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If you have sold or otherwise transferred all of your Existing ZDP Shares, please send this document and the accompanying documents (but not any accompanying personalised Form of Election) to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. However, such documents should not be forwarded or transmitted in or into any jurisdiction in which such act would constitute a violation of the relevant laws of such jurisdiction. If you have sold or transferred only part of your holding of Existing ZDP Shares, you should retain this document and the accompanying documents and consult the bank, stockbroker or agent through whom the sale was effected. If you have recently purchased or been transferred Existing ZDP Shares and, notwithstanding the instructions above, receive the Form of Election from the transferor of such Existing ZDP Shares, you should contact Capita Asset Services, PEWT Securities' Receiving Agent, on the telephone number set out on page 15 of this document, to obtain a replacement Form of Election.

The distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe such restrictions. Any failure to comply with the restrictions may constitute a violation of the securities laws of any such jurisdiction.

This document should be read in conjunction with the accompanying Prospectus relating to PEWT Securities 2020.

Nplus1 Singer Advisory LLP, which is authorised and regulated in the UK by the Financial Conduct Authority, is acting exclusively for PEWT Securities, PEWT Securities 2020 and the Parent in connection with the Proposals and for no one else and will not be responsible to anyone other than PEWT Securities, PEWT Securities 2020 and the Parent for providing the protections afforded to its clients, for the content of this document, or for providing advice in relation to the Proposals.

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## **PEWT SECURITIES PLC**

*(Incorporated in England and Wales with registered number 09148176)*

**a wholly owned subsidiary of**

## **PREMIER ENERGY AND WATER TRUST PLC**

*(Incorporated in England and Wales with registered number 04897881)*

### **Reconstruction and voluntary winding-up of PEWT Securities PLC**

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ZDP Shareholders who hold their Existing ZDP Shares in certificated form and who are not Overseas Shareholders will find enclosed with this document a Form of Election for use in connection with the Scheme. To be valid, Forms of Election must be completed and returned so as to be received by Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by 1.00 p.m. on 11 December 2015. ZDP Shareholders who hold their Existing ZDP Shares in uncertificated form will not receive a Form of Election and should elect by the submission and settlement of a TTE Instruction in accordance with the instructions under the section of this document entitled "Existing ZDP Shares held in CREST", in paragraph 1 of Part 2 of this document. All Elections will be irrevocable unless the prior consent of the Directors is obtained.

**Your attention is drawn to Part 2 of this document entitled "Action to be Taken" and to the section of this document entitled "Certain considerations relating to the Proposals", which can be found in paragraph 7 in Part 1 of this document.**

## KEY FEATURES OF THE NEW ZDP SHARES

The Proposals provide for a members' voluntary liquidation of PEWT Securities and scheme of reconstruction pursuant to section 110 of the Insolvency Act 1986.

ZDP Shareholders will be able to elect to receive their Final Capital Entitlement in respect of their Existing ZDP Shares upon the winding-up of PEWT Securities:

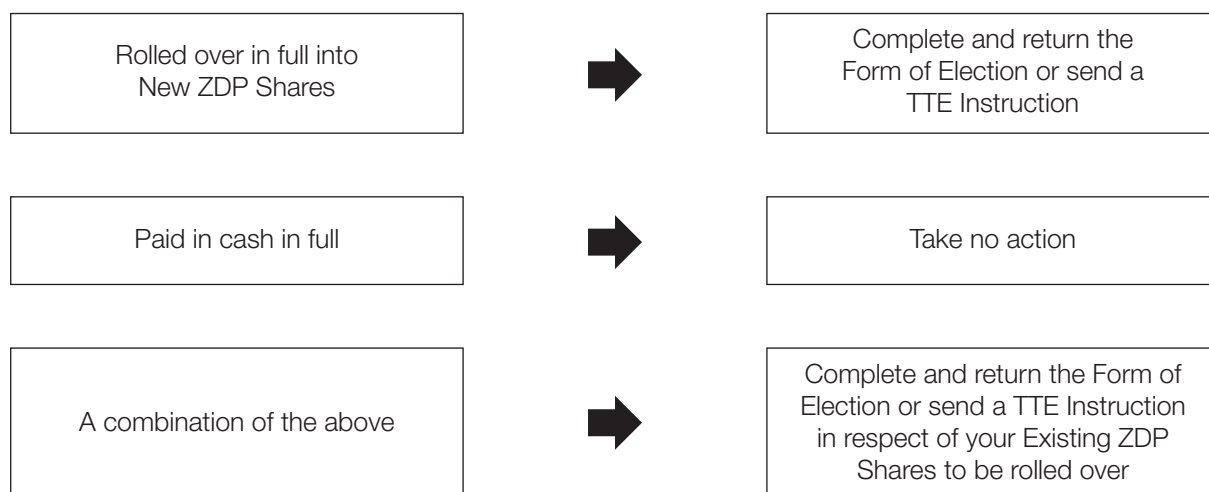
- in cash; or
- to roll over some or all of their investment into New ZDP Shares to be issued by PEWT Securities 2020, a new subsidiary of the Parent formed for the purpose of the Proposals.

The New ZDP Shares will have the following key features:

<b>Issue price</b>	100 pence per New ZDP Share
<b>Gross redemption yield based on issue price</b>	4.75 per cent.
<b>Term</b>	30 November 2020
<b>Final capital entitlement due on 30 November 2020</b>	125.6519 pence per New ZDP Share
<b>Minimum Initial Cover</b>	1.45 times

## SUMMARY OF ACTION TO BE TAKEN

To elect for your Final Capital Entitlement to be<sup>1</sup>:



<sup>1</sup> Elections for the Rollover Option are subject to scaling back as described at paragraph 14 of Part 4 of this document.

## TABLE OF CONTENTS

	<i>Page</i>
<b>EXPECTED TIMETABLE</b>	4
<b>PART 1 CHAIRMAN'S LETTER</b>	5
<b>PART 2 ACTION TO BE TAKEN</b>	15
<b>PART 3 THE NEW ZDP SHARES</b>	18
<b>PART 4 THE SCHEME</b>	21
<b>PART 5 GENERAL INFORMATION</b>	27
<b>PART 6 DEFINITIONS</b>	30
<b>APPENDIX PROPOSED AMENDMENTS TO THE ARTICLES</b>	35

## EXPECTED TIMETABLE

### 2015

Latest time and date for receipt of the Forms of Election or TTE Instructions from ZDP Shareholders <sup>2</sup>	1.00 p.m. on 11 December
Record Date for entitlement to the Scheme	5.00 p.m. on 11 December
Latest time and date for commitments under the Placing	5.00 p.m. on 18 December
First General Meeting <sup>3</sup>	10.00 a.m. on 21 December
Date from which it is advised that dealings in Existing ZDP Shares should only be for cash settlement and immediate delivery of documents of title	24 December
Existing ZDP Shares reclassified, Official List amended and dealings in Reclassified Shares commence on the London Stock Exchange <sup>4</sup>	8.00 a.m. on 30 December
Dealings in Reclassified Shares suspended	8.00 a.m. on 31 December
<b>Second General Meeting<sup>3</sup> and, if the Scheme becomes unconditional, Effective Date for the implementation of the Proposals and commencement of liquidation</b>	9.00 a.m. on 31 December
Publication of the results of the Placing and the Scheme	31 December

### 2016

New ZDP Shares admitted to Official List, Existing ZDP Shares cancelled and dealings in New ZDP Shares commence on the London Stock Exchange	8.00 a.m. on 4 January
CREST accounts credited with New ZDP Shares (for holders in uncertificated form)	as soon as practicable after 8.00 a.m. on 4 January
Despatch of New ZDP Share certificates (to holders in certificated form)	8 January
Consideration expected to be despatched to ZDP Shareholders who elect or are deemed to have elected for the Cash Option to CREST participants by the crediting through CREST and to certificated holders by cheque	8 January

*All of the times and dates in the expected timetable may be extended or brought forward without further notice. If any of the above times and/or dates change, the revised time(s) and/or date(s) will be notified to Shareholders by an announcement through a Regulatory Information Service provider.*

*All references to time in this document are to UK time.*

<sup>2</sup> ZDP Shareholders who wish to receive their Final Capital Entitlement in respect of their entire holding of Existing ZDP Shares in cash do not need to complete a Form of Election or send a TTE Instruction and will be deemed to have elected for the Cash Option.

<sup>3</sup> **Neither ZDP Shareholders nor Ordinary Shareholders are entitled to attend or vote at either General Meeting.**

<sup>4</sup> Reclassified Shares are a technical requirement of the Scheme and will be created if Resolution 1 to be proposed at the First General Meeting is passed and becomes effective. Existing ZDP Shares will be reclassified according to the Elections made (or deemed to have been made) by ZDP Shareholders.

## PART 1

### CHAIRMAN'S LETTER

# PEWT SECURITIES PLC

*(Incorporated in England and Wales with registered number 09148176)*

*Directors:*

Geoffrey Burns (*Chairman*)  
Ian Graham  
Michael Wigley  
Charles Wilkinson

*Registered Office:*

Eastgate Court  
High Street  
Guildford  
Surrey  
GU1 3DE

20 November 2015

*To: ZDP Shareholders*

Dear ZDP Shareholder

## **Reconstruction and voluntary winding-up of PEWT Securities**

### **1. Introduction**

As you will be aware, PEWT Securities is due to be wound up on 31 December 2015 and ZDP Shareholders repaid their Final Capital Entitlement of 221.78p per ZDP Share.

Your Board announced today proposals for an issue of New ZDP Shares and the opportunity for existing ZDP Shareholders to roll over their capital entitlement into New ZDP Shares.

The Proposals provide for a members' voluntary liquidation of PEWT Securities and scheme of reconstruction pursuant to section 110 of the Insolvency Act 1986. Under the Proposals, ZDP Shareholders may receive their Final Capital Entitlement upon the winding-up of PEWT Securities in cash or elect to roll over some or all of their investment into New ZDP Shares to be issued by PEWT Securities 2020, a new subsidiary of the Parent formed for the purpose of the Proposals. A rollover of an investment in the Existing ZDP Shares to the New ZDP Shares issued by PEWT Securities 2020 provides an alternative to the cash payment to which ZDP Shareholders are entitled upon a straight winding-up and will allow ZDP Shareholders who elect for the rollover to continue their investment in the Group. ZDP Shareholders who elect to roll over their investment into New ZDP Shares should not generally be treated as making a disposal for the purposes of UK taxation of chargeable gains as a result of doing so (as to which, please see the discussion at paragraph 2 of Part 5 of this document).

In addition to the Scheme, the Proposals also include a conditional Placing of further New ZDP Shares. The number of New ZDP Shares to be issued pursuant to the overall Issue is limited to the Maximum Issue Size, which is designed to protect New ZDP Shareholders by ensuring that the Cover on the New ZDP Shares as at Admission (calculated by reference to the Gross Assets as at 11 December 2015, the deadline for submission of Elections) is at least the Minimum Initial Cover. ZDP Shareholders seeking to roll over their investment into New ZDP Shares will be allocated New ZDP Shares in preference to any subscriptions from investors under the Placing. Accordingly, if there is sufficient demand for the Rollover Option from ZDP Shareholders, it is possible that no New ZDP Shares will be issued pursuant to the Placing.

The Proposals are not conditional on the approval of ZDP Shareholders or Ordinary Shareholders of the Parent. The Proposals are conditional on the approval of the ordinary shareholder of PEWT Securities, which is the Parent, at the General Meetings. The Proposals are expected to proceed and this document is being sent to provide ZDP Shareholders with information regarding the Proposals and the Elections that may be made in respect of the Scheme.

