Exchange on all investment companies whose shares are admitted to trading on AIM.

European regulation includes the proposed Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU ("**MIFID**") and the proposed Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 ("**MIFIR**") (MiFID and MiFIR, together "**MIFID II**") which is currently timetabled to come into effect on 3 January 2018. If enacted as currently promulgated, shares in the Company may be deemed to be a 'complex' investment (as defined in MiFID II), which may make it more difficult for private individual investors to buy shares in the Company in the secondary market.

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

The European Directive on Alternative Investment Fund Managers may impair the ability of the Company to market Shares to EU investors

The Company is a non-EU alternative investment fund for the purposes of the AIFM Directive and related regimes in relevant EU member states. The marketing of shares in AIFs that are managed by a non-EU alternative investment fund manager (such as the Company) to investors in EU member states is prohibited unless certain conditions are met. The Company cannot guarantee that all of such conditions will be satisfied. In cases where the conditions are not satisfied, the ability of the Company to market Shares or raise further equity capital in the relevant EU member states may be limited or removed.

Any regulatory changes arising from implementation of the AIFM Directive (or otherwise) that limit the Company's ability to carry on its business or to market future issues of its Shares may materially adversely affect the Company's ability to carry out its investing policy successfully and to achieve its investment objective, which in turn may adversely affect the Company's business, business prospects and financial condition, and returns to Shareholders including NAV, dividend yield and/or the market price of the Shares.

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

Any change in the Company and/or the Group's tax position or status or in tax legislation or proposed legislation, or in the interpretation of tax legislation or proposed legislation by tax authorities or courts, or tax rates could adversely affect the value of investments held by the Group or affect the Company's ability to achieve its investment objective and/or deliver returns to Shareholders. Any such change could adversely affect the net amount of any distributions payable to Shareholders or the tax treatment of distributions received by Shareholders. Furthermore, any member of the Group may incur costs in taking steps to mitigate this effect. As a result, any such change may have a material adverse effect on the Company's performance, financial condition or prospects. Whilst this document focuses on tax risks in the UK, as a more general matter, if the Company were to be considered to be resident for taxation purposes in any jurisdiction other than Guernsey or otherwise subject to taxation in another jurisdiction, its total income or capital gains or those attributable to or effectively connected with such other jurisdiction may be subject to tax in that other jurisdiction and this could have a material adverse effect on the Company's results of operations, financial condition or business prospects.

Non-UK tax residence or non-trading status of the Company could be challenged or transactions could be taxed under certain UK anti-avoidance rules

It is intended that the Company is and will continue to be exempt from tax in Guernsey. The Company has and will continue to conduct its operations in a manner that ensures that it is not treated as being tax resident or as having a taxable presence outside Guernsey. In order to maintain its non-UK tax residence status, the Company is required to be centrally managed and controlled outside the UK. It is intended that the affairs of the Company will be conducted so that the central management and control of the Company are not exercised in the UK and, consequently, so that the Company is not UK tax resident. However, it cannot be guaranteed that HMRC will not challenge this position. The composition of the board of directors of the Company, the manner in which the boards of directors of the Company conducts its business and the locations in which the board of directors of the Company makes decisions will be important in determining and maintaining the non-UK tax residence of the Company. While the Company is incorporated and administered in Guernsey and a majority of its directors are resident outside the UK, the manner in which the business of the Company is conducted could result in HMRC questioning the non UK tax residence status of the Company. There is a risk that management errors could potentially lead to the Company being considered UK tax resident. If so, this would result in the Company paying more UK tax than is anticipated, which would negatively affect their financial and operating results and accordingly reduce returns (including dividends) payable to Shareholders.

In addition, even where a company maintains its non-UK tax residence status, it will potentially be subject to UK corporation tax if it is carrying on a trade through a permanent establishment in the UK or to UK income tax if it is carrying on a trade wholly or partly in the UK other than through a permanent establishment in the UK, in which case the relevant company will be subject to UK income or corporation tax on the income profits and capital gains attributable to its UK trade. It cannot be guaranteed that HMRC will not seek to contend that the Company has acquired one or more of its assets as trading stock and, consequently, is carrying on a trade wholly or partly in the UK or in the UK through a permanent establishment in the UK. If any such contention were correct, this is likely to result in the Company paying more UK tax than is anticipated, which would negatively affect its financial results and returns to Shareholders.

Changes in tax legislation could result in the imposition of additional and material tax liabilities on Shareholders

References in this document (in particular in Part 4) to tax law and tax authority practice and the rates of tax reflect the position as at the date of this document (or as at the date specified in the relevant paragraphs of Part 4, as appropriate). Such law (including applicable rates of taxation) and tax authority practice are subject to change, possibly with retrospective effect. Any change in tax legislation or proposed

legislation, or in the interpretation of tax legislation or proposed legislation by tax authorities or courts, or tax rates in Guernsey or the United Kingdom or any jurisdiction in which borrowers are held to be resident, or in the Company's tax treatment (for example, due to the disposal of equity accepted in settlement for debt) may affect the value of the investments held by the Group or the Company's ability successfully to pursue and achieve its investment objective, and/or adversely affect the after tax returns to Shareholders from their investment in the Company. There can be no guarantee that the rates or bases of taxation described in Part 4 of this document will necessarily be those which apply to Shareholders so far as their return from the Company is concerned over the life of their holding of Shares.

Individual Shareholders may have conflicting investment, tax and other interests with respect to their investments in the Company. Shareholders are expected to include taxable and tax-exempt entities and persons or entities organised and residing in various jurisdictions who may have conflicting investment, tax and other interests with respect to their investments in the Company. The conflicting interests of individual Shareholders may relate to or arise from, among other things, the nature of investments made by the Group, the structuring of the acquisition of investments, the timing of disposal of investments and the manner in which income and capital generated by the Company is distributed to Shareholders. The structuring of investments and distributions may result in different returns being realised by different Shareholders. In selecting and structuring investments appropriate for the Company and in determining the manner in which distributions shall be made to Shareholders, the Investment Manager and the Directors, respectively, will consider the investment and tax objectives of the Company and Shareholders as a whole, not the investment, tax or other objectives of any Shareholder individually, which may adversely affect the investment returns of individual Shareholders.

Certain payments to any member of the Group may in the future be subject to a 30 per cent. withholding tax unless the Company agrees to certain reporting and withholding requirements and certain Shareholders will be required to provide the Company with required information so that the Company may comply with its obligations under FATCA

Under Sections 1471 through 1474 of the U.S. Internal Revenue Code (commonly referred to as FATCA) "Financial Institutions" are required to use enhanced due diligence procedures to identify U.S. persons who have invested in either non-U.S. financial accounts or non-U.S. entities.

Pursuant to FATCA, certain payments of U.S.-source income, and (from 1 January 2019) the gross proceeds of sales of property that give rise to certain U.S.-source payments, and (from the later of 1 January 2019 or the date of publication of certain final regulations) a portion of non-U.S. source payments from certain non-U.S. financial institutions to the extent attributable to U.S. source payments, are subject to a 30 per cent. withholding tax unless the Company has agreed to certain reporting and withholding requirements ("**FATCA Withholding**").

The United States and Guernsey have entered into an intergovernmental agreement ("**U.S.-Guernsey IGA**") to implement FATCA. Under the terms of the U.S.-Guernsey IGA, the Company is obliged to comply with the provisions of FATCA as enacted by the Guernsey legislation implementing the U.S.-Guernsey IGA (the "**Guernsey IGA Legislation**"), rather than directly complying with the U.S. Treasury Regulations implementing FATCA. Under the terms of the U.S.-Guernsey IGA, Guernsey resident entities that comply with the requirements of the Guernsey IGA Legislation will be treated as compliant with FATCA and, as a result, will not be subject to FATCA Withholding on payments they receive and will not be required to withhold under FATCA on payments they make.

The Company is considered a Guernsey resident financial institution and is registered for these purposes with the United States Internal Revenue Service under GIIN 99NBGB.99999.SL.831. The Company is required to comply with the requirements of the Guernsey IGA Legislation as amended from time to time. Under the Guernsey IGA Legislation, the Company is required to report to the Director of Income Tax in Guernsey certain holdings by and payments made to certain investors in the Company that are, or are controlled by natural persons who are, residents or citizens of the U.S., as well as to non-U.S. financial institutions that are considered to be Non-Participating Financial Institutions for the purposes of the U.S.-Guernsey IGA. Under the terms of the U.S.-Guernsey IGA, such information will be onward reported by the Director of Income Tax in Guernsey to the United States.

Under the U.S.-Guernsey IGA and Guernsey IGA Legislation, securities that are "regularly traded" on an established securities market, such as AIM, are not considered financial accounts and are not subject to

reporting. For these purposes, the Shares will be considered “regularly traded” if there is a meaningful volume of trading with respect to the Shares on an on-going basis. Notwithstanding the foregoing, from 1 January 2016, a Share has not been considered “regularly traded” and is considered a financial account if the holder of the Share (other than a financial institution acting as an intermediary) is registered as the holder of the Share on the Company’s share register. Such Shareholders will be required to provide information to the Company to allow the Company to satisfy its obligations under FATCA, although it is expected that whilst a Share is held in uncertificated form through CREST, the holder of that Share will likely be a financial institution acting as an intermediary. Additionally, even if the Shares are considered regularly traded on an established securities market, Shareholders that own the Shares through financial intermediaries may be required to provide information to such financial intermediaries in order to allow the financial intermediaries to satisfy their obligations under FATCA. Notwithstanding the foregoing, the relevant rules under FATCA may change and, even if the Shares are considered regularly traded on an established securities market, Shareholders may, in the future, be required to provide information to the Company in order to allow the Company to satisfy its obligations under FATCA.

Additional intergovernmental agreements similar to the U.S.-Guernsey IGA have been entered into or are under discussion by other jurisdictions with the United States. Different rules than those described above may apply depending on whether a payee is resident in a jurisdiction that has entered into an intergovernmental agreement to implement FATCA. The scope and application of FATCA Withholding and information reporting pursuant to the terms of FATCA and the U.S.-Guernsey IGA is subject to review by the United States and Guernsey and the rules may change.

Guernsey, along with approximately 100 jurisdictions, has implemented the CRS. Certain disclosure requirements will be imposed in respect of certain shareholders in the Company falling within the scope of the CRS. As a result, Shareholders may be required to provide any information that the Company determines is necessary to allow the Company to satisfy its obligations under such measures. Shareholders that own the Shares through financial intermediaries may instead be required to provide information to such financial intermediaries in order to allow the financial intermediaries to satisfy their obligations under the CRS. Shareholders may be required to provide information that the Company determines necessary in order to allow the Company to satisfy its obligations under FATCA, the U.S.-Guernsey IGA and/or the CRS. Shareholders should consult with their own tax advisers regarding the application of FATCA, the U.S.- Guernsey IGA and/or the CRS to their particular circumstances.

Prospective investors should therefore consider carefully whether investment in the Company is suitable for them, in light of the risk factors outlined above, their personal circumstances and the financial resources available to them.

PART 4

TAXATION

1. INTRODUCTION

The information below, which relates only to Guernsey and United Kingdom taxation, is for general information purposes only and is a summary of the advice received by the Board from the Company's advisers so far as applicable to the Company and to persons who are resident in (and only in) Guernsey or the United Kingdom for taxation purposes (and, in the case of individuals, resident and domiciled) and who hold Shares as an investment (other than an ISA or pension arrangement) and who are the absolute beneficial owners of both the Shares and any dividends paid on them. It is not intended to be a comprehensive summary of all technical aspects of the structure, or tax law and practice in Guernsey and the United Kingdom. It is not intended to constitute legal or tax advice to Shareholders. The information below is based on current Guernsey and United Kingdom tax law and published practice which is, in principle, subject to any change (potentially with retroactive effect). Certain Shareholders, such as dealers in securities, collective investment schemes, insurance companies and persons acquiring their Shares in connection with their (or another person's) office or employment may be taxed differently and are not considered. The tax consequences for each Shareholder of investing in the Company may depend on the Shareholder's own tax position and upon the relevant laws of any jurisdiction to which the Shareholder is subject. If you are in any doubt as to your tax position, you should consult your own professional adviser without delay.

2. GUERNSEY TAXATION

The Company

The Company is eligible for exemption from income tax in Guernsey and therefore can apply for exempt status for Guernsey tax purposes under The Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989, as amended (the "**Exempt Ordinance**"). Under the provisions of the Exempt Ordinance, exemption is granted annually by the Director of Income Tax, provided the Company continues to comply with the requirements of the Exempt Ordinance and upon payment of an annual fee which is currently fixed at £1,200. It is the intention of the Directors to apply for tax exempt status and to conduct the affairs of the Company to ensure that it continues to qualify for such exempt status.

Stamp duty

Guernsey does not impose stamp duty or capital duty on the issue or transfer of Shares.

Shareholders

Payments made by the Company to non-Guernsey resident Shareholders, whether made during the life of the Company or by distribution on the liquidation of the Company, will not be subject to Guernsey income tax and will therefore be paid gross.

Whilst exempt, the Company is not required to deduct Guernsey income tax from distributions paid on any Share to Guernsey residents, however the Company is required annually to furnish certain particulars to the Director of Income Tax and also make a return when renewing the Company's exempt status of the names, addresses and gross amounts of distributions paid to Guernsey resident Shareholders during the previous year.

