

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

If you sell or have sold or otherwise transferred all of your Ordinary Shares in Utilico Emerging Markets Utilities Limited (the “Company”), please forward this document and the accompanying Application Form and Form of Proxy as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee except that such documents should not be forwarded or transmitted into any jurisdiction where to do so might constitute a violation of local securities laws or regulations including, but not limited to Canada, Australia, the Republic of Ireland and Japan.

This document comprises a prospectus relating to the Company and the C Shares and the New Warrants in accordance with the Prospectus Rules made under Section 73A of the Financial Services and Markets Act 2000, as amended (the “FSMA”), an admission document relating to the Company as required by the AIM Rules and a prospectus under the rules of the Bermuda Stock Exchange for the purpose of giving information with regard to the Company. This document has been filed with the FSA, made available to the public in accordance with Rule 3.2 of the Prospectus Rules and has been approved by the FSA as a prospectus under Section 87A of the FSMA.

The Directors of the Company, whose names appear on page 11 of this document, and the Company accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

This document is drawn up in compliance with the AIM Rules. The Directors accept responsibility for the contents of this document accordingly, including individual and collective responsibility for compliance with the AIM Rules.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority (the “Official List”). A prospective investor should be aware of the risks in investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. The rules of AIM are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the C Shares, Ordinary Shares, Existing Warrants or New Warrants to the Official List. The C Shares, Ordinary Shares, Existing Warrants and New Warrants are not traded on any other recognised investment exchange and no other such applications have been made. The whole text of this document should be read. The attention of investors is drawn in particular to the risk factors set out on pages 14 to 18 of this document.

This prospectus includes particulars given in compliance with the Listing Regulations of the Bermuda Stock Exchange for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

This prospectus has been filed with the Registrar of Companies in Bermuda (the “Registrar”). Neither the Registrar nor the Bermuda Stock Exchange takes any responsibility for the contents of this document, and they make no representations as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this document.

UTILICO EMERGING MARKETS UTILITIES LIMITED

(Incorporated in Bermuda under the Companies Act 1981, as amended, with company number 36941)

**Placing and Open Offer of up to 100 million C Shares of 50p each with
New Warrants attached on a 1 for 5 basis at an Issue Price of 100p per C Share**

by

Arbuthnot Securities Limited
Nominated Adviser and Broker

and

Notice of Special General Meeting
regarding proposed adoption of new Bye-laws of the Company and increase in authorised share capital

Arbuthnot Securities, which is regulated by the Financial Services Authority, is acting as Nominated Adviser and Broker to the Company in relation to the Issue and will not be responsible to any person other than the Company for providing the protections afforded to its customers or for advising any other person on the contents of this document or any transaction or arrangement referred to herein. Arbuthnot Securities has not authorised the contents of any part of this document for the purposes of the AIM Rules. The responsibility of Arbuthnot Securities as the Company’s Nominated Adviser and Broker under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or any Director or Shareholder. Arbuthnot Securities is not making any representation or warranty, express or implied, as to the contents of this document.

The Company has not been and will not be registered under the US Investment Company Act of 1940, as amended (the “Investment Company Act”). In addition, the C Shares, the Ordinary Shares, the Existing Warrants and the New Warrants have not been and will not be registered under the US Securities Act of 1933, as amended (the “Securities Act”) or with any securities regulatory authority of any state or other jurisdiction in the United States. Consequently, none of the C Shares, the Ordinary Shares, the Existing Warrants or the New Warrants may be offered or sold or otherwise transferred within the United States or to, or for the account or benefit of, US Persons except in accordance with the Securities Act or an exemption therefrom and under circumstances which will not require the Company to register under the Investment Company Act. The C Shares, the Ordinary Shares, the Existing Warrants and the New Warrants may only be resold or transferred in accordance with the restrictions set forth in this document. Subject to certain exceptions, this document should not be distributed, forwarded, transferred or otherwise transmitted to any persons within the United States or to any US Persons.

This document does not constitute an offer to sell, or the solicitation of an offer to buy, shares in any jurisdiction in which such offer or solicitation is unlawful and, in particular, is not for distribution into Canada, Australia, the Republic of Ireland or Japan or to any national, resident or citizen of Canada, Australia, the Republic of Ireland or Japan. The issuance of the C Shares and New Warrants has not been and will not be registered under the applicable securities laws of Canada, Australia, the Republic of Ireland or Japan. The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdictions.

In making any investment decision in respect of the Placing and Open Offer, no information or representation should be relied upon in relation to the Placing and Open Offer or in relation to the Ordinary Shares, the C Shares, the Existing Warrants and the New Warrants other than as contained in this document. No person has been authorised to give any information or make any representation other than that contained in this document and, if given or made, such information or representation must not be relied upon as having been authorised.

Without prejudice to the working capital statement, this document contains forward looking statements, including, without limitation, statements containing the words “believe”, “anticipate”, “expect” and similar expressions. Such forward looking statements involve unknown risk, uncertainties and other factors which may cause the actual results, financial condition, performance or achievement of the Company, or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in “Risk Factors” set out on pages 14 to 18 of this document. Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward looking statements. The Company disclaims any obligation to update any such forward looking statements in this document to reflect future events or developments, other than as required by the law or any applicable regulation.

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SUMMARY

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

The Company

Utilico Emerging Markets Utilities Limited (the “Company”) is a Bermuda exempted, closed ended investment company with the objective of providing shareholders with capital growth from investing predominantly in utilities based in emerging markets (being predominantly countries included in leading emerging market indices). It was launched in July 2005 when it raised £52.5 million (before expenses) and a £22.5 million portfolio of existing investments was transferred to the Company by Utilico Investment Trust plc. The Company’s ordinary shares and existing warrants are traded on AIM and the Bermuda Stock Exchange. The Company’s investment manager is Ingot Capital Management Pty Ltd (“Ingot”).

As at 31 December 2005, the Company had an audited basic net asset value of £80.5 million, and an audited diluted net asset value per ordinary share of £1.0604 (*source: Company audited accounts*). As at 31 March 2006, being the latest practicable date prior to the publication of this document, the Company had an unaudited net asset value of £89.5 million and an unaudited diluted Net Asset Value per Ordinary Share cum income of £1.1607 (*source: Company weekly Net Asset Value announcement*); the unaudited diluted Net Asset Value per Ordinary Share on 20 July 2005 was approximately £0.98 (*source: Company management accounts*). The Company announces its net asset value to the London Stock Exchange on a weekly basis and publishes all recent information on its website: www.utilicoemergingmarkets.com.

After due consideration of the Company’s strategy, the Board has concluded that it is now an appropriate time to seek to raise additional capital for the Company principally in order to expand the Company’s asset base and, in some cases, to take larger stakes in its existing investee companies.

Benefits of the Issue

The Directors believe that the Issue will confer the following benefits for shareholders and the Company:

- (a) increase the potential size of strategic investments from which value can be better achieved as larger holders;
- (b) capture long-term value by establishing a sizeable presence in the infrastructure sector;
- (c) ensure, through the C Share conversion mechanism, that existing shareholders will:
 - remain fully invested;
 - not suffer any dilution for the costs of the Issue or upon conversion of the C Shares;
- (d) allow existing shareholders to increase the size of their investment;
- (e) allow new investors to invest in the Company who would not otherwise have been able to make an investment of their preferred size in the Company;
- (f) provide a larger asset base over which the fixed costs of the Company may be spread, thereby reducing the Company’s total expense ratio; and
- (g) provide the Company with a wider shareholder base and an increased investor awareness of the Company’s activities and provide Shareholders with greater liquidity following the conversion of the C Shares.

C Shares and principles of conversion

The Board is proposing to effect the capital raising by way of a placing of up to 24,929,224 million C Shares and open offer of up to 75,070,776 million C Shares (the “**Issue**”). The assets representing the net proceeds of the Issue will be accounted for and managed as a distinct pool of assets until the conversion of the C Shares. The C Shares will convert into ordinary shares on the basis of the conversion ratio, which will reflect the proportion which the Company’s net assets attributable to each C Share (undiluted) bears to the net assets attributable to each existing ordinary share (undiluted) at the calculation date (being on or before 30 November 2006). The C Share net assets will be calculated having deducted the full costs of the Issue, which will be borne by the C Shareholders alone.

New Warrants

Under the Issue, new Warrants will be issued on the basis of one new Warrant for every five C Shares subscribed. Following the conversion of the C Shares such number of new Warrants will be cancelled so that the number of new Warrants outstanding equals one fifth of the number of ordinary shares arising on conversion of the C Shares. **However, no additional new Warrants will be issued if the conversion ratio is such that the number of ordinary shares arising on conversion of the C Shares is greater than the number of C Shares in issue prior to such conversion.** Following the date of such conversion, and any cancellation of new Warrants as set out earlier in this paragraph, the new Warrants will rank *pari passu* with the existing Warrants and will have a subscription price of 100 pence. The new Warrants may be exercised on one of the following dates: 31 January and/or 31 July in each of the years 2007 to 2010.

Investment rationale

The Directors consider that there are a range of sound investment opportunities in the utilities sector in particular those in emerging markets. The Directors believe that the essential nature of most utilities means that they should continue to have, in general, stable future earnings and progressive dividend policies.

The Directors intend to focus on emerging markets because they believe that in such markets the returns from investing in utilities companies are likely to be generally higher than elsewhere, whilst recognising that certain elements of risk may also be higher. The Directors believe that the potential for economic growth in developing countries, combined with the relative under-development of their stock markets, should provide the Company with attractive opportunities for investment.

Investment objective and policy

The Company’s investment objective is to provide long-term capital appreciation by investing predominantly in utilities and related companies (including other investment companies investing in those companies) in emerging markets. The Company’s investment policy is flexible and permits it to make investments predominantly in emerging markets in existing utilities and related sectors, including (but not limited to) water and sewerage companies, waste, electricity, gas, telecommunications, ports, airports, service companies, rail, roads, any business with essential service or monopolistic characteristics and in any new utilities which may arise. The Company may also invest in businesses which supply services to, or otherwise support, the utilities and related sectors.

The Company will continue to focus on the undeveloped and developing markets of Asia, Latin America, emerging Europe and Africa but has the flexibility to invest in markets world-wide. The Company will generally seek to invest in emerging market countries where the Directors believe that there are attributes such as: political stability, economic development, confidence in the legal framework and a positive attitude to foreign investment.

Investment Manager

Ingot will act as investment manager to the Company and have overall responsibility for the Company’s day-to-day activities. It will manage the Company’s portfolio and provide various other services to the Company, subject to the overriding supervision of the Directors. Ingot is an investment adviser incorporated in Australia and regulated by the Australian Securities and Investments Commission.

Ingot is entitled to a management fee equivalent to 0.5 per cent. of Gross Assets per annum payable quarterly in arrears. In addition, Ingot is entitled to a performance fee payable in respect of each financial period, equal to 15 per cent. of the amount of any outperformance of equity funds attributable to

shareholders in excess of the post tax yield on the FTSE Actuaries Government Securities UK Gilt 5 to 10 years, plus inflation, plus 2 per cent.

Transfer Portfolio

Upon admission of the C Shares and new Warrants to AIM, the Company will use such amount of the net proceeds of the Issue as equals the sum outstanding under the Company's borrowing facility on Admission to reduce the Company's borrowings and a pro rata share of each and every investment of the Company having an aggregate value equal to the amount of debt repaid (the "Transfer Portfolio") will be allocated to the pool of assets attributable to the C Shares. For these purposes the investments allocated to the C share pool will be valued at mid prices. All other investments of the Company as at admission will be allocated to the pool of assets attributable to the Ordinary Shares.

The Placing and Open Offer

The Company is seeking to raise up to £100 million, before expenses, through the Placing and Open Offer of up to 100 million C Shares. The Placing and Open Offer are not being underwritten and, as a result will not proceed unless aggregate subscriptions and placing commitments are received which represent a minimum of £50 million (before expenses).

Arbuthnot Securities has conditionally agreed, as agent for the Company, to use reasonable endeavours to procure places for 24,929,224 C Shares in the Placing at a price of 100p per C Share. Arbuthnot Securities has also agreed to make the Open Offer on behalf of the Company under which 75,070,776 C Shares are being made available to existing shareholders with the exception of certain overseas shareholders ("Qualifying Holders") at a price of 100p per C Share. Under the terms of the Open Offer, Qualifying Holders will be invited to subscribe for C Shares on the following basis:

One C Share for each Existing Ordinary Share

held on 4 April 2006, being the record date for the open offer (the "**Basic Entitlement**"). Qualifying Holders will be able to apply for C Shares in excess of their Basic Entitlement but such applications will only be satisfied to the extent that (i) applications made by other Qualifying Holders are for less than their Basic Entitlement and (ii) Arbuthnot Securities, in consultation with the Company, does not place such C Shares with institutional investors.

Special General Meeting

An SGM of the Company has been convened for 10.00 a.m. (Bermuda time) on 26 April 2006 in order to obtain Shareholders' approval for the amendment of the Bye-laws and increase in the Company's authorised share capital in connection with the implementation of the Issue. Notice of that meeting is set out at the end of this document.

Life of the Company

Although the Company will not have a fixed life, the Directors consider it desirable to give Shareholders the periodic opportunity to review the future of the Company. At the annual general meeting of the Company to be held in 2012, a resolution will be proposed that the Company should continue as presently constituted. If that resolution is not passed, the Directors will be required to formulate proposals to be put to Shareholders to wind-up, reorganise or reconstruct the Company.

Risk factors

An investment in the C Shares is subject to a number of risks which could materially and adversely affect the Company's business, financial condition or results of operations, certain of which are highlighted below:

- An investment in Ordinary Shares and/or C Shares involves a high degree of risk. Accordingly, prospective investors should carefully consider all of the information set out in this document and the risks attaching to an investment in the Company, prior to making any investment decision.
- The past performance of the Company and the other funds managed by Ingot is not indicative of the future performance of the Company.
- The performance of the C Shares and the assets attributable to them may diverge from the performance of the Ordinary Shares and the existing assets of the Company.

- There may not be a liquid market for the Ordinary Shares, the C Shares, the Existing Warrants and/or the New Warrants and the price of the same may fluctuate.
- Warrants tend to involve a high degree of gearing, such that a relatively small movement in the price of the Ordinary Shares and/or C Shares is likely to result in a disproportionately large movement in the price of the existing Warrants and/or new Warrants.
- The Company may not be able to invest all the proceeds of the Issue in accordance with its investment objective and policy.
- The success of the investment strategies followed by Ingot depends upon Ingot's success at correctly interpreting market data and the performance of the Company's investments depends on Ingot's correct assessments of the future course of price movements of the Company's assets.
- There is no guarantee that the market price of the Ordinary Shares and/or C Shares will reflect their underlying net asset value.
- The Company's investments are concentrated and accordingly may represent a different risk than a generalist fund.
- The Company is heavily dependent on the expertise of Ingot, and the Company's Directors and employees.
- The Company invests in Utilities based in emerging markets, which are, in general, exposed to a higher level of political and regulatory risk than companies in the stock market as a whole.
- The Company invests predominantly in securities which are not denominated or quoted in sterling, accordingly the Company's results may be adversely affected by movements in foreign exchange ratios to the extent not hedged.
- Ingot serves as investment manager or adviser to other clients, including Utilico Investment Trust plc and may, as a result, be subject to conflicts of interest in allocating investments amongst its clients.
- The Company intends to use gearing; this exposes investors to increased risk.
- The Company is incorporated in Bermuda, therefore the City Code on Takeovers and Mergers does not apply to the Company.