**Details of the action to be taken by ZDP Shareholders in relation to the Proposals are set out in Part 2 of this document.**

**It is important that ZDP Shareholders read Part 2 carefully and, if they wish to make a full or partial election for New ZDP Shares, where their Existing ZDP Shares are held in certificated form, return their Forms of Election or, where their Existing ZDP Shares are held in uncertificated form, submit their transfer to escrow instruction via CREST (TTE Instruction) so as to be received no later than 1.00 p.m. on 11 December 2015.**

**Failure to return or submit a valid Form of Election or a TTE Instruction or the return or submission of a Form of Election or a TTE Instruction which is not validly completed will result in the relevant ZDP Shareholder being deemed to have elected for the Cash Option.**

The attention of Shareholders is drawn to paragraph 2 of Part 5 of this document which sets out a general guide to certain aspects of current UK taxation law and HMRC published practice.

This document should be read in conjunction with the accompanying Prospectus relating to PEWT Securities 2020.

## **2. Key features of the New ZDP Shares**

The New ZDP Shares:

- will have a repayment date of 30 November 2020 and will effectively rank as to capital in priority to the Ordinary Shares;
- are designed to provide a pre-determined level of capital growth equivalent to a gross redemption yield of 4.75 per cent. per annum based on the issue price of a New ZDP Share of 100p; and
- subject to the Group having sufficient assets at the time and assuming the Scheme is effective on 31 December 2015, will carry the right to be paid the 2020 Final Capital Entitlement of 125.6519p in cash on 30 November 2020.

The Issue Price will be 100 pence per New ZDP Share. Accordingly, if a ZDP Shareholder were to elect for the Rollover Option, where there is no scaling back, they would receive 2,217 New ZDP Shares for every 1,000 Existing ZDP Shares held on the Effective Date (entitlements to New ZDP Shares under the Scheme will be rounded down to the nearest whole number).

However, the number of New ZDP Shares that may be issued under the Issue is limited to the Maximum Issue Size. The Board has determined that the gearing to be provided to the Group by the New ZDP Shares will be less than the gearing currently provided to the Group by the Existing ZDP Shares. Accordingly, if a sufficient number of ZDP Shareholders were to elect for the Rollover Option, such ZDP Shareholders would be scaled back in accordance with paragraph 14 of Part 4 of this document and would receive part of their Final Capital Entitlement in cash. By way of example, if all ZDP Shareholders elect for the Rollover Option and assuming that the Maximum Issue Size is achieved, each ZDP Shareholder will be scaled back to the extent that they would receive approximately 53.6 per cent. of their Final Capital Entitlement in New ZDP Shares and the remainder of their Final Capital Entitlement in cash.

On the assumption that (i) Gross Assets on 31 December 2015 are £75.9 million, which were the Gross Assets as at the Latest Practicable Date; and (ii) the Maximum Issue Size is achieved, then it is expected that following completion of the Scheme and the Placing, Gross Assets would need to fall by 31.0 per cent. in total, and 7.3 per cent. annually, in order for the New ZDP Shares not to receive their full 2020 Final Capital Entitlement of 125.6519p per New ZDP Share on 30 November 2020.

## **3. Background to the Proposals**

In August 2014, Shareholders approved proposals to extend the life of the Parent beyond its then-planned winding up date of 31 December 2015 and to implement a reorganisation of the Parent through a scheme of arrangement. The reorganisation became effective in September 2014, pursuant to which old zero dividend preference shares issued by the Parent were replaced with the Existing ZDP Shares issued by PEWT Securities, a subsidiary of the Parent which was formed for the purpose of the reorganisation.

The Group's current capital structure is designed to provide ZDP Shareholders with a Final Capital Entitlement of 221.78p in cash per Existing ZDP Share on the planned winding-up date of PEWT Securities of 31 December 2015. To achieve this, the Articles provide for PEWT Securities to be wound up on 31 December 2015. On a winding-up, Shareholders' entitlements, after payment of PEWT Securities' creditors, are determined in accordance with the Articles as follows:

- (i) first, there shall be paid to ZDP Shareholders an amount equal 151.39p per ZDP Share as increased with effect from and including 17 December 2009 on a daily basis at such compounded rate as results in a final entitlement on 31 December 2015 of 221.78p per ZDP Share; and
- (ii) secondly, the Parent, as the holder of all of the ordinary shares of PEWT Securities shall receive the surplus assets of PEWT Securities available for distribution.

Accordingly, the Group is committed to repaying the Final Capital Entitlement of the Existing ZDP Shares of approximately £49.8 million on 31 December 2015.

At the time of the 2014 reorganisation, the Board informed Shareholders that it was the Board's intention to consider the various options that may be available for refinancing the Existing ZDP Shares nearer to the planned winding-up of PEWT Securities. The Board stated that it may consider the issuance by the Group of a follow-on zero dividend preference share at that time, to allow ZDP Shareholders who wish to do so the opportunity to roll over their investment into a similar investment for which the Board believed there would be sufficient demand.

Against this background, the Board requested the Group's Manager, Premier Portfolio Managers Limited, and its financial adviser, N+1 Singer, to consult with certain of the Group's ZDP Shareholders to ascertain their views. There was strong support for an option that would enable ZDP Shareholders to roll over all or some of their existing investment, in a tax efficient manner, into new zero dividend preference shares issued by the Group.

The purpose of this document is to explain the Proposals and the actions required to be taken in order for ZDP Shareholders to make their Election in respect of the Proposals. The Board, which has been advised by N+1 Singer, believes that the Proposals are in the best interests of Shareholders as a whole and of ZDP Shareholders as a class. In providing its advice, N+1 Singer has taken into account the commercial assessments of the Board.

**ZDP Shareholders are recommended to make an Election for the Option(s) they would prefer in respect of their Existing ZDP Shares. The Form of Election need only be completed, or a TTE Instruction submitted, as appropriate, by ZDP Shareholders who wish to make a full or partial election for New ZDP Shares pursuant to the Rollover Option. If ZDP Shareholders wish to receive the Cash Option, no action needs to be taken.**

#### **4. The Proposals**

##### **4.1 Options available to ZDP Shareholders**

Under the Proposals, PEWT Securities will be wound up on 31 December 2015. ZDP Shareholders who are on the Register as at 5.00 p.m. on 11 December 2015 will be entitled to elect:

- (i) to rollover some or all of their investment into New ZDP Shares issued by PEWT Securities 2020, a newly incorporated subsidiary of the Parent (the "**Rollover Option**"); and/or
- (ii) to receive cash in the liquidation in respect of all or part of their investment in PEWT Securities (the "**Cash Option**").

ZDP Shareholders may make different Elections in respect of different parts of their holdings of Existing ZDP Shares, as suits their personal investment requirements.

**The default option under the Scheme will be the Cash Option, meaning that a ZDP Shareholder who, in respect of all or part of his or her holding of Existing ZDP Shares, fails to submit a valid Form of Election or a valid TTE Instruction, as appropriate, by the due date or submits a Form of Election which has not been duly completed or an invalid TTE Instruction, will be deemed to have elected for the Cash Option in respect of such holding.**



Subject to paragraph 9 of Part 4 of this document, Overseas Shareholders will be deemed to have elected for the Cash Option in respect of their entire holding of Existing ZDP Shares.

If the number of New ZDP Shares which would be issuable pursuant to the Scheme as a result of giving full effect to Elections for the Rollover Option would exceed the Maximum Issue Size, then the number of New ZDP Shares issuable pursuant to the Scheme shall be scaled back in the manner set out in paragraph 14 of Part 4 of this document.

#### 4.2 ***Benefits of the Proposals***

The Proposals offer ZDP Shareholders the option of receiving their Final Capital Entitlement in cash or, if they prefer, the opportunity to roll over all or part of their capital entitlement into New ZDP Shares issued by the Group. ZDP Shareholders who may be subject to UK capital gains tax or corporation tax on gains on their investment in PEWT Securities should generally be able to roll over their investment into PEWT Securities 2020 without crystallising an immediate charge to UK capital gains tax or corporation tax on gains (as to which, please see the discussion at paragraph 2 of Part 5 of this document).

The choice between the Options available under the Proposals will be a matter for each ZDP Shareholder to decide and will be influenced by their individual circumstances and investment objectives. ZDP Shareholders should, before making any Election, read carefully the information on the Options in this document and the accompanying Prospectus in relation to PEWT Securities 2020 and the New ZDP Shares.

**Shareholders who are in any doubt as to the contents of this document or as to the action to be taken should immediately seek their own personal financial advice from their independent professional adviser authorised under the Financial Services and Markets Act 2000.**

#### 4.3 ***Features of the proposed capital structure and the New ZDP Shares***

In planning the proposed capital structure of the Group, the Directors have had regard to the requirement to maintain a balance between, on the one hand, the objective of providing a competitive yield and security of repayment for the New ZDP Shareholders and, on the other hand, the objective of providing Ordinary Shareholders with a high level of income coupled with capital growth over the long-term.

The New ZDP Shares will be issued by PEWT Securities 2020, a newly formed subsidiary of the Parent. The number of New ZDP Shares that may be issued under the Issue is limited to the Maximum Issue Size. On the assumption that Gross Assets on 11 December 2015 are £75.9 million, which were the Gross Assets as at the Latest Practicable Date, and the Maximum Issue Size is achieved, then it is expected that following completion of the Scheme and the Placing there will be 26,684,796 New ZDP Shares in issue. The ordinary shares of PEWT Securities 2020 are unlisted and are all held by the Parent.

The New ZDP Shares will have a repayment date of 30 November 2020 and will effectively rank as to capital in priority to the Ordinary Shares (as is the case with the Existing ZDP Shares, holders of Ordinary Shares will be, in effect, entitled to the net revenue profits of the Group (including accumulated revenue reserves) in priority to the repayment of the 2020 Final Capital Entitlement). The objective of PEWT Securities 2020 is to repay the 2020 Final Capital Entitlement on the 2020 ZDP Repayment Date.

The New ZDP Shares are designed to provide a pre-determined level of capital growth equivalent to a gross redemption yield of 4.75 per cent. per annum based on the issue price of a New ZDP Share of 100p. The initial capital entitlement of 100p per New ZDP Share will be increased from Admission at a daily compound rate to the 2020 ZDP Repayment Date, being 30 November 2020 on which PEWT Securities 2020 is expected to be wound up. Subject to the Group having sufficient assets at the time and assuming the Scheme is effective on 31 December 2015, the 2020 Final Capital Entitlement of a New ZDP Share will be 125.6519p. The capital entitlement of the New ZDP Shares will rank behind the Group's other liabilities but ahead of the capital entitlement of the Ordinary Shareholders (holders of Ordinary Shares being entitled to the net revenue profits of the Group in priority to the repayment of the 2020 Final Capital Entitlement).



The New ZDP Shares will be admitted to a standard listing on the Official List and traded on the London Stock Exchange's main market for listed securities.

Further information on the New ZDP Shares, including the rights attaching to them and certain undertakings given by the Group for the benefit of the New ZDP Shareholders, are set out in the Prospectus accompanying this document.

#### 4.4 ***Intra-Group arrangements***

PEWT Securities 2020 will not hold any of the Group's portfolio of investments, which will continue to be held by the Parent.

In order for PEWT Securities 2020 to have sufficient assets to repay the 2020 Final Capital Entitlement on the 2020 ZDP Repayment Date (or the accrued capital entitlement of New ZDP Shares at an earlier date, if required), the Parent and PEWT Securities 2020 have entered into arrangements whereby the assets of the Parent will effectively be made available to meet the repayment entitlements of the New ZDP Shares.