Implementation of the EU Savings Directive in Guernsey

The EU Savings Tax Directive (2003/48/EC) (the "**EU Savings Tax Directive**") relating to withholding of tax or automatic exchange of information on cross border interest payments to EU residents came into force on 1 July 2005. Although not a member of the European Union, Guernsey, in common with certain other jurisdictions, entered into bilateral agreements with each of the EU Member States.

On 18 March 2015 the European Commission announced a proposal to repeal the EU Savings Tax Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other

EU Member States. This was to prevent overlap between the EU Savings Tax Directive and the automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). This proposal was formally adopted by the Council of the European Union on 10 November 2015. Guernsey sent letters to all EU Member States within one week of repeal of the EU Savings Tax Directive to confirm the suspension of the bilateral EU Savings Tax Directive arrangements and to give the required notice of termination.

Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard

The governments of the United States and Guernsey have entered into an intergovernmental agreement, the U.S. Guernsey IGA related to implementing FATCA which is implemented through Guernsey's domestic legislation, in accordance with the regulations and guidance (such guidance is subject to change).

Guernsey also signed an intergovernmental agreement with the UK ("**U.K. Guernsey IGA**"). However Guernsey has implemented the CRS regime with effect from 1 January 2016. Accordingly following the transitional period, reporting under the U.K. Guernsey IGA (as implemented in Guernsey) in respect of periods commencing on or after 1 January 2016 will be replaced by reporting under the CRS (as implemented in Guernsey).

Under the CRS and legislation enacted in Guernsey to implement the CRS with effect from 1 January 2016, certain disclosure requirements will be imposed in respect of certain investors who are, or are entities that are controlled by one or more natural persons who are, residents of any of the jurisdictions that have also adopted the CRS, unless a relevant exemption applies. Where applicable, information to be disclosed will include certain information about investors, their ultimate beneficial owners and/or controllers, and their investment in and returns from the Company. The CRS will be implemented through Guernsey's domestic legislation in accordance with guidance issued by the OECD as supplemented by guidance notes in Guernsey.

Under the CRS, disclosure of information will be made to the Director of Income Tax in Guernsey for transmission to the tax authorities in other participating jurisdictions.

Certain disclosure requirements will be imposed in respect of investors who are, or are entities that are controlled by one or more natural persons who are residents of any of the jurisdictions that have also adopted CRS unless a relevant exemption applies. Where applicable, information that would need to be disclosed will include certain information about investors, their ultimate beneficial owners and/or controllers and their investment in and returns from the Company.

In subscribing for or acquiring Shares, each Shareholder is agreeing, upon the request of the Company or its delegate, to provide such information as is necessary to comply with FATCA and any obligations arising out of the U.S. Guernsey IGA, the U.K. Guernsey IGA and similar IGAs relating to the CRS or similar regimes and any related legislation and/or regulations.

Investors should consult with their respective tax advisers regarding the possible implications of FATCA, the U.S. Guernsey IGA, the U.K. Guernsey IGA and similar IGAs relating to the CRS and any other related legislation and/or regulations on their investment in the Company.

3. UK TAXATION

The Company

As an AIF which has its registered office outside of the United Kingdom, the Company should not be resident in the United Kingdom for tax purposes. Accordingly, on the basis that the Company is not tax resident in the United Kingdom and provided that the Company does not carry on a trade in the United Kingdom (whether through a branch, agency or permanent establishment situated therein), the Company will not be subject to United Kingdom corporation tax, nor will it be subject to United Kingdom income tax other than on certain United Kingdom source income.

Dividends

Withholding at source

The Company will not be required to withhold UK tax at source on account of a Shareholder's liability to UK tax when paying a dividend in respect of the Shares.

Individual Shareholders

Any liability to UK income tax on dividends received from the Company in respect of the Shares will depend upon the individual circumstances of a Shareholder.

From 6 April 2016, the 10 per cent. tax credit that was previously attached to dividends paid by UK companies has been abolished and replaced for UK resident individuals by a dividend allowance of £5,000. This means that there will be no income tax payable in respect of the first £5,000 of cash dividend income received from Shares, although such income would still count towards the basic, higher and additional rate thresholds.

For dividends received above £5,000, the cash dividend received will be taxable at 7.5 per cent, 32.5 per cent. and 38.1 per cent. for basic rate, higher rate and additional rate taxpayers, respectively. The annual dividend allowance will be reduced to £2,000 from 6 April 2018.

UK resident individual Shareholders should therefore seek the appropriate advice on how these legislative reforms may impact their tax affairs and should note that the current draft legislation may be amended or withdrawn prior to becoming law. These changes are not expected to change the principle that dividend income is treated as the top slice of a Shareholder's total income for UK income tax purposes.

Individual Shareholders who are not resident in the UK for tax purposes should consult their own advisers concerning their tax liabilities on dividends received in respect of the Shares.

Other Shareholders

Corporate Shareholders within the charge to UK corporation tax that are "small companies" (for the purposes of UK taxation of dividends) will generally be subject to tax on dividends from the Company.

Other Shareholders within the charge to UK corporation tax but which are not "small companies" will not be subject to tax on dividends (including dividends from the Company in respect of the Shares) so long as the dividends fall within an exempt class and certain other conditions are met.

To the extent that dividends are not exempt, they will be subject to UK corporation tax under the rates set out in this paragraph. The current rate of UK corporation tax applicable from 1 April 2017 is 19 per cent. under currently enacted UK law, this rate is due to fall to 17 per cent. from 1 April 2020.

UK pension funds and charities are generally exempt from tax on dividends which they receive.

Chargeable gains

For the purpose of UK tax on chargeable gains, the amounts paid by a Shareholder for Shares will generally constitute the base cost of their holdings in each type of security. If a Shareholder who is resident in the UK (for UK tax purposes) disposes of all or some of their Shares, a liability to tax on chargeable gains may arise. This will depend on the base cost that can be allocated against the proceeds, the Shareholder's circumstances and any reliefs to which they are entitled.

Individuals

Where an individual Shareholder disposes of Shares at a gain, capital gains tax will be levied to the extent that the gain exceeds the annual exemption (£11,300 for the 2017-18 tax year) and after taking account of any capital losses available to the individual.

From 6 April 2016, the capital gains tax rates for investments in Shares are 10 per cent. where the individual's income and gains are less than the upper limit of the income tax basic rate band and

20 per cent. to the extent that any chargeable gains, or part of any chargeable gain, aggregated with income arising in a tax year, exceed the upper limit of the income tax basic rate.

An individual Shareholder who has temporarily ceased to be resident for tax purposes in the UK and who disposes of all or part of their Shares during that period may be liable to capital gains tax in respect of chargeable gain arising from such sale or disposal on their return to the UK, subject to any available exemptions or reliefs.

Corporate Shareholders

Where a Corporate Shareholder is within the charge to UK corporation tax, such tax is charged on chargeable gains at the rate applicable to that company. Indexation allowance and other reliefs may be available to reduce the amount of chargeable gain that is subject to corporation tax, but may not create or increase any allowable loss. The UK Government has announced that the indexation allowance that is applied in order to determine the amount of a chargeable gain will be calculated up to December 2017.

To the extent that a chargeable gain remains after claiming all available reliefs, it will be subject to corporation tax under the rates referred to in paragraph 1(c) above.

Stamp duty and stamp duty reserve tax (SDRT)

The following comments are intended as a general guide to the UK stamp duty and SDRT position and do not relate to persons such as market makers, brokers, dealers, intermediaries and persons connected with depository arrangements or clearance services, to whom special rules may apply.

No stamp duty or SDRT will generally be payable on the issue of Shares. Nor should there be any liability to stamp duty/SDRT on subsequent transactions involving Shares admitted to trading on AIM (following Admission) under current circumstances. The present exemption from SDRT on subsequent transactions could be lost if the Shares were “listed” on a recognised stock exchange (as defined for income tax purposes) or if AIM ceased to qualify as a “recognised growth market”.

Other United Kingdom tax considerations

Controlled Foreign Companies

United Kingdom resident companies having an interest in the Company, such that 25 per cent. or more of the Company’s profits for an accounting period could be apportioned to them, may be liable to United Kingdom corporation tax in respect of their share of the Company’s profits in accordance with the provisions of Part 9A of the Taxation (International and Other Provisions) Act 2010 relating to controlled foreign companies. These provisions only apply if the Company is controlled by United Kingdom resident persons (corporate and individuals).

Section 13 of the Taxation of Chargeable Gains Act 1992 (“Section 13”)

The attention of persons resident or ordinarily resident in the United Kingdom for taxation purposes is drawn to the provisions of Section 13. Section 13 applies to a “participator” for UK taxation purposes (which includes a Shareholder) if at any time when a gain accrues to the Company which constitutes a chargeable gain for those purposes, the Company is itself controlled by a sufficiently small number of persons so as to render the Company a body corporate that would, were it to have been resident in the United Kingdom for taxation purposes, be a “close” company for those purposes.

The provisions of Section 13 could, if applied, result in any such person who is a “participator” in the Company being treated for the purposes of United Kingdom taxation of chargeable gains as if a part of any chargeable gain accruing to the Company had accrued to that person directly, that part being equal to the proportion of the gain that corresponds to that person’s proportionate interest in the Company as a “participator”. No liability under Section 13 could be incurred by such a person however, where the amount apportioned to such person and to persons connected with him does not exceed one quarter of the gain.

Transfer of Assets Abroad

The attention of individuals ordinarily resident in the UK is drawn to sections 714 to 751 of the Income Tax Act 2007, which contains provisions for preventing avoidance of income tax by transactions resulting in the transfer of income to persons (including companies) abroad and may render them liable to taxation in respect of undistributed income and profits of the Company.

Transactions in Securities

The attention of Shareholders is drawn to anti-avoidance legislation in Chapter 1, Part 13 of the Income Tax Act 2007 and Part 15 of the Corporation Tax Act 2010 that could apply if Shareholders are seeking to obtain tax advantages in prescribed conditions.

If any prospective investor is in doubt as to his taxation position, he is strongly recommended to consult an independent professional adviser without delay.

Summary

The above is a summary of certain aspects of current law and practice in the UK and Guernsey. A Shareholder who is in any doubt as to their tax position, as well as a Shareholder who is subject to tax in a jurisdiction other than the UK or Guernsey, should consult their professional adviser.

Any tax treatment referred to in this document depends on the individual circumstances of each investor and may be subject to change.

The above statements are intended as a general guide to the current position.

PART 5

ADDITIONAL INFORMATION

1. RESPONSIBILITY

The Company and the Directors, whose names appear on page 9 of this document, accept responsibility for the information contained in this document, including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge of the Company and the Directors (who have taken all reasonable care to ensure such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. THE GROUP

- 2.1 The Company was incorporated as a non-cellular company limited by shares in Guernsey under the Companies Law on 13 September 2017 with registration number 64013.
- 2.2 The Company is regulated in Guernsey by the GFSC as a registered closed-ended collective investment scheme pursuant to the POI Law and the RCIS Rules issued by the GFSC.
- 2.3 The registered office and principal place of business of the Company is 3rd Floor, 1 Le Truchot, St Peter Port GY1 1WD Guernsey with telephone number +44 (0)1481 749 360. The statutory records of the Company are kept at this address, save for the register of members which is kept at the registered office of the Registrar.
- 2.4 The Company operates under the Companies Law and ordinances and regulations made thereunder. The Company is not (and is not required to be) regulated or authorised by the FCA, but is subject to the Market Abuse Regulation and the AIM Rules.
- 2.5 The Investment Manager (which also acts as AIFM to the Company) is licensed and regulated under the Protection of Investors (Bailiwick of Guernsey) Law, 1987 in Guernsey. The Investment Manager was incorporated in Guernsey on 24 August 2017 with registered number 63941 as a non-cellular company limited by shares under the Companies Law. The Investment Manager is domiciled in Guernsey. The registered office and principal place of business of the Investment Manager is 3rd Floor, 1 Le Truchot, St Peter Port GY1 1WD Guernsey with telephone number +44 (0)1481 749 360.
- 2.6 The Company's accounting period ends on 31 December of each year. The first accounting period ends on 31 December 2018. The annual report and accounts will be prepared in sterling according to accounting standards laid out under IFRS.
- 2.7 The Company, as at the date of this document does not have any employees and does not own any premises.
- 2.8 Since the date of its incorporation, the Company has not yet commenced operations and has no material assets or liabilities and therefore no financial statements of the Company have been prepared as at the date of this document.

2.9 The Company is the holding company of the Group and has the following subsidiaries and subsidiary undertakings:

<i>Subsidiary/subsidiary undertaking</i>	<i>Principal activity</i>	<i>Country of incorporation</i>	<i>Registered office</i>	<i>% of capital directly or indirectly held by the Company</i>
Merchant Capital L.P.	Limited partnership pursuant to which the Group will make investments	Guernsey	The Company's registered office	80%*
Merchant Capital GP Limited	General partner to Merchant Capital L.P.	Guernsey	The Company's registered office	100%

*Under the Merchant Capital Limited Partnership Agreement, the Company, the Investment Manager and the Merchant Capital GP have each made a capital contribution to the Merchant Capital L.P. Please see paragraph 9.5 of this Part 5 for further information.

3. SHARE CAPITAL

3.1 On incorporation, two Shares were issued at £1.00 each for the purpose of incorporation to the subscribers to the Memorandum. These Shares will be redeemed by the Company on Admission.

