

relation to such payments.

**Capital gains.** Each Investor will generally be treated for the purposes of UK tax on chargeable gains as having a share in each of the assets of the Fund. The share of each Investor should be its interest in the assets determined in accordance with the provisions of the Fund Partnership Agreement.

Upon the Fund disposing of an asset to a third party, each Investor will be treated as disposing of its share in that asset. Subject to the offshore fund rules outlined below, any gain or loss arising on that disposal should be treated for UK tax purposes as a capital gain or loss and each Investor's share of any disposal proceeds realised on such disposal should be determined in accordance with the provisions of the Fund Partnership Agreement.

On a pro rata distribution in specie of Fund assets amongst the Investors, there will be no immediate charge to UK tax. Instead, the capital gains tax base cost of each Investor in each of the assets will, for the purposes of computing any gain or loss on a subsequent disposal or part-disposal of the asset, be the market value of the asset at the date of distribution, reduced by the notional gain which would have arisen if the asset had been disposed of to a third party at its market value at the date of distribution. The same principles will be applied where the computation results in a loss. If the distribution in specie is not done on a pro rata basis, different considerations and tax treatments may apply.

The Taxation (International and Other Provisions) Act 2010 and the Offshore Funds (Tax) Regulations 2009 (together the "**Offshore Fund Rules**") may apply to an investment made by the Fund in an "offshore fund". The Fund itself will not constitute an offshore fund for these purposes, although it is possible that the Fund may hold or acquire investments which are offshore funds for such purposes. In such cases, all or part of an Investor's distributions attributable to any gain made by the Fund on the disposal of an investment may be treated as income, rather than capital gains, for UK tax purposes, depending on the circumstances and the status of the investment as a "reporting fund" or "non-reporting fund" for the purposes of the Offshore Fund Rules.

#### **UK resident individuals**

Investors who are UK resident or ordinarily resident individuals should note that, in certain circumstances, gains of non-UK resident companies in which the Fund has made an investment may be treated as accruing to such individual Investors.

#### **UK resident companies**

**Investments in non-UK companies.** Investors who are UK resident companies should note that investments in non-UK resident companies may be "controlled foreign companies" for UK tax purposes. The profits of a controlled foreign company can in certain circumstances be apportioned to UK resident companies and corporation tax charged thereon. It is unlikely that an apportionment of the relevant proportion of the investee company's profits would be made against an Investor which is a UK resident company as the circumstances in which an apportionment can be made should not be present.

**Unrealised gains or losses.** Investors subject to UK corporation tax may be treated for UK corporation tax purposes as realising profits, gains or losses in respect of certain assets, including those which are subject to the "loan relationship" rules in Part 5 of the Corporation Tax Act 2009, generally on a basis reflecting the treatment in its statutory accounts, although in some cases on a mandatory mark-to-market basis. These profits, gains or losses will be taken into account in computing income for UK corporation tax purposes. An Investor's actual share in the return from these types of investments will not necessarily be the same as the amounts on which the Investor was taxed under these rules.

#### **Pension funds and other exempt bodies**

Investors who are exempt from UK tax on income or gains should not be charged UK tax on income or gains made by the Fund.

#### **UK taxation of non-UK resident investors**

**Income.** Non-UK resident Investors should generally not be liable to UK tax on income from UK investments held directly or indirectly by the Fund, except to the extent that UK tax is deducted from such income at source. Interest income