The Parent has entered into the New Undertaking Agreement with PEWT Securities 2020 by which the Parent has undertaken to contribute (by way of gift, capital contribution or otherwise) such amount as will result in PEWT Securities 2020 having sufficient assets to satisfy the then current capital entitlement or, as the case may be, the 2020 Final Capital Entitlement of the New ZDP Shares on the 2020 ZDP Repayment Date or any earlier winding up of PEWT Securities 2020. The Parent has also agreed to meet all of the running costs of PEWT Securities 2020.

The Parent has given certain undertakings for the benefit of PEWT Securities 2020 and the New ZDP Shareholders whilst the Parent remains liable to make any payment under the New Undertaking Agreement.

In addition, pursuant to the New Undertaking Agreement, PEWT Securities 2020 has agreed to lend to the Parent all of the proceeds of the Placing (and any net proceeds pursuant to the ZDP Placing Programme (further details of which are set out at paragraph 4.7 below)) and an amount equal to the value of the assets (other than the Rollover Option Undertaking described in paragraph 4.5 below) received by it from PEWT Securities pursuant to the terms of the Scheme.

The arrangements outlined above will effectively result in all of the Group's net assets being available to meet the repayment entitlements of the New ZDP Shares. The repayment entitlements of the New ZDP Shares will effectively rank in priority to the capital entitlement of the Ordinary Shares, although they will be subordinated to any bank borrowings the Group may incur (although it is the Parent's policy not to employ any long-term gearing other than by way of the issue of zero dividend preference shares) and other creditors from time to time. As is the case with the Existing ZDP Shares, holders of Ordinary Shares will be entitled to the net revenue profits of the Group in priority to the repayment of the 2020 Final Capital Entitlement.

The terms of the agreements referred to above are summarised in paragraph 9 of Part 8 of the Prospectus. The provisions of the articles of association of PEWT Securities 2020 are summarised in paragraph 4 of Part 8 of the Prospectus. The rights attached to the New ZDP Shares are also summarised in Part 3 of this document.

#### 4.5 ***Operation of the Scheme***

If the Scheme proceeds, before any assets are transferred to PEWT Securities 2020 under the Scheme or set aside to pay ZDP Shareholders who have or are deemed to have elected for the Cash Option, the Liquidators will set aside sufficient assets in the Liquidation Fund to meet all estimated current and future, actual and contingent liabilities and costs which PEWT Securities has agreed to pay.

After provision for liabilities (if any) as described above has been made in the Liquidation Fund, the assets of PEWT Securities will be appropriated into two pools, the ZDP Cash Pool and the ZDP Rollover Pool, at the Effective Date. The appropriation of the assets of PEWT Securities will be on the basis of the value attributable to Elections for the Cash Option and the value attributable to Elections for the Rollover Option. The remaining assets of PEWT Securities will form part of the Liquidation Fund.

The only material asset of PEWT Securities is the Existing Undertaking Agreement, by which the Parent has undertaken to contribute (by way of gift, capital contribution or otherwise) such amount as will result in PEWT Securities having sufficient assets to satisfy the then current or, as the case may be, Final Capital Entitlement of the Existing ZDP Shares on 31 December 2015 or any earlier winding up of PEWT Securities. PEWT Securities has no material liabilities other than the Final Capital Entitlement of ZDP Shareholders.

Accordingly, the split of assets into the Liquidation Fund, Cash Pool and Rollover Pool will be achieved by way of terminating and restating the Existing Undertaking Agreement, as at the Effective Date, such that the undertaking contained therein is split into two new undertakings:

- (i) an undertaking from the Parent to contribute such amount as will result in PEWT Securities having sufficient assets to satisfy the aggregate Final Capital Entitlements of all those ZDP Shareholders electing for the Cash Option and all other liabilities of PEWT Securities (the “**PEWT Securities Undertaking**”); and
- (ii) an undertaking from the Parent to contribute such amount as will result in PEWT Securities having sufficient assets to satisfy the aggregate Final Capital Entitlements of all those ZDP Shareholders electing for the Rollover Option (the “**Rollover Option Undertaking**”).

On the Effective Date, the Liquidators will transfer the assets in the ZDP Rollover Pool (the only material asset of which is expected to be the Rollover Option Undertaking) to PEWT Securities 2020. In consideration for such transfer, New ZDP Shares will be issued fully paid at a subscription price of 100p to ZDP Shareholders with “A” rights who have elected for New ZDP Shares.

The transfer of the ZDP Rollover Pool will be carried out in accordance with the terms of the Transfer Agreement. Further details of the Transfer Agreement are set out in paragraph 1 of Part 5 of this document. The terms of the Rollover Option Undertaking provide that PEWT Securities shall be entitled to assign the Rollover Option Undertaking to PEWT Securities 2020 in connection with the Scheme. Further details of the Rollover Option Undertaking are set out in paragraph 9 of Part 8 of the Prospectus.

The ZDP Cash Pool (the only material asset of which is expected to be the PEWT Securities Undertaking) will be used to pay the Final Capital Entitlements of ZDP Shareholders with “B” rights who have elected, or are deemed to have elected, for the Cash Option.

Any remaining assets of PEWT Securities in the Liquidation Fund will be paid in cash to the Parent as holder of the ordinary shares of PEWT Securities.

#### 4.6 **The Maximum Issue Size and the Placing**

The maximum number of New ZDP Shares that may be issued under the Issue is the Maximum Issue Size.

If the number of New ZDP Shares which would be issuable pursuant to the Scheme as a result of giving full effect to Elections for the Rollover Option would exceed the Maximum Issue Size, then the number of New ZDP Shares issuable pursuant to the Scheme shall be scaled back in the manner set out in paragraph 14 of Part 4 of this document.

To the extent that Elections for the Rollover Option under the Scheme do not require such maximum number of New ZDP Shares to be issued to ZDP Shareholders, it is intended that the excess may be issued pursuant to the Placing.

N+1 Singer will use its reasonable endeavours to procure subscribers for the balance of New ZDP Shares up to the Maximum Issue Size. No commission will be paid by the Group to any placee in connection with the Placing, which is not underwritten.

ZDP Shareholders seeking to roll over their investment into New ZDP Shares will be allocated New ZDP Shares in preference to any subscriptions from investors under the Placing.

A summary of the placing agreement entered into among the Parent, the Manager, PEWT Securities 2020 and N+1 Singer is set out in paragraph 9 of Part 8 of the Prospectus.

#### 4.7 **The Placing Programme**

Following completion of the Scheme (and any Placing), and pursuant to the ZDP Placing Programme, the directors of PEWT Securities 2020 may issue New ZDP Shares to satisfy demand for the New ZDP Shares and to grow the assets of the Group.

No issuance of New ZDP Shares will be permitted which would result in:

- (i) in respect of the period to 31 March 2016 (and only to the extent that the Maximum Issue Size has not been exceeded at the relevant time pursuant to the Scheme, the Placing and any previous issues under the ZDP Placing Programme), those New ZDP Shares in issue immediately thereafter having a Cover of not less 1.45 times immediately following the issue; and
- (ii) in respect of all other issues, a reduction in Cover from the level immediately prior to the issue unless a minimum Cover of 1.8 times post the issue is maintained.

Further details of the ZDP Placing Programme are set out in the Prospectus accompanying this document.

#### 4.8 **The General Meetings and winding-up of PEWT Securities**

The implementation of the Proposals requires the passing of the Resolutions at the First General Meeting and the Second General Meeting. **Neither ZDP Shareholders nor Ordinary Shareholders are entitled to attend or vote at either General Meeting.** The Parent, as the holder of all of the ordinary shares in the capital of PEWT Securities, shall be the only person entitled to attend and vote at the General Meetings. The Parent has indicated its intention to vote in favour of the Resolutions at each General Meeting and so it is expected that the Proposals will be implemented.

At the First General Meeting, special resolutions will be proposed to: (i) re-classify the rights attaching to the Existing ZDP Shares such that those ZDP Shareholders who elect, or are deemed to elect, to rollover into New ZDP Shares will hold shares with "A" rights giving them the right to receive New ZDP Shares on a winding-up of PEWT Securities and those ZDP Shareholders who elect, or are deemed to elect, to receive cash will hold Existing ZDP Shares with "B" rights giving them the right to receive cash on the winding-up of PEWT Securities; (ii) authorise the implementation of the Scheme by the Liquidators including an application to delist the Existing ZDP Shares from the Official List of the UK Listing Authority; and (iii) amend the Articles for the purposes of the implementation of the Scheme. The amendments to the Articles are set out in full in the Appendix to this document.

The First General Meeting has been convened for 10.00 a.m. on 21 December 2015 to be held at the offices of Stephenson Harwood LLP. Neither ZDP Shareholders nor Ordinary Shareholders may attend or vote at the First General Meeting.

At the Second General Meeting, special resolutions will be proposed to: (i) wind up PEWT Securities voluntarily; (ii) appoint the Liquidators; and (iii) confer certain powers on the Liquidators.

The Second General Meeting has been convened for 9.00 a.m. on 31 December 2015 to be held at the offices of Stephenson Harwood LLP. Neither ZDP Shareholders nor Ordinary Shareholders may attend or vote at the Second General Meeting.

#### 4.9 **Dealings in Existing ZDP Shares and Reclassified Shares**

It is advised that the last day for trading in the Existing ZDP Shares on the London Stock Exchange for normal settlement (in order to enable settlement prior to the Record Date) will be 8 December 2015. As from 24 December 2015, dealings shall be for cash settlement only and, in the case of certificated Existing ZDP Shares, will only be registered if documents of title are delivered immediately.

The Record Date, being the date for determining which ZDP Shareholders are entitled to participate in the Scheme, is 5.00 p.m. on 11 December 2015. Application for the amendment of the Official List to reflect the Reclassified Shares will be made, and it is expected that such amendment will become effective, and that dealings in such Shares will commence, at 8.00 a.m. on 30 December 2015. For the purposes of dealings in the Reclassified Shares, all ZDP Shareholders will be treated as certificated holders. It is expected that dealings on the London Stock Exchange in the Reclassified Shares will be suspended at 8.00 a.m. on 31 December 2015.

If ZDP Shareholders dispose of their Existing ZDP Shares otherwise than through the London Stock Exchange, they must make their own arrangements with the other parties concerned as regards entitlement under the Scheme.

#### **4.10 Share certificates and payment of cash entitlements**

Certificates will not be issued in respect of Reclassified Shares. Existing certificates in respect of Existing ZDP Shares will cease to be of value for any purpose, and any existing credit of Existing ZDP Shares in any stock account in CREST will be cancelled, following the despatch to ZDP Shareholders of share certificates in respect of the New ZDP Shares issued under the Scheme (or, in the case of ZDP Shareholders previously holding their Existing ZDP Shares in uncertificated form, the appropriate stock accounts in CREST of such ZDP Shareholders are credited with their respective entitlements to New ZDP Shares) or, as the case may be, their cash entitlements.

If the Scheme becomes effective, cheques in respect of the Final Capital Entitlements due to ZDP Shareholders holding their Existing ZDP Shares in certificated form who have elected or are deemed to have elected for the Cash Option are expected to be despatched by the Receiving Agent on 8 January 2016. All ZDP Shareholders who hold their Existing ZDP Shares in CREST will receive payment of their cash entitlement through the CREST system.

All documents and remittances despatched to or from ZDP Shareholders or their appointed agents in connection with the Scheme and liquidation of PEWT Securities will be despatched at Shareholders' own risk and no acknowledgement will be issued for receipt of Forms of Election or TTE Instructions.

#### **4.11 Overseas Shareholders**

ZDP Shareholders who are Overseas Shareholders will not receive a Form of Election and will (unless the Directors determine otherwise) receive their Final Capital Entitlement in cash in respect of their entire holding of Existing ZDP Shares unless they have satisfied the Directors that it is lawful for New ZDP Shares to be issued to them under any relevant overseas laws and regulations.