3.2 Conditionally upon Admission, a further 55,000,000 Subscription Shares will be issued at the Subscription Price to subscribers pursuant to the terms of the Subscription Agreements.

3.3 Set out below is the issued share capital of the Company: (i) at the date of this document; and (ii) immediately following Admission and the issue of the Subscription Shares:

	<i>No. of Shares</i>
(i) As at the date of this document	2
(ii) Immediately following Admission	55,000,000

3.4 By special resolutions of the Company passed on 14 December 2017:

(a) the Directors were authorised to issue or make offers or agreements to issue equity securities (as defined in the Articles) for cash in connection with the issue of the Subscription Shares pursuant to article 3.11 of the Articles as if article 6.1 of the Articles did not apply to any such issue provided that this power shall be limited to up to an aggregate 55,000,000 Shares, such authority to expire on 30 June 2021 (unless previously renewed, revoked or varied by the Company by extraordinary resolution) save that the Company may, before such expiry, make an offer or agreement which would or might require Shares to be issued after such expiry and the Directors may issue Shares in pursuance of such an offer or agreement as if the authority conferred by this resolution had not expired;

(b) the Directors were authorised to issue or make offers or agreements to issue equity securities (as defined in the Articles) for cash pursuant to article 3.11 of the Articles or by way of a sale of treasury shares as if article 6.1 of the Articles did not apply to any such issue provided that this power shall be limited to up to an aggregate 55,000,000 Shares, such authority to expire on 30 June 2021 (unless previously renewed, revoked or varied by the Company by extraordinary resolution) save that the Company may, before such expiry, make an offer or agreement which would or might require Shares to be issued after such expiry and the Directors may issue Shares in pursuance of such an offer or agreement as if the authority conferred by this resolution had not expired;

- (c) the Company was authorised, in accordance with the Companies Law, subject to the AIM Rules and all other applicable legislation and regulations, to make market acquisitions (within the meaning of section 316 of the Companies Law) of its own Shares which may be cancelled or held as treasury shares, provided that: (i) the maximum number of Shares authorised to be purchased under this authority shall be a number equal to 14.99 per cent. of the Shares in issue; (ii) the minimum price (exclusive of expenses) which may be paid for a Share shall be £0.01 pence per Share; (iii) the maximum price (exclusive of expenses) which may be paid for a Share shall be not more than an amount equal to the higher of (i) 5 per cent. above the average of the mid-market value of the Shares for the five business days prior to the day the purchase is made; or (ii) that stipulated by the regulatory technical standards adopted by the EU pursuant to the Market Abuse Regulation from time to time, such authority to expire at the on 30 June 2019 (unless previously renewed, revoked or varied by the Company by ordinary resolution) save that the Company may make a contract to acquire Shares under this authority before its expiry which will or may be executed wholly or partly after its expiration and the Company may make an acquisition of Shares pursuant to such a contract.
- 3.5 The effect of the Subscription will be to increase the net assets of the Company by approximately £52.4 million.
- 3.6 The Subscription Shares were issued (both conditionally upon Admission) pursuant to a resolution of the Board passed on 14 December 2017 in accordance with the Companies Law.
- 3.7 The legislation under which the Shares will be created is the Companies Law.
- 3.8 Save as referred to in this paragraph 3, since the date of its incorporation no share or loan capital of the Company has been issued or agreed to be issued, or is now proposed to be issued, for cash or any other consideration and, no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue of any such capital.
- 3.9 No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.

4. CONSTITUTIONAL DOCUMENTS

4.1 Memorandum of Incorporation

The Memorandum of Incorporation of the Company provides that the objects of the Company are unrestricted. The objects of the Company are set out in clause 4 of the Memorandum of Association.

4.2 Articles of Incorporation

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

4.2.1 Shares

- (a) Dividends
Subject to paragraph 4.2.3(c), holders of Shares are entitled to receive, and participate in, any dividends or other distributions of the Company available for dividend or distribution.
- (b) Winding-up
In the event of a winding up of the Company the surplus assets of the Company available for distribution to the holders of Ordinary Shares (after payment of all other debts and liabilities of the Company) shall be distributed pro rata amongst the holders of Ordinary Shares according to their respective holdings.
- (c) Voting
Subject to paragraph 4.2.3(c), holders of Ordinary Shares shall have the right to receive notice of and to attend, speak and vote at general meetings of the Company and each holder being present in person or by proxy shall upon a show of hands have one vote and upon a poll one vote in respect of every Ordinary Share held by him.

- (d) Redemption
Subject to the Companies Law, each of the Ordinary Shares is liable to be redeemed at the option of the Company. The Board may determine the terms, conditions and manner of redemption of any redeemable shares which are issued. Such terms and conditions shall apply to the relevant shares as if the same were set out in the Articles.

4.2.2 **Share Capital**

- (a) The Company may issue an unlimited number of Shares of a par value and/or no par value or a combination of both. Shares may be denominated in any currency and different classes of shares may be denominated in different currencies (or no currency in the case of shares of no par value).
- (b) Subject to the provisions of the Companies Law and without prejudice to any rights attached to any existing Shares or class of Shares or to the provisions of the Articles, any Share may be issued with such preferred, deferred, conversion or other rights or restrictions as the Company may by ordinary resolution direct, subject to or in default of any such direction, as the Directors may determine.
- (c) The Company may issue fractions of Shares and any such fractional Shares shall rank *pari passu* in all respects with the other Shares of the same class issued by the Company.
- (d) The Company may from time to time hold its own Shares as treasury shares.
- (e) Subject to the provisions of the Companies Law, the Company and any of its subsidiary companies may give financial assistance, as defined in the Companies Law, directly or indirectly for the purposes of or in connection with the acquisition of its Shares.
- (f) The Company may issue Shares which are, or at the option of the Company or the holder are, liable to be redeemed and convert all or any class of its Shares into redeemable shares.
- (g) The Company may issue Shares which do not entitle the holder to voting rights in any general meeting or entitle the holder to restricted voting rights in any general meeting.
- (h) The Company may acquire its own Shares. Any such Shares acquired by the Company may be cancelled or may be held as treasury shares, subject to and in accordance with the Companies Law. There is no limit to the number of treasury shares which may be held by the Company save that at least one share in the Company of any class must be held by a person other than the Company.
- (i) Whenever the capital of the Company is divided into different classes of Shares the rights attached to any class may (subject to the terms of issue of the Shares of that class) be varied or abrogated, either whilst the Company is a going concern or during or in contemplation of a winding-up:
 - (i) with the consent in writing of the holders of at least 75 per cent. of the issued Shares of that class (excluding treasury shares); or
 - (ii) with the sanction of a special resolution passed at a separate meeting of the holders of the Shares of that class.
- (j) All the provisions of the Articles relating to general meetings of the Company or to the proceedings thereat shall, *mutatis mutandis*, apply to every such separate meeting except that, in accordance with the Companies Law:
 - (i) the necessary quorum shall be two persons present in person or represented by proxy (but so that if at any adjourned meeting of such holders a quorum is not present, one person present holding shares of the relevant class shall be a

- quorum) provided always that where the class has only one member, that member shall constitute the necessary quorum; and
- (ii) any holder of shares of the class in question may demand a poll.
- (k) The special rights conferred upon the holders of any shares or class of shares issued with preferred, deferred or other rights shall (unless otherwise expressly provided by the terms of issue of such shares) be deemed not to be varied by the creation or issue of further shares ranking *pari passu* therewith.
 - (l) Subject to the provisions of the Companies Law, the Articles, and any resolution of the Company, the Directors have general and unconditional authority:
 - (i) to issue (with or without conferring rights of renunciation), grant warrants, options or other rights over, offer or otherwise deal with or dispose of unissued Shares of the Company of an unlimited number or an unlimited aggregate value or rights to subscribe or convert any security into Shares; or
 - (ii) to sell, transfer or cancel any treasury shares held by the Company,
 in any such case to such persons, at such times and on such terms and conditions as the Directors may decide.
 - (m) The Company may exercise the powers of paying commissions and in such an amount or at such a percentage rate as the Directors may determine. Subject to the provisions of the Companies Law any such commission may be satisfied by the payment of cash or by the issue of fully or partly paid shares or partly in one way and partly in the other. The Company may also on any issue of Shares pay such brokerage as may be lawful.
 - (n) Except as required by law, no person shall be recognised by the Company as holding any Share upon any trust and (except as otherwise provided by the Articles or by law) the Company shall not be bound by or recognise (even when having notice thereof) any interest in any share except an absolute right to the entirety thereof in the holder.

4.2.3 **Notification of interest in shares whilst admitted to trading on AIM**

- (a) From the date of Admission and for so long as the Company has any of its share capital admitted to trading on AIM, or any successor market or any other market operated by the London Stock Exchange, every member shall comply with the notification and disclosure requirements set out in Chapter 5 of the Disclosure Guidance and Transparency Rules sourcebook (as amended and varied from time to time) of the FCA Handbook as if the Company were classified as an “issuer” whose “Home State” is the “United Kingdom” (as such terms are defined in the FCA Handbook).
- (b) If it shall come to the attention of the Directors that any member has not, within the requisite period made or, as the case may be, procured the making of any notification required by this sub-paragraph, the Company may (in the absolute discretion of the Directors) at any time thereafter by notice (a “Restriction Notice”) to such member direct that, in respect of the shares in relation to which the default has occurred (the “Restricted Shares” which expression shall include any further shares which are issued in respect of any Restricted Shares), the member shall not be entitled to be present or to vote on any resolution (either in person or in proxy), at any general meeting of the Company or separate general meeting of the holders of any class of shares of the Company, or to be recognised in a quorum or to sign a written resolution.
- (c) Where the Restricted Shares represent at least 0.25 per cent of the issued shares of their class, then the Restriction Notice may additionally direct that in respect of the Restricted Shares:
 - (i) any distribution or any part of a distribution or other amounts payable in respect of the Restricted Shares be withheld by the Company, which has no obligation

- to pay interest on the same, and shall be payable (when the Restriction Notice ceases to have effect) to the person who would but for the Restriction Notice have been entitled to them; and/or
- (ii) where an offer of the right to elect to receive shares of the Company instead of cash in respect of any dividend or part thereof is or has been made by the Company any election made thereunder by such member in respect of such Restricted Shares shall not be effective.
- (d) The Company shall send a copy of the Restriction Notice to each other person appearing, in accordance with sub-paragraph 4.2.3(f), to be interested in the shares and being the subject of such notice, but the failure or omission by the Company to do so shall not invalidate the notice.
 - (e) Any Restriction Notice shall have effect in accordance with its terms from the date it is given until not more than five business days after the Directors are satisfied that the default in respect of which the Restriction Notice was issued no longer continues but shall cease to have effect in relation to any shares which are transferred by such member. The Company may (at the absolute discretion of the Directors) at any time give notice to the member cancelling or suspending for a stated period the operation of a Restriction Notice in whole or in part.
 - (f) A person, other than the member holding a share, shall be treated as appearing to be interested in that share if the member has informed to the Company that the person is, or may be, interested or the Company after taking account of information obtained from a member knows or has reasonable cause to believe that the person is, or may be, so interested.

4.2.4 **Disclosure Notice**

- (a) The Company may, by notice in writing (a "**Disclosure Notice**") require a person whom the Directors know to be or have reasonable cause to believe is or, at any time during the 3 years immediately preceding the date on which the Disclosure Notice is issued, to have been interested in any Shares:
 - (i) to confirm that fact or (as the case may be) to indicate whether or not it is the case; and
 - (ii) to give such further information as may be required in accordance with the Articles, as summarised in sub-paragraph 4.2.4(b) below.
- (b) A Disclosure Notice may (without limitation) require the person to whom it is addressed:
 - (i) to give particulars of the person's status (including whether such person is a Non-Qualified Holder), domicile, nationality and residency;
 - (ii) to give particulars of his own past or present interest in any Shares (held by him at any time during the 3 year period specified in the Articles, as summarised in sub-paragraph 4.2.4(a) above) and the nature of such interest;
 - (iii) to disclose the identity of any other person who has a present interest in the Shares held by him (or held by him at any time during the 3 year period specified in the Articles);
 - (iv) where the interest is a present interest and any other interest in any Shares subsisted during that 3 year period at any time when his own interest subsisted, to give (so far as is within his knowledge) like particulars with respect to that other interest as may be required by the Disclosure Notice; and
 - (v) where his interest is a past interest to give (so far as is within his knowledge) such particulars of the identity of the person who held that interest immediately upon his ceasing to hold it.