Transfer restrictions

C Shares, Ordinary Shares, existing Warrants and new Warrants acquired by US Persons will be subject to significant transfer restrictions.

DEFINITIONS

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

“Adjusted Equity Funds”	Net Asset Value (including undistributed accumulated revenue) attributable to Shareholders, adjusted by adding back any capital return or dividends paid or accrued relating to the relevant calculation period, plus any accrual for unpaid performance fee arising for that calculation period
“Administration Agreement”	the administration agreement between the Company and the Administrator and Secretary, a summary of which is set out in paragraph 6.1.2 of Part 10 of this document
“Administrator and Secretary”	F&C Management Limited
“Admission”	the admission of the C Shares and New Warrants to be issued pursuant to the Issue to trading on AIM becoming effective in accordance with the AIM Rules
“AIM”	the market of that name regulated by the London Stock Exchange
“AIM Rules”	the rules applicable to AIM as published by the London Stock Exchange from time to time
“Application Form”	the application form to be completed by Qualifying Holders in connection with the Open Offer and which is enclosed with this document
“Arbuthnot Securities”	Arbuthnot Securities Limited, the Company’s nominated adviser and broker
“Basic Entitlement”	the entitlement of each Existing Shareholder to subscribe for C Shares under the Open Offer, being one C Share for every Existing Ordinary Share held as at the Record Date
“Bermuda Companies Act”	the Bermuda Companies Act 1981, as amended from time to time
“Bermuda Stock Exchange” or “BSX”	the Bermuda Stock Exchange
“BMA”	the Bermuda Monetary Authority
“Board”	the board of directors of the Company
“Bye-laws”	the bye-laws of the Company
“Calculation Date”	has the meaning given to that term in paragraph 1 of Part 5 of this document
“Commission”	the US Securities and Exchange Commission
“Company”	Utilico Emerging Markets Utilities Limited
“Conversion”	has the meaning attributed to such term in paragraph 1 of Part 5 of this document
“Conversion Date”	has the meaning attributed to such term in paragraph 1 of Part 5 of this document
“Conversion Ratio”	has the meaning attributed to such term in paragraph 1 of Part 5 of this document
“CREST”	the computerised settlement system (as defined in the CREST Regulations) operated by CRESTCo which facilitates the transfer of title to shares in uncertificated form
“CREST Agent”	Computershare Investor Services PLC

“CREST Agent Agreement”	the CREST agent agreement between the Company and the CREST Agent, a summary of which is set out in paragraph 6.1.3 of Part 10 of this document
“CRESTCo”	CRESTCo Limited
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755)
“C Share”	C shares of 50 pence each in the capital of the Company
“C Shareholders”	holders of C Shares
“Custodian”	JPMorgan Chase Bank, N.A.
“Custodian Agreement”	the global custody agreement between the Company and the Custodian, a summary of which is set out in paragraph 6.1.4 of Part 10 of this document
“Directors”	the directors of the Company, whose names are set out on page 11 of this document
“Emerging Markets”	predominantly countries included in leading emerging market indices
“Exchange Act”	the US Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder
“Existing Ordinary Shares”	Ordinary Shares in issue on the Record Date
“Existing Shareholder”	a holder of Ordinary Shares on the register of members on the Record Date
“Existing Warrantholder”	a holder of Existing Warrants
“Existing Warrant Instrument”	the deed poll of the Company dated 14 July 2005 and constituting a series of warrants
“Existing Warrants”	warrants created pursuant to the Existing Warrant Instrument
“Form of Acceptance”	the form of acceptance to be used by holders of Depositary Interests representing their Existing Ordinary Shares to indicate to the CREST Agent their intentions regarding the Open Offer
“Form of Direction”	the form of direction to be used by holders of Depositary Interests representing Ordinary Shares to indicate to the CREST Agent how they wish their voting rights to be exercised in respect of the SGM
“Form of Proxy”	the form of proxy for use at the SGM which accompanies this document
“FSA”	the UK Financial Services Authority
“FSMA”	the Financial Services and Markets Act 2000, as amended
“Gross Assets”	the value of the total assets of the Company, including assets represented by principal monies borrowed by the Company, less current liabilities of the Company (other than principal monies borrowed), determined in accordance with the accounting policies adopted by the Company from time to time
“ICTA”	Income and Corporation Taxes Act 1988
“Investment Company Act”	the US Investment Company Act of 1940, as amended, and the rules and regulations of the Commission promulgated thereunder
“Investment Manager” or “Ingot”	Ingot Capital Management Pty Limited, incorporated in Australia
“Investment Management Agreement”	the investment management agreement between the Company and the Investment Manager, a summary of which is set out in paragraph 6.1.1 of Part 10 of this document

“ISA”	individual savings account
“Issue”	the Placing and Open Offer on the terms described in this document
“Issue Expenses”	expenses of the SGM and the Issue
“Issue Price”	100p per C Share
“London Stock Exchange”	London Stock Exchange plc
“NAV calculation date”	the business day each week on which NAV is calculated
“Net Asset Value” or “NAV”	the total assets less total liabilities (including accrued but unpaid fees) of the Company, valued in accordance with the accounting policies adopted by the Company from time to time, attributable to Shareholders
“New Warrants”	new warrants to be issued by the Company in connection with the Issue on the terms and conditions set out in Part 6 of this document
“New Warrantholders”	holders of New Warrants
“New Warrant Instrument”	the instrument constituting the New Warrants
“Official List”	the Official List of the UKLA
“Open Offer”	the conditional offer by Arbuthnot Securities as agent on behalf of the Company, to Qualifying Holders to apply for the Open Offer Shares in accordance with their Basic Entitlement on the terms and subject to the conditions set out in this document and, where relevant, the Application Form
“Open Offer Shares”	the 75,070,776 C Shares which are subject to the Open Offer
“Ordinary Shareholders”	holders of Ordinary Shares
“Ordinary Shares”	ordinary shares of 10p each in the capital of the Company
“Overseas Shareholders”	Shareholders with a registered address outside the United Kingdom
“PEP”	personal equity plan
“Placees”	the subscribers of the Placing Shares
“Placing”	the conditional placing by Arbuthnot Securities on behalf of the Company of C Shares pursuant to the Placing and Open Offer Agreement
“Placing and Open Offer Agreement”	the conditional agreement dated 7 April 2006 between the Company, the Investment Manager and Arbuthnot Securities, relating to the Placing and Open Offer, details of which are set out in paragraph 6.1.9 of Part 10 of this document
“Placing Shares”	the 24,929,224 C Shares to be issued pursuant to the Placing
“Proposals”	the proposed Placing and Open Offer and Admission of the C Shares and New Warrants and the proposed adoption of new Bye-laws
“Prospectus”	the prospectus of the Company dated 7 April 2006
“Qualifying Holder”	Existing Shareholders (other than certain Restricted Shareholders)
“Record Date”	the close of business on 4 April 2006
“Registrars”	Computershare Investor Services PLC
“Resolutions”	the resolutions set out in the Notice of the SGM set out at the end of this document
“Restricted Shareholders”	Existing Shareholders with registered addresses in, or who are citizens, residents or nationals of, the US, Canada, Australia, the Republic of Ireland, Japan, New Zealand or any other jurisdiction where an offer to subscribe for the Open Offer Shares would be unlawful

“Securities Act”	the US Securities Act of 1933, as amended, and the rules and regulations of the Commission promulgated thereunder
“Shareholders”	C Shareholders and Ordinary Shareholders
“Special General Meeting” or “SGM”	the special general meeting of the Company to be held on 26 April 2006, notice of which is set out at the end of this document
“Tender Date”	the first business day in each year falling 30 days after the publication of the Company’s annual accounts, but does not include any date on or after which a resolution to wind up the Company has been passed
“Tender Facility”	the facility allowing Ordinary Shareholders (including C Shareholders following Conversion) to tender their Ordinary Shares for purchase by the Company which will be operated by the Directors at their sole discretion as described in paragraph 13 of Part 3 of this document
“Tender Form”	a tender form in such form as the Directors may from time to time prescribe, copies of which will be made available prior to each Tender Date
“Transfer Portfolio”	the proportionate part of each investment currently attributable to the Ordinary Shares which will become attributable to the C Shares upon Admission of the C Shares, as more particularly described in Part 1 of this document
“Utilico”	Utilico Investment Trust plc
“UK”	United Kingdom of Great Britain and Northern Ireland
“UKLA”	the FSA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
“United States”	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
“US Persons”	has the meaning assigned to it in Regulation S under the Securities Act
“Utilities”	existing utilities and related sectors, including (but not limited to) water and sewerage companies, waste, electricity, gas, telecommunications, ports, airports, service companies, rail, roads, any business with essential service or monopolistic characteristics and any new utilities which may arise

DIRECTORS, SECRETARY AND ADVISERS

Directors	Alexander Eleftherios Zagoreos <i>(non-executive Chairman)</i> John Michael Collier <i>(non-executive)</i> Charles David Owen Jillings <i>(executive)</i> Garth Peter Denis Milne <i>(non-executive)</i> Kevin James O'Connor <i>(non-executive)</i>
Registered Office	Canon's Court 22 Victoria Street Hamilton HM 12 Bermuda Tel: 00 1441 295 2244
Assistant secretary and resident representative	Appleby Corporate Services (Bermuda) Limited Canon's Court 22 Victoria Street Hamilton HM 12 Bermuda
Investment Manager	Ingot Capital Management Pty Limited Level 11 1 York Street Sydney 2000 Australia
Nominated Adviser and Broker	Arbuthnot Securities Limited Arbuthnot House 20 Ropemaker Street London EC2Y 9AR
Sponsor to the Bermuda Listing	First Bermuda Group Ltd Maxwell R. Roberts Building 1 Church Street Hamilton HM 11 Bermuda
Legal Adviser to the Company as to English law	Norton Rose Kempson House Camomile Street London EC3A 7AN
Legal Adviser to the Company as to Bermuda law	Appleby Spurling Hunter Canon's Court 22 Victoria Street Hamilton HM 12 Bermuda
Legal Adviser to the Placing	Lawrence Graham LLP 190 Strand London WC2R 1JN
Administrator and Secretary	F&C Management Limited Exchange House Primrose Street London EC2A 2NY Tel: 020 7628 8000

**Reporting Accountants and
Registered Auditor**

RSM Robson Rhodes LLP
30 Finsbury Square
London EC2P 2YU

Custodian

JPMorgan Chase Bank, N.A.
60 Victoria Embankment
London EC4Y 0JP

Registrar

Computershare Investor Services PLC
P.O. Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH
Tel: 0870 702 0003

EXPECTED TIMETABLE OF PRINCIPAL EVENTS*

Record Date for the Open Offer	4 April 2006
Full terms of the Placing and Open Offer expected to be announced	7 April 2006
Latest time for receipt of completed Forms of Direction from holders of depositary interests	5.00 p.m. on 22 April 2006
Latest time for receipt of completed Proxy Forms	3.00 p.m. on 24 April 2006
Special General Meeting	2.00 p.m. on 26 April 2006**
Latest date Application Forms may be split	3.00 p.m. on 29 April 2006
Latest time for receipt of completed Forms of Acceptance from holders of depositary interests	5.00 p.m. on 3 May 2006
Latest time for receipt of commitments under the Placing and completed Application Forms and payment under the Open Offer	11.00 a.m. on 4 May 2006
Announcement of the results of the Placing and Open Offer	8 May 2006
Dealings on AIM and the BSX expected to commence in the C Shares and New Warrants	12 May 2006
CREST accounts credited in respect of the C Shares and New Warrants issued in uncertificated form	12 May 2006
Certificates in respect of the C Shares and New Warrants expected to be dispatched in the week commencing	29 May 2006

* All references to times are to London time

** The SGM will be held at the Company's registered office at 10.00 a.m. Bermuda time, which is 2.00 p.m. London time.

ISSUE STATISTICS

Issue Price per C Share	100p
Total number of C Shares available under the Issue	100 million
Number of C Shares potentially available under the Open Offer*	75,070,776
Number of C Shares available under the Placing**	24,929,224

* The number of C Shares available under the Open Offer which each Qualifying Holder could subscribe if they took up their Basic Entitlement in full is fixed at 75,070,776 (on the basis of one C Share for every Ordinary Share held on the Record Date). In addition, Qualifying Holders may apply to take up C Shares in excess of their Basic Entitlement and such applications in excess of their Basic Entitlement may be satisfied by the issue of Open Offer Shares to the extent that other Qualifying Holders have not taken up their Basic Entitlement and/or by the issue of the Placing Shares to the extent that they are not placed with institutional investors. The allocation of Open Offer Shares to the extent not taken up by the Qualifying Holders in accordance with their Basic Entitlement and the Placing Shares available under the Placing will be determined at the discretion of Arbuthnot Securities, after consulting with the Company.

** The number of C Shares available under the Placing may be increased to the extent that the Open Offer Shares are not subscribed by Qualifying Holders pursuant to the Open Offer.

RISK FACTORS

An investment in Ordinary Shares and/or C Shares and/or Existing Warrants and/or New Warrants involves a high degree of risk. Accordingly, prospective investors should carefully consider all of the information set out in this document and the risks attaching to an investment in the Company described below, prior to making any investment decision. They are all the material risk factors applicable to the Company of which the Directors are aware.

Any decision to invest in the Company should be based on a consideration of this document as a whole. An investment in the Company is only suitable for investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result from such investment.

The Company's business, financial condition or operations could be materially and adversely affected by the occurrence of any of the risks described below. In such circumstances, the market price of the Ordinary Shares and/or C Shares and/or Existing Warrants and/or New Warrants could decline and investors could lose all or part of their investment.

Liquidity of the C Shares, the Ordinary Shares, Existing Warrants, New Warrants and the AIM market generally

It may be more difficult for an investor to realise his or her investment on AIM than to realise an investment in a company whose shares or other securities are quoted on the Official List. The AIM Rules are less demanding than those of the Official List. An investment in a share that is traded on AIM is likely to carry a higher risk than an investment in a share quoted on the Official List. AIM has been in existence since June 1995 but its future success and liquidity in the market for the C Shares, Ordinary Shares, Existing Warrants and New Warrants cannot be guaranteed.