#### **4.12 Taxation**

The attention of ZDP Shareholders is drawn to paragraph 2 of Part 5 of this document which sets out a general guide to certain aspects of current UK taxation law and HMRC published practice.

### **5. Costs of the Proposals**

On the assumption that (i) the Gross Assets on 11 December 2015 are £75.9 million, which were the Gross Assets as at the Latest Practicable Date, (ii) the number of Existing ZDP Shares in issue as at the Effective Date is 22,446,099, which is the number of Existing ZDP Shares in issue as at the date of this document, and (iii) all ZDP Shareholders are eligible to, and do, elect for the Rollover Option, then the costs of implementing the Proposals are expected to be approximately £484,000 (equivalent to approximately 1.82 per cent. of the Net Asset Value as at the Latest Practicable Date). These costs will be borne by the Parent and so will effectively be borne by the Ordinary Shareholders.

If the Proposals are not implemented, the costs of the Proposals will, in any event, be borne by the Parent and so will effectively be borne by the Ordinary Shareholders.

### **6. Conditions to the Proposals**

The Scheme which provides for, and which will effect, the Rollover Option, is conditional upon:

- (i) the passing of the Resolutions to be proposed at the First General Meeting (or any adjournment thereof) and upon any conditions of such Resolutions being satisfied and the passing of the Resolutions to be proposed at the Second General Meeting (or any adjournment thereof);
- (ii) the UK Listing Authority agreeing to admit to the standard segment of the Official List the Reclassified Shares and the London Stock Exchange agreeing to admit the Reclassified Shares to trading on its main market for listed securities, and, subject only to allotment thereof, the New ZDP Shares to be issued pursuant to the Issue also being agreed to be so admitted; and
- (iii) the Minimum Issue Size being achieved.

The Parent, as the holder of all of the ordinary shares in the capital of PEWT Securities, shall be the only person entitled to attend and vote at the General Meetings. The Parent has indicated its intention to vote in favour of the Resolutions at each General Meeting and so it is expected that the Proposals will be implemented.

## **7. Certain considerations relating to the Proposals**

The implementation of, and an Election for one or more Options under, the Proposals carry with them certain considerations for ZDP Shareholders as described below:

- ZDP Shareholders will need to consider the tax consequences of the Proposals, based on their particular circumstances. As described in paragraph 2 of Part 5 of this document, UK resident ZDP Shareholders who elect for, or who are deemed to elect for the Cash Option (including as a result of scaling back of elections under the Scheme), will generally be treated as a making a disposal of their Existing ZDP Shares and may incur a tax liability as a result. Similarly, ZDP Shareholders who elect to roll over some or all of their entitlement into New ZDP Shares may incur tax liabilities on any subsequent disposal of their New ZDP Shares. Shareholders who are in any doubt as to the tax consequences of the Proposals should seek independent professional advice. ZDP Shareholders who elect to roll over their investment into New ZDP Shares should not generally be treated as making a disposal for the purposes of UK taxation of chargeable gains as a result of doing so;
- elections for New ZDP Shares may be subject to scaling back under the Scheme. This may result in ZDP Shareholders receiving part of their Final Capital Entitlements under the Scheme in cash rather than in New ZDP Shares;
- the default option under the Scheme is for a ZDP Shareholder to receive the Final Capital Entitlement in cash. ZDP Shareholders making no Election under the Scheme will therefore receive cash;
- the New ZDP Shares are designed to be held over the long-term and may not be suitable as short-term investments. There can be no guarantee that any appreciation in the value of the Group's investments will occur and investors may not get back the full value of their investment. The past performance of the Group is not a guide to the future performance of the Group. On the assumption that (i) Gross Assets on 31 December 2015 are £75.9 million, which were the Gross Assets as at the Latest Practicable Date; and (ii) the Maximum Issue Size is achieved, then it is expected that following completion of the Scheme and the Placing, Gross Assets would need to fall by 31.0 per cent. in total, and 7.3 per cent. annually, in order for the New ZDP Shares not to receive their full 2020 Final Capital Entitlement of 125.6519p per New ZDP Share on 30 November 2020;
- there can be no guarantee that the investment objective of the Parent will be achieved. A failure to meet the investment objective may have a material adverse effect on the ability of the Parent to meet its obligations under the New Undertaking Agreement and thereby on the ability of PEWT Securities 2020 to pay the 2020 Final Capital Entitlement in full on the 2020 ZDP Repayment Date; and
- the ability of PEWT Securities 2020 to pay such amounts is dependent on it having sufficient cash resources to meet such obligation and therefore on the Parent meeting its obligation under the New Undertaking Agreement to contribute such funds to PEWT Securities 2020 so as to ensure PEWT Securities 2020 has sufficient assets at the relevant time.

## **8. Action to be taken**

**Details of the action to be taken by ZDP Shareholders in relation to the Proposals are set out in Part 2 of this document.**

**It is important that ZDP Shareholders read Part 2 carefully and, if they wish to make a full or partial election for New ZDP Shares, where their Existing ZDP Shares are held in certificated form, return their Forms of Election or, where their Existing ZDP Shares are held in uncertificated form, submit their TTE Instructions so as to be received no later than 1.00 p.m. on 11 December 2015.**

**Failure to return or submit a Form of Election or a TTE Instruction or the return or submission of a Form of Election or a TTE Instruction which is not validly completed will result in the relevant ZDP Shareholder being deemed to have elected for the Cash Option.**

#### **9. No recommendation**

Your Board considers that the Proposals set out in this document are in the best interests of Shareholders as a whole and of ZDP Shareholders as a class. However, the Directors make no recommendation to ZDP Shareholders as to whether or not they should elect to receive New ZDP Shares or cash under the Scheme. The benefits of the Options under the Scheme to ZDP Shareholders will depend on their own personal, financial and tax circumstances and their investment objectives. Accordingly, you are recommended to read carefully all the information in this document and in the Prospectus before making any election. The choice between the Options is a matter for each ZDP Shareholder to decide.

**ZDP Shareholders in any doubt as to the action they should take should consult an appropriately qualified independent adviser, authorised under the Financial Services and Markets Act 2000, without delay.**

Yours faithfully

**Geoffrey Burns**

*Chairman*



## PART 2

### ACTION TO BE TAKEN

**ZDP Shareholders should read the following sections of this document carefully. If ZDP Shareholders are unsure as to the contents of this document or as to what action they should take, they are recommended to seek immediately their own personal financial advice from their stockbroker, bank manager, solicitor, accountant or other independent financial adviser who, if they are taking advice in the United Kingdom, is duly authorised under the Financial Services and Markets Act 2000.**

#### **1. Procedure for making Elections**

**The default option under the Scheme will be the Cash Option, meaning that a ZDP Shareholder who, in respect of all or part of his or her holding of Existing ZDP Shares, fails to submit a valid Form of Election or a valid TTE Instruction, as appropriate, by the due date or submits a Form of Election which has not been duly completed or an invalid TTE Instruction, will be deemed to have elected for the Cash Option in respect of such holding.**

**Overseas Shareholders and stockbrokers, banks or other agents holding Existing ZDP Shares for Overseas Shareholders should read the section headed “Overseas Shareholders” at paragraph 3 below.**

#### ***Existing ZDP Shares held in certificated form***

A Form of Election (which has been personalised) accompanies this document for ZDP Shareholders (other than Overseas Shareholders) who hold their Existing ZDP Shares in certificated form. Those ZDP Shareholders who wish to elect for the Rollover Option in respect of all or part of their holding of Existing ZDP Shares should complete and return the Form of Election using the enclosed reply-paid envelope, by post or by hand (during normal business hours only) to the Receiving Agent, Capita Asset Services, as soon as possible but in any event so as to be received by not later than 1.00 p.m. on 11 December 2015.

If ZDP Shareholders hold Existing ZDP Shares in certificated form, but under different designations, they should complete a separate Form of Election in respect of each designation. Further Forms of Election are available on request by calling Capita Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00 a.m. and 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice or provide advice on the merits of the Proposals and calls may be recorded and monitored for security and training purposes.

Those who wish to receive cash in respect of their entire holding of Existing ZDP Shares do not need to complete the Form of Election and will be deemed to have elected for the Cash Option.

Instructions on how to complete the Forms of Election are set out in the guidance notes attached thereto. Elections, once made, will be irrevocable unless the consent of the Directors is obtained.

#### ***ZDP Shareholders holding Existing ZDP Shares in both certificated form and in CREST***

If any ZDP Shareholders hold Existing ZDP Shares in both certificated and uncertificated form (that is, in CREST) and wish to elect for the Rollover Option, they should complete a Form of Election for their certificated holding and send a TTE Instruction for their CREST uncertificated holding.

#### ***Existing ZDP Shares held in CREST***

If your Existing ZDP Shares are held in uncertificated form (that is, in CREST) you will not receive and must not complete or return a Form of Election. You should however take (or procure to be taken) the action set out below to transfer (by means of a TTE Instruction) the number of Existing ZDP Shares in respect of which you are making an Election for the Rollover Option to an escrow balance, specifying Capita Asset Services in its capacity as Receiving Agent (under its participant ID referred to below) as the escrow agent, as soon



as possible and in any event so that the transfer to escrow settles not later than the time and date referred to below.

If you are a CREST personal member, you should refer to your CREST sponsor before taking any action. Your CREST sponsor will be able to confirm details of your participant ID and the member account ID under which your Existing ZDP Shares are held. In addition, only your CREST sponsor will be able to send the TTE Instruction to Euroclear in relation to the Existing ZDP Shares which you wish to tender.

If any ZDP Shareholders hold Existing ZDP Shares in uncertificated form, but under different member account IDs, they must send a TTE Instruction in respect of each member account ID.

If you wish to elect for the Cash Option in respect of all of your holding of Existing ZDP Shares, you do not need to take any further action. If you wish to elect for New ZDP Shares in respect of only some of your holding of Existing ZDP Shares, you should send (or, if you are a CREST personal member, procure that your CREST sponsor sends) a TTE Instruction to Euroclear, which must be properly authenticated in accordance with Euroclear's specifications and which must contain, in addition to other information that is required for the TTE Instruction to settle in CREST, the following details:

- the number of Existing ZDP Shares to be transferred to an escrow account;
- the ISIN for the Existing ZDP Shares, which is GB00BPYP3846;
- your member account ID;
- your participant ID;
- the relevant Participant ID of the Receiving Agent, which is RA10;
- the member account of the Receiving Agent, which is 28690PEW;
- the corporate action number for the Proposals, which is allocated by the Euroclear and can be found by viewing the relevant corporate action details in CREST;
- the intended settlement date for the transfer to escrow, which should be as soon as possible and in any event no later than 1.00 p.m. on 11 December 2015;
- contact name and telephone number inserted at the beginning of the shared note field; and
- input with standard delivery instruction priority of 80.

ZDP Shareholders only need to submit an election through CREST in respect of the number of Existing ZDP Shares held on which they wish to elect for the Rollover Option. Those who hold Existing ZDP Shares in CREST and who wish to elect for the Cash Option in respect of their entire holding of Existing ZDP Shares need take no action, as this is the default option which ZDP Shareholders will be deemed to have elected for unless an alternative Election is made.

## **2. Participants in savings schemes or ISAs**

Recipients of this document who are the beneficial owners of Existing ZDP Shares in PEWT Securities held through savings schemes or ISAs may participate in the Scheme. The Elections available to holders of Existing ZDP Shares through savings schemes or ISAs are the same as those available to ZDP Shareholders. Such persons should follow the instructions provided by the relevant plan manager or consult the plan manager or their professional adviser if no instructions have been provided.

## **3. Overseas Shareholders**

The implications of the Scheme for, and the distribution of this document to, Overseas Shareholders may be affected by the laws of the relevant jurisdictions. Overseas Shareholders should inform themselves about and observe all applicable legal requirements.