- (c) Any Disclosure Notice shall require any information in response to such notice to be given within the prescribed period (which is 28 days after service of the notice or 14 days if the Shares concerned represent 0.25 per cent. or more in number of the issued Shares of the relevant class) or such other reasonable period as the Directors may determine.
- (d) If any member is in default in supplying to the Company the information required by the Company within the prescribed period or such other reasonable period as the Directors determine, the Directors in their absolute discretion may serve a direction notice on the member (a “**Direction Notice**”). The Direction Notice may direct that in respect of the Shares in respect of which the default has occurred (the “**Default Shares**”) the member shall not be entitled to vote in general meetings or class meetings. Where the Default Shares represent at least 0.25 per cent. in number of the class of Shares concerned, the Direction Notice may additionally direct that dividends on such Shares will be retained by the Company (without interest) and that no transfer of the Default Shares (other than a transfer authorised under the Articles) shall be registered until the default is rectified. Subject always to the rules of the CREST UK system, any other relevant system through which transfers of shares are settled and the requirements of the London Stock Exchange in respect of the Default Shares, where the Directors have any grounds to believe that such Default Shares, are held by or for the benefit of or by a Non-Qualified Holder, the Directors may at their discretion deem the Default Shares to be held by, or on behalf of or for the benefit of, a Non-Qualified Holder (as the Directors may determine) and that the provisions of the Articles, as summarised in sub-paragraph 4.2.7(e) below, should apply to such Default Shares.
- (e) In addition to the right of the Directors to serve notice on any person pursuant to sub-paragraph 4.2.4(a), the Directors may serve notice on any member requiring that member to promptly provide the Company with any information, representations, certificates or forms relating to such holder (or its direct or indirect owners or account holders) that the Directors determine from time to time are necessary or appropriate for the Company to:
 - (i) satisfy any account or payee identification, documentation or other diligence requirements and any reporting requirements imposed under sections 1471 to 1474 of FATCA or CRS or the requirements of any similar laws or regulations to which the Company may be subject enacted from time to time by any other jurisdiction (“**Similar Laws**”); or
 - (ii) avoid or reduce any tax otherwise imposed by FATCA or CRS or Similar Laws (including any withholding upon any payments to such holder by the Company); or
 - (iii) permit the Company to enter into, comply with, or prevent a default under or termination of, an agreement of the type described in section 1471(b) of the US Code or under the Common Reporting Standards or under Similar Laws.
- (f) If any member (a “**Defaulting Member**”) is in default of supplying to the Company the information referred to above within the prescribed period (which shall not be less than 28 days after the service of the notice), the continued holding of shares in the Company by the Defaulting Member shall be deemed to cause the Company a pecuniary disadvantage and as such the Defaulting Member shall be a Non-Qualified Holder. The Directors shall be entitled to require such Non-Qualified Holder by notice in writing to sell or transfer his shares to a person who is an Eligible Transferee (as defined in sub-paragraph 4.2.7(e) below) within 21 days of such notice in accordance with the articles and if such sale does not take place within such 21 day period the Directors may then exercise their other discretions in accordance with the articles in respect of that Non-Qualified Holder.

4.2.5 **Pre-emption rights**

- (a) The Company shall not issue equity securities, nor sell them from treasury, for cash on any terms to a person unless:
 - (i) it has made an offer to each person who holds Ordinary Shares to issue to him on the same or more favourable terms a proportion of those equity securities which is as nearly as practicable equal to the proportion in number held by him of the Ordinary Shares; and
 - (ii) the period during which any such offer may be accepted by the relevant holders has expired or the Company has received notice of the acceptance or refusal of every offer so made from such holders,

provided that the Directors may impose such exclusions and/or make such other arrangements as they deem necessary or expedient in relation to fractional entitlements or having regard to any legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange in any territory or otherwise howsoever. The holders of equity securities affected as a result of such exclusions or arrangements shall not be deemed, or be deemed to be, a separate class of members of any purposes whatsoever.

- (b) Securities that the Company has offered to issue to a holder of equity securities in accordance with sub-paragraph 4.2.5(a) may be issued to him, or anyone in whose favour he has renounced his right to their issue, without contravening the restrictions in sub-paragraph (a).
- (c) Where equity securities are held by two or more persons jointly, an offer under sub-paragraph 4.2.5(a) may be made to the joint holder first named in the Register in respect of the equity securities.
- (d) In the case of a holder's death or bankruptcy, the offer must be made:
 - (i) by sending it by post in a prepaid letter addressed to the persons claiming to be entitled to the equity securities in consequence of the death or bankruptcy by name, or by the title of the representatives of the deceased, or trustee of the bankruptcy, or by any like description, at the address supplied for the purpose by those claiming; or
 - (ii) until any such address has been so supplied giving the notice in any manner in which it would have been given if the death or bankruptcy has not occurred.
- (e) If the relevant holder in relation to an offer under sub-paragraph 4.2.5(a) has no registered address in the United Kingdom or Guernsey for the service of notices on him the offer may be made by causing it or a notice of where a copy may be obtained or inspected to be published in at least one United Kingdom national newspaper and one daily newspaper circulated in Guernsey.
- (f) An offer pursuant to sub-paragraph 4.2.5(a) should be made by a notice in accordance with the articles and must state a period of not less than 14 days beginning on the date on which such offer is deemed to be delivered or received (as the case may be) during which it may be accepted and the offer shall not be withdrawn before the end of that period.
- (g) Shares held by the Company as treasury shares shall be disregarded for the purposes of the restriction referred to in sub-paragraph 4.2.5(a), so that the Company is not treated as a person who holds Shares; and equity securities held as treasury shares are not treated as forming part of the share capital of the Company.
- (h) Notwithstanding sub-paragraphs 4.2.5(a) to 4.2.5(g), the Company may by special resolution resolve that the restriction referred to in sub-paragraph 4.2.5(a):

- (i) sub-paragraph 4.2.5(a) shall only apply to the issue of the equity securities or otherwise, or sale of the equity securities or otherwise from treasury with such modifications as the Directors may determine; and
- (ii) the authority granted by the special resolution may be granted for such period of time as the special resolution permits and such authority may be revoked, repealed or varied by a further special resolution,

provided that such special resolution must

- (i) state the maximum number of equity securities in respect of which sub-paragraph (a) is excluded or modified; and
 - (ii) specify the date on which such exclusion or modifications will expire, which must be not more than five years from the date on which the resolution is passed.
- (i) Any such special resolution passed may:
- (i) be renewed or further renewed by a further special resolution for a further period not exceeding five years; and
 - (ii) be revoked or varied at any time by a further special resolution

notwithstanding that any such special resolution may have expired, the Directors may issue or sell from treasury equity securities in pursuance of an offer or agreement previously made by the Company if the special resolution enabled the Company to make an offer or agreement which would or might require equity securities to be issued or sold from treasury after it expired.

4.2.6 **Untraced Shareholders**

The Company may sell the share of a member or of a person entitled by transmission at the best price reasonably obtainable at the time of sale if, in accordance with the terms of the Articles.

4.2.7 **Transfer of Shares**

- (a) Subject to the terms of the Articles, any member may transfer all or any of his certificated Shares by an instrument of transfer in any usual form or in any other form which the Directors may approve. An instrument of transfer of a certificated share shall be executed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee. The Directors may, without assigning any reasons therefor, refuse to register the transfer of a certificated Share (whether fully paid or not) unless the instrument of transfer is lodged at the office or at such other place as the Directors may appoint and is accompanied by any certificates for the Shares to which it relates and such other evidence as the Directors may require to show the right of the transferor to make the transfer.
- (b) Subject to the terms of the Articles, any member may transfer all or any of his uncertificated Shares by means of a relevant system authorised by the Directors in such manner provided for, and subject as provided, in the Regulations or such as may otherwise from time to time be adopted by the Directors on behalf of the Company and the rules of any relevant system and accordingly no provision of the Articles shall apply in respect of an uncertificated share to the extent that it requires or contemplates the effecting of a transfer by an instrument in writing or the production of a certificate for the Shares to be transferred. The Directors may only decline to register a transfer of an uncertificated share in the circumstances set out in the Regulations or such as may otherwise from time to time be adopted by the Directors on behalf of the Company or the rules of any relevant system, or where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four.

- (c) Subject to the CREST Guernsey Requirements and/or the rules of any other relevant system, the registration of transfers may be suspended by giving such notices as may be required by the rules of any relevant system at such times and for such periods (not exceeding thirty days in any year) as the Directors may determine.
- (d) No fee shall be charged for the registration of any instrument of transfer or, subject as otherwise provided in the Articles, any other document relating to or affecting the title to any share.
- (e) If it shall come to the notice of the Directors that any Shares are owned directly, indirectly, or beneficially by a Non-Qualified Holder, the Directors may serve a notice (a “**Transfer Notice**”) upon the person (or any one of such persons where Shares are registered in joint names) appearing in the register as the holder (the “**Vendor**”) of any of the Shares concerned (the “**Relevant Shares**”) requiring the Vendor within twenty-one days (or such extended time as in all the circumstances the Directors consider reasonable) to transfer (and/or procure the disposal of interests in) the Relevant Shares to another person who, in the sole and conclusive determination of the Directors, is not a Non-Qualified Holder (such a person being hereinafter called an “**Eligible Transferee**”). On and after the date of such Transfer Notice, and until registration of a transfer of the Relevant Share to which it relates pursuant to the provisions referred to in this sub-paragraph or sub-paragraph 4.2.7(f) below, the rights and privileges attaching to the Relevant Shares will be suspended and not capable of exercise.
- (f) If within 21 days after the giving of a Transfer Notice (or such extended time as in all the circumstances the Directors consider reasonable) the Transfer Notice has not been complied with to the satisfaction of the Directors, the Company may sell the Relevant Shares on behalf of the holder of them by instructing a member of the London Stock Exchange to sell them on arm’s length terms to any Eligible Transferee or Eligible Transferees. For this purpose the Directors may authorise in writing any officer or employee of the Company or any officer or employee of the secretary of the Company or of any manager that may be appointed to transfer the Relevant Shares on behalf of the holder of them to the purchaser or purchasers and an instrument of transfer executed by that person will be as effective as if it had been executed by the holder of, or the person entitled by transmission to, the Relevant Shares. The purchaser will not be bound to see the application of the purchase monies nor will its title to the Relevant Shares be affected by an irregularity or invalidity in the proceedings relating to the sale or by the price at which the Relevant Shares are sold. The net proceeds of the sale of the Relevant Shares will be received by the Company, whose receipt will be a good discharge for the purchase moneys, and will belong to the Company and, upon their receipt, the Company will become indebted to the former holder of, or person entitled by transmission to, the Relevant Shares for an amount equal to the net proceeds of transfer upon surrender by it or them, in the case of certificated Shares, of the certificate for the Relevant Shares which the Vendor shall immediately be obliged to deliver to the Company. No trust will be created in respect of the debt and no interest will be payable in respect of it. The Company will pay to the Vendor at its discretion or on demand by the Vendor the proceeds of transferring the Relevant Shares (less costs and expenses) but otherwise the Company will not be required to account for any money secured from the net proceeds of transfer which may be employed in the business of the Company or as it thinks fit. The Company may register the transferee as holder or holders of the Relevant Shares at which time the transferee will become absolutely entitled to them.
- (g) A person who becomes aware that it is a Non-Qualified Holder shall forthwith, unless it has already received a Transfer Notice pursuant to the provisions of the Articles summarised in sub-paragraph (e) above, either transfer the Shares to one or more Eligible Transferees or give a request in writing to the Directors for the issue of a Transfer Notice in accordance with the provisions of the Articles summarised in sub-paragraph 4.2.7(e) above. Every such request shall, in the case of certificated Shares, be accompanied by the certificate(s) for the Shares to which it relates.

- (h) Subject to the provisions of the Articles, the Directors will, unless any Director has reason to believe otherwise, be entitled to assume without enquiry that none of the Shares are held by a Non-Qualified Holder. The Directors may, however, at any time and from time to time call upon any holder (or any one of joint holders) of Shares by notice in writing to provide such information and evidence as they require upon any matter connected with or in relation to such holder of Shares. In the event of such information and evidence not being so provided within such reasonable period (not being less than twenty-one days after service of the notice requiring the same) as may be specified by the Directors in the said notice, the Directors may, in their absolute discretion, treat any share held by such a holder or joint holders as being held by a Non-Qualified Holder.
- (i) The Directors will not be required to give any reasons for any decision, determination or declaration taken or made in accordance with these provisions. The exercise of the powers conferred by the provisions of the Articles summarised in sub-paragraphs 4.2.7(e) and/or 4.2.7(f) and/or 4.2.7(g) and/or 4.2.7(h) above may not be questioned or invalidated in any case on the grounds that there was insufficient evidence of direct or beneficial ownership or holding of Shares by any person or that the true direct or beneficial owner or holder of any Shares was otherwise than as appeared to the Directors at the relevant date provided that the said powers have been exercised in good faith.
- (j) Uncertificated Shares of a class are not to be regarded as forming a separate class from certificated Shares of that class.

4.2.8 **Alteration of Capital**

The Company may by ordinary resolution alter its share capital, including, *inter alia*, consolidating share capital, sub-dividing shares, cancelling untaken shares, converting shares into shares of a different currency and denominating or redenominating the currency of share capital.

4.2.9 **Notice of General Meetings**

Any general meeting (including annual general meetings) shall be called by at least ten days' notice. A general meeting may be deemed to have been duly called by shorter notice if it is so agreed by all the members entitled to attend and vote thereat.

4.2.10 **Votes of Members**

- (a) Subject to any special rights, restrictions or prohibitions regarding voting for the time being attached to any Shares, holders of Shares shall have the right to receive notice of and to attend, speak and vote at general meetings of the Company.
- (b) Each Shareholder being present in person or by proxy or by a duly authorised representative (if a corporation) at a meeting shall, upon a show of hands have one vote and upon a poll each such holder present in person or by proxy or by a duly authorised representative (if a corporation) shall, have one vote in respect of each Share that they hold.