The price at which the C Shares, Ordinary Shares, Existing Warrants and New Warrants will be traded and the price at which investors may realise their investment will be influenced by a large number of factors, some specific to the Company and its investments and some which may affect companies generally. Admission to AIM should not be taken as implying that there will be a liquid market for the C Shares, Ordinary Shares, Existing Warrants or the New Warrants. The market for shares in smaller public companies, including the Company, is less liquid than for larger public companies. The Company is aiming to achieve capital growth and, therefore, C Shares, Ordinary Shares, Existing Warrants and/or New Warrants may not be suitable as a short-term investment. Consequently, the share and warrant prices may be subject to greater fluctuation on small volumes of shares, and thus the Ordinary Shares, C Shares, Existing Warrants and/or New Warrants may be difficult to sell at a particular price. The market price of the Ordinary Shares, C Shares, Existing Warrants and/or New Warrants may not reflect the underlying value of the Company's net assets.

Similar considerations apply in respect of the Company's listing on the BSX.

Existing Warrants and New Warrants

Warrants tend to involve a high degree of gearing, such that a relatively small movement in the price of the Ordinary Shares and C Shares is likely to result in a disproportionately large movement, which could be unfavourable or favourable, in the respective price of the Existing Warrants and New Warrants.

Investor returns

The past performance of the Company and other funds managed by the Investment Manager is not indicative of the future performance of the Company. Whilst it is anticipated that the Company's returns will be in accordance with its investment objective, there can be no guarantee that the Company's investment objective will be achieved. The Company's ability to achieve returns may be adversely affected in the event of significant or sustained changes in market returns or volatility. Prospective investors should regard an investment in the Company as long-term in nature and they may not recover the full amount initially invested or any amount at all.

As with any investment in companies, the Company's investments may fall in value with the maximum loss on such investments being the value of the initial investment and, where relevant, any gains or subsequent investments made.

The assets attributable to the C Shares will initially be predominantly held in cash. Therefore, although it is anticipated that this cash will be capable of being invested within a reasonable period, there is a likelihood that the performance of the C Shares and the assets attributable to them will initially diverge from the performance of the Ordinary Shares and the existing assets of the Company.

In addition, there is no guarantee that the Company will be able to invest all the proceeds of the Issue in assets with similar characteristics to the Company's existing assets, in which case the performance of the existing assets of the Company may further diverge from the performance of the assets attributable to the C Shares.

Investment strategies

The success of the investment strategies followed by the Investment Manager depends upon the Investment Manager's success at correctly interpreting market data. Any factor which would make it more difficult to buy or sell investments in the Emerging Markets or anywhere else where the Company may invest may have an adverse effect on the profitability of the Company. No assurance can be given that the strategies to be used will be successful under all or any market conditions.

The performance of the Company's investment programme depends to a great extent on correct assessments of the future course of price movements of securities and other investments selected by the Investment Manager. There can be no assurance that the Investment Manager will be able to accurately predict these price movements. With respect to the investment strategies utilised by the Investment Manager, there is always some, and occasionally a significant, degree of market risk.

Utilities sector

The Company's investments are concentrated in the Utilities sector and accordingly may be regarded as representing a different risk than a generalist fund.

The companies in which the Company invests are, in general, exposed to a higher level of political and regulatory risk than companies in the stock market as a whole. The existing dominant position of some Utilities companies may be eroded as their sectors are exposed to greater competition.

The Company may invest in newly privatised companies or companies which subsequently become privatised and this may involve additional risks relating to the capital structures of such companies.

Political and country risks

The Company was established to invest in Utilities based in Emerging Markets where the regulatory framework for Utilities is still developing. There is no assurance that future political and economic conditions in the individual countries in which the Company invests will not result in their governments adopting different policies with respect to foreign investment in Utilities. Any such changes in policy may affect ownership of assets, taxation, rates of exchange, environmental protection, labour relations, repatriation of income and return of capital, thereby influencing the Company's ability to generate profits. Such policy changes could extend to the expropriation of assets.

In certain countries based in Emerging Markets, investment by foreign investors may require consents or be subject to limitations, and repatriation of investment income, capital and the proceeds of sales by foreign investors may require government registration and/or approval. The Company could be adversely affected by delays in or a refusal to grant any required government approval or by any lack of availability of foreign exchange.

Companies in Emerging Markets are not always subject to accounting, auditing and financial reporting standards, practices and disclosure requirements comparable to those applicable to companies incorporated in the United Kingdom. In addition, there is generally less government supervision and regulation of stock exchanges, brokers and listed companies in countries based in Emerging Markets than in countries with more advanced securities markets.

Trading volume on the stock exchanges within Emerging Markets can be substantially less than in the leading stock markets of the developed world, so that accumulation and disposal of holdings may be time consuming and may need to be conducted at unfavourable prices. Volatility of prices can be greater than in more developed markets.

The economies of countries based in Emerging Markets can be heavily dependent on international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, managed adjustments in currency values, other protectionist measures imposed or negotiated by the countries with which they trade and international economic developments generally.

Competition

A number of private equity houses, institutions and other investors have become active in seeking private equity investments in Emerging Market Utilities. Competition for a limited number of attractive investment opportunities may lead to a delay in investment and may increase the price at which investments may be made and reduce the potential profits.

Exchange risks

The Company invests predominantly in securities which are not denominated or quoted in sterling, the base currency of the Company. The movement of exchange rates between sterling and any other currencies in which the Company's investments are denominated or the base currency of an investor may have a separate effect, unfavourable as well as favourable, on the return otherwise experienced on the investments made by the Company. Any hedging arrangements relating to foreign currency returns and exposures may or may not have the desired effect.

US Persons will be subject to significant transfer restrictions

The C Shares, the Ordinary Shares, the Existing Warrants and the New Warrants are not freely transferable by US Persons and any such US Persons acquiring the C Shares or the Ordinary Shares or the Existing Warrants or the New Warrants will be subject to significant resale restrictions as described in this document. There can be no assurance that US Persons will be able to locate acceptable purchasers or obtain the required certifications.

Calculation of Net Asset Value

In calculating the Company's Net Asset Value the Administrator and Secretary may rely on estimates of the value of companies in which the Company invests. Such estimates may be unaudited or may be subject to little verification or other due diligence and may not comply with International Financial Reporting Standards or other valuation principles.

Suspension of trading

Securities exchanges typically have the right to suspend or limit trading in any instrument traded on that exchange. Any suspension of any security held by the Company could render it impossible for the Company to liquidate positions and thereby expose the Company to losses.

Potential conflicts of interest

The Investment Manager and its respective affiliates serve as investment manager or investment adviser to other clients, including Utilico and may be involved in other financial, investment or professional activities. In particular, they may provide investment management, investment advice or other services in relation to funds which may have similar investment policies to that of the Company. As a result, they may have conflicts of interest in allocating investments among the Company and other clients, including ones in which they may have a greater financial interest.

The Investment Manager will have regard to its obligations under its investment management agreement with the Company or otherwise to act in a manner that it considers fair, reasonable and equitable having regard to its obligations to other clients, when potential conflicts of interest arise.

Utilico and the Company both invest in Utilities. As a result it is possible that conflicts of interest may arise with regard to potential investments. To minimise this risk an investment allocation policy has been adopted. This policy is described in paragraph 7 of Part 3 of this document.

Key personnel

The ability of the Company to achieve its investment objective is significantly dependent upon the expertise of the Investment Manager and its ability to attract and retain suitable staff. The Company is also reliant upon the skills of its Directors and employees and the loss of any of these members of staff could reduce

the Company's ability to achieve its planned investment objectives. The Company and the Investment Manager have endeavoured to ensure that the principal members of their management teams are suitably incentivised, but the retention of such staff cannot be guaranteed.

BMA Approval

The consent of the BMA is required for all issues of shares in a Bermuda exempted company, including all issues to persons who are non-residents of Bermuda for exchange control purposes. The BMA's consent is also required for subsequent transfer of issued shares of the Company although in certain circumstances, a general consent to the free transferability of shares can be obtained from the BMA. Under a recently promulgated policy, the BMA has given general permission for the issue and subsequent transfer of securities (which definition includes the Ordinary Shares and the Existing Warrants and the C Shares and New Warrants pursuant to this document) from and/or to a non-resident of Bermuda so long as the Ordinary Shares and the Existing Warrants and the C Shares and New Warrants are listed on an "Appointed Stock Exchange", which includes AIM. Approvals or permissions given by the BMA do not constitute a guarantee by the BMA as to the Company's performance or credit worthiness. Accordingly, in giving its consent or permissions, the BMA shall not be liable for the financial soundness, performance or default of the Company's business or for the correctness of any opinion or statements expressed therein. In the event that the BMA's permission were to be withdrawn, or were not to be given for future transfers or issues of shares, the Company's future expansion could be impeded, this could adversely affect the capital and income returns to Shareholders.

No Investment Company Act registration

The Company has not been and will not be registered under the Investment Company Act. The Investment Company Act provides certain protections to investors and imposes certain restrictions on registered investment companies, none of which have been or will be applicable to the Company. In order to avoid being required to register under the Investment Company Act, the Company has imposed restrictions on the transfer of the C Shares, the Ordinary Shares, the Existing Warrants and the New Warrants. Such restrictions may materially affect the ability of an investor to transfer C Shares and Ordinary Shares and Existing Warrants and New Warrants in the United States or to US Persons.

Gearing

The Company may use gearing. Gearing can be employed in a variety of ways including direct borrowing, margining (that is, an amount of cash or eligible securities an investor deposits with a broker when borrowing to buy securities) and the use of futures, warrants, options and other derivative products. Generally, gearing is used to increase the overall level of investment in a portfolio. Higher investment levels may offer the potential for higher returns. This exposes investors to increased risk as gearing can increase the portfolio's market exposure and volatility. In particular, whilst the use of borrowings should enhance the total return on the C Shares and Ordinary Shares where the return on the Company's underlying assets is rising and exceeds the cost of borrowing, it will have the opposite effect where the underlying return is falling, further reducing the total return on the C Shares and Ordinary Shares. Furthermore, should any fall in the underlying asset value result in the Company breaching financial covenants contained in any loan facilities secured, the Company may be required to repay such borrowings in whole or in part together with any attendant costs. Such a requirement could result in the Company being forced to sell investments at lower prices than would normally be obtained. This could adversely affect the capital and income returns to Shareholders.

Special situations

The Company may invest in companies involved in (or the target of) acquisition attempts or tender offers or companies involved in work-outs, liquidations, spin-offs, reorganisations, bankruptcies and similar transactions. There exists the risk that the transaction in which such business enterprise is involved either will be unsuccessful, take considerable time, or will result in a distribution of cash or a new security the value of which will be less than the purchase price of the security or other financial instrument in respect of which such distribution is received. Similarly if an anticipated transaction does not in fact occur, the Company may be required to sell its investment at a loss. Because there may be uncertainty concerning the outcome of transactions involving financially troubled companies in which the Company may invest, there is a potential risk of loss by the Company of its entire investment in such companies.

No Takeover Protection

The Company is incorporated in Bermuda and is managed and controlled outside the UK. For those reasons the City Code on Takeovers and Mergers (“City Code”) does not apply to the Company. It is emphasised that, although the Ordinary Shares and the C Shares will trade on AIM, the Company will not be subject to takeover regulation in the UK. It follows that Shareholders are not entitled to the protections afforded by the City Code, and there are no similar protections under Bermuda law. In particular it will be possible for an individual investor or a group of investors acting in concert to acquire C Shares and Ordinary Shares and Existing Warrants and New Warrants representing 30 per cent. or more of the issued share capital of the Company or to exercise control over the affairs of the Company without being under an obligation to make an offer to acquire the C Shares and Ordinary Shares not owned by them, as would be required by Rule 9 of the City Code.

Enforcement of Judgements

As the Company is a Bermuda exempted company, the rights of Shareholders will be governed by Bermuda law and the Company’s Memorandum of Association and Bye-laws. The rights of Shareholders under Bermuda law may differ from the rights of shareholders of companies incorporated in other jurisdictions. Most of the Directors referred to in this document are not residents of the UK and the majority of the Company’s assets are expected to be located outside of the UK. As a result, it may be difficult for investors to effect service of process on those persons in the UK or to enforce the UK judgements obtained in UK courts against the Company or those persons who may be liable under UK law.

Further share issues

The Company may issue additional shares or other equity securities in subsequent public offerings or private placements. The Company is not required under Bermuda law to offer any such shares to existing Shareholders to participate in such future share issues, which may dilute the existing Shareholders’ interests in the Company.

In addition, an issue of additional shares or equity securities by the Company, or the possibility of an issue, may cause the market price of the C Shares and/or the Ordinary Shares, Existing Warrants and New Warrants to fluctuate.

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

PART 1

LETTER FROM THE CHAIRMAN

UTILICO EMERGING MARKETS UTILITIES LIMITED

(incorporated in Bermuda under the Companies Act 1981, as amended, with company number 36941)

Directors:

Alexander Zagoreos (Chairman)
Michael Collier
Charles Jillings
Garth Milne
Kevin O'Connor

Registered Office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

7 April 2006

Dear Investor,

Placing and Open Offer of up to 100 million C Shares (with New Warrants attached on a one for five basis) and Notice of Special General Meeting regarding proposed changes to the Bye-laws of the Company.

Introduction

On 2 March 2006 the Company announced that the Directors were considering proposals for a further issue of shares. Proposals were announced today for a Placing and Open Offer of C Shares, which will convert into Ordinary Shares on the basis described in Part 5 of this document to raise up to £100 million before expenses. The Placing and Open Offer is not being underwritten and will not proceed unless subscriptions or placing commitments are received in aggregate for at least £50 million.

This letter explains the background to and reasons for the Placing and Open Offer and contains further information about the Proposals and the Company. The implementation of the Placing and Open Offer involves changes to the Company's Bye-laws and will require Ordinary Shareholders' approval. Notice of the Special General Meeting to be held on 26 April 2006, at which Ordinary Shareholders' approval for the Proposals will be sought, is set out at the end of this document.

Background

Utilico Emerging Markets Utilities Limited is a Bermuda exempted, closed ended investment company with the objective of providing Shareholders with capital growth from investing predominantly in Utilities based in Emerging Markets. It was launched in July 2005 when it raised £52.5 million (before expenses) and a £22.5 million portfolio of existing investments was transferred to the Company by Utilico. The Company's Ordinary Shares and Existing Warrants are traded on AIM and the BSX. The Company's investment manager is Ingot Capital Management Pty Ltd.