It is the responsibility of any person into whose possession this document comes to satisfy themselves as to their full observance of the laws of the relevant jurisdiction in connection with the Scheme and the distribution of this document and/or the accompanying documents, including the obtaining of any governmental, exchange control or other consents which may be required and/or compliance with other

necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction.

Forms of Election will not be sent to any ZDP Shareholders who are Overseas Shareholders. If the Scheme becomes effective, all Overseas Shareholders will, unless they are able to satisfy the Group that they are permitted to hold New ZDP Shares without breaching the laws of any relevant jurisdictions, be treated as having validly elected for cash in respect of their entire holding of Existing ZDP Shares. Overseas Shareholders should contact Capita Asset Services on 0371 664 0321. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00 a.m. and 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice or provide advice on the merits of the Proposals and calls may be recorded and monitored for security and training purposes.

**Overseas Shareholders should consult their own legal and tax advisers with respect to the legal and tax consequences of the Scheme in their particular circumstances.**

**This document does not constitute an invitation or offer to sell or the solicitation of an invitation or offer to buy any security. None of the securities referred to in this document shall be sold, issued, subscribed for, purchased, exchanged or transferred in any jurisdiction in contravention of applicable law.**

## PART 3

### THE NEW ZDP SHARES

The New ZDP Shares shall have the following rights. In this Part 3, references to “ordinary shares” are to ordinary shares of £1 each in the capital of PEWT Securities 2020.

#### 1. Dividend rights

The New ZDP Shares shall carry no rights to receive dividends.

#### 2. Voting rights

The holders of New ZDP Shares shall have the right to receive notice of general meetings of PEWT Securities 2020 but shall not have the right to attend or vote thereat, except upon:

- (a) any resolution to alter, modify or abrogate the special rights or privileges attached to the New ZDP Shares;
- (b) any resolution to consolidate and divide or sub-divide the share capital of PEWT Securities 2020; or
- (c) any resolution to wind up PEWT Securities 2020,

but subject to the provisions summarised at paragraph 4.5 below and provided that at any meeting where such business is to be considered such holders shall be entitled to vote in relation to such business alone.

#### 3. Rights on a winding up attaching to the New ZDP Shares

On a return of assets, on a liquidation or otherwise, the surplus assets of PEWT Securities 2020 after payment of all its debts and satisfaction of all its liabilities shall be applied as follows:

- (a) first, there shall be paid to holders of the New ZDP Shares an amount equal 100p per New ZDP Share as increased with effect from and including 1 January 2016 on a daily basis at such compounded rate as results in a final entitlement on 30 November 2020 of 125.6519p per New ZDP Share; and
- (b) secondly, there shall be paid to the holders of the ordinary share(s) (all of the ordinary shares being held by the Parent) the surplus assets of PEWT Securities 2020 available for distribution *pro rata* to the number of ordinary share(s) then held by them.

#### 4. Class rights attaching to the New ZDP Shares

4.1 Except as otherwise permitted by the Articles, PEWT Securities 2020 shall not, and (if applicable) shall, so far as it is able, procure that the Parent shall not, without the previous sanction of a special resolution of the holders of New ZDP Shares passed at a separate meeting of such holders convened and held in accordance with the provisions of the Articles:

- (a) issue any further shares or rights to subscribe or convert any securities into shares or reclassify issued share capital into shares of a particular class where such shares rank, or would on issue, conversion or reclassification rank, as to capital in priority to, or *pari passu* with, the New ZDP Shares, other than as otherwise permitted by the Articles;
- (b) incur any external borrowings which would rank ahead of the capital entitlement of the New ZDP Shares on a winding-up of PEWT Securities 2020 (excluding monies determined by the Directors in their absolute discretion to be borrowed for temporary purposes only and in the ordinary course of business including, without limitation, for the purpose of settling transactions and any monies borrowed for the purpose of paying the 2020 Final Capital Entitlement or then accrued entitlement of the New ZDP Shares);
- (c) pass a resolution to reduce the capital of PEWT Securities 2020 or any member of the Group in any manner or to repurchase shares in PEWT Securities 2020 or any member of the Group, other than as otherwise permitted by the Articles;

- (d) pass a resolution releasing the directors from their obligation to wind up PEWT Securities 2020 on 30 November 2020 or otherwise varying its effect;
- (e) pass a resolution for the voluntary winding up of PEWT Securities 2020 or any member of the Group where such winding up would take effect prior to 30 November 2020;
- (f) pass any resolution which authorises or permits the payment of a dividend or other distribution out of the capital reserves of the Group;
- (g) change the investment policy of the Parent or any member of the Group materially;
- (h) make any material increase to the allocation to the Parent's capital account of the Parent's expenses;
- (i) pass a resolution at any general meeting of any member of the Group where that general meeting has been called otherwise than by order of the board of directors of PEWT Securities 2020 or any member of the Group; or
- (j) make any variation of the terms of the New Undertaking Agreement which, at the time of being made, could reasonably be considered to be materially prejudicial to the interests of the holders of the New ZDP Shares;

4.2 Notwithstanding paragraph 4.1(c) above, no such sanction will be required for the passing of a resolution authorising PEWT Securities 2020 or, where applicable, the Parent to repurchase:

- (a) Ordinary Shares in the capital of the Parent where such shares may only be purchased at prices below their prevailing net asset value per Ordinary Share (as determined by the Directors in accordance with the articles of association of the Parent as at a date falling no more than 10 days before the date of the relevant repurchase and taking into account the costs of the repurchase) and where:
  - (i) the Cover of the New ZDP Shares would not be reduced below 1.8 times; or
  - (ii) the Cover of the New ZDP Shares would not be less than the Cover of the New ZDP Shares in issue immediately prior to the repurchase,

in each case as determined by the Directors as at a date falling not more than 10 days before the date of repurchase and taking account of any purchases of New ZDP Shares proposed to be made at or about the same time; or

- (b) Ordinary Shares in the capital of the Parent and New ZDP Shares in such proportions and at such prices so as to effect an increase in the net asset value per Ordinary Share (as determined by the Directors in accordance with the Parent Articles as at a date falling no more than 10 days before the date of the relevant repurchases and taking into account the costs of the repurchases) and where
  - (i) the Cover of the New ZDP Shares would not be reduced below 1.8 times; or
  - (ii) the Cover of the New ZDP Shares would not be less than the Cover of the New ZDP Shares in issue immediately prior to the repurchases,

in each case as determined by the Directors as at a date falling not more than 10 days before the date of repurchases; or

- (c) New ZDP Shares where such shares may only be purchased at prices below their prevailing accrued capital entitlement (as determined by the directors in accordance with the Articles as at a date falling not more than 10 days before the date of the relevant repurchase and taking into account the costs of the repurchase),

or for any repurchase of such shares in accordance with any such resolution.

4.3 Notwithstanding paragraph 4.1(a) above, PEWT Securities 2020 may, subject as provided in the Articles, issue further New ZDP Shares ranking *pari passu* with the New ZDP Shares, provided that the Directors shall have calculated that, were the further New ZDP Shares to be issued at the NAV Calculation Date:

- (i) in respect of the period to 31 March 2016, and only to the extent that the Maximum Issue Size has not been exceeded at the relevant time, those New ZDP Shares in issue immediately thereafter would have a Cover of not less 1.45 times immediately following the issue; and

- (ii) in respect of all other issues:
  - (A) those New ZDP Shares in issue immediately thereafter would have a Cover of not less than 1.8 times; or
  - (B) those New ZDP Shares in issue immediately thereafter would have a Cover of not less than the Cover of the New ZDP Shares in issue immediately prior to the NAV Calculation Date.

The "NAV Calculation Date" for this purpose shall mean the close of business on the latest practicable date prior to the date of the proposed issue or, at the discretion of the Directors, the close of business on the latest practicable date prior to the date of the announcement of such proposed issue or, if applicable and earlier, the date of any announcement of the intention to make such proposed issue. In calculating such Cover, the Directors shall where available:

- A. use the Gross Assets of the Group published by the Parent at the most recent practicable date before the NAV Calculation Date;
- B. adjust the Gross Assets of the Group used for the purposes of A by adding the minimum net consideration (if any) which would be received upon such issue;
- C. take account of the entitlements to be attached to the New ZDP Shares to be issued;
- D. aggregate the final capital entitlements of the existing New ZDP Shares and the capital entitlements of the New ZDP Shares to be issued as aforesaid in each case as at 30 November 2020; and
- E. make such other adjustments as they consider appropriate.

The Directors shall have absolute discretion to determine whether the conditions set out above are satisfied in any case and no independent valuation need be carried out.

- 4.4 Each holder of New ZDP Shares shall have the right to receive, for information purposes only, notice of general meetings of the Parent but (without prejudice to the rights of holders of New ZDP shares summarised above) shall not have the right to attend or vote at any such meeting.
- 4.5 Notwithstanding the provisions of the Articles summarised at paragraph 4.1 above:
  - (a) if any offer is made to all holders of the New ZDP Shares (other than the offeror and/or persons acting in concert with the offeror) which becomes or is declared unconditional in all respects prior to 30 November 2020, and which entitles holders of New ZDP Shares to receive no later than the date falling 14 days after 30 November 2020, an amount in cash not less than that to which they would be entitled on the winding up of PEWT Securities 2020 on 30 November 2020 in accordance with the Articles, then whether or not such offer is accepted in any particular case, holders of the New ZDP Shares shall not thereafter be entitled to vote at any general meetings of PEWT Securities 2020 and the previous sanction of a special resolution of the holders of the New ZDP Shares shall not be required in any case in which it would be otherwise required by the Articles provided that where, notwithstanding the foregoing, such sanction is required in any case by the Act, all holders of such New ZDP Shares present in person or by proxy and entitled to vote at such meeting shall (in respect of the votes attached to all such shares) vote in favour of any resolution or resolutions recommended by the board and where any vote is not cast or is cast against any such resolution or resolutions recommended by the board it shall be deemed to have been cast in favour by virtue of this provision, save that the provisions relating to general meetings and class resolutions shall cease as regards the holders of the New ZDP Shares if either the board considers that the aforementioned offer is unlikely to be honoured or the offeror breaches a material term of the offer or otherwise manifests an intention not to implement the offer; and
  - (b) if at any time before the passing of the winding up resolution on 30 November 2020 a resolution is proposed at a general meeting (including the meeting convened to consider the winding up of PEWT Securities 2020) asking shareholders to sanction any form of arrangement or other proposal which provides for the holders of the New ZDP Shares to receive, no later than the date falling 14 days after 30 November 2020, an amount in cash not less than that to which they would be entitled on a winding up on 30 November 2020 in accordance with the Articles then they shall not be entitled to vote on such resolution to sanction such arrangement or on the resolution for winding up and the previous sanction of a special resolution of the holders of the New ZDP Shares shall not be required in any case in which it would be otherwise required by the Articles.

## PART 4

### THE SCHEME

#### 1. Definitions and interpretation

Words and expressions defined in Part 6 of this document have the same meanings when used in the context of the Scheme.

#### 2. Entitlements and elections for ZDP Shareholders under the Scheme

2.1 Save in relation to Overseas Shareholders (the rights of which are set out in paragraph 9 below), pursuant to the Scheme, ZDP Shareholders may elect to receive New ZDP Shares and/or cash in respect of some or all of their holding.

2.2 Subject to Resolution 1 being passed at the First General Meeting (or any adjournment thereof) and with effect from amendment to the Official List in respect of the Reclassified Shares:

2.2.1 Existing ZDP Shares in respect of which Elections are made for New ZDP Shares and are not scaled back under paragraph 14 below shall be reclassified as Shares with "A" rights; and

2.2.2 Existing ZDP Shares in respect of which Elections are made, or are deemed to have been made, for cash shall be reclassified as Shares with "B" rights,

(together the "**Reclassified Shares**"). No dividends are payable on the Reclassified Shares. The Reclassified Shares will rank *pari passu* with each other.