4.2.11 **Powers of Directors**

Subject as hereinafter provided, the Directors may exercise all the powers of the Company to borrow or raise money (including the power to borrow for the purpose of redeeming Shares) and secure any debt or obligation of or binding on the Company in any manner including by the issue of debentures (perpetual or otherwise) and to secure the repayment of any money borrowed raised or owing by mortgage, charge, pledge or lien upon the whole or any part of the Company's undertaking property or assets (whether present or future) and also by a similar mortgage charge pledge or lien to secure and guarantee the performance of any obligation or liability undertaken by the Company or any third party.

4.2.12 **Appointment and Retirement of Directors**

- (a) Subject to the Companies Law and the Articles, the Directors shall have power at any time, and from time to time, without sanction of the Company in general meeting, to appoint any person to be a Director, either to fill a casual vacancy or as an additional Director. Any Director so appointed shall hold office only until the next following annual general meeting and shall then be eligible for re-appointment. Subject to the Companies Law and the Articles, the Company may by ordinary resolution appoint any person as a Director; and remove any person from office as a Director.
- (b) A Director may resign from office as a Director by giving notice in writing to that effect to the Company at its office, which notice shall be effective upon such date as may be specified in the notice, failing which upon delivery to the registered office.
- (c) At each annual general meeting of the Company, (i) each Director who is not an Independent Director shall retire from office and each Director may offer himself up for election by the Shareholders, and (ii) one third of the Independent Directors shall retire from office and each such Director may offer himself for election or re-election by the Shareholders.

4.2.13 **Disqualification and Removal of Directors**

- (a) A Director shall not be required to hold any qualification Shares.
- (b) The office of a Director shall be vacated if he ceases to be a Director by virtue of any provision of the Companies Law or he ceases to be eligible to be a Director in accordance with the Companies Law; or he has his affairs declared *en désastre*, becomes bankrupt or makes any arrangement or composition with his creditors generally or otherwise has any judgment executed on any of his assets; or he becomes of unsound mind or incapable or an order is made by a court having jurisdiction (whether in Guernsey or elsewhere) in matters concerning mental disorder for his detention or for the appointment of a receiver, curator or other person to exercise powers with respect to his property or affairs; or he shall have absented himself from meetings of the Directors for a consecutive period of 6 months and the Directors resolve that his office shall be vacated; or he dies; or he resigns his office by notice to the Company; or the Company so resolves by ordinary resolution; or where there are more than two Directors, all the other Directors request him to resign in writing; or he becomes resident for tax purposes in the United Kingdom and, as a result, a majority of the Directors are resident for tax purposes in the United Kingdom.

4.2.14 **Remuneration of Directors**

Unless otherwise determined by the Company by ordinary resolution, the Directors shall be remunerated for their services at such rate as the Directors shall determine provided that the aggregate amount of such fees shall not exceed £300,000 per annum (or such sum as the Company in general meeting shall from time to time determine).

4.2.15 **Directors' Appointments and Interests**

- (a) Subject to the provisions of the Companies Law, the Directors may appoint one or more of their number to the office of managing Director or to any other executive office upon such terms as they determine.
- (b) Subject to and in accordance with the Companies Law, a Director must, immediately after becoming aware of the fact that he is interested in a transaction or proposed transaction with the Company, disclose that fact to the Directors.
- (c) For the purposes of the article summarised in sub-paragraph 4.2.15(b) above, a general disclosure given to the Directors to the effect that a Director has an interest (as director, officer, employee, member or otherwise) in a party and is to be regarded as interested in any transaction which may after the date of the disclosure be entered into

with that party shall be deemed to be sufficient disclosure of his interest in any such transaction or arrangement.

- (d) The requirement summarised in sub-paragraph 4.2.15(b) above does not apply if the transaction proposed is between a Director and the Company, or if the Company is entering into the transaction in the ordinary course of business on usual terms.
- (e) A Director may not vote or be counted in the quorum on a resolution of the board or committee of the board concerning a contract, arrangement, transaction or proposal to which the Company is or is to be a party and in which he has an interest which (together with any interest of any person connected with him) is, to his knowledge, a material interest (otherwise than by virtue of his interest in Shares or debentures or other securities of or otherwise in or through the Company) but, in the absence of some other material interest than is mentioned below, this prohibition does not apply to a resolution concerning any of the following matters:
 - (i) the giving of a guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of the Company or any of its subsidiaries;
 - (ii) the giving of a guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part, either alone or jointly with others, under a guarantee or indemnity by the giving of security;
 - (iii) a contract, arrangement, transaction or proposal concerning an offer of Shares, debentures or other securities of the Company or any of its subsidiaries for subscription or purchase, in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
 - (iv) a contract, arrangement, transaction or proposal to which the Company is or is to be a party concerning another company (including any subsidiary of the Company) in which he (and any persons connected with him) is interested and whether as an officer, shareholder, creditor or otherwise, if he (and any persons connected with him) does not to his knowledge hold an interest in Shares representing one per cent. or more of any class of the equity share capital of or the voting rights in the relevant company (or of any other company through which his interest is derived);
 - (v) a contract, arrangement, transaction or proposal for the benefit of employees of the Company or any of its subsidiaries which only awards him a privilege or benefit generally accorded to the employees to whom it relates; and
 - (vi) a contract, arrangement, transaction or proposal concerning the purchase or maintenance of any insurance policy for the benefit of Directors or for the benefit of persons including Directors.
- (f) For the purposes of this article a person shall be treated as being connected with a Director if that person is:
 - (i) a spouse, child (under the age of eighteen) or step child (under the age of eighteen) of the Director; or
 - (ii) an associated body corporate which is a company in which the Director alone, or with connected persons, is directly or indirectly beneficially interested in 20 per cent. or more of the value of the equity share capital or is entitled (alone or with connected persons) to exercise or control the exercise of more than 20 per cent. of the voting power at general meetings; or
 - (iii) a trustee (acting in that capacity) of any trust, the beneficiaries of which include the Director or persons falling within paragraphs (i) and (ii) above excluding trustees of an employees' share scheme or pension scheme; or

- (iv) a partner (acting in that capacity) of the Director or persons in paragraphs (i) to (iii) above.
- (g) A Director, notwithstanding his interest, may be counted in the quorum present at any meeting at which he or any other Director is appointed to hold any such office or place of profit under the Company, or at which the terms of any such appointment are arranged or at which any contract between the Director and the Company are considered, and he may vote on any such appointment or arrangement other than his own appointment or the arrangement of the terms thereof. Where proposals are under consideration concerning the appointment (including without limitation fixing or varying the terms of appointment or its termination) of two or more Directors to offices or places of profit with the Company or a company in which the Company is interested, such proposals shall be divided and a separate resolution considered in relation to each Director. In such case each of the Directors concerned (if not otherwise debarred from voting under these provisions) is entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.
- (h) A Director may hold any other office or place of profit under the Company (other than the auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Board may determine and no Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such office or place of profit or as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company in which any Director so contracting or being so interested be liable to account to the Company for any profits realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established.
- (i) Any Director may act by himself or his firm in a professional capacity for the Company (other than auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.
- (j) Any Director may continue to be or become a director, managing director, manager or other officer or member of any company promoted by the Company or in which the Company may be interested, and any such Director shall not be accountable to the Company for any remuneration or other benefits received by him as director, managing director, manager or other officer or member of any such company. The Directors may exercise the voting power conferred by the shares in any other company held or owned by the Company or exercisable by them as director of such other company, in such manner in all respects as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of them director, managing director, managers or other officers of such company, or voting or providing for the payment of remuneration to themselves as director, managing director, managers or other officers of such company) and any Director of the Company may vote in favour of the exercise of such voting rights in the manner aforesaid, notwithstanding that he may be or be about to be appointed a director, managing director, manager or other officer of such company, and as such is or may become interested in the exercise of such voting rights in manner aforesaid.
- (k) If a question arises at a meeting as to the materiality of a Director's interest (other than the interest of the chairman of the meeting) or as to the entitlement of a Director (other than the chairman) to vote or to be counted in a quorum and the question is not resolved by his voluntarily agreeing to abstain from voting or being counted in the quorum, the question shall be referred to the chairman and his ruling in relation to the Director concerned is conclusive and binding on all concerned.
- (l) If a question arises at a meeting as to the materiality of the interest of the chairman of the meeting or as to the entitlement of the chairman to vote or be counted in a quorum and the question is not resolved by his voluntarily agreeing to abstain from voting or being counted in the quorum, the question shall be decided by resolution of the

Directors or committee members present at the meeting (excluding the chairman) whose majority vote is conclusive and binding on all concerned.

4.2.16 **Dividends and Distributions**

- (a) Subject to the provisions of the Companies Law and the Articles, the Company may by ordinary resolution declare dividends and/or make distributions in accordance with the respective rights of the members and to any special rights to dividends or other relevant rights or remedies set out in the terms of issue of any class of shares.
- (b) No dividend or other distribution shall exceed the amount recommended by the Directors.
- (c) Subject to the provisions of the Companies Law, and the Articles, the Directors may from time to time pay interim dividends and/or distributions if it appears to them that they are justified by the assets of the Company.
- (d) Except as otherwise provided by the rights attached to Shares, all dividends or other distributions shall be declared and paid pro rata according to the respective numbers of Shares held by Shareholders of the relevant class on which the dividend or other distribution is paid. If any share is issued on terms providing that it shall rank for dividend or other distribution as from a particular date, that share shall rank for dividend or other distribution accordingly. Any resolution declaring a dividend or a distribution on a share, whether a resolution of the Company in general meeting or a resolution of the Directors, may specify that the same shall be payable to the person registered as the holders of the Shares at the close of business on a particular date notwithstanding that it may be a date prior to that on which the resolution is passed and thereupon the dividend or distribution shall be payable to such persons in accordance with their respective holdings so registered, but without prejudice to the rights inter se in respect of such dividend or distribution of transferors and transferees of any such Shares.
- (e) A general meeting declaring a dividend or other distribution may, upon the recommendation of the Directors, direct that it shall be satisfied wholly or partly by the distribution of assets and, where any difficulty arises in regard to the distribution, the Directors may settle the same and in particular may issue fractional certificates and fix the value for distribution of any assets and may determine that cash shall be paid to any member upon the footing of the value so fixed in order to adjust the rights of members and may vest any assets in trustees.
- (f) The Directors may deduct from any dividend or other distribution, or other moneys payable to any member on or in respect of a share, all sums of money (if any) presently payable by him to the Company on account of calls or otherwise in relation to the Shares of the Company.
- (g) All unclaimed dividends or other distributions may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee thereof. Any dividend or other distribution which has remained unclaimed for twelve years from the date when it became due for payment shall, if the Directors so resolve, be forfeited and cease to remain owing by the Company.
- (h) The Directors are empowered to create reserves before recommending or declaring any dividend. The Directors may also carry forward any profits which they think prudent not to divide.

4.2.17 **Winding-Up**

Upon a winding-up of the Company the assets available for distribution to members shall, subject to the rights attaching to any class of Shares and the provisions of the Articles, be distributed according to the number of Shares held by that member.

4.2.18 **Certain U.S. and U.S. related Tax Matters**

- (a) The Company is authorised to take any action it determines is desirable to comply with FATCA, the Common Reporting Standards and any Similar Laws and may enter into an agreement with the U.S. Internal Revenue Service or the taxing and revenue services of any other country. The Company shall not pay any additional amounts to any person in respect of any withholding of taxes, including those relating to FATCA or any Similar Laws.
- (b) The Company is not required to make available the information necessary for any person to make a so-called “qualified electing fund” election under U.S. tax law.

5. CITY CODE ON TAKEOVERS AND MERGERS

5.1 Mandatory bid

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

- 5.1.1 a person acquires an interest in Shares which, when taken together with Shares already held by him or persons acting in concert with him, carry 30 per cent. or more of the voting rights in the Company; or
- 5.1.2 a person who, together with persons acting in concert with him, is interested in not less than 30 per cent. and not more than 50 per cent. of the voting rights in the Company acquires additional interests in Shares which increase the percentage of Shares carrying voting rights in which that person is interested, the acquirer and, depending on the circumstances, its concert parties, would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding Shares at a price not less than the highest price paid for any interests in the Shares by the acquirer or its concert parties during the previous twelve months.

5.2 Compulsory acquisition

The Companies Law provides that if an offer is made for the shares or any class of shares in the capital of a company and if, within four months after the date of such offer, the offer is approved or accepted by shareholders comprising not less than 90 per cent. in value of the shares affected, then the offeror may, within a period of two months immediately after the last day on which the offer can be approved or accepted, give notice to any dissenting shareholders informing them that it wishes to acquire their shares (an “**Acquisition Notice**”). Where an Acquisition Notice is given, the offeror is then entitled and bound to acquire the dissenting shareholders’ shares on the terms of the offer approved by the shareholders comprising not less than 90 per cent. in value of the shares affected; and where the terms of the offer provided a choice of consideration, the Acquisition Notice must give particulars of the choice and state (a) the period within which, and the manner in which, the dissenting shareholder must notify the offeror of his choice and (b) which consideration specified in the offer will apply if he does not so notify the offeror.

6. SETTLEMENT AND CREST

Shares will be issued in registered form and may be held in either certificated or uncertificated form.

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Shares are eligible for settlement in CREST in accordance with the CREST Regulations. The Company has applied for the Enlarged Share Capital to be admitted to CREST.