2.3 The Reclassified Shares shall have the special rights set out in the new Article 17.A to be inserted in the Articles pursuant to Resolution 1 set out in the notice convening the First General Meeting, such new Article being set out in the Appendix to this document. For all other purposes, the Reclassified Shares shall continue to have the same rights as the Existing ZDP Shares and references to "**ZDP Shareholders**" shall be construed accordingly.

2.4 ZDP Shareholders who elect or are deemed to elect for the Cash Option will receive their Final Capital Entitlement out of the ZDP Cash Pool (satisfied by way of the payment by the Parent of an amount under the PEWT Securities Undertaking) and this will be paid on or after 4 January 2016.

2.5 Under the Scheme:

2.5.1 a ZDP Shareholder who, in respect of all or part of his or her holding of Existing ZDP Shares, fails to submit a valid Form of Election or a valid TTE Instruction by the due date or submits a Form of Election which has not been duly completed or an invalid TTE Instruction, will be deemed to have elected for the Cash Option in respect of such holding;

2.5.2 subject to paragraph 9 below, ZDP Shareholders who are Overseas Shareholders will be deemed to have elected for the Cash Option in respect of their entire holding;

2.5.3 if an election is made in respect of a number of Existing ZDP Shares which (when added to the holding indicated on any other Forms of Election submitted by such ZDP Shareholder) exceeds the ZDP Shareholder's actual holding on the Record Date, then any election made or deemed to be made by any such ZDP Shareholder shall be deemed to be in respect of the whole of his or her actual holding; and

2.5.4 if elections are made by ZDP Shareholders in respect of fewer Existing ZDP Shares than those held by such ZDP Shareholders, such ZDP Shareholders shall be deemed to have elected to receive cash in respect of all Existing ZDP Shares in respect of which they have not elected for New ZDP Shares.

2.6 By signing and delivering a Form of Election or submitting a TTE Instruction and in consideration of PEWT Securities agreeing to process the Form of Election or TTE Instruction, each ZDP Shareholder agrees that an election made on a Form of Election or in a TTE Instruction will be irrevocable (unless the prior consent of the Directors is obtained) and, by signature and delivery or by such despatch or

making thereof, such ZDP Shareholder represents and warrants that the election is valid and binding and is made in accordance with all applicable legal requirements.

- 2.7 All questions as to the extent (if any) to which any election will be met and as to the validity of any Form of Election or TTE Instruction shall be at the discretion of the Directors, notwithstanding the provisions of this paragraph 2, and the Directors' determination shall be final.

### **3. Apportionment of the total assets of PEWT Securities**

- 3.1 On or prior to the Effective Date, the Company, in consultation with the Liquidators, shall divide the undertaking (including the assets) of PEWT Securities to the Liquidation Fund, the ZDP Cash Pool and the ZDP Rollover Pool as follows:

3.1.1 first to the Liquidation Fund there shall be appropriated any cash and other assets of PEWT Securities, which the Liquidators may call in, realise and convert into cash as they consider necessary to be sufficient to meet the outstanding current and future actual or contingent liabilities and unknown and unascertained liabilities of PEWT Securities including, without prejudice to the generality of the foregoing (and save to the extent that the same have already been paid):

- (a) the costs and expenses incurred and to be incurred by PEWT Securities and the Liquidators in formulating, preparing and implementing the Scheme, including the Transfer Agreement;
- (b) the costs and expenses of winding up PEWT Securities, including the fees and expenses of the Liquidators;
- (c) any tax and contingent liabilities of PEWT Securities;
- (d) the costs of purchasing (or making provision for the purchase of) the interests of ZDP Shareholders who have validly exercised their rights under section 111(2) of the Insolvency Act 1986;
- (e) any unclaimed dividends (so far as not previously paid);
- (f) any unpaid dividends; and

in each case, including any VAT in respect thereof;

3.1.2 second, to the Liquidation Fund there shall be appropriated, after the appropriation to the ZDP Rollover Pool and the ZDP Cash Pool referred to in paragraphs 3.1.3 and 3.1.4 below, all the remaining cash and other assets of PEWT Securities;

3.1.3 to the ZDP Rollover Pool there shall be appropriated a proportion by value of cash, undertaking and other assets of PEWT Securities (including the Rollover Option Undertaking, the value of which will be calculated on the Effective Date) equal to the aggregate value of the Final Capital Entitlements of holders of Reclassified Shares with "A"; and

3.1.4 to the ZDP Cash Pool there shall be appropriated a proportion by value of cash, undertaking and other assets (including the PEWT Securities Undertaking) of PEWT Securities equal to the aggregate value of the Final Capital Entitlements of holders of Reclassified Shares with "B" rights.

### **4. Calculations of value**

- 4.1 Except as otherwise provided in the Scheme, for the purposes of the calculations of value (including for the purposes of appropriating assets to the Liquidation Fund, the ZDP Cash Pool and the ZDP Rollover Pool) required to be made under the Scheme:

4.1.1 the Rollover Option Undertaking and the PEWT Securities Undertaking shall each be valued on the Effective Date;

4.1.2 cash and deposits with, or balances at, banks, together with all bills receivable shall be valued at the amount thereof together with any interest accrued less any tax payable thereon to that date;



- 4.1.3 any sums owing from debtors shall be valued at their actual amount less such provision for diminution of value (including provisions for bad or doubtful debts or discount to reflect the time value of money) as determined by the Directors in accordance with PEWT Securities' accounting policies;
  - 4.1.4 all other tangible assets shall be valued by the Directors who, in so doing, shall, if appropriate, value such assets in accordance with PEWT Securities' normal accounting policies;
  - 4.1.5 all income earned or accrued shall be treated as an asset and all expenses (including interest costs) incurred or accrued up to the Effective Date shall be treated as a liability; and
  - 4.1.6 any assets denominated in currencies other than sterling shall be converted into sterling at the ruling middle market rates of exchange available in the London foreign exchange market.
- 4.2 Notwithstanding the foregoing, the Directors or a duly authorised committee thereof, may, in their absolute discretion, permit an alternative method of valuation to be used if they, acting in good faith, consider that such valuation better reflects the fair value of any asset or security.
- 4.3 None of the Directors, the Manager, PEWT Securities 2020 nor the Liquidators shall be under any liability by reason of the fact that a price reasonably believed to be the appropriate market price of any listed investment or any valuation reasonably believed to be appropriate may subsequently be found not to have been the appropriate market price or valuation.

## **5. Provision of information by Liquidators**

On the Effective Date, the Liquidators shall deliver to PEWT Securities 2020 and the Manager particulars of the assets comprised in the ZDP Rollover Pool and a list certified by the Registrars of the names and addresses of, and the numbers of Existing ZDP Shares with "A" rights held by, ZDP Shareholders on the Register on the Record Date.

## **6. Transfer of assets**

- 6.1 On the Effective Date, the Liquidators shall, and shall procure that PEWT Securities shall, enter into and implement the Transfer Agreement (subject to such non-material modifications as may be agreed between the parties thereto) whereby the Liquidators shall procure the transfer of the ZDP Rollover Pool to PEWT Securities 2020 in exchange for the issue of New ZDP Shares to holders of Existing ZDP Shares with "A" rights on the basis set out in paragraph 7.2 below.
- 6.2 The Transfer Agreement provides that the assets to be transferred to PEWT Securities 2020 shall be transferred with such rights and title as PEWT Securities may have in respect of the same or any part thereof subject to and with the benefit of all and any rights, restrictions, obligations, conditions and agreements affecting the same or any part thereof, including the right to all income, dividends (including the rights to receive any unclaimed dividends), distributions, interest and other rights and benefits attaching thereto or accruing therefrom except for any such income, dividend, distribution, interest or other right or benefit on any investments marked "ex" the relevant income, dividend, distribution, interest or other right or benefit at or prior to the Effective Date. The Transfer Agreement further provides that PEWT Securities, acting by the Liquidators, shall, insofar as they are reasonably able to do so by law or otherwise, comply with all reasonable requests made by PEWT Securities 2020 in respect of vesting in PEWT Securities 2020 the title to and enjoyment of the ZDP Rollover Pool to be transferred to it and shall, in particular, account to PEWT Securities 2020 for all income, dividends, distributions, interest and other rights and benefits in respect of such assets received after the Effective Date, except for any such income, dividend, distribution, interest or other right or benefit on any investment marked "ex" the relevant income, dividend, distribution, interest or other right or benefit at or prior to the Effective Date.

## **7. Distribution of cash and issue of New ZDP Shares to ZDP Shareholders**

- 7.1 Following the Effective Date, out of the ZDP Cash Pool which forms part of the Liquidation Fund the Liquidators shall distribute to ZDP Shareholders who have elected, or are deemed to have elected, for the Cash Option pursuant to this document and the Form(s) of Election, the Final Capital Entitlements

of holders of Shares with “B” rights. The Registrars shall provide to the Liquidators a certified list of shareholders with “B” rights as at the Record Date.

- 7.2 Upon the transfer of the ZDP Rollover Pool in accordance with paragraph 6 above, the issue of New ZDP Shares shall be made to ZDP Shareholders who have elected, or are deemed to have elected, to receive such New ZDP Shares pursuant to this document and the Form(s) of Election on the basis that the number of New ZDP Shares to be issued to each holder of Shares with “A” rights shall be determined by the following formula and otherwise on the terms and in the manner prescribed in the Transfer Agreement:

$$\frac{A \times B}{100p}$$

100p

where:

“A” is the Final Capital Entitlement of a ZDP Shareholder; and

“B” is the number of Shares with “A” rights held by such Shareholder on the Record Date.

- 7.3 No fractions of a New ZDP Share will be issued under the Scheme. Entitlements to New ZDP Shares under the Scheme will be rounded down to the nearest whole number.
- 7.4 The New ZDP Shares to be issued pursuant to paragraph 7.2 above shall be issued to the Shareholders with Shares with “A” rights as soon as practicable after the transfer to PEWT Securities 2020 pursuant to paragraph 6 above and the delivery to PEWT Securities 2020 and the Manager of the particulars referred to in paragraph 5 above.
- 7.5 The New ZDP Shares to be issued pursuant to paragraph 7.2 shall be issued to the Liquidators (as nominee for the Shareholders entitled to them) immediately following the transfer of the Rollover Fund. The Liquidators shall renounce the relevant New ZDP Shares to the ZDP Shareholders entitled to them and the Registrars shall arrange for the despatch of certificates in respect of the New ZDP Shares on the day following the Effective Date or as soon as practicable thereafter to the persons entitled thereto at their respective addresses appearing in the register of members of PEWT Securities (and, in the case of joint holders, to the address of the first named) or to such other person and address as may be nominated by such persons in accordance with the provisions of the Form of Election, or, in the case of ZDP Shareholders previously holding their Existing ZDP Shares in uncertificated form, the Registrars shall procure that CREST is instructed to credit the appropriate stock accounts in CREST of such ZDP Shareholders with their respective entitlements to New ZDP Shares, in each case at the risk of the persons entitled thereto. The New ZDP Shares to be issued pursuant to the Scheme shall be credited as fully paid and shall rank *pari passu* in all respects with the New ZDP Shares issued under the Placing.
- 7.6 PEWT Securities 2020 shall be entitled to assume that all information delivered to it in accordance with paragraph 5 above is correct and to utilise the same in procuring registration in the relevant registers of the holders of New ZDP Shares under the Scheme.