7. DIRECTORS' AND OTHER INTERESTS

7.1 The interests of the Directors and, so far as is known to the Directors (having made appropriate enquiries) persons connected with them, which expression shall be construed in accordance with the AIM Rules (all of which are beneficial except as shown), in the Shares as at the date of this document and as expected to be immediately following Admission, are as follows:

<i>Name</i>	<i>As at the date of this document</i>		<i>Immediately following Admission</i>	
	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>
Adrian Collins	–	–	–	–
Marco Fumagalli	1	50	1,000,000*	1.82
Carlo Sgarbi	1	50	1,000,000*	1.82
John Falla	–	–	10,000	0.02
Robert King	–	–	–	–

*Held by Goldfinch SA, a company wholly owned in equal proportion by Marco Fumagalli and Carlo Sgarbi, which will hold 2,000,000 Shares in aggregate on Admission.

7.2 As at the date of this document, save as otherwise disclosed in this document, none of the Directors have been granted any options over Shares.

7.3 Save as otherwise set out in this document, none of the Directors has any interests in the share capital or loan capital of the Company or any of its subsidiaries nor does any person connected with the Directors (within the meaning of section 167 of the Companies Law) have any such interests, whether beneficial or non-beneficial.

7.4 In addition to their directorships in the Group, the Directors have held the following directorships and/or been a partner in the following partnerships within the period of five years prior to the date of this document:

<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Past directorships/partnerships</i>
Adrian Collins	Bahamas Petroleum Company plc City Natural Resources High Yield Trust plc CQS Management Ltd CQS New City High Yield Fund Limited Fidelis Underwriting Ltd. Fincorp International Ltd. Heritage Collins Ltd Liontrust Asset Management plc LTC Holdings plc The Sri Lanka Fund Ltd. Tri-Star Resources PLC	Brazil Iron Limited Douglasbay Capital plc Mentum Inc.
Marco Fumagalli	CIP Management SA Corin Group plc Corin Orthopaedics Holdings Limited Echo Energy plc Ecommerce Outsourcing Srl Goldfinch SA Italian Angels for Biotech (IAB) IVY Merchant Capital Limited Merchant Capital Manager Limited Ministerium Capital SA P101 SGR SPA Programma 101 SICAF Spa Protea Capital SA Saffron Energy plc Sherwood Holdings Limited Sound Energy plc	Continental Investment Partners SA Corin Italia Srl Deribas Capital SA Greenberry SA Metano Capital SA No Paper Jam Srl P101 Srl Programma 101 SpA Terashop Srl

<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Past directorships/partnerships</i>
Carlo Sgarbi	CIP Management SA Continental Investment Partners SA Egosistema Srl Goldfinch SA Health City Srl IVY Merchant Capital Limited Merchant Capital Manager Limited Ministerium Capital SA Protea Capital SA Sarl D'Exploitation De L'Hotel Royal	Areion Fund Sicav Deribas Capital SA Metano Capital SA Tissor Capital Management SA
John Falla	Duet Real Estate Finance Limited Guernsey Yacht Club LBG Hadrian's Wall Secured Investments Limited NB PEP Holdings Limited NB PEP Investments Limited NB PEP Investments LP Limited NB Private Equity Partners Limited Omnium Investments PCC Limited SQN AFIF (AMBER) Limited SQN AFIF (BRONZE) Limited SQN AFIF (Cobalt) Limited SQN AFIF (Diamond) Limited SQN Asset Finance (Guernsey) Limited SQN Asset Finance Income Fund Limited	CBR Holding (Luxembourg) SA CTBR Holding Limited Edmond de Rothschild Asset Management (C.I.) Limited Edmond de Rothschild Holdings (C.I.) Limited. Edmond de Rothschild Securities (C.I.) Limited Guernsey Yacht Club Priquam Advisory Limited Treasury Investments (C.I.) Limited West End of London Property Investment Company Limited WHC Limited Whitewood REFF Limited
Robert King	Chenavari Capital Solutions Limited Clarion 5 IC Limited; Clarion ICC Limited F&C Alternative Strategies Limited F&C Property Growth & Income Fund Limited F&C Warrior Fund Limited F&C Warrior II Fund Limited Golden Prospect Precious Metals JPMorgan Senior Secured Loan Fund Limited (in voluntary liquidation) KIC Global Strategy Fund Limited Pembroke Heritage Fund Limited Pera Capital Partners Advisory Limited Thames River Guernsey Direct Property Holdings Limited Thames River Property (Securities) SARL Tufton Oceanic Asset Limited Weiss Korea Opportunity Ltd	Duke Royalty Limited Etalon Developments Limited Etalon Group Limited F&C Longstone Fund Limited F&C Sentinel Fund Limited Praetorian Resources (GP) Limited Praetorian ZDP Limited Sienna Investment Company Sienna Investment Company 2 Sienna Investment Company 3 Sienna Investment Company 4 Threadneedle UK Select Trust Limited

7.5 Save as disclosed in paragraphs 7.4 of this Part 5, no Director:

7.5.1 has any unspent convictions in relation to indictable offences; or

7.5.2 has been bankrupt or the subject of an individual voluntary arrangement, or has had a receiver appointed to any asset of such director; or

7.5.3 has been a director of any company which, while he or she was a director or within twelve months after he or she ceased to be a director, had a receiver appointed or went into compulsory liquidation, creditors' voluntary liquidation, administration or company voluntary arrangement, or made any composition or arrangement with its creditors generally or with any class of its creditors; or

- 7.5.4 has been a partner of any partnership which, while he or she was a partner or within twelve months after he or she ceased to be a partner, went into compulsory liquidation, administration or partnership voluntary arrangement, or had a receiver appointed to any partnership asset; or
- 7.5.5 has had any public criticism by statutory or regulatory authorities (including recognised professional bodies); or
- 7.5.6 has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- 7.6 Save as disclosed in paragraph 7.1 of this Part 5, and as set out in this paragraph, the Directors are not aware of any person who, directly or indirectly will have an interest in three per cent. or more of the voting rights of the Company immediately following completion of Admission:

<i>Name</i>	<i>Immediately following Admission</i>	
	<i>Shares</i>	<i>%</i>
Spartan Fund Ltd SAC ^{(1),(3)}	5,500,000	10.00
Efg Bank	5,000,000	9.09
Corporation Financiere Europeenne SA	5,000,000	9.09
Pegasus Alternative Fund Ltd SAC ^{(2),(3)}	1,950,000	3.55

- (1) Spartan Fund Ltd SAC ("Spartan") is a segregated account company registered in Bermuda and the interests of its segregated accounts have been disclosed above on an aggregated basis, with the holdings of each segregated account as follows: Class B – 1,400,000 Ordinary Shares, Class G – 1,500,000 Ordinary Shares, Class L – 2,100,000 Ordinary Shares, Class M – 300,000 Ordinary Shares and Class N – 200,000 Ordinary Shares.
- (2) Pegasus Alternative Fund Ltd SAC ("Pegasus") is a segregated account company registered in Bermuda and the interests of its segregated accounts have been disclosed above on an aggregated basis, with the holdings of each segregated account as follows: Class F – 1,400,000 Ordinary Shares and Class G – 550,000 Ordinary Shares.
- (3) Dorincort Suisse Sagl ("Dorincort") acts as the investment adviser to each of Spartan and Pegasus. In addition, Dorincort is interested in 400,000 Ordinary Shares directly. Together they are therefore interested in, in aggregate, 7,850,000 Ordinary Shares representing approximately 14.27 per cent. of the Company issued share capital as at the date of Admission and each of Dorincort, Spartan (on behalf of each segregated account holding Ordinary Shares) and Pegasus (on behalf of each segregated account holding Ordinary Shares) have entered into the Orderly Market Agreement with the Company and Strand Hanson as detailed in paragraph 9.8 of this Part 5.
- 7.7 None of the Company's major Shareholders (as set out at paragraph 7.6 above) have any different voting rights from other Shareholders.

8. DIRECTORS' APPOINTMENT LETTERS

- 8.1 The following appointment letters have been entered into by the Company with the Non-executive Directors:

8.1.1 Adrian Collins

Adrian Collins was appointed as non-executive chair of the Company by letter of appointment dated 30 November 2017. The appointment is subject to re-election at the forthcoming annual general meeting and it is terminable on three months' notice by either the Company or by Mr Collins. The fee payable to Mr Collins for his role as non-executive director of the Company is £25,000 per annum and Chairmanship of the Company is £10,000 per annum and both are subject to annual review.

8.1.2 Marco Fumagalli

Marco Fumagalli was appointed as non-executive director of the Company by letter of appointment dated 30 November 2017. The appointment is subject to re-election at the forthcoming annual general meeting and it is terminable on three months' notice by either the Company or by Mr. Fumagalli. The fee payable to Mr. Fumagalli for his role as non-executive director of the Company is £25,000 per annum and is subject to annual review. Mr. Fumagalli has agreed to waive his fee for so long as he is interested in the Company's investment manager.

8.1.3 **Carlo Sgarbi**

Carlo Sgarbi was appointed as non-executive director of the Company by letter of appointment dated 30 November 2017. The appointment is subject to re-election at the forthcoming annual general meeting and it is terminable on three months' notice by either the Company or by Mr. Sgarbi. The fee payable to Mr. Sgarbi for his role as non-executive director of the Company is £25,000 per annum and is subject to annual review. Mr. Sgarbi has agreed to waive his fee for so long as he is interested in the Company's investment manager.

8.1.4 **John Falla**

John Falla was appointed as non-executive director of the Company by letter of appointment dated 30 November 2017. The appointment is subject to re-election at the forthcoming annual general meeting and it is terminable on three months' notice by either the Company or by Mr. Falla. The fee payable to Mr. Falla for his role as non-executive director of the Company is £25,000 per annum and Chairmanship of the Audit Committee is £2,500 per annum and both are subject to annual review.

8.1.5 **Robert King**

Robert King was appointed as non-executive director of the Company by letter of appointment dated 30 November 2017. The appointment is subject to re-election at the forthcoming annual general meeting and it is terminable on three months' notice by either the Company or by Mr. King. The fee payable to Mr. King for his role as non-executive director of the Company is £25,000 per annum and is subject to annual review.

8.2 None of the Directors' letters of appointment provide for benefits upon termination of appointment.

8.3 Save as set out in this paragraph 8, there are no existing or proposed appointment letters between the Directors and any member of the Group.

9. MATERIAL CONTRACTS OF THE GROUP

The following are all of the contracts, not being contracts entered into in the ordinary course of business that have been entered into by the Group since incorporation and are, or may be, material or contain any provision under which the Company has any obligation or entitlement which is or may be material to it as at the date of this document:

9.1 **Introduction Agreement**

The Introduction Agreement is an agreement dated 15 December 2017 between the Company, the Directors, the Investment Manager, CIP and Strand Hanson pursuant to which, subject to certain conditions, Strand Hanson has been appointed as nominated adviser and broker in connection with the proposed application for Admission. The Introduction Agreement may be terminated by Strand Hanson in certain customary circumstances prior to Admission.

The obligations of Strand Hanson are conditional upon certain conditions that are typical for an agreement of this nature. These conditions include, among others: (i) Admission occurring and becoming effective by 8.00 a.m. on or prior to 21 December 2017 (or such later time and/or date, not being later than 5.00 p.m. on 31 December 2017, as the Company and Strand Hanson may agree); and (ii) the Introduction Agreement not having been terminated prior to Admission in accordance with its terms. In consideration for their services, Strand Hanson shall be entitled to receive a fee from the Company.

The Company, the Directors, the Investment Manager and CIP have given warranties to Strand Hanson concerning, *inter alia*, the accuracy of the information contained in this document. The Company, the Investment Manager and CIP have also given indemnities to Strand Hanson. The warranties and indemnities given by the Company, the Directors, the Investment Manager and CIP are standard for an agreement of this nature.

The Introduction Agreement is governed by and construed in accordance with the laws of England and Wales.

9.2 **Nomad and Broker Agreement**

The Nomad and Broker Agreement is an agreement dated 15 December 2017 between the Company and Strand Hanson pursuant to which, subject to certain conditions, Strand Hanson has been appointed as nominated adviser and broker to the Company. In consideration for their services, Strand Hanson shall be entitled to receive a fee from the Company.

The Nomad and Broker Agreement is for an initial term of 12 months and may be terminated by either party giving not less than 3 months' notice in writing to the other. In addition, the Nomad and Broker Agreement may be terminated by Strand Hanson or the Company in certain customary circumstances.

The Company have given undertakings and indemnities to Strand Hanson that are customary for an agreement of this nature.

The Nomad and Broker Agreement is governed by and construed in accordance with the laws of England and Wales.

9.3 **Introduction Agent Agreement**

The Introduction Agent Agreement is an agreement dated 22 November 2017 between the Company and Pegasus Alternative Fund Ltd SAC Class F "Theta Segregated Account" (the "**Introduction Agent**") pursuant to which, subject to certain conditions, the Introduction Agent has been appointed as an introduction agent in connection with the Subscription and to using its reasonable endeavours to introduce subscribers to the Company, such subscribers to subscribe pursuant to the Subscription Agreements.

The Introduction Agent Agreement may be terminated by the Company in certain customary circumstances prior to Admission.

The Company shall pay the Introduction Agent an amount equal to five per cent. of the aggregate, before any deductions or payments of fees or commissions, of the total gross proceeds raised under the Subscription by the Introduction Agent as equals the number of Subscription Shares issued at the Subscription Price pursuant to the Subscription to subscribers introduced to the Company by the Introduction Agent.

The Introduction Agent has given warranties to the Company that are standard for an agreement of this nature.

The Introduction Agent Agreement is governed by and construed in accordance with the laws of England and Wales.

9.4 **Investment Management Agreement**

The Investment Management Agreement is an agreement dated 15 December 2017 between the Company, Merchant Capital GP and the Investment Manager pursuant to which the Investment Manager has agreed provide certain portfolio management services to the Group.

In addition, the Company has appointed the Investment Manager to act as its AIFM.

The Investment Manager agrees to provide investment management services to the Group which include (*inter alia*) advising the Group on the management of the portfolio of investments, cash and other assets held by or on behalf of the Group from time to time and due diligence thereof, including the acquisition and sale of investments and thereby assist the Group in the achievement of its investment objective and investing policy.

Under the Investment Management Agreement, the Investment Manager will receive a fee which will be calculated and accrue at a rate equivalent to a sum equal to 2 per cent. per annum of the prevailing Net Asset Value. The management fees are calculated on the last day of each quarter and are payable quarterly in arrears.

The Investment Management Agreement may be terminated by the Investment Manager or the Company and Merchant Capital GP giving not less than 12 months' notice in writing, such notice not to be given earlier than the fifth anniversary of Initial Admission. The Investment Management Agreement may also be terminated, *inter alia*,

- 9.4.1 by the Company and Merchant Capital GP with immediate effect by notice in writing to the Investment Manager in the event that there is a change of control of the Investment Manager without the prior written consent of the Company and Merchant Capital GP; or
- 9.4.2 by the Company and Merchant Capital GP by notice in writing to the Investment Manager in the event that there is a material and demonstrable deterioration in the quality of the performance of, or the services provided by, the Investment Manager under the Investment Management Agreement, subject to the Investment Manager having a period of three months from initial notice to rectify the deterioration; or
- 9.4.3 by the Company on giving 60 business days' notice in writing to the Investment Manager if, *inter alia*, Marco Fumagalli and/or Carlo Sgarbi have ceased to be involved in the day to-day running of the business of the Investment Manager and, in each case, the Company has declined the Investment Manager's nomination to replace such person; or
- 9.4.4 automatically if the Investment Manager ceases to be licensed and/or authorised and regulated by a relevant regulatory body.

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

The Investment Management Agreement also incorporates a procedure to manage any conflicts of interest arising in connection with effecting transactions which the Investment Manager has a direct material interest (being an interest other than one arising solely from the Investment Manager's involvement or that of any of its Affiliates with the Company).

The Investment Management Agreement is governed by and construed in accordance with the laws of England and Wales.

9.5 **Merchant Capital Limited Partnership Agreement**

The Merchant Capital Limited Partnership Agreement is an agreement between Merchant Capital GP, the Company and the Investment Manager dated 30 November 2017 pursuant to which the parties have agreed to establish the Merchant Capital Limited Partnership in order to make investments pursuant to the Company's investing policy (for further information please see the description of the group structure at paragraph 11.1 of Part 1). The Merchant Capital Limited Partnership shall continue until the one hundredth anniversary of the date of its registration under the Partnership Law unless it is dissolved or its life is extended under the Merchant Capital Limited Partnership Agreement.

Merchant Capital GP has agreed to act as general partner of the Merchant Capital Limited Partnership and will be solely responsible for the conduct and management of the Merchant Capital Limited Partnership's business. The limited partners in the Merchant Capital Limited Partnership, namely the Company and the Investment Manager, shall take no part in the management and control of the business and affairs of the Merchant Capital Limited Partnership, and shall have no right or authority to act for the Merchant Capital Limited Partnership or to take any part in or in any way interfere in the conduct or management of the Merchant Capital Limited Partnership or to vote on matters relating to the Merchant Capital Limited Partnership other than as set forth in the Limited Merchant Capital Partnership Agreement and/or as permitted by the Partnership Law.

Merchant Capital GP, the Company and the Investment Manager have made capital contributions of £1, £799 and £200 to the Merchant Capital Limited Partnership respectively. The Company is required to make loans to enable the Merchant Capital Limited Partnership to meet its obligations as they fall due for such amount and for such purpose as the Merchant Capital GP may request on not less than five business days' written notice (or such shorter period as may be necessary in an emergency). Where the Company makes a loan to the Merchant Capital Limited Partnership, the Merchant Capital Limited Partnership shall not pay interest on any loan and all loans shall be unsecured. While it remains a limited partner of the Merchant Capital Limited Partnership the Company shall not be entitled to be repaid all or any part of a loan other than on liquidation of the Merchant Capital Limited Partnership or realisations by Merchant Capital Limited Partnership.

Upon realisations in the Limited Partnership, returns will be made after the end of the relevant follow-on period in the following order of priority: (i) to the Merchant Capital GP to cover its costs and expenses; (ii) to the Company by way of repayment of its loans; (iii) to the Company until it has received a preferred return amount of an IRR of 5 per cent. for the relevant performance period and associated follow-on period; (iv) to the Investment Manager until it has received 20 per cent. of cumulative distributions to the Company made in respect of sub-paragraph (iii) and this sub-paragraph (iv); and (v) to the Company and the Investment Manager pro rata to their capital contribution. Under the Merchant Capital Limited Partnership Agreement, the Investment Manager will receive 20 per cent. of the net realised cash profits from investments and follow-on investments made over the relevant period once the Company has received a preferred return amount of an IRR of 5 per cent. for the relevant performance period and associated follow-on period. The Investment Manager's return is subject to a 'catch-up' in its favour. The 'catch-up' is achieved by structuring the distributions made by the Merchant Capital Limited Partnership under the Merchant Capital Limited Partnership Agreement so that once the Company has received an IRR of 5 per cent. for the relevant performance period and associated follow-on period (see (iii) above), 100 per cent. of the subsequent returns are distributed to the Investment Manager until it has received, ignoring the hurdle, 20 per cent. of the cumulative distributions by the Company made in respect of follow-on investments (see (iv) above). Once the Investment Manager has received such amount, the remaining distributions from the Merchant Capital Limited Partnership are distributed so that the Company will receive 80 per cent. of any subsequent realised cash profits from investments and follow-on investments made over the relevant period and the Investment Manager will receive 20 per cent (see (v) above). The Investment Manager shall not be entitled to any carried interest in respect of any investments or follow-on investments made in the event the annualised return is less than 5 per cent. for the relevant period or following its termination for cause or any other reason. The Investment Manager's entitlement to existing carried interest at the time of any termination of its appointment is subject to its appointment as the Company's investment manager not having been terminated for cause.

The Merchant Capital Limited Partnership Agreement is governed by and construed in accordance with the laws of Guernsey.

9.6 **Subscription Agreements**

Pursuant to the Subscription Agreements dated between 21 November 2017 to 13 December 2017 between the Company and each of the Subscribers, the Subscribers have agreed to subscribe for 55,000,000 Shares in aggregate at the Subscription Price. Each subscription is conditional, *inter alia*, upon Admission occurring.

Under the Subscription Agreements, each Subscriber has provided certain warranties and undertakings to the Company.

The Subscription Agreements are governed by and construed in accordance with the laws of England and Wales.

9.7 **Lock-in Agreement**

The Lock-in Agreement is an agreement dated 15 December 2017 entered into between the Company, Strand Hanson, each Director, the Investment Manager and CIP pursuant to the terms of

which each Director, the Investment Manager and CIP have covenanted not to dispose of any of the Shares held by them at Admission, or subsequently acquired, for a period of 12 months from Admission except in limited circumstances (namely a sale pursuant to a court order, death or acceptance of a takeover offer which is open to all Shareholders). For the period from 12 months to 24 months after Admission each Director and the Investment Manager have also agreed that (except in certain limited circumstances), he will only sell such Shares through Strand Hanson (or any future broker engaged by the Company) in accordance with Strand Hanson's reasonable requirements so as to ensure an orderly market.

The Lock-in Agreement is governed by and construed in accordance with the laws of England and Wales.

9.8 Orderly Market Agreement

The Orderly Market Agreement is an agreement dated 15 December 2017 entered into between the Company, Strand Hanson, and the Substantial Shareholders pursuant to the terms of which each Substantial Shareholder has agreed for the period from Admission to the first anniversary of Admission that (except in certain limited circumstances) it will only sell the Shares it holds as at the date of Admission, or subsequently acquired, through Strand Hanson (or any future broker engaged by the Company) in accordance with Strand Hanson's reasonable requirements so as to ensure an orderly market.

The Orderly Market Agreement is governed by and construed in accordance with the laws of England and Wales.

9.9 Administration Agreement

Pursuant to the Administration Agreement dated 15 December 2017 between the Company, Merchant Capital Limited Partnership, Merchant Capital GP and the Administrator, the Administrator has been appointed to act as designated administrator and secretary to the Company. In consideration for providing such services the Administrator is entitled to a fee. The Company has given indemnities to the Administrator and its directors, officers, employees, agents, associates and delegates which are standard for an agreement of this nature. The Administration Agreement may be terminated, *inter alia*, on three months' notice of termination given by the Company to the Administrator, on three months' notice of termination given by the Administrator to the Company, or immediately.

The Administration Agreement is governed by and construed in accordance with the laws of Guernsey.

10. LITIGATION

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

11. WORKING CAPITAL

The Directors are of the opinion that, having made due and careful enquiry, the working capital available to the Company and the Group will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

12. NO SIGNIFICANT CHANGE

There has been no significant change in the financial or trading position of the Company since the date of its incorporation.

13. RELATED PARTY TRANSACTIONS

Save for entry into the Investment Management Agreement and the Merchant Capital Limited Partnership Agreement, there are no material 'related party transactions' (within the meaning of the AIM Rules) required to be disclosed under the accounting standards applicable to the Company, to which the Company was a party up to the date of this document.

14. CONSENTS

Strand Hanson is a company incorporated in England and Wales with registered number 02780169 and having its registered office at 26 Mount Row, London, W1K 3SQ. Strand Hanson is authorised and regulated by the FCA. Strand Hanson has given and not withdrawn its written consent to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear.

15. THIRD PARTY INFORMATION

Where information in this document has been sourced from a third party, this information has been accurately reproduced and, so far as the Company and the Directors are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

16. GENERAL

- 16.1 The costs and expenses in connection with the Subscription and Admission are estimated to be £2.6 million, and are payable by the Company.
- 16.2 Except for fees payable to the professional advisers whose names are set out on page 9 of this document or the Introduction Agent whose name is set out at paragraph 9.3 of this Part 5 or payments to trade suppliers, no person has received any fees, securities in the Company or other benefit to a value of £10,000 or more, whether directly or indirectly, from the Company within the 12 months preceding the date of this document, or has entered into any contractual arrangement to receive from the Company, directly or indirectly, any such fees, securities or other benefit on or after Admission.
- 16.3 The Company is not dependent on patents or other intellectual property rights, licences or particular contracts which are or may be of fundamental importance to the Company's business.
- 16.4 Save for its entry into the material contracts summarised in paragraph 9 of Part 5 of this document, the Company has not incurred any borrowings, issued any debt securities, incurred any contingent liabilities or made any guarantees, nor granted any charges or mortgages as at the date of this document.
- 16.5 The Directors are not aware of any trends, uncertainties, demands, commitments or events which are reasonably likely to have a material effect on the Company's prospects for at least the current financial year.
- 16.6 The Directors are not aware of any environmental issues which may affect the Company's utilisation of its tangible fixed assets.
- 16.7 Neither the Company nor any of the Directors are aware of the existence of any public takeover offer in respect of the share capital of the Company.
- 16.8 The Board, as a whole, and Strand Hanson are independent from the Investment Manager and CIP.
- 16.9 The Investment Manager is an affiliate of CIP by virtue of Messrs Sgarbi and Fumagalli being interested in both the Investment Manager and CIP.
- 16.10 No application is being made for the Shares to be dealt with in or on any stock exchange or investment exchange other than AIM.

17. AVAILABILITY OF DOCUMENT

A copy of this document will be available, free of charge, during normal business hours on any weekday (except Saturdays, Sundays and public holidays), at the registered office of the Company at 3rd Floor, 1 Le Truchot, St Peter Port, Guernsey GY1 1WD, at the registered office of Gowling WLG (UK) LLP at 4 More London Riverside, London SE1 2AU for a period of one month from the date of Admission and also for download on the Company's website at www.cipmerchantcapital.com in accordance with Rule 26 of the AIM Rules.