## **8. Application of Liquidation Fund**

- 8.1 On or following the Effective Date, the Liquidators shall, so far as necessary, take all practicable steps to realise any non-cash assets remaining in the Liquidation Fund. The Liquidation Fund shall be applied by the Liquidators in discharging the liabilities of PEWT Securities (including those referred to in paragraph 3.1.1 above).
- 8.2 Any surplus in the Liquidation Fund shall be paid as soon as practicable in cash to the holder(s) of the ordinary shares in the capital of PEWT Securities on the Register on the Effective Date *pro rata* to their respective holdings as one or more liquidation distributions. The Liquidators shall be entitled to make interim distributions to such holder(s) of the ordinary shares in the capital of PEWT Securities *pro rata* to their respective holdings as at the close of business on the Effective Date.
- 8.3 The Liquidators shall have the sole discretion to close the liquidation notwithstanding there remain any unrealised assets of PEWT Securities, which shall be distributed to the holder(s) of the ordinary shares in the capital of PEWT Securities in accordance with paragraph 8.2 above.

## **9. Overseas Shareholders**

Save to the extent that the Directors are satisfied that a Shareholder may hold New ZDP Shares without breaching any relevant securities laws:

- 9.1 ZDP Shareholders with addresses on the Register which are outside the UK; and
- 9.2 ZDP Shareholders whom PEWT Securities, PEWT Securities 2020 or any of their respective agents believes to be resident in or citizens of, or holding Existing ZDP Shares on behalf of a person who is resident in or a citizen of, any jurisdiction outside the UK,

shall receive cash in respect of their entire holding of Existing ZDP Shares and shall be deemed to have elected for the Cash Option.

## **10. Modifications**

The provisions of the Scheme shall have effect subject to such non-material modifications or additions as the parties to the Transfer Agreement may from time to time approve in writing.

## **11. Reliance on information**

PEWT Securities, the Directors, the Liquidators, the Manager, PEWT Securities 2020 and the Auditors shall be entitled to act and rely without enquiry, on any information furnished or made available to them or any of them, as the case may be, in connection with the Scheme and the Transfer Agreement, including, for the avoidance of doubt, any certificate, opinion, advice, valuation, evidence or other information furnished or made available to them by PEWT Securities, the Directors (or any of them), the Manager, PEWT Securities 2020, the Receiving Agent, auditors, bankers or other professional advisers and, except as expressly provided in this document and the Prospectus, no such persons shall be liable or responsible for any loss suffered as a result thereof by PEWT Securities, any Shareholder or PEWT Securities 2020.

## **12. Liquidators' liability**

Nothing in the Scheme or in any document executed under or in connection with the Scheme shall impose any personal liability on the Liquidators or either of them save for any liability arising out of any negligence, fraud, breach of duty or wilful default by the Liquidators in the performance of their duties and this shall, for the avoidance of doubt, exclude any such liability for any action taken by the Liquidators in accordance with the Scheme or the Transfer Agreement.

## **13. Conditions**

13.1 The Scheme is conditional upon:

- 13.1.1 the passing of the Resolutions to be proposed at the First General Meeting (or any adjournment thereof) and upon any conditions of such Resolutions being satisfied and the passing of the Resolutions to be proposed at the Second General Meeting (or any adjournment thereof);
- 13.1.2 the UK Listing Authority agreeing to admit to the Official List the Reclassified Shares and the London Stock Exchange agreeing to admit the Reclassified Shares to trading on its main market for listed securities, and, subject only to allotment thereof, the New ZDP Shares to be issued pursuant to the Issue also being agreed to be so admitted; and
- 13.1.3 the Minimum Issue Size being achieved.

13.2 Unless the conditions set out in paragraph 13.1 above have been satisfied or, to the extent permitted, waived at or before the time of the passing of the Resolutions to be proposed at the Second General Meeting, the Scheme shall not become effective.

13.3 Subject to paragraph 13.1 above, the Scheme shall become effective on the date on which the Resolutions to be proposed at the Second General Meeting are passed.

13.4 If it shall become effective, the Scheme shall be binding on all Shareholders and on all persons claiming through or under them, subject to the rights of any persons who have validly exercised their rights under section 111(2) of the Insolvency Act 1986.

#### **14. Scaling back**

- 14.1 Notwithstanding anything in this Scheme to the contrary, if the number of New ZDP Shares which would be issuable pursuant to the Scheme as a result of giving full effect to Elections for the Rollover Option (assuming no scaling back under this paragraph) would exceed the Maximum Issue Size, then the number of New ZDP Shares issuable pursuant to the Scheme on the above basis shall be scaled back in the manner set out in this paragraph 14.
- 14.2 New ZDP Shares issuable pursuant to Elections for the Rollover Option shall be scaled back to the Cash Option in a manner which, as near as practicable, is *pari passu* and *pro rata* amongst all the ZDP Shareholders entitled, pursuant to such Elections, to the New ZDP Shares.
- 14.3 Any scaling back under this paragraph 14 shall be carried out by the Board after consultation with PEWT Securities 2020.

#### **15. General**

The Scheme shall, in all respects, be governed by, and construed in accordance with, the laws of England and Wales.

## PART 5

### GENERAL INFORMATION

#### 1. Transfer Agreement

If the Scheme becomes effective, the Liquidators (in their personal capacity and on behalf of PEWT Securities) and PEWT Securities 2020 will enter into the Transfer Agreement on or about the Effective Date pursuant to which the ZDP Rollover Pool will be transferred to PEWT Securities 2020 in exchange for the issue of New ZDP Shares to the ZDP Shareholders entitled to receive such New ZDP Shares pursuant to the Rollover Option.

Each of the parties to the Transfer Agreement has undertaken to enter into the agreement subject to the Scheme becoming unconditional.

#### 2. Taxation

**The following comments are intended only as a general guide to certain aspects of current UK law and HMRC published practice and do not constitute tax advice. They apply only to Shareholders who are resident in the UK and who hold their Existing ZDP Shares and New ZDP Shares beneficially as an investment (and otherwise than in an ISA). They do not address the position of certain classes of Shareholder such as dealers in securities, insurance companies, collective investment schemes or Shareholders who have (or are deemed to have) acquired their Shares in connection with any office or employment.**

**Shareholders who are subject to tax in a jurisdiction other than the UK or who are in any doubt as to their tax position or the tax consequences of the Proposals should consult their own professional advisers.**

#### **ZDP Shareholders**

##### **Reclassification of Existing ZDP Shares**

PEWT Securities has been advised that, for the purposes of UK taxation of chargeable gains, the reclassification of the Existing ZDP Shares into two classes (one class of shares with "A" rights to New ZDP Shares ("**A Shares**") and one class of shares with "B" rights to cash ("**B Shares**") should be treated as a reorganisation of share capital and accordingly should not be treated as giving rise to a disposal by ZDP Shareholders of their Existing ZDP Shares. Instead, the Reclassified Shares should, for the purposes of UK taxation of chargeable gains, be treated as the same asset as and acquired at the same time and for the same consideration as the Existing ZDP Shares.

To the extent that Shareholders receive a combination A Shares and B Shares, it will be necessary to apportion the original base cost in the Existing ZDP Shares between those two classes of Reclassified Shares. This apportionment will generally fall to be made by reference to the respective market values of the two classes of Reclassified Shares at the date of the reclassification. Where a Shareholder participates only in the Rollover Option or only in the Cash Option (such that the Shareholder receives only one class of Reclassified Shares), the whole of the base cost in that Shareholder's Existing ZDP Shares should generally be attributed to that class of Reclassified Share.

##### *The Rollover Option*

PEWT Securities has been advised that, for the purposes of UK taxation of chargeable gains, the exchange of A Shares for New ZDP Shares should also be treated as a reorganisation of the share capital and accordingly, to the extent that Shareholders are issued with New ZDP Shares in exchange for their Existing ZDP Shares pursuant to the Scheme, they should not be treated as making a disposal for the purposes of UK taxation of chargeable gains. Instead, the New ZDP Shares should be treated as the same asset as and acquired at the same time as the Shareholder's A Shares and as having the same base cost as those A Shares (based on the apportionment described above).

Any subsequent disposal of the New ZDP Shares may result in the holder of those New ZDP Shares realising a chargeable gain or allowable loss for the purposes of UK taxation of chargeable gains, depending on the holder's particular circumstances.

Clearance has been received from HMRC under section 138 of the Taxation of Chargeable Gains Act 1992 to the effect that HMRC is satisfied that the exchange of Existing ZDP Shares for New ZDP Shares pursuant to the Scheme is for bona fide commercial purposes and does not form part of any scheme of arrangements whose main purpose, or one of whose main purposes, is the avoidance of capital gains tax or corporation tax. Accordingly, the anti-avoidance provisions contained in section 137 of Taxation of Chargeable Gains Act 1992 should not prevent the treatment described above from applying.

#### *The Cash Option*

ZDP Shareholders who elect or who are deemed to have elected to receive cash under the Scheme will, for the purposes of UK taxation of chargeable gains, be treated as disposing of the B Shares which they will have received pursuant to the Cash Option mechanism and accordingly may realise a chargeable gain or allowable loss depending on their particular circumstances. For the purposes of calculating any such chargeable gain or loss, the Shareholder's base cost in the B Shares will generally be the proportion of the original based cost in the Shareholder's Existing ZDP Shares which, on the basis described above, was apportioned to the B Shares.

PEWT Securities will not be required to withhold UK tax at source when paying cash amounts to Existing ZDP Shareholders pursuant to the Cash Option.

#### *If the Scheme is not implemented*

If the Scheme is not implemented, PEWT Securities will in any event be wound up at the Second General Meeting and ZDP Shareholders should be treated as disposing of their Existing ZDP Shares for the purposes of UK taxation of chargeable gains and this may lead to a chargeable gain, depending on the ZDP Shareholder's particular circumstances.

#### *New ZDP Shares acquired under the Placing*

The acquisition of New ZDP Shares pursuant to the Placing will not be treated as a reorganisation of share capital for the purposes of UK taxation of chargeable gains but rather as a separate subscription for shares.

#### *"Disguised Interest" rules*

The statements above relating to the taxation of Shareholders assume that the so-called "disguised interest" rules contained in Chapter 2A of Part 4 of the Income Tax (Trading and Other Income) Act 2005 and Chapter 2A (Disguised interest) and 6A (Shares Accounted for as Liabilities) of Part 6 to the Corporation Tax Act 2009 do not apply. Were these provisions to apply, amounts received by Shareholders in relation to a disposal of their Existing ZDP Shares, Reclassified Shares or New ZDP Shares could be subject to tax as income, rather than as capital.

The disguised interest provisions can apply where there are arrangements relating to shares which would produce a return which is "economically equivalent to interest", one of the requirements for which is that there must be no "practical likelihood" that the return will cease to be produced. In principle, the disguised interest rules are capable of applying to zero dividend preference shares. However, HMRC's published guidance confirms that an investment portfolio genuinely exposed to investment risk is unlikely to be caught by these rules and PEWT Securities has been advised that these provisions should not apply provided that the underlying investment portfolio is genuinely exposed to investment risk. The current investment policy of the Parent is to invest in equity and equity-related securities of companies operating primarily in the energy and water sectors, as well as other infrastructure investments (see paragraphs 2 and 3 of Part 2 of the Prospectus).

### **Stamp Duty and Stamp Duty Reserve Tax**

#### *The ZDP Shareholders*

It is not expected that any UK stamp duty or UK stamp duty reserve tax ("**SDRT**") will be payable by the ZDP Shareholders on the liquidation.

#### *PEWT Securities*

It is not expected that any UK stamp duty or SDRT will be payable by PEWT Securities on the liquidation.

*PEWT Securities 2020*

It is not expected that any UK stamp duty or SDRT will be payable in respect of the transfer of assets of PEWT Securities to PEWT Securities 2020 under the Transfer Agreement. Any such charge that does arise will be met by PEWT Securities 2020.

**3. Miscellaneous**

- 3.1 The Liquidators have given and not withdrawn their written consent to the issue of this document with the inclusion of their names and references to them in the form and context in which they appear.
- 3.2 Each of N+1 Singer and the Manager 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.

Dated 20 November 2015



**PART 6**  
**DEFINITIONS**

The following definitions apply throughout this document, unless the context otherwise requires;

<b>2020 Final Capital Entitlement</b>	the final entitlement of a New ZDP Share on a winding-up of PEWT Securities 2020 on 30 November 2020 pursuant to its articles of association, which is 125.6519p in cash per New ZDP Share
<b>2020 ZDP Repayment Date</b>	30 November 2020
<b>Admission</b>	admission of the New ZDP Shares to a standard listing on the Official List and to trading on the London Stock Exchange's main market for listed securities and " <b>Admission becoming effective</b> " means it becoming effective in accordance with paragraph 3.2.7 of the Listing Rules and the Admission and Disclosure Standards published by the London Stock Exchange
<b>Articles</b>	the articles of association of PEWT Securities, as amended from time to time
<b>Auditors</b>	Ernst & Young LLP
<b>Capita Asset Services</b>	a trading name of Capita Registrars Limited
<b>Cash Option</b>	the option for ZDP Shareholders to receive their Final Capital Entitlement in cash under the terms of the Scheme, as described in this document
<b>Cover</b>	the ratio of the Group's Gross Assets (excluding current period income and revenue reserves) to the aggregate of (i) the total amount which the holders of New ZDP Shares would be entitled to receive on 30 November 2020, (ii) the principal amount of all outstanding borrowings of the Group on 30 November 2020 and (iii) the costs expected to be charged against the Group's capital reserves over the period to 30 November 2020, in each case, calculated on the assumption of no capital or revenue growth in the Group's portfolio, incorporating adjustments made by the Board in calculating cover in accordance with the articles of association of PEWT Securities 2020
<b>CREST</b>	the system for the paperless settlement of trades in securities and the holding of uncertificated securities, operated by Euroclear
<b>Directors or Board</b>	the board of directors of PEWT Securities, PEWT Securities 2020 and/or the Parent, as the context requires, and being at the date of this document the same persons
<b>Effective Date</b>	the date on which the Scheme becomes effective and PEWT Securities is placed in winding-up, which is expected to be 31 December 2015
<b>Election</b>	an election (including, except where the context requires otherwise, a deemed election) for New ZDP Shares or cash, or a combination of them, as the case may be, in respect of Existing ZDP Shares, pursuant to the Scheme, and any reference to "elect" shall, except where the context requires otherwise, mean "elect, or is deemed to elect"

<b>Euroclear</b>	Euroclear UK & Ireland Limited in its capacity as the operator of CREST
<b>Existing Undertaking Agreement</b>	the undertaking agreement between PEWT Securities and the Parent dated 1 August 2014
<b>Existing ZDP Shares</b>	zero dividend preference shares of 1p each in the capital of PEWT Securities
<b>FCA</b>	the Financial Conduct Authority
<b>Final Capital Entitlement</b>	the final entitlement of an Existing ZDP Share on a winding-up of PEWT Securities on 31 December 2015 pursuant to the Articles, which is 221.78p in cash per Existing ZDP Share
<b>First General Meeting</b>	the first General Meeting of PEWT Securities referred to in this document
<b>Form of Election</b>	the form of election for use by ZDP Shareholders who hold their Existing ZDP Shares in certificated form in connection with the Proposals
<b>General Meetings</b>	the First General Meeting and/or the Second General Meeting, as the context requires
<b>Gross Assets</b>	the aggregate value of all the assets of the Group including net distributable but undistributed income, less current liabilities (excluding from current liabilities (i) any proportion of monies borrowed for investment whether or not treated under accounting rules as current liabilities and (ii) for the avoidance of doubt, the amount outstanding in respect of the New ZDP Shares (or the Existing ZDP Shares, as the context requires))
<b>Group</b>	the Parent and its subsidiaries from time to time and being, as at the date of this document, PEWT Securities and PEWT Securities 2020
<b>HMRC</b>	HM Revenue & Customs
<b>ISA</b>	an individual savings account maintained in accordance with the ISA Regulations
<b>ISA Regulations</b>	the Individual Savings Account Regulations 1998 as amended or replaced from time to time
<b>Issue</b>	the issue of New ZDP Shares in connection with the Scheme and the Placing
<b>Latest Practicable Date</b>	17 November 2015, being the latest practicable date prior to the date of this document for ascertaining certain information contained herein
<b>Liquidation Fund</b>	the pool of assets to be established under the Scheme and to be held and managed by the Liquidators in accordance with the Scheme for the purpose of discharging all the outstanding actual and contingent liabilities of PEWT Securities
<b>Liquidators</b>	the liquidators of PEWT Securities, to be appointed by resolutions at the Second General Meeting, acting jointly and severally, and their successors

<b>London Stock Exchange</b>	London Stock Exchange Plc
<b>Manager</b>	Premier Portfolio Managers Limited
<b>Maximum Issue Size</b>	such number of New ZDP Shares as at Admission as shall result in the Cover being at least the Minimum Initial Cover, determined by reference to the Gross Assets as at 11 December 2015
<b>Minimum Initial Cover</b>	Cover of 1.45 times
<b>Minimum Issue Size</b>	gross consideration received by PEWT Securities 2020 pursuant to the Issue of not less than £1 million
<b>N+1 Singer</b>	Nplus1 Singer Advisory LLP, trading as N+1 Singer Advisory LLP, a limited liability partnership registered in England and Wales and authorised and regulated in the United Kingdom by the Financial Conduct Authority
<b>Net Asset Value</b>	the net asset value of the Group as determined in accordance with the Group's normal accounting policies
<b>New Undertaking Agreement</b>	the undertaking agreement between PEWT Securities 2020 and the Parent dated 20 November 2015
<b>New ZDP Shares</b>	zero dividend preference shares of 1p each in the capital of PEWT Securities 2020
<b>New ZDP Shareholder</b>	a holder of New ZDP Shares
<b>Official List</b>	the Official List of the UK Listing Authority
<b>Options</b>	the Rollover Option and the Cash Option
<b>Ordinary Shareholder</b>	a holder of Ordinary Shares
<b>Ordinary Shares</b>	the ordinary shares of 1p in the capital of the Parent
<b>Overseas Shareholders</b>	persons resident in, or citizens or nationals of, jurisdictions outside the United Kingdom
<b>Parent</b>	Premier Energy and Water Trust PLC, a public company incorporated in England and Wales with registered number 04897881
<b>PEWT Securities</b>	PEWT Securities PLC, a public company incorporated in England and Wales with registered number 09148176
<b>PEWT Securities 2020</b>	PEWT Securities 2020 PLC, a public company incorporated in England and Wales with registered number 09863364 and a newly incorporated subsidiary of the Parent
<b>PEWT Securities Undertaking</b>	has the meaning set out at paragraph 4.5 of Part 1 of this document
<b>Placing</b>	the conditional placing of New ZDP Shares by N+1 Singer on behalf of PEWT Securities 2020, details of which are set out in the Prospectus
<b>Proposals</b>	the proposals for the reconstruction and voluntary winding-up of PEWT Securities and the Issue as described in this document, including the Scheme and the Placing

<b>Prospectus</b>	the prospectus relating to PEWT Securities 2020 and the New ZDP Shares, prepared in accordance with the Prospectus Rules and published by PEWT Securities 2020 on the date of this document
<b>Prospectus Rules</b>	the prospectus rules of the UK Listing Authority made under Part VI of FSMA
<b>Receiving Agent</b>	Capita Asset Services
<b>Reclassified Shares</b>	Existing ZDP Shares with “A” rights and “B” rights arising as a result of the Proposals
<b>Record Date</b>	the record time and date for ZDP Shareholders’ entitlements under the Scheme which is 5.00 p.m. on 11 December 2015
<b>Register</b>	the register of members of PEWT Securities
<b>Registrar</b>	Capita Asset Services
<b>Resolutions</b>	the resolutions to be proposed for approval by the ordinary shareholder of PEWT Securities at the General Meetings, or any of them as the context requires, as described at paragraph 4.8 of Part 1 of this document
<b>Rollover Option</b>	the option for ZDP Shareholders to receive New ZDP Shares under the terms of the Scheme, as described in this document (and subject to possible scaling back)
<b>Rollover Option Undertaking</b>	has the meaning set out at paragraph 4.5 of Part 1 of this document
<b>Scheme</b>	the proposed scheme of reconstruction of PEWT Securities set out in Part 4 of this document
<b>Second General Meeting</b>	the second General Meeting of PEWT Securities as referred to in this document
<b>Share</b>	a ZDP Share or an Ordinary Share as the context requires, including, where the context requires, a Reclassified Share
<b>Shareholder</b>	a holder of Shares as the context requires
<b>Transfer Agreement</b>	the agreement to be entered into between the Liquidators (in their personal capacity and on behalf of PEWT Securities) and PEWT Securities 2020 providing, <i>inter alia</i> , for the transfer of the ZDP Rollover Pool from PEWT Securities to PEWT Securities 2020, the terms of which are summarised in paragraph 1 of Part 5 of this document
<b>TTE Instruction</b>	transfer to escrow instruction
<b>UK</b>	the United Kingdom
<b>UK Listing Authority</b>	the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of the Financial Services and Markets Act 2000 (as amended)
<b>ZDP Cash Pool</b>	the pool of assets to be established under the Scheme for the purpose of meeting Elections by ZDP Shareholders for the Cash Option

**ZDP Placing Programme**

the placing programme of New ZDP Shares as explained in Part 4 of the Prospectus

**ZDP Rollover Pool**

the pool of assets to be established under the Scheme, to be transferred to PEWT Securities 2020 pursuant to the Transfer Agreement, for the purpose of meeting Elections by ZDP Shareholders for the Rollover Option

**ZDP Shareholder**

a holder of Existing ZDP Shares

## APPENDIX

### PROPOSED AMENDMENTS TO THE ARTICLES

Under the Scheme and pursuant to the Resolutions to be proposed at the First General meeting, the Articles are proposed to be amended as follows:

1. the insertion of the following as a new Article 17.A:
  - “17.A(1) Words and expressions defined in the circular to ZDP shareholders of the Company dated 20 November 2015 (the “**Circular**”) shall bear the same meanings in this Article 17.A, save where the context otherwise requires.
  - 17.A(2) If at any time, the Existing ZDP Shares in the capital of the Company are reclassified into Existing ZDP Shares with “A” rights and Existing ZDP Shares with “B” rights, then the rights attaching to the Existing ZDP Shares with “A” rights and the Existing ZDP Shares with “B” rights shall be identical, save that on a winding-up of the Company for the purposes of the reconstruction described in the Circular, notwithstanding anything to the contrary in these Articles:
    - (i) the rights of holders of Existing ZDP Shares with “A” rights in respect of the assets of the Company shall be satisfied by the issue to the holders thereof of the number of New ZDP Shares to which they shall be entitled in accordance with the Scheme; and
    - (ii) the rights of holders of Existing ZDP Shares with “B” rights in respect of the assets of the Company shall be satisfied by the payment to the holders thereof of the amount of cash to which they shall be respectively entitled in accordance with the Scheme.
  - 17.A(3) Subject to the special rights set out in this Article 17.A, for all other purposes of these Articles, the Existing ZDP Shares with “A” rights and the Existing ZDP Shares with “B” rights shall continue to be Existing ZDP Shares and the Articles of Association shall be construed accordingly.”; and
2. such further amendments to the Articles as may be required to give effect to the relevant Resolution and the Proposals.