15 December 2017

DEFINITIONS

In this document, where the context permits, the expressions set out below shall bear the following meaning:

“Act” or “Companies Act”	the UK Companies Act 2006
“Administrator”	Maitland Administration (Guernsey) Limited, as designated administrator and company secretary to the Company
“Administration Agreement”	the agreement between the Company and the Administrator, the Merchant Capital Limited Partnership, Merchant Capital GP and CIP pursuant to which the Administrator has agreed to provide administration and company secretarial services to the Group
“Admission”	the admission of the entire issued and to be issued share capital of the Company to trading on AIM and such admission becoming effective in accordance with the AIM Rules
“AIC”	Association of Investment Companies
“AIC Code”	the AIC Code of Corporate Governance (Guernsey edition), published by the AIC, as amended from time to time
“AIF”	an alternative investment fund
“AIFM”	an alternative investment fund manager
“AIFM Directive”	the EU Directive on Alternative Investment Fund Managers
“AIFM Regulation”	the Alternative Investment Fund Managers Regulations 2013
“AIM”	AIM, the market of that name operated by the London Stock Exchange
“AIM Rules”	the AIM Rules for Companies and the AIM Rules for Nominated Advisers
“AIM Rules for Companies”	the AIM Rules for Companies setting out the rules and responsibilities in relation to AIM companies published by the London Stock Exchange, as amended from time to time
“AIM Rules for Nominated Advisers”	the AIM Rules for Nominated Advisers setting out the eligibility, on-going obligations and certain disciplinary matters in relation to nominated advisers published by the London Stock Exchange, as amended from time to time
“Articles”	the articles of incorporation of the Company
“Audit Committee”	the audit committee of the Board
“Authorised Operator”	the authorised operator (as defined in the Regulations) of an Uncertificated System;
“Business Day”	a day (other than a Saturday or Sunday) on which banks are open for commercial business in the City of London
“certificated” or “in certificated form”	the description of a share or other security which is not in uncertificated form (that is not in CREST)

“CFTC”	the United States Commodity Futures Trading Commission
“CIP” or “Continental Investment Partners”	Continental Investment Partners S.A.
“CIP Group”	CIP and any company which is a subsidiary of CIP
“COBS Rules”	the COBS Rules of the FCA
“Commodity Exchange Act”	the United States Commodity Exchange Act or any substantially equivalent successor legislation
“Company”	CIP Merchant Capital Limited
“Companies Law”	the Companies (Guernsey) Law, 2008, as amended
“CREST”	the facilities and procedures for the time being of the relevant system of which Euroclear has been approved as operator pursuant to the CREST Regulations, in accordance with which Shares may be held in uncertificated form
“CREST Guernsey Requirements”	Rule 8 and such other rules and requirements of Euroclear as may be applicable to issuers as from time to time specified in the CREST Manual
“CREST Manual”	the compendium of documents entitled CREST Manual issued by Euroclear from time to time and comprising the CREST Reference Manual, the CREST Central Counterparty Service Manual, the CREST International Manual, CREST Rules, CCSS Operations Manual and the CREST Glossary of Terms
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI No. 2001/3755) and the CREST Guernsey Requirements
“CREST Rules”	rules within the meaning of the relevant CREST Regulations and/or FSMA made by Euroclear as operator of a designated system under or pursuant to Directive 98/26/EC on settlement finality in payment and securities settlement systems
“CREST UK system”	the facilities and procedures for the time being of the relevant system of which Euroclear has been approved as operator pursuant to the Regulations
“CRS”	the Organisation for Economic Co-operation and Development’s “Common Reporting Standards”
“CTA 2010”	the UK Corporation Tax Act 2010
“Directors” or “Board”	the directors of the Company from time to time, but whose names as at the date of this document appear on page 9 of this document
“Disclosure Guidance and Transparency Rules” or “DTRs”	the disclosure guidance published by the FCA and the transparency rules made by the FCA under section 73A of FSMA
“DP Law”	the Data Protection (Bailiwick of Guernsey) Law, 2001, as amended

“equity securities”	shares other than shares that, as respects dividends and capital, carry a right to participate only up to a specified amount in a dividend) or a right to subscribe for or to convert securities into shares (other than shares that, as respects dividends and capital, carry a right to participate only up to a specified amount in a dividend)
“ERISA”	the US Employee Retirement Income Security Act of 1974, as amended from time to time, and the applicable regulations thereunder
“Euroclear”	Euroclear UK & Ireland Limited, a company incorporated in England and Wales with registered number 2878738 and having its registered office at 33 Cannon Street, London EC4M 5SB
“FATCA”	the United States Foreign Account Tax Compliance provisions of the US Hiring Incentives to Restore Employment Act 2000, which implemented sections 1471-1474 of the U.S. Internal Revenue Code of 1986, as amended
“FCA”	the UK Financial Conduct Authority
“FSMA”	the Financial Services and Markets Act 2000 (as amended)
“GFSC”	The Guernsey Financial Services Commission
“Group”	the Company and its subsidiaries from time to time
“Guernsey”	the Bailiwick of Guernsey
“Guernsey AML Requirements”	The Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999 (as amended), regulations made thereunder, and the GFSC’s Handbook for Financial Services Businesses on Countering Financial Crime and Terrorist Financing (as amended, supplemented and/or replaced from time to time)
“HMRC”	HM Revenue & Customs
“IFRS” or “IFRSs”	International Financial Reporting Standards, as adopted for use in the European Union
“Independent Directors”	a Director who is considered to be independent for the purposes of the AIC Code
“Introduction Agent Agreement”	the agreement entered into between the Company and the Introduction Agent pursuant to which the Introduction Agent has been appointed as an introduction agent to the Company in connection with the Subscription
“Introduction Agent”	has the meaning given to it at paragraph 9.3 of Part 5 of this document
“Investment Manager”	Merchant Capital Manager Limited, the Investment Manager to the Company, an affiliate of CIP
“Investment Management Agreement”	the agreement entered into between the Company, Merchant Capital GP and the Investment Manager, pursuant to which the Investment Manager provides investment management services to the Company and Merchant Capital GP, and has agreed to act as AIFM to the Company

“IPVEC Guidelines”	International Private Equity and Venture Capital Valuation Guidelines
“IRR”	the internal rate of return
Lock-in Agreement	the agreement entered into between the Company, Strand Hanson, each Director, the Investment Manager and CIP pursuant to the terms of which each Director, the Investment Manager and CIP have covenanted not to dispose of Shares held by them for a prescribed period (subject to certain conditions) and have agreed to sell their shares so as to ensure an orderly market
“London Stock Exchange”	London Stock Exchange plc
“Market Abuse Regulation”	EU Market Abuse Regulation (594/2014)
“Main Market”	the main market for listed securities of the London Stock Exchange
“Memorandum”	the memorandum of association of the Company
“Merchant Capital GP”	Merchant Capital GP Limited, a company incorporated in Guernsey with registration number 64070 and being a wholly owned subsidiary of the Company and the general partner of the Merchant Capital Limited Partnership
“Merchant Capital Limited Partnership”	Merchant Capital L.P. a limited partnership in Guernsey under the Limited Partnerships (Guernsey) Law 1995 (as amended)
“Merchant Capital Limited Partnership Agreement”	the limited partnership agreement dated 30 November 2017 entered into between the Merchant Capital GP, the Company and the Investment Manager in respect of the Merchant Capital Limited Partnership
“Net Asset Value” or “NAV”	the value, as at any date, of the assets of the Company after deduction of all liabilities determined in accordance with the accounting policies adopted by the Company from time to time
“Nominated Adviser” or “Nomad”	Strand Hanson in its capacity as Nominated Adviser to the Company for the purposes of the AIM Rules
“Nomad and Broker Agreement”	the agreement dated 15 December 2017 entered into between the Company, the Directors and Strand Hanson pursuant to which Strand Hanson has been appointed as nominated adviser and broker to the Company
“Non-Qualified Holder”	any person: (i) whose ownership of shares may cause the Company’s assets to be deemed “plan assets” for the purposes of the U.S. Code; (ii) whose ownership of shares may cause the Company to be required to register as an “investment company” under the U.S. Investment Company Act (including because the holder of the shares is not a “qualified purchaser” as defined in the U.S. Investment Company Act); (iii) whose ownership of shares may cause the Company to register under the U.S. Exchange Act, the U.S. Securities Act or any similar legislation; (iv) whose ownership of shares may cause the Company not being considered a “foreign private issuer” as such term is defined in rule 3b4(c) under the U.S. Exchange Act; (v) whose ownership of shares may result in the Company losing or forfeiting or not being able to claim the benefit of any exemption under the Commodity

Exchange Act or the rules of the CFTC or analogous legislation or regulation becoming subject to any unduly onerous filing, reporting or registration requirement; or (vi) whose ownership of shares may cause the Company to be a “controlled foreign corporation” for the purposes of the U.S. Code, or may cause the Company to suffer any pecuniary disadvantage (which will include any excise tax, penalties or liabilities under ERISA or the U.S. Code including as a result of the Company’s failure to comply with FATCA as a result of a Non-Qualified Holder failing to provide information as requested by the Company in accordance with these articles)

Orderly Market Agreement

the agreement entered into between the Company, Strand Hanson and the Substantial Shareholders pursuant to which the Substantial Shareholders have agreed to sell their shares so as to ensure an orderly market

“Official List”

the official list maintained by the UKLA

“Partnership Law”

the Limited Partnership (Guernsey) Law, 1995, as amended from time to time

“Plan Investor”

(i) an “employee benefit plan” that is subject to Title I of ERISA, (ii) a plan, individual retirement account or other arrangement that is subject to section 4975 of the U.S. Code, (iii) an entity whose underlying assets are considered to include “plan assets” of any plan, account, or arrangement described in preceding paragraph (i) or (ii), or (iii) any governmental plan, church plan, non-U.S. plan or other investor whose purchase or holding of shares would be subject to any similar law

“POI Law”

The Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended

“Prohibited Territories”

Australia, Canada, Japan, the Republic of South Africa and the United States

“Prospectus Rules”

the Prospectus Rules made by the FCA under Part VI of FSMA relating to offers of securities to the public and admission of securities to trading on a ‘regulated market’

“RCIS Rules”

The Registered Collective Investment Schemes Rules 2015 issued by the GFSC

“Registrar”

Computershare Investor Services (Guernsey) Limited

“Regulations”

The Uncertificated Securities (Enabling Provisions) Guernsey Law, 2005, The Uncertificated Securities (Guernsey) Regulations 2009 (as amended), The Uncertificated Securities Regulations 2001 (SI 2001 No 3755), as amended by the Uncertificated Securities (Amendment) (Eligible Debt Securities) Regulations 2003 (SI 2003 No. 1633), and such other regulations as are applicable to Euroclear and/or the CREST relevant system and are from time to time in force

“Relevant Electronic Address”

shall have the meaning ascribed to it by the Companies Law;

“Relevant Member State”

a member state of the European Economic Area which has implemented the Prospectus Directive;

“Remuneration Committee”

the remuneration committee of the Board

“RIS”	regulatory information service;
“Rules”	the rules, including any manuals, issued from time to time by an Authorised Operator governing the admission of securities to and the operation of the Uncertificated System managed by such Authorised Operator;
“SDRT”	stamp duty reserve tax
“Services Agreement”	the services agreement entered into between the Investment Manager and CIP and pursuant to which CIP provides certain investment due diligence, monitoring and reporting services to the Investment Manager
“Similar Laws”	has the meaning given to it in paragraph 4.2.4(e)(i)
“Shares”	a redeemable ordinary share of no par value in the capital of the Company issued and designated as an “ordinary share” having the rights and being subject to such restrictions set out in the Articles
“Shareholders”	holders of Shares from time to time
“sterling”	pounds sterling, the lawful currency of the UK
“Subscribers”	subscribers for Shares in the Subscription
“Subscription”	the subscriptions for Shares at the Subscription Price, as described in this document
“Subscription Agreements”	the subscription letters entered into between the Subscribers and the Company setting out the terms on which the Subscribers are participating in the Subscription
“Subscription Price”	100 pence per Subscription Share
“Subscription Shares”	the 55,000,000 Shares to be issued to subscribers in the Subscription on Admission
Substantial Shareholders	Spartan Fund Ltd – SAC Class G, Spartan Fund Ltd – SAC Class B, Spartan Fund Ltd – SAC Class L, Spartan Fund Ltd – SAC Class L, Spartan Fund Ltd – SAC Class M, Spartan Fund Ltd – SAC Class N, Pegasus Alternative Fund Ltd SAC Class F, Pegasus Alternative Fund Ltd SAC Class G and Dorincort Suisse SAGL
“subsidiary” or “subsidiary undertaking”	has the same meaning as in the Act
“Takeover Code”	the UK City Code on Takeovers and Mergers
“Takeover Panel”	the Panel on Takeovers and Mergers
“UK”	the United Kingdom of Great Britain and Northern Ireland
“uncertificated” or “in uncertificated form”	a share or shares recorded on the register of members as being held in uncertificated form in CREST, entitlement to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“UK Listing Authority” or “UKLA”	the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA

“uncertificated”	a unit of a Guernsey security, title to which is recorded on the relevant register of members or on the Company’s register of non-share securities as being held in uncertificated form, and title to which may be transferred by means of an Uncertificated System in accordance with the CREST Regulations and the Rules, if any
“Uncertificated System”	any computer based system and its related facilities and procedures that are provided by an Authorised Operator and by means of which title to units of a security (including shares) can be evidenced and transferred in accordance with the Regulations without a written certificate or instrument
“US” or “United States”	the United States of America
“U.S. Code”	the US Internal Revenue Code of 1986 as amended
“U.S. Exchange Act”	the United States Securities Exchange Act of 1934, as amended, and the rules and regulations of the United States Securities and Exchange Commission promulgated pursuant to it
“U.S. Investment Company Act”	the United States Investment Company Act of 1940 (as amended)
“U.S. Person”	has the meaning given to it in Regulation S
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended
“VAT”	UK value added tax