As at 31 December 2005, the Company had an audited basic Net Asset Value of £80.5 million, and an audited diluted Net Asset Value per Ordinary Share of £1.0604 (*source: Company audited accounts*). As at 31 March 2006, being the latest practicable date prior to the publication of this document, the Company had an unaudited basic Net Asset Value of £89.5 million and an unaudited diluted Net Asset Value per Ordinary Share cum income of £1.1607 (*source: Company weekly Net Asset Value announcement*); the unaudited diluted Net Asset Value per Ordinary Share on 20 July 2005 was approximately £0.98 (*source: Company management accounts*). The Company announces its Net Asset Value to the London Stock Exchange on a weekly basis and publishes all recent information on its website: www.utilicoemergingmarkets.com.

The Ordinary Shares have traded consistently above their issue price of 100p per Ordinary Share since their admission to AIM. A summary of the Company's ten largest investments as at 31 March 2006 is set out in Part 4 of this document.

The Proposals

After due consideration of the Company's strategy, the Board has concluded that it is now an appropriate time to seek to raise additional capital for the Company principally in order to expand the Company's asset base and in some cases, to take larger stakes in its existing investee companies.

The Proposals involve a Placing and Open Offer of up to 100 million C Shares to raise up to £100 million before expenses and the adoption of new Bye-laws to provide for the rights and restrictions attaching to the C Shares.

Benefits of the Issue

The Directors believe that the Issue will confer the following benefits for Shareholders and the Company:

- (a) increase the potential size of strategic investments from which value can be better achieved as larger holders;
- (b) capture long-term value by establishing a sizeable presence in the infrastructure sector;
- (c) ensure, through the C Share conversion mechanism, that Existing Shareholders will:
 - remain fully invested;
 - not suffer any dilution for the costs of the Issue or upon Conversion of the C Shares;
- (d) allow Existing Shareholders to increase the size of their investment;
- (e) allow new investors to invest in the Company who would not otherwise have been able to make an investment in the Company of their preferred size;
- (f) provide a larger asset base over which the fixed costs of the Company may be spread, thereby reducing the Company's total expense ratio; and
- (g) provide the Company with a wider shareholder base and increased investor awareness of the Company's activities and provide Shareholders with greater liquidity following Conversion.

Placing and Open Offer

The Company is seeking to raise up to £100 million, before expenses, through the Placing and Open Offer of up to 100 million C Shares. The Placing and Open Offer are not being underwritten and, as a result will not proceed unless aggregate subscriptions and placing commitments are received which represent a minimum of £50 million (before expenses).

Arbuthnot Securities has conditionally agreed, as agent for the Company, to use reasonable endeavours to procure places for 24,929,224 C Shares in the Placing at a price of 100p per C Share. Arbuthnot Securities has also agreed to make the Open Offer on behalf of the Company under which 75,070,776 C Shares are being made available to Qualifying Holders at a price of 100p per C Share. Under the terms of the Open Offer, Qualifying Holders will be invited to subscribe for C Shares on the following basis:

One C Share for each Existing Ordinary Share

held on the Record Date (the "Basic Entitlement"). Qualifying Holders will be able to apply for C Shares in excess of their Basic Entitlement but such applications will only be satisfied to the extent that (i) applications made by other Qualifying Holders are for less than their Basic Entitlement and (ii) Arbuthnot Securities, in consultation with the Company and the Investment Manager, does not place such C Shares with institutional investors.

Your attention is drawn to the letter from Arbuthnot Securities contained in Part 2 of this document which sets out the terms of the Open Offer and the procedure for application. Overseas Shareholders are referred to the paragraph entitled "Overseas Shareholders" contained in paragraph 6 of Part 2 of this document.

C Shares and principles of Conversion

The Placing and Open Offer will be of a new class of shares, C Shares, at an issue price of 100 pence per share. An issue of C Shares is designed to overcome the potential disadvantages for Existing Shareholders which could arise out of a conventional fixed price issue of further Ordinary Shares for cash. In particular:

- the assets representing the net proceeds of the Issue will be accounted for and managed as a distinct pool of assets until the Conversion Date. By accounting for the net proceeds of the Issue separately, Existing Shareholders will not participate in a portfolio containing a substantial amount of uninvested cash before the Conversion Date;
- the Net Asset Value of the Existing Ordinary Shares will not be diluted by the Issue Expenses, which will be borne by the subscribers for C Shares;
- the Calculation Date will fall within 10 business days of at least 80 per cent. of the net proceeds of the Issue being invested (or such greater amount as the Directors and the Investment Manager may agree) or, if earlier, 30 November 2006;
- the basis upon which the C Shares will convert into Ordinary Shares is such that the number of Ordinary Shares to which holders of C Shares will become entitled will reflect the relative Net Asset Value of the pool of new capital attributable to the C Shares as compared to the Net Asset Value attributable to the Ordinary Shares in issue at that time. As a result, the Net Asset Value attributable to the Ordinary Shares then in issue is not expected to be adversely affected by Conversion and no dilution to Existing Shareholders will result.

Full details of the C Shares and Conversion are set out in Part 5 of this document.

Prior to Conversion, the C Shares will carry the right to any dividends declared only in respect of the assets attributable to the C Shares. For the purposes of attending and voting at general meetings of the Company, the C Shares and the Ordinary Shares will be treated as if they are a single class. C Shareholders will be entitled to participate in a winding-up of the Company or upon a return of capital as specified in paragraph 3 of Part 5 of this document.

The Ordinary Shares arising on Conversion will rank *pari passu* with the Ordinary Shares then in issue and will have the rights set out in the Company's Bye-laws, which are summarised in paragraph 4 of Part 10 of this document.

Example of Conversion mechanism

The following example illustrates the basis on which the number of Ordinary Shares arising on Conversion will be calculated. The example is not, and is not intended to be, a forecast of the number of Ordinary Shares which will arise on Conversion.

The example illustrates the number of Ordinary Shares which would arise on the Conversion of 1,000 C Shares held at the Conversion Date, using assumed Net Asset Values attributable to the C Shares and Ordinary Shares in issue as at the Calculation Date. The assumed Net Asset Value attributable to an Ordinary Share is that (undiluted, cum income and unaudited) at the close of business on 31 March 2006 (being the latest practicable date prior to the publication of this document) (*source: Company weekly Net Asset Value announcement*). The assumed Net Asset Value attributable to each C Share is on the basis of the Issue Price less the Issue Expenses and assumes that there are no returns or losses on the net proceeds of the Placing and Open Offer from Admission to the Calculation Date.

	Example
Number of C Share subscribed	1,000
Amount subscribed	£1,000
Net Asset Value attributable to a C Share at the Calculation Date	98.6p
Net Asset Value attributable to an Ordinary Share at the Calculation Date	119.28p
Conversion Ratio	0.827
Number of Ordinary Shares arising on Conversion	827

New Warrants

Under the Issue, New Warrants will be issued on the basis of one New Warrant for every five C Shares subscribed. New Warrants carry the right to subscribe for Ordinary Shares and holder may only subscribe for C Shares in the event of a takeover offer for the Company prior to Conversion. On the Conversion

Date such number of New Warrants will be cancelled so that the number of New Warrants outstanding following such cancellation is equal to one fifth of the number of Ordinary Shares arising on Conversion. **However, no additional New Warrants will be issued if the Conversion Ratio is such that the number of Ordinary Shares arising on Conversion is greater than the number of C Shares in issue prior to Conversion.** Each holder of New Warrants will be issued with a certificate in respect of their revised holding of New Warrants. Fractional entitlements will be rounded down and will be cancelled. The New Warrants will, following Conversion, rank *pari passu* in all respects with the Existing Warrants (including the subscription price of 100 pence per Ordinary Share). The terms and conditions of the New Warrants are set out in Part 6 of this document.

By way of example, if the Conversion Ratio was equal to 0.827 (as in the example above), a holder of 1,000 New Warrants would have 173 New Warrants cancelled on the Conversion Date and subsequently would hold 827 New Warrants.

Transfer Portfolio

Upon Admission, the Company will use such amount of the net proceeds of the Issue as equals the sum outstanding under the Company's borrowing facility on Admission to repay the Company's borrowings and a pro rata share of each and every investment of the Company having an aggregate value equal to the amount of debt repaid (the "Transfer Portfolio") will be allocated to the pool of assets attributable to the C Shares. For these purposes the investments allocated to the C Share pool will be valued at mid prices. All other investments of the Company as at Admission will be allocated to the pool of assets attributable to the Ordinary Shares.

The remaining net proceeds of the Issue will be invested by the Company in accordance with its investment policy. All investments made with the net proceeds of the Issue will be allocated to the C Share pool prior to Conversion.

Financial Impact of the Issue

By way of illustration only, had the Issue taken place at the beginning of the Company's financial period, i.e. 9 June 2005, and had the proceeds been invested in assets that had performed in line with the Company's current portfolio, the hypothetical effect would have been to enhance the earnings of the Company. Net assets and assets would have hypothetically increased by the amount of the proceeds of the Issue after Issue Expenses, whilst liabilities would have remained approximately static. This paragraph is unaudited and is for illustrative purposes only, representing a hypothetical situation and, therefore, does not represent the Company's actual financial position or results.

Intentions of Directors and Major Shareholders

The Company has received irrevocable undertakings from two major shareholders (Utilico and Foreign & Colonial Investment Trust PLC) both to vote in favour of the Resolutions and to subscribe for all of their Basic Entitlements as follows (although Utilico's undertaking is subject to its subscription not causing it to fail to satisfy the requirements of s.842 ICTA):

	Basic Entitlement (number of C Shares)	Number of C Shares to be subscribed under the Open Offer
Foreign & Colonial Investment Trust PLC*	10,000,000	10,000,000
Utilico Investment Trust plc	22,522,239	22,522,239

*Foreign & Colonial Investment Trust PLC's holding in the Company is held by F&C Asset Management plc on its behalf.

The Directors will all vote in favour of the Resolutions and will, subject only to scaling back, subscribe for all or more than their Basic Entitlement (with excess applications being met as part of the Placing and Kevin O'Connor subscribing wholly through the Placing) as follows:

	Basic Entitlement (number of C Shares)	Number of C Shares to be subscribed
Alexander Zagoreos	111,825	111,825
Michael Collier	58,278	108,278
Charles Jillings	108,278	158,278
Garth Milne	208,278	258,278
Kevin O'Connor	83,278	333,278

Special General Meeting

An SGM of the Company has been convened for 10.00 a.m. (Bermuda time) on 26 April 2006 in order to obtain Shareholders' approval for the adoption of new Bye-laws in connection with the implementation of the Placing and Open Offer. Notice of that meeting is set out at the end of this document.

Increase in Share Capital

The Company proposes by means of ordinary resolution number 4 in the notice of SGM to increase the Company's authorised share capital by the creation of 120 million C Shares, having the rights and restrictions set out in Part 5 of this document.

Admission and Dealings

Applications have been made to AIM and the Bermuda Stock Exchange for up to 100 million C Shares and up to 20 million New Warrants to be admitted to trading. It is expected that Admission will become effective, and that dealings in the C Shares and the New Warrants will commence, on 12 May 2006.

Conditions of the Placing and Open Offer

The Placing and the Open Offer are subject to, *inter alia*, the satisfaction of the following conditions on or before 8.00 a.m. on 12 May 2006 or such later time and/or date (being not later than 31 May 2006), as the Company and Arbuthnot may agree:

- (i) the passing at the SGM of the Resolutions;
- (ii) the Placing and Open Offer Agreement becoming unconditional (save for any condition relating to Admission) and not having been terminated in accordance with its terms;
- (iii) the receipt of subscriptions or placing commitments for a minimum of £50 million; and
- (iv) Admission having become effective.

Risk Factors and Further Information

Your attention is drawn to the Risk Factors set out on pages 14 to 18 of this document and to the additional information set out in Parts 2 to 10 of this document and in the terms and conditions set out in the Application Form.

Actions to be Taken

In respect of the Open Offer

If you are a Qualifying Holder you have been sent an Application Form which gives details of your Basic Entitlement to C Shares under the Open Offer (as shown by the number of Open Offer Shares allocated to you). If you wish to apply for C Shares under the Open Offer (having read the letter from Arbuthnot Securities set out in Part 2 of this document), you should complete the enclosed Application Form in accordance with the procedure for application set out in paragraph 3 of Part 2 of this document and on the Application Form itself.

Qualifying Holders may apply for any number of C Shares up to their Basic Entitlement and, if they so wish, may apply for C Shares in excess of their Basic Entitlement. Applications in excess of the Basic Entitlement will only be satisfied to the extent that (i) applications made by other Qualifying Holders are for less than their Basic Entitlement or placing commitments are not received in respect of all the Placing Shares and (ii) Arbuthnot Securities, after consulting with the Company does not allocate such C Shares to satisfy excess demand under the Placing. Excess applications may therefore be scaled down. Allocation of C Shares in respect of these excess applications will be entirely at the discretion of Arbuthnot Securities after consulting with the Company.

Any C Shares which are not taken up by Qualifying Holders in the Open Offer may be issued at the Issue Price to Places (to the extent procured) in accordance with the Placing and Open Offer Agreement or issued to other Qualifying Holders who apply for C Shares in excess of their Basic Entitlement, with the proceeds being retained for the benefit of the Company.

Qualifying Holders should be aware that the Open Offer is not a rights issue and, accordingly, C Shares not applied for will not be sold in the market for the benefit of those Qualifying Holders who do not apply

under the Open Offer. Qualifying Holders should note that the Application Form is not a negotiable document and cannot be traded.

The latest time for Application Forms under the Open Offer from Qualifying Holders who hold their Shares in registered form to be received is 11.00 a.m. on 4 May 2006. The latest time for Forms of Acceptance under the Open Offer from Qualifying Holders who hold depositary interests in uncertificated form to be received is 5.00 p.m. on 3 May 2006. The procedures for application and payment are set out in Part 2 of this document. Further details also appear in the Application Forms or Forms of Acceptance, as appropriate, which have been sent to Qualifying Holders.

Before making any decision to subscribe for C Shares, you are recommended to read and carefully consider all the information contained in this document, including in particular the important information set out in the preceding paragraphs of this letter and the Risk Factors set out on pages 14 to 18 of this document.

In respect of the SGM

Shareholders will find enclosed with this document a Form of Proxy or a Form of Direction for use in connection with the SGM. Shareholders who hold their Shares in certificated form are urged to complete and return the Form of Proxy so as to be received by Computershare Investor Services PLC no later than 3.00 p.m. on 24 April 2006. Holders of depositary interests in uncertificated form are urged to complete and return the Form of Direction so as to be received no later than 5.00 p.m. on 22 April 2006. Submitting a Form of Proxy or a Form of Direction will not preclude a Shareholder from attending the SGM and voting in person should they so wish.

Recommendation to Shareholders

The Board considers that the Proposals are in the best interests of Shareholders as a whole. The Board has received financial advice from Arbutnot Securities and, in giving that financial advice, Arbutnot Securities has placed reliance on the Board's commercial assessments. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolutions to be proposed at the SGM.

The Board intends to vote in favour of the Resolutions in respect of its own beneficial holdings of Ordinary Shares which amount in aggregate to 569,937 Ordinary Shares.

Yours faithfully,

Alexander Zagoreos
Non-executive Chairman

PART 2

LETTER FROM ARBUTHNOT SECURITIES RELATING TO THE OPEN OFFER



ARBUTHNOT
CORPORATE FINANCE

Arbuthnot Securities Limited
Arbuthnot House
20 Ropemaker Street
London EC2Y 9AR

7 April 2006

To Qualifying Holders and, for information only, to Existing Warrantheolders

Dear Sir/Madam

Placing and Open Offer of up to 100 million C Shares at 100p per C Share (with New Warrants attached on a one for five basis).

1. Introduction

As explained in the letter from your Chairman in Part 1 of this document, and as announced on 2 March 2006, Utilico Emerging Markets Utilities Limited is proposing to raise up to £98.6 million, net of expenses, by way of a Placing and Open Offer of up to 100 million C Shares. Pursuant to the Placing and Open Offer Agreement, Arbuthnot Securities has conditionally agreed to place firm, with institutional investors, the Placing Shares at the issue price of 100p per C Share. Additionally, Arbuthnot Securities has conditionally agreed to make the Open Offer on behalf of the Company and to use its reasonable endeavours to procure subscribers for the C Shares at the Issue Price. Your attention is drawn to the letter from your Chairman in Part 1 of this document, which sets out the background to and reasons for the Placing and Open Offer.

This letter and the accompanying Application Form contain the formal terms and conditions of the Placing and Open Offer. Your attention is drawn to the further information set out in Parts 3 to 10 of this document.

2. The Open Offer

On behalf of the Company, Arbuthnot hereby invites Qualifying Holders, on the terms and subject to the conditions set out in this letter and in the accompanying Application Form, to apply for C Shares at 100p per C Share (payable in full in cash on application and free of all expenses). Each Qualifying Holder may apply for any number of C Shares up to their Basic Entitlement calculated on the following basis:

One C Share for each Existing Ordinary Share

registered in their name at the close of business on the Record Date. Qualifying Holders with holdings of Existing Ordinary Shares in certificated form and holdings of depositary interests in uncertificated form will be treated as having separate holdings for the purpose of calculating Basic Entitlements under the Open Offer.

Qualifying Holders are also invited to apply for further C Shares in excess of their Basic Entitlement, although there is no guarantee that such excess applications will be met (in full or at all) and any such allocations will be decided upon by Arbuthnot Securities in consultation with the Company.

The accompanying Application Form shows the number of Ordinary Shares registered in your name at the Record Date and also shows your Basic Entitlement to C Shares.

Arbuthnot Securities Limited, Arbuthnot House, 20 Ropemaker Street, London EC2Y 9AR
Telephone 020 7012 2000 Facsimile 020 7012 2007 Website www.arbuthnot.co.uk

Registered in England No. 762818. Registered Office: as above.

Arbuthnot Securities Limited is authorised and regulated by the Financial Services Authority and is a member of the London Stock Exchange.

Qualifying Holders should be aware that the Open Offer is not a rights issue and that C Shares not applied for under the Open Offer will not be sold in the market for the benefit of Qualifying Holders who do not apply under the Open Offer. Any C Shares which are not applied for under the Open Offer may be taken up by institutional investors under the Placing and/or by other Qualifying Holders who have made applications to subscribe for C Shares in excess of their Basic Entitlement and the proceeds held for the benefit of the Company.

The Placing and the Open Offer are subject to, *inter alia*, the satisfaction of the following conditions on or before 8.00 a.m. on 12 May 2006 or such later time and/or date (being not later than 31 May 2006), as the Company and Arbuthnot may agree:

- (i) the passing at the SGM of the Resolutions;
- (ii) the Placing and Open Offer Agreement becoming unconditional (save for any condition relating to Admission) and not having been terminated in accordance with its terms;
- (iii) the receipt of subscriptions or placing commitments for a minimum of £50 million; and
- (iv) Admission having become effective.

Applications have been made to the London Stock Exchange and the Bermuda Stock Exchange for the C Shares and the New Warrants to be admitted to trading on AIM and the BSX respectively. Admission is expected to occur on 12 May 2006 when dealings in the C Shares and New Warrants are expected to begin.

The Existing Ordinary Shares are in registered form and are listed on AIM and the BSX. The full rights attaching to the C Shares are set out in Part 5 of this document. The C Shares will be in registered form, credited as fully paid and the Ordinary Shares that arise following Conversion will rank *pari passu* in all respects with the Existing Ordinary Shares, including the entitlement to receive dividends declared on or after the Calculation Date.

The Existing Warrants are in registered form and are listed on AIM and the BSX. The terms of the New Warrants are set out in Part 6 of this document. The New Warrants will be in registered form and, following Conversion and the cancellation of such number of New Warrants as is determined in accordance with their terms, will rank *pari passu* in all respects with the Existing Warrants.

The C Shares will be issued only pursuant to the Placing and Open Offer and will not otherwise be marketed or made available in whole or in part to the public.

Based on the Issue Price and after taking account of the expenses of the Placing and Open Offer, the net proceeds to the Company of the Placing and Open Offer will, assuming full subscription, amount to approximately £98.6 million.

If the Placing and Open Offer does not become unconditional, no C Shares or New Warrants will be issued, and all monies received by the Registrars will be returned to applicants, without interest, as soon as practicable.

3. Procedure for Application and Payment

If you are in any doubt as to the action to be taken, you are recommended to seek personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under FSMA.

The Application Form accompanying this document shows the number of Existing Ordinary Shares registered in your name on the Record Date and also shows your Basic Entitlement to C Shares for which you are entitled to apply under the Open Offer. You may apply for more or less than your Basic Entitlement if you so wish. Valid applications for up to and including your Basic Entitlement will be accepted in full. Valid applications for more than your Basic Entitlement will be treated as valid applications for your Basic Entitlement, but the application for the excess will be satisfied only to the extent that applications made by other Qualifying Holders are for less than their Basic Entitlements and/or Arbuthnot Securities has not received firm placing commitments for all the Placing Shares. Excess applications may therefore be scaled down. Allocations of C Shares in respect of excess applications and the satisfaction of placing commitments under the Placing will be entirely at the discretion of Arbuthnot Securities, in consultation with the Company. Any monies paid in respect of applications for C Shares in excess of Basic Entitlements that are scaled down will be returned to the applicant (at the applicant's sole risk) without interest. The instructions and other terms set out in the accompanying Application Form are part of the terms of the Open Offer.

If you are a Qualifying Holder and wish to apply for C Shares under the Open Offer you should complete and sign the Application Form (or, if appropriate, the Form of Acceptance) in accordance with the instructions printed thereon and return it, together with payment for the full amount, by post or by hand (during normal business hours only) to the Company's receiving agent, Computershare Investor Services PLC, PO Box 859, The Pavilions, Bridgwater Road, Bristol BS99 1XZ as soon as practicable. In any event, Forms of Acceptance from holders of depositary interests in uncertificated form must be received by no later than 5.00 p.m. on 3 May 2006 and Application Forms from Shareholders who hold their shares in certificated form must be received by no later than 11.00 a.m. on 4 May 2006 ("the Closing Dates"). Applications, once made, will be irrevocable and will not be acknowledged.

Arbuthnot Securities and the Company reserve the right (but shall not be obliged) to treat an Application Form as valid and binding on the person(s) by whom or for whose benefit it is lodged even if such Application Form is not completed in accordance with the relevant instructions or not accompanied by a power of attorney where required. Arbuthnot Securities and the Company further reserve the right (but shall not be obliged) to accept either Application Forms received after 11.00 a.m. on the Closing Dates with the envelope bearing a legible postmark not later than 11.00 a.m. on 4 May 2006 or from authorised persons (as defined in FSMA) specifying the C Shares applied for and undertaking to lodge the Application Form in due course. If an Application Form is sent by post, Qualifying Holders are recommended to allow at least four working days for delivery.

Application under the Open Offer may only be made on the enclosed Application Form, which is personal to the Qualifying Holder named thereon and may not be assigned or transferred, except in the circumstances described below. The Application Form represents a conditional right to subscribe for C Shares subject to, *inter alia*, the conditions set out above. It is not a document of title and it may not be sold, assigned or transferred, except to satisfy *bona fide* market claims. The Application Form may be split, but only to satisfy *bona fide* market claims, up to 3.00 p.m. on 29 April 2006. Qualifying Holders who have sold, or otherwise transferred, some or all of their Ordinary Shares or depositary interests should contact their stockbroker, bank or other agent authorised under FSMA through whom the sale or transfer was effected as soon as possible and refer to the instructions regarding split applications set out in the Application Form, since the invitation to subscribe for C Shares under the Open Offer may represent a benefit which can be claimed from them by purchasers or transferees under the rules of the London Stock Exchange.

Qualifying Holders who hold their Existing Ordinary Shares in certificated form will be allotted C Shares in certificated form. Qualifying Holders who hold their Existing Ordinary Shares in the form of depositary interests in uncertificated form will be allotted depositary interests representing C Shares in uncertificated form to the extent that their entitlement to C Shares arises as a result of holding depositary interests representing Existing Ordinary Shares in uncertificated form. Notwithstanding any other provision of this document, the Company reserves the right to allot and/or issue any C Shares in certificated form.

If you do not wish to apply for C Shares, you should not complete and return the Application Form or Form of Acceptance. You are, however, encouraged to vote at the SGM by completing and returning the Proxy Form or Form of Direction.

Payment

All payments must be made by cheque or bankers' draft drawn in pounds sterling made payable to "Computershare Investor Services PLC – a/c Utilico Emerging Markets Utilities Limited", crossed "Account Payee" and drawn on an account at a branch of a bank or building society. The branch must be in England, Scotland, Wales, Northern Ireland, the Channel Islands or the Isle of Man and the bank or building society must either be a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited which has arranged for its cheques or bankers' drafts (as appropriate) to be cleared through the clearing facilities provided for members of either of those companies (and must bear the appropriate sorting code number in the top right hand corner). Any application which does not comply with these requirements may be treated as invalid.

No interest will be allowed on payments made before they are due. Return of an Application Form with the appropriate remittance will constitute a warranty that the accompanying cheque(s) or bankers' draft(s) will be honoured on first presentation. The Company may elect not to treat as valid any applications in respect of which cheques or bankers' drafts are notified to it or its agent as having not been honoured on first presentation. The Company and Arbuthnot Securities reserve the right to have cheques and bankers'

drafts presented on receipt and to instruct Computershare Investor Services PLC to seek special clearance of cheques to obtain value for remittances at the earliest opportunity.

If cheques or bankers' drafts are presented for payment before the conditions of the Placing and Open Offer are fulfilled, the application monies will be held in separate bank accounts and any interest earned on such monies will be retained for the benefit of the Company. If the conditions of the Placing and Open Offer are not satisfied by 8.00 a.m. on 12 May 2006 (or such later time and date, being, subject to the terms of the Placing and Open Offer Agreement as set out in paragraph 6.1.9 of Part 10 of this document, not later than 31 May 2006, as the Company and Arbuthnot Securities may agree), the Open Offer will lapse and application monies will be returned (without interest) by crossed cheque in favour of the applicant, sent through the post to the applicant at his own risk as soon as reasonably practicable after that date.

All documents and remittances sent by post or to an applicant (or as the applicant may direct) will be sent at the applicant's own risk. By completing and delivering an Application Form, you (as the applicant(s)):

- (a) agree that your applications, the acceptance of your application and the contract resulting therefrom under the Open Offer shall be governed by, and construed in accordance with, English law;
- (b) confirm that in making the application you are not relying on any information or representation other than such as may be contained in this document or the Application Form and you, accordingly, agree that no person responsible solely or jointly for this document, the Application Form or any part of it shall have any liability for any information or representation not contained in this document or the Application Form;
- (c) represent and warrant that you are either (A) not a US Person and are located outside the United States or (B) a QIB/QP (as defined in paragraph 6(b) below); buying for your own account or the account of another QIB/QP; represent and warrant that you are not applying with a view to or for sale in connection with any distribution thereof other than in compliance with the Securities Act and applicable state securities laws; and otherwise represent and warrant as set out in the sub-paragraph headed "United States" in the paragraph headed "Overseas Shareholders" below; and (C) represent and warrant that you are not resident(s) of Australia, Canada, the Republic of Ireland or Japan and are not applying on behalf of, or with a view to the re-offer, re-sale or delivery of the C Shares directly or indirectly in, into or within Australia, Canada, the Republic of Ireland or Japan, or to a resident of Australia, Canada, the Republic of Ireland or Japan or to any person you believe is purchasing or subscribing for the purpose of such re-offer, re-sale or delivery; and
- (d) represents and warrant that you are not otherwise prevented by legal or regulatory restrictions from applying for C Shares and/or New Warrants or acting on behalf of such person(s) on a non-discretionary basis.

If you have any doubt as to the procedure for acceptance and payment, you should contact Computershare Investors Services PLC on telephone number 0870 702 0003. This helpline will not provide any investment or tax advice concerning the merits of the Open Offer or whether or not you should make an application under the Open Offer.

If you are in any doubt as to whether or not you should apply for any C Shares you should consult your independent financial adviser immediately.

4. Money Laundering

The Money Laundering Regulations 2003 may require the Registrars to verify the identity of the person by whom or on whose behalf an Application Form is lodged with payment (which requirements are referred to below as the "verification of identity requirements"). If the Application Form is submitted by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations 2003, any verification of identity requirements are the responsibility of such broker or intermediary and not of the Registrars. In such case, the lodging agent's stamp should be inserted on the Application Form.

The person (the "applicant") who, by lodging an Application Form with payment and in accordance with the other terms as described above, applies under the Open Offer for C Shares and New Warrants (the "relevant C Shares and New Warrants") and any agent lodging such Application Form on his/her behalf shall thereby be deemed to agree to provide the Registrars with such information and other evidence as the Registrars may require to satisfy the verification of identity requirements.

If the Registrars determine that the verification of identity requirements apply to any application, the relevant C Shares and New Warrants (notwithstanding any other term of the Open Offer) will not be issued to the applicant unless and until the verification of identity requirements have been satisfied. The Registrars are entitled, in their absolute discretion, to determine whether the verification of identity requirements apply to any application and whether such requirements have been satisfied, and none of the Registrars, the Company or Arbuthnot Securities will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays in the despatch of share and warrant certificates or in crediting CREST accounts. If, within a reasonable period of time and in any event by not later than 11.00 a.m. on 4 May 2006, following a request for verification of identity, the Registrars have not received evidence satisfactory to it as aforesaid, Arbuthnot Securities and the Company may, in their absolute discretion, be entitled to elect to treat the relevant application as invalid, in which event the monies paid by the applicant will be returned without interest to the account of the bank or building society from which such monies were originally debited.

The verification of identity requirements will not usually apply if:

- (a) the applicant is an organisation required to comply with the EU Money Laundering Directive (no. 91/308/EEC); or
- (b) the applicant is a regulated UK broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations 2003; or
- (c) the applicant (not being an applicant who delivers his Application Form in person) makes payments by way of a cheque drawn on an account in the name of such applicant; or
- (d) the aggregate subscription price for the relevant shares is less than €15,000 (approximately £10,000).

In other cases the verification of identity requirements may apply. Satisfaction of these requirements may be facilitated in the following ways:

- (i) if payment is made by building society cheque (not being a cheque drawn on an account of the applicant) or bankers' draft, by the building society or bank endorsing on the cheque or bankers' draft the applicant's name and the number of an account held in the applicant's name at such building society or bank, such endorsement being validated by a stamp and authorised signature; or
- (ii) if payment is not made by cheque drawn on an account in the name of the applicant and (i) above does not apply, by the applicant enclosing with his Application Form evidence of his/her name and address from an appropriate third party (for example, a recent bill from a gas, electricity or telephone company or a bank statement, in each case bearing the applicant's name and address. Originals of such documents (not copies) are required and such documents will be returned in due course); or
- (iii) if the Application Form is lodged with payment by an agent which is an organisation of the kind referred to in (b) above or which is subject to anti-money laundering regulation in a country which is a member of the Financial Action Task Force the agent should provide written confirmation that it has that status with the Application Form(s) and written assurance that it has obtained and recorded evidence of the identity of the persons for whom it acts and that it will on demand make such evidence available to the Registrars.

In order to confirm the acceptability of any written assurance referred to in (iii) above or in any other case, the applicant should contact Computershare Investor Services PLC on telephone number 0870 702 0003.

If (an) Application Form(s) is/are in respect of C Shares with an aggregate subscription price of €15,000 (approximately £10,000) or more and is/are lodged by hand by the applicant in person, he/she should ensure that he/she has with him/her evidence of identity bearing his/her photograph (for example, his/her passport) and evidence of his/her address.

5. No public offering outside the United Kingdom

Neither the Company nor Arbuthnot Securities has taken or will take any action in any jurisdiction that would permit a public offering of the C Shares or New Warrants in any jurisdiction where action for the purpose is required, other than in the United Kingdom.

6. Overseas Shareholders

(a) *General*

The making of the Open Offer to Qualifying Holders who are resident in, or citizens of, countries other than the United Kingdom may be affected by the laws or regulatory requirements of the relevant jurisdictions. Such Overseas Shareholders should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to accept the Open Offer and/or apply for C Shares and New Warrants.

As a result of restrictions applicable to any holder of Existing Ordinary Shares with registered or mailing addresses in the United States, Canada, Australia, Japan or the Republic of Ireland, their territories or possessions, Application Forms are not being sent to any such holders of Existing Ordinary Shares.

No person receiving a copy of this document and/or an Application Form in any territory other than the United Kingdom, may treat the same as constituting an invitation or offer to him to subscribe, nor should he in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him and the Application Form could lawfully be used without contravention of any registration or regulation or other legal requirements. Receipt of this document or an Application Form will not constitute an offer in those territories in which it would be unlawful to make such an offer and, in such circumstances, this document and the Application Form will be treated as confidential, sent for information purposes only and for the purpose of giving notice of the SGM and should not be copied or distributed.

It is the responsibility of any Overseas Shareholder receiving a copy of this document and/or the Application Form and wishing to take up the Open Offer to satisfy himself as to the full observance of the laws and regulatory requirements of the relevant territory in connection therewith, including obtaining all governmental or other consents which may be required, observing all other requisite formalities that need to be observed in such territory, and paying all issue, transfer or other taxes payable in such territory. **If you are in any doubt as to your position you should consult your independent professional adviser.**

Persons (including, without limitation, nominees and trustees) receiving an Application Form should not, in connection with the Open Offer, distribute or send it in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If an Application Form is received by a person in any such jurisdiction or the agent or nominee of such a person, he must not seek to apply for C Shares and New Warrants except pursuant to an express agreement with Arbutnot Securities and the Company. Any person who does forward an Application Form into any such jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this paragraph 6.

The Company reserves the right (but shall not be obliged) to reject a purported application for C Shares and New Warrants under the Open Offer in a particular case if it believes such application may violate applicable legal or regulatory requirements. The provisions of this paragraph 6 and/or any other terms of the Open Offer relating to Overseas Shareholders may be waived, varied or modified as regards (a) specific holders of Existing Ordinary Shares or (b) on a general basis by the Company in its absolute discretion (and on such terms and conditions as it may think fit).

(b) *United States*

The C Shares, the New Warrants and the Application Forms have not been, and will not be, registered under the Securities Act or under the securities laws of any state or other jurisdiction of the United States and the Company has not been and will not be registered under the Investment Company Act. Consequently, the C Shares, the New Warrants and the Application Form may not be directly or indirectly offered, sold, renounced, transferred, taken up or delivered, directly or indirectly, in or into the United States or to or for the benefit of US Persons (as defined under Regulation S of the Securities Act) except in accordance with a transaction which is exempt therefrom and under circumstances which will not require the Company to register under the Investment Company Act. Accordingly, US Persons acquiring C Shares or New Warrants will be subject to significant transfer restrictions. The C Shares and New Warrants may only be resold or transferred in accordance with the restrictions set forth herein.

Accordingly, the C Shares are being offered and sold only (i) to qualified institutional buyers (“QIBs”) within the meaning of Rule 144A under the Securities Act that are also qualified purchasers (“QPs”) within the meaning of Section 3(c)(7) of the Investment Company Act (QIBs that are also QPs being referred to as “QIB/QPs”) and (ii) outside the United States in an “offshore transaction” within the meaning of Regulation S under the Securities Act.

Neither the Commission nor any securities commission of any state of the United States has determined whether this document is truthful or complete, nor have they made, nor will they make, any determination as to whether anyone should buy the C Shares or New Warrants. Any representation to the contrary is a criminal offence.

Each subscriber of the C Shares in the Open Offer that is located in the United States or that is a US Person will, by virtue of and in connection with its subscription for C Shares (with New Warrants attached on a one for five basis) in the Open Offer, be deemed to have represented and agreed as follows:

- (a) it understands and acknowledges that the C Shares and the New Warrants have not been, and will not be, registered under the Securities Act, and accordingly may not be offered or sold or otherwise transferred in the United States or to, or for the account or benefit of, US Persons unless registered or an exemption from registration is available;
- (b) it understands and acknowledges that the Company has not registered and will not register under the Investment Company Act and that the Company has put in place restrictions for transactions not involving any public offering, and to ensure that the Company is not required and will not be required to be registered under the Investment Company Act;
- (c) it represents that (i) at the time the C Shares and New Warrants are acquired it is not an affiliate of the Company or a person acting on behalf of such an affiliate and (ii) it is not acquiring the C Shares and New Warrants for the account of an affiliate of the Company or of a person acting on behalf of such an affiliate;
- (d) it (i) is a QIB/QP, (ii) is acquiring the C Shares and New Warrants for its own account or for the account of one or more QIB/QPs and (iii) is aware, and each beneficial owner of the C Shares and New Warrants has been advised, that the sale of such C Shares and New Warrants is being made in reliance on Rule 144A or another available exemption from registration under the Securities Act;
- (e) it understands that the C Shares and New Warrants acquired by it are being offered to it and may be transferred only in transactions not involving any public offering in the United States within the meaning of the Securities Act or the Investment Company Act, as applicable. It agrees, for the benefit of the Company, any distributors or dealers and any such persons’ affiliates, that, if in the future it decides to offer, resell, pledge or otherwise transfer any such C Shares and New Warrants acquired by it, any offer, resale, pledge or transfer will be made in compliance with the Securities Act, the Investment Company Act and any applicable US State securities laws and only (1) in an offshore transaction in accordance with Regulation S under the Securities Act to a non-US Person or (2) pursuant to an exemption from registration under the Securities Act (provided that, if such transfer pursuant to this clause is to a US Person, the purchaser is a QP). It understands that one purpose of the foregoing limitation is to ensure that the Company is not required to register under the Investment Company Act;
- (f) it understands that the C Shares and the New Warrants, unless the Company determines otherwise in compliance with applicable law, will bear a legend to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE OFFER, SALE, PLEDGE OR TRANSFER OF THIS SECURITY IS SUBJECT TO CERTAIN CONDITIONS AND RESTRICTIONS. THE HOLDER HEREOF, BY PURCHASING OR OTHERWISE ACQUIRING THIS SECURITY, ACKNOWLEDGES THAT THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT AND THAT THE ISSUER HAS NOT REGISTERED AND WILL NOT REGISTER UNDER THE US

INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE “INVESTMENT COMPANY ACT”). THE HOLDER AGREES FOR THE BENEFIT OF THE ISSUER, ANY DISTRIBUTORS OR DEALERS AND ANY SUCH PERSONS’ AFFILIATES THAT THIS SECURITY MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT, THE INVESTMENT COMPANY ACT AND ANY APPLICABLE STATE SECURITIES LAWS AND ONLY (1) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATIONS UNDER THE SECURITIES ACT TO A NON-US PERSON (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT, “US PERSON”) OR (2) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (PROVIDED THAT, IF SUCH TRANSFER PURSUANT TO THIS CLAUSE (2) IS TO A US PERSON, THE PURCHASER IS A QUALIFIED PURCHASER WITHIN THE MEANING OF THE INVESTMENT COMPANY ACT), AND IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS. THE HOLDER ACKNOWLEDGES THAT THE PURPOSE OF THE FOREGOING LIMITATION IS, IN PART, TO ENSURE THAT THE ISSUER IS NOT REQUIRED TO REGISTER UNDER THE INVESTMENT COMPANY ACT.

- (g) it agrees that it will inform each subsequent purchaser of the C Shares and New Warrants from it of these transfer restrictions;
- (h) it acknowledges that the Company reserves the right to make inquiries of any holder of the C Shares or New Warrants or interests therein at any time as to such person’s status under US securities laws, including without limitation whether it is a QP, and to require any such person that has not satisfied the Company that such person is holding appropriately under US securities laws to transfer such C Shares, New Warrants or interests immediately under the direction of the Company;
- (i) it acknowledges that the Company, any of its registrars, any distributors or dealers or their affiliates, and others will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements. If it is acquiring the C Shares or New Warrants for the account of a QIB/QP, it represents that it has sole investment discretion with respect to such account and that it has full power to make the foregoing representations, acknowledgements and agreements on behalf of such account;
- (j) for the purposes of ERISA, either (a) it is not acquiring the C Shares and New Warrants for the account of or with the assets of a benefit plan investor within the meaning of the US Department of Labor regulations at 29 C.F.R. § 2510.3-101 (the “Plan Asset Regulations”) or (b) no C Shares and New Warrants acquired by it will be, nor deemed to be pursuant to the Plan Asset Regulations or otherwise, (i) assets of an employee benefit plan, within the meaning of section 3(3) of ERISA, that is not exempt from the provisions of Title I of ERISA pursuant to section 4(b) of ERISA or (ii) assets of a plan within the meaning of section 4975(e) of the Internal Revenue Code of 1986, as amended (the “Code”), that is not exempt from the provisions of such section pursuant to section 4975(g) of the Code; and
- (k) it has investigated the potential US tax consequences, including any federal, state and local consequences, affecting it in connection with its purchase and any subsequent disposal of the C Shares and New Warrants.

(c) ***Canada***

No exemptions in connection with the Open Offer have been or will be obtained from any securities commission or similar regulatory authority in Canada. Accordingly, the C Shares and New Warrants are not being offered, nor may they be offered or sold, directly or indirectly, in Canada, its territories and possessions and any areas subject to its jurisdiction (“Canada”) or to persons resident in Canada. No prospectus in relation to the C Shares and New Warrants will be filed with, and no relief from applicable securities law requirements will be obtained from, the applicable regulatory authority of any province or territory of Canada.

Holders of Existing Ordinary Shares with registered addresses in Canada will not be Qualifying Holders and an Application Form will not be sent to such persons.

Persons (including without limitation, nominees and trustees) receiving an Application Form should not distribute or send it to persons resident in Canada. The Company reserves the right to reject an Application Form from persons whom it believes are residents of Canada or persons who are acquiring C Shares and New Warrants for resale into Canada.

(d) ***Australia***

No prospectus in relation to the C Shares or New Warrants has been or is intended to be lodged with, or registered by, the Australian Securities and Investments Commission. A person may not:

- (i) directly or indirectly offer for subscription or purchase, or issue an invitation to subscribe for, or buy or sell any C Shares or New Warrants; or
- (ii) distribute any draft or definitive document in relation to any such offer, invitation or sale,

in the Commonwealth of Australia, its states, territories or possessions (“Australia”) or to any resident of Australia (including corporations and other entities organised under the laws of Australia but not including a permanent establishment of such corporate or entity located outside Australia).

Application Forms will not be sent and no offer of the C Shares or New Warrants is being made by means of this document or the Application Form to any Shareholder with a registered address in Australia.

Envelopes containing Application Forms should not be postmarked in Australia or otherwise despatched from Australia and all subscribers for C Shares must provide addresses outside Australia for the delivery of definitive certificates for C Shares and New Warrants. The Company and Arbutnot Securities reserve the right to treat as invalid any Application Form that appears to the Company to have been executed in, or despatched from, Australia or that provides an address in Australia for delivery of a definitive share certificate for the C Shares and New Warrants allotted pursuant to the Open Offer, or does not make the representation and warranty set out in the Application Form to the effect that such person is not in Australia and is not acting on a non-discretionary basis for a person in Australia.

(e) ***Japan***

No prospectus in relation to the C Shares or New Warrants has been or will be lodged with or registered by the Japanese Ministry of Finance and no steps have been taken to enable the C Shares or New Warrants to be offered, sold, accepted or otherwise delivered in Japan in compliance with applicable laws of Japan. The C Shares and New Warrants may, therefore, not be offered, sold, accepted or otherwise delivered, directly or indirectly, within Japan. The Open Offer is not being made in Japan, its territories and possessions and any areas subject to its jurisdiction (“Japan”). None of the Application Form, the C Shares or the New Warrants have been or will be available for subscription or purchase by any person resident in Japan. Holders of Existing Ordinary Shares with registered addresses in Japan will not be Qualifying Holders and an Application Form will not be sent to such persons.

(f) ***Republic of Ireland***

This document, the Application Form and the material contracts and experts’ consents referred to in Part 10 of this document have not been and will not be delivered to the Registrar of Companies in the Republic of Ireland under the European Communities (Transferable Securities and Stock Exchange) Regulations 1992 and section 47 of the Companies Act 1963 of Ireland. The C Shares and New Warrants may not be offered, sold, accepted or otherwise delivered, directly or indirectly, within the Republic of Ireland. Holders of Existing Ordinary Shares with registered addresses in the Republic of Ireland will not be Qualifying Holders and an Application Form will not be sent to such persons.

7. Settlement and dealings

The result of the Open Offer is expected to be announced through a regulatory information service of the London Stock Exchange on 6 May 2006. Applications have been made to the London Stock Exchange and the Bermuda Stock Exchange for the C Shares and New Warrants to be admitted to trading on AIM and the BSX respectively. It is expected that Admission will become effective and that dealings will commence on 12 May 2006. Depositary interests representing the Company’s Existing Ordinary Shares and Existing

Warrants are already admitted to CREST and applications will be made for depositary interests representing C Shares and New Warrants to be admitted to CREST.

Subject to the conditions of the Open Offer being satisfied or waived, all C Shares and New Warrants to be represented by depositary interests and issued in uncertificated form are expected to be credited to the appropriate CREST Stock Account by Admission, unless the Company exercises the right to issue such C Shares and New Warrants in certificated form. In normal circumstances this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST), or on the part of the facilities and/or systems operated by the Registrars in connection with CREST. This right may also be exercised if the correct details (such as Participant ID and Member Account ID details) are not provided as requested on the Application Form. Definitive certificates for the C Shares and New Warrants to be issued in certificated form are expected to be despatched by post during the week commencing 29 May 2006. No temporary documents of title will be issued. Pending despatch of definitive certificates, transfers of the C Shares and New Warrants by Qualifying Holders whose Existing Ordinary Shares are held in certificated form will be certified against the register. All documents or remittances sent by or to an applicant (or his agent as appropriate) will (in the latter case) be sent through the post and will (in both cases) be at the risk of the applicant. Qualifying Holders who hold depositary interests in CREST representing Existing Ordinary Shares should note that they will be sent no confirmation of the credit of the depositary interests representing C Shares and New Warrants to their CREST Stock Account nor any other written communication by the Company in respect of the issue of the C Shares and New Warrants.

8. Action you should take

If Qualifying Holders wish to apply for C Shares (with New Warrants attached on a one for five basis) under the Open Offer, they should complete the Application Form or Form of Acceptance which accompanies this document. Qualifying Holders should then return the Application Form or Form of Acceptance with the appropriate remittance for the full amount payable on application, to the offices of the Company's registrars, Computershare Investor Services PLC, PO Box 859, The Pavilions, Bridgewater Road, Bristol BS99 1XZ. Forms of Acceptance from holders of depositary interests in uncertificated form must be received no later than 5.00 p.m. on 3 May 2006 and Application Forms from Shareholders who hold their Shares in certificated form must be received no later than 11.00 a.m. on 4 May 2006.

9. Further information

Your attention is drawn to Part 1 and Parts 3 to 10 of this document containing information relating to the Placing and Open Offer and the Company.

Yours faithfully,

Alastair Moreton
Director, Corporate Finance
Arbuthnot Securities Limited

PART 3

INFORMATION ON THE COMPANY

1. Introduction

Utilico Emerging Markets Utilities Limited was incorporated on 9 June 2005 in Bermuda as an exempted, closed ended investment company with the objective of providing Shareholders with capital growth from investing predominantly in Utilities based in Emerging Markets. On 20 July 2005 its Ordinary Shares and Existing Warrants were admitted to trading on AIM and the BSX. As at 31 March 2006 the Company had unaudited net assets of £89.5 million (*source: Company weekly Net Asset Value announcement*). A summary of the Company's ten largest investments as at 31 March 2006 is set out in Part 4 of this document. The Company's investment objectives make it suitable for institutional and sophisticated investors with a focus on seeking capital appreciation over the long-term.

2. Investment rationale

The Directors consider that there continue to be a range of sound investment opportunities in the Utilities sector, in particular in Emerging Markets. Utilities companies generally have predictable cash flows and secure business franchises which provide them with a level of protection in an economic downturn and, at the same time, position them for growth as economic activity picks up. Under public ownership, Utilities companies have, in general, underinvested and underperformed and the effect of privatisation to date has, in most cases, been to create a change in management culture with a focus on operational and efficiency savings and investment. Business development opportunities have also been pursued by the privatised companies. At present, there is a likelihood in some Emerging Market countries of tighter regulation and increased competition. However, notwithstanding this, the Directors believe that the essential nature of most Utilities means that they should continue to have, in general, stable future earnings and progressive dividend policies.

In summary, the Directors believe that the degree of pricing power, regulated environment, predictability of earnings, asset based nature of Utilities companies and the essential services provided by Utilities will continue to make the Utilities sector an attractive investment opportunity.

The Directors believe that in the Emerging Markets the returns from investing in Utilities companies are likely to be generally higher than elsewhere, whilst recognising that certain elements of risk may also be higher. The Directors believe that the potential for economic growth in developing countries, combined with the relative under-development of their stock markets, should continue to provide the Company with attractive opportunities for investment. The Directors believe that the number of investment opportunities in Emerging Markets is likely to increase over time due to the trend in many countries towards privatisation, free-market economic policies and greater use of stock markets by companies to raise finance.

3. Investment objective and policy

The Company's investment objective is to provide long-term capital appreciation by investing predominantly in Utilities and related companies (including other investment companies investing in those companies) in Emerging Markets.

The Company's investment policy is flexible and permits it to make investments predominantly in Emerging Markets in existing utilities and related sectors, including (but not limited to) water and sewerage companies, waste, electricity, gas, telecommunications, ports, airports, service companies, rail, roads, any business with essential service or monopolistic characteristics and in any new utilities which may arise. The Company may also invest in businesses which supply services to, or otherwise support, the Utilities and related sectors.

The Company will continue to focus on the undeveloped and developing markets of Asia, Latin America, emerging Europe and Africa but has the flexibility to invest in markets world-wide. The Company will generally seek to invest in Emerging Market countries where the Directors believe that there are attributes such as: political stability, economic development, confidence in the legal framework and a positive attitude to foreign investment.

The Company has the flexibility to invest in shares, bonds, convertibles and other types of securities, including non-investment grade bonds where suitable opportunities arise. The Company also has the flexibility to invest in unlisted securities.

The Company may use derivative instruments such as financial futures, options and warrants for the purposes of efficient portfolio management. The Company may from time to time hedge into sterling, foreign currency exposures of the investment portfolio, particularly where future foreign currency receipts are expected. The Company may also, where appropriate, hedge general foreign currency exposures on a longer term basis.

It is the intention of the Company, subject to market conditions, to substantially fully invest the proceeds of the Issue within six months following its closure and thereafter to remain substantially fully invested at all times, although the Investment Manager may use its discretion to hold cash or cash equivalent investments (in any country) from time-to-time. Pending full investment, it is expected that the net proceeds of the Issue will be substantially invested in short-term money market instruments (including gilts) and cash with institutions (or wholly owned subsidiaries of institutions) which are rated A1 (or above) by Standard & Poor's or an equivalent rating agency.

The Directors confirm that, as required by the AIM Rules, they will at each annual general meeting of the Company seek shareholder approval of its investment strategy.

4. Investment restrictions

The Investment Manager will not, without Board approval:

- (a) invest in securities carrying unlimited liability; or
- (b) buy or sell commodities or commodity contracts although it may purchase and sell securities which are secured by commodities and securities of companies which invest in or deal in commodities; or
- (c) invest or lend more than 20 per cent. of its Gross Assets in securities of any one company or single issuer.

None of these restrictions will, however, require the realisation of any assets of the Company where any restriction is breached as a result of an event outside of the control of the Investment Manager which occurs after the investment is made, but no further relevant assets may be acquired or loans made by the Company until the relevant restriction can again be complied with. Shareholders will be informed in the annual report and accounts of the Company of the actions taken by the Investment Manager in the event of any breach of the above investment restrictions.

5. Directors

The Directors, are as follows:

Alexander Zagoreos (68) (Non-executive Chairman)

Alexander is based in New York. He was educated at Columbia University and was awarded a BA, MBA and Masters degree in International Affairs. He is a limited managing director and senior adviser of Lazard Asset Management, where he was formerly responsible for emerging market products and closed-end investment companies. Alexander has over 37 years of investment experience. He is currently a director of The World Trust Fund, Chairman of The Egypt Trust and formerly co-manager of Lazard Emerging World Investors LP, and is on the board of a number of investment companies and charitable organisations.

Michael Collier (59) (Non-executive Director)

Michael was born in Bermuda and educated in Bermuda, the UK and North America. He joined the Bank of Butterfield in Bermuda in 1963 and following overseas training in the UK, the USA and a number of promotions, was appointed President and Chief Operating Officer in 1992 and Chief Executive in 1994. Michael retired from this position in 1996. He is currently Chairman of Belco Holdings Limited, a director of Exelon Generation Finance Company LLC, ATNP Finance Company and Exelon Enterprises Investments Inc., all Delaware entities and subsidiaries of Exelon Corporation. In addition he is a director of a number of US and Bermuda companies.

Charles Jillings (50) (Executive Director)

Charles is qualified as a Chartered Accountant and previously worked in corporate finance at Hill Samuel for 10 years. He set up The Analysis & Research Company Limited in 1995 and has been a director of a number of listed companies. His directorships include Hemscott plc and Utilico Investment Trust plc.

Garth Milne (63) (Non-executive Director)

Garth was formerly the head of the investment funds division at UBS Warburg having originally set up the team at Laing and Cruickshank. He has been involved in investment funds in the City of London for over 30 years and is a director of several investment companies, including BFS UK Dual Return Trust Plc, Real Estate Opportunities Limited, INVESCO Perpetual UK Smaller Companies Trust Plc, Henderson Far East Income Trust Plc, and The Ukraine Opportunity Trust Plc.

Kevin O'Connor (65) (Non-executive Director)

Kevin was until recently the Chairman of Infratil Limited, a New Zealand based specialist investor in international infrastructure and utility assets. Previously he had a 35 year career in investment banking and stockbroking with Daysh Renouf & Co and O'Connor Grieve & Co amongst others. He is a member of the New Zealand Takeovers Panel, Chairman of the Wellington Regional Community Foundation, a trustee of the Catholic Foundation of Wellington as well as being involved with a number of other charitable bodies.

6. Investment Manager

The Directors are responsible for the determination of the Company's investment policy and have overall responsibility for the Company's day to day activities. The Company's investment manager is Ingot, with responsibility for the management of the Company's portfolio and the provision of various other management services to the Company, subject to the overriding supervision of the Directors. Further details of the Investment Management Agreement are summarised in paragraph 6.1.1 of Part 10 of this document.

Ingot is an Australian investment adviser regulated by the Australian Securities and Investments Commission with licence number 239075 and the company was registered on 11 August 1994 with registration number 066 017 712. Ingot's registered office is at Level 11, 1 York Street, Sydney, NSW 2000. A representative of Ingot can be contacted on the following telephone number: +44 (0) 1372 271486.

In the UK, Ingot is the investment manager of the Company and Stocks Convertible Trust PLC and is investment adviser to Utilico, with gross assets in those entities totalling over £365 million. Ingot was also the investment manager of Utilico's predecessor, The Special Utilities Investment Trust Plc ("SUIT").

As at 31 March 2006, the Company's undiluted net asset value (cum income) per Ordinary Share was 119.28p (*source: Company unaudited weekly Net Asset Value announcement*), compared to the subscription price of 100p on flotation in July 2005. An ordinary share issued by Utilico at 100p at launch in August 2003 had an undiluted net asset value (cum income) of 237.11p as at 31 March 2006 (*source: Utilico weekly net asset value announcement*). Based on the value of a SUIT continuation package unit, an investment in SUIT made at 100p at launch in August 1993 had a net asset value of 285.3p when SUIT was wound up in August 2003. Based on the value of a SUIT capital share, an investment of 40p made in August 1993 had a net asset value of 222.35p when SUIT was wound up in August 2003. The past performance of funds managed or advised by the Investment Manager is not a guide to the future performance of the Company. The value and income of the Ordinary Shares, C Shares, Warrants and the New Warrants can fall as well as rise and an investor may get back less than the amount invested.

Duncan Saville, previously a director of Utilico and SUIT, continues to act as a director of the investment manager, Ingot. He is a non executive director of Infratil Limited and ERG Limited and was formerly a director of Stocks Convertible Trust plc, East Surrey Holdings plc, Dee Valley Group plc, Glasgow Prestwick International Airport Limited and Wellington International Airport.

Investment philosophy

Ingot's investment philosophy is to focus on Utilities which the Investment Manager believes have more favourable prospects; this philosophy has the following features:

- searching for under-valued companies that are often under-rated and under-researched;
- developing techniques to compare Utility companies across geographical regions and across industries;
- maintaining a strong understanding of the Utility sectors and their regulation; and
- possessing a sensitivity to step changes resulting from developments in regulation and competition.

Investment process

The Investment Manager follows a systematic investment process. It sources and analyses investment opportunities before making investments where it believes they offer good value. The Investment Manager has an established network of industry contacts and investment opportunities are normally sourced through a combination of sector monitoring and a review of markets. The Investment Manager has a good long-term record in stock selection in the Utilities sector.

7. Relationship with Utilico and potential conflicts of interest

Whilst Utilico and the Company are two separate entities, each with their own board of directors and shareholders, they have the same investment and portfolio methodology. In light of this, the Company employs certain Utilico employees. The services provided by the Company's employees relate to analysis of potential investments, the provision of information to Ingot and the placing and execution of trades once authorised by the Investment Manager or the executive director. Charles Jillings acts as an executive director of both the Company and Utilico.

Investment allocation

As Ingot provides investment advice to both the Company and Utilico (among other clients) a clear investment allocation policy is in place between Utilico and the Company, with the intention of providing transparency for shareholders in each company.

The following investment allocation policy is followed:

- all investments in Emerging Markets are first offered in full to the Company;
- if the Company is technically able to make the investment, but the Investment Manager believes it is inappropriate for it to do so, either in part or in full, (for example, this may be due to sector or geographical weighting issues or lack of funds) then the matter is referred to the Chairman of the Company;
- if the Chairman agrees with the Investment Manager's decision, then Utilico is free to make the investment (to the extent that the opportunity remains) if it wishes to do so;
- if the Company is incapable of making any part of the investment, then Utilico is free to take up the balance of the investment if it wishes to do so; and
- in circumstances where both the Company and Utilico invest in the same securities at the same time, they invest on substantially the same terms.

The Company's investment objective is to invest predominantly in Emerging Markets. However, the Company has the flexibility to make investments in Utilities and related companies outside Emerging Markets, including making investments in developed markets. Where Ingot identifies a Utilities or related investment opportunity in a developed market which it believes would be suitable for the Company's portfolio and is in accordance with the Company's investment policy, a similar allocation policy to that set out above is adopted, but with Utilico being offered the relevant investment opportunity in the first instance. In the event that Utilico is unable or does not wish to take up the relevant investment opportunity in full, then the Company is free to make that investment (to the extent that the opportunity remains).

Management fee

Ingot receives management fees from both Utilico and the Company. To ensure Ingot does not receive two management fees on the portion of Utilico's assets that are invested in the Company, Ingot does not charge Utilico a management fee or performance fee in respect of Utilico's investment in the Company.

Shareholder relationship

Utilico has given the Company an irrevocable undertaking that it will vote in favour of the Resolutions and will subscribe under the Open Offer for 22,522,239 C Shares, provided that it can do so without failing to satisfy the requirements of s.842 ICTA.

On Admission it is expected that Utilico will own approximately 30 per cent. of the Company's Ordinary Shares and 30 per cent. of the Company's Existing Warrants and 22.5 per cent. of the Company's C Shares and 22.5 per cent. of the New Warrants (assuming the Issue is fully subscribed). The Company and Utilico will conduct all of their business on arm's length commercial terms and this shareholding will not affect the relationship between the two companies.

8. Administrator

F&C Management Limited is administrator and secretary to the Company and is responsible for the day-to-day administration of the Company. The Administrator and Secretary is regulated by the Financial Services Authority and its registered office is at Exchange House, Primrose Street, London EC2A 2NY. Its telephone number at this office is +44 (0) 20 7628 8000.

9. Bermuda Assistant Secretary

Appleby Corporate Services (Bermuda) Limited is the Company's Bermuda Assistant Secretary.

10. Registrar

Computershare Investor Services (Channel Islands) Limited ("Computershare CI") is the Company's branch registrar and maintains in Jersey a branch copy of the register of Ordinary Shareholders and holders of Existing Warrants and will maintain a branch copy of the register of C Shareholders and New Warranholders. Computershare CI liaises with Computershare Investor Services PLC the CREST agent and UK transfer agent, for the transfer and settlement of uncertificated depositary interests representing C Shares, Ordinary Shares, Existing Warrants and New Warrants.

11. Custodian

The London Branch of JPMorgan Chase Bank, N.A. ("JPMorgan") acts as custodian of the Company's quoted and unquoted assets and in that capacity is responsible for ensuring safe custody and dealing with settlement arrangements. Under the custody agreement JPMorgan may delegate custody of overseas assets to sub-custodians, provided such sub-custodians are appropriately regulated.

JPMorgan is a National Banking Association, organised under the laws of the United States and as a foreign corporation is registered as a branch in England and Wales with branch number BR000746. The Custodian has its registered office at 125 London Wall, London EC2Y 5AJ. Its telephone number at its registered office is +44 (0)20 7777 2000. The Custodian is authorised and regulated in the UK by the FSA.

12. Fees and Expenses

Expenses of the SGM and the Issue

The Issue Expenses are those which are incurred in connection with the SGM and the Issue. Such expenses will include fees payable under the Placing and Open Offer Agreement, whereby Arbuthnot Securities will receive a corporate finance fee of £150,000, plus a commission equivalent to 1 per cent. of the market capitalisation of the C Shares at the Issue Price (together with an additional commission of 0.5 per cent. on any Placing Shares subscribed for by investors based in the US), and the registration, admission fees, printing costs, legal fees and any other relevant expenses. The Issue expenses are expected to amount to approximately 1.4 per cent. of the Gross Assets attributable to C Shareholders assuming the Placing and Open Offer are both fully subscribed. These expenses will be borne exclusively by the subscribers for C Shares. None of the Issue Expenses will be borne by existing Ordinary Shareholders.

Ongoing Annual Expenses

All annual fees and expenses are charged to the revenue account with the exception of the performance fee and other expenses of a capital nature, which are charged to the capital account.

Investment Manager

Management fee

Under the terms of the Investment Management Agreement, the Investment Manager is entitled to receive a quarterly management fee from the Company equivalent to 0.125 per cent. of Gross Assets, payable in arrears. The Investment Manager is also entitled to the reimbursement of travel and other expenses incurred by it in connection with its duties.

Performance fee

In addition to the annual management fee, the Investment Manager is entitled to receive a performance related fee from the Company in certain circumstances. The performance fee due to the Investment Manager is calculated and paid annually based on the performance in the Company's accounting period. The first performance fee will be paid for the initial period between 20 July 2005 and 31 March 2006.

The performance fee is calculated based on 15 per cent. of any out performance of Adjusted Equity Funds in excess of a benchmark index. For this purpose the benchmark index is the post tax yield on the FTSE Actuaries Government Securities UK Gilt 5 to 10 years index, plus inflation (on the RPIX basis), plus two per cent. By way of example, as at 31 March 2006, being the last practicable date prior to the publication of this document, based on a yield on the FTSE Actuaries Government Securities UK Gilt 5 to 10 years index of 4.41 per cent., inflation of 2.30 per cent. and a tax rate of 30 per cent., the benchmark index would have been 7.39 per cent. No performance fee is payable if, despite having exceeded the benchmark, the Adjusted Equity Funds is less than it was on the previous calculation date, the calculation date where a performance fee was last paid or the Adjusted Equity Funds on 20 July 2005 and as adjusted to take account of the Issue (the "Hurdles"). The Hurdles will be adjusted for any capital event (including but not limited to bonus issues, any repayment or otherwise that reduces the funds attributable to Ordinary Shares and/or C Shares and any new issue of equity (including the exercise of the Existing Warrants and New Warrants)).

If a performance fee is payable, the Company will pay the Investment Manager a sum equivalent to 15 per cent. of any outperformance over the benchmark index.

Any performance fee payable will be paid as to 50 per cent. in cash and 50 per cent. in Ordinary Shares. The number of Ordinary Shares to which the Investment Manager is entitled ("Performance Shares") will be the number of Ordinary Shares that, when valued at the fully diluted Net Asset Value per Ordinary Share at the end of the financial year to which the performance fee relates, equals 50 per cent. of the performance fee. The cash element of the performance fee will be paid in cash approximately 7 business days after the publication of the annual report and accounts for the relevant financial year. During the 21 days following publication of the annual report and accounts, the Investment Manager will make reasonable endeavours to purchase the Performance Shares in the market at a price (including transaction costs) equal to or below the fully diluted Net Asset Value per Ordinary Share at the time of such purchase. The Company will reimburse the Investment Manager in cash for such purchases. In the event that the Investment Manager is unable to purchase some or all of the Performance Shares in the market at or below the fully diluted Net Asset Value per Ordinary Share at the time of such purchase, the Company will issue to the Investment Manager new Ordinary Shares equivalent to any shortfall.

The performance fee is calculated on the Adjusted Equity Funds of the Company. In considering how any performance fee will be allocated between the assets attributable to the C Shares and the assets attributable to the Ordinary Shares the Directors will consider various factors (including, but not limited to, the Adjusted Equity Funds and relative performance of each pool) before arriving at an allocation that the Board, in consultation with the Company's auditors, considers to be fair and reasonable. In determining the allocation, it is possible that one share class may receive a performance fee credit whilst the other receives a performance fee charge.

Further details in respect of the calculation of the performance fee are set out in paragraph 6.1.1 of Part 10 of this document.

Administrator and Secretary

Under the terms of the Administration Agreement, the Administrator and Secretary is entitled to a fee of £200,000 per annum. This fee will be reviewed twelve months after the date of the Administration

Agreement. The Administrator and Secretary and any of its delegates are also entitled to reimbursement of certain expenses incurred by it in connection with its duties.

Custodian

Under the terms of the Custodian Agreement, the Custodian is entitled to receive agreed safekeeping fees. These fees are variable and depend on the geographic locations of the Company's investments. In addition the Custodian is entitled to receive agreed transaction fees.

Directors

Each of the Directors is entitled to receive a fee from the Company at such a rate as may be determined in accordance with the Bye-laws. The fees are paid quarterly at a current rate of £17,500 for each Director per annum, with the Chairman's fee being at the current rate of £25,000 per annum. The Directors' fees are satisfied in Ordinary Shares (the "Fee Shares") as set out below. The Directors are also entitled to be paid all reasonable expenses properly incurred by them in attending general meetings, Board or Committee meetings or otherwise in connection with the performance of their duties. The number of Fee Shares to which each Director is entitled is the number of Ordinary Shares that, when valued at the fully diluted Net Asset Value per Ordinary Share at the end of the quarter to which the Director's fee relates, equals 25 per cent. of the Director's annual fee. During the 14 day period immediately following the Fee Shares becoming due, each Director makes reasonable endeavours to procure the purchase of the Fee Shares in the market at a price (including transaction costs) equivalent to or below the fully diluted Net Asset Value per Ordinary Share at the time of such purchase. The Company puts the relevant Director in funds for such purposes. In the event that any Director is unable to procure the purchase of some or all of the Fee Shares in the market at or below the fully diluted Net Asset Value per Ordinary Share at the time of such purchase, the Director returns any monies advanced to him by the Company (to the extent not used to procure Fee Shares) and the Company issues to that Director such number of new Ordinary Shares as is equivalent to any shortfall.

For periods when there are both Ordinary Shares and C Shares in issue the Fee Shares issued to the Directors will be split between Ordinary Shares and C Shares on the basis of (i) the period of time for which Shares of each class were outstanding during the relevant quarter and (ii) the Gross Assets attributable to each class.

Nominated adviser and broker

Under the terms of the agreement appointing Arbuthnot Securities to act as nominated adviser and broker to the Company for the purposes of AIM, Arbuthnot Securities is paid a fee of £25,000 per annum.

13. Discount Management Provisions and Repurchase of Shares

As a closed ended company whose Ordinary Shares are traded on AIM and the BSX, Ordinary Shares and C Shares may trade at a discount to their Net Asset Value per Ordinary Share and Net Asset Value per C Share respectively. However, in structuring the Company, the Directors gave detailed consideration to the discount risk and how this could be reduced. The mechanisms set out below will apply only in respect of Ordinary Shares. As the C Shares will convert into Ordinary Shares at the end of a period not longer than seven months following Admission, the Directors do not consider that a discount management mechanism is required in respect of them, although the discount management mechanism will apply to the Ordinary Shares that arise on Conversion.

Regular Tender Facility

Subject to certain limitations and the Directors exercising their discretion to operate the Tender Facility or any variation on any relevant occasion, Ordinary Shareholders may request the repurchase of all or part of their shareholding for cash pursuant to a regular Tender Facility. The Tender Price will usually be set at a 5 per cent. discount to the NAV per Ordinary Share to allow for the costs of the exercise. To ensure that Utilico's shareholding in the Company is not increased to a significantly larger percentage as a result of such tenders, Utilico will always be given the opportunity to tender a relevant proportion of its shareholding so as to maintain its percentage shareholding in the Company at the same level immediately prior to the relevant Tender Date. The Directors expect that the maximum number of Ordinary Shares which may be tendered pursuant to the Tender Facility in any financial year will be limited to 12.5 per

cent. of the Ordinary Shares in issue at the commencement of the relevant financial year, with any excess tender requests being scaled back pro rata. Any Ordinary Shares bought back pursuant to the Tender Facility will be cancelled.

Subject to the limitations set out below and the Directors' discretion being exercised on any relevant occasion, the Tender Facility is expected to operate annually on the Tender Date. The Tender Facility is not expected to be made available in circumstances where the annual compound growth rate of the Company's Gross Assets exceeds 10 per cent. or where the Company's performance exceeds the benchmark index by 15 per cent. or more in the relevant period. Given the Company's performance to date it is not expected that the Tender Facility will be operated for the financial year ending 31 March 2006.

If the Directors choose to operate the Tender Facility on any given Tender Date, they will make an announcement to that effect not less than 21 days before the relevant Tender Date. Ordinary Shareholders who wish to tender their Ordinary Shares pursuant to the Tender Facility should request a Tender Form and must lodge their completed Tender Form not less than 21 days before the relevant Tender Date. Details of where to obtain a Tender Form and where they must be lodged when completed will be set out in the announcement. Repurchases pursuant to the Tender Facility will be effected at the average Net Asset Value per Ordinary Share, for the seven days prior to the relevant Tender Date less a discount of 5 per cent. Cheques in respect of successful tenders are expected to be despatched (at the recipient's risk) within 21 business days following the relevant Tender Date.

Prospective holders of the C Shares and/or Ordinary Shares should note that the operation of the Tender Facility is discretionary and they should place no expectation or reliance on the Directors exercising such discretion on any one or more occasions or the proportion of Ordinary Shares which may be sold pursuant to the Tender Facility.

Purchases of Ordinary Shares by the Company

In addition to the Tender Facility, the Company has been granted authority to make market purchases of up to 14.99 per cent. of its Ordinary Shares. The Company's authority to make purchases of its Ordinary Shares will expire at the earlier of 30 September 2006 and the conclusion of the 2006 annual general meeting of the Company. A renewal of the authority to make purchases of Ordinary Shares will be sought from Shareholders at each annual general meeting of the Company. The timing of any purchases will be decided by the Board and will be at its absolute discretion.

The Directors intend that purchases will only be made, pursuant to this authority, through the market, for cash, at prices below the prevailing Net Asset Value of an Ordinary Share, where the Directors believe such purchases will result in an increase in the Net Asset Value per Ordinary Share of the remaining Ordinary Shares and to assist in narrowing any discount to Net Asset Value per Ordinary Share at which such shares may trade. The maximum price to be paid will be not more than 5 per cent. above the average of the mid-market values of the Ordinary Shares for the 5 business days before the purchase is made, and any purchases will be made in accordance with the Bermuda Companies Act. Any Ordinary Shares purchased by the Company will be cancelled.

Under the terms of the Existing Warrant Instrument and the New Warrant Instrument the Company has the ability to buy-back both Existing Warrants and New Warrants. Any Existing Warrants or New Warrants bought back by the Company will be cancelled.

14. Further Share Issues

The Company's authorised share capital is such that further issues of equity securities (including warrants) can be made. There are no pre-emption rights for Existing Shareholders on any such further issue. No Ordinary Shares will be issued at a price less than the NAV per Ordinary Share at the time of issue. Subject to market conditions then prevailing and to all necessary consents and approvals being obtained, the Board may decide to make one or more further issues of equity securities for cash from time to time.

15. Net Asset Value

The Net Asset Value and the Net Asset Value per Ordinary Share will be calculated (and rounded to two decimal places), in pounds sterling by the Administrator and Secretary (or such other person as the Directors may appoint for such purpose from time to time) on the NAV calculation date. Such values will

be announced through the London Stock Exchange following the relevant NAV calculation date. The Directors do not expect at any point to suspend the weekly calculations of the Net Asset Value and the Net Asset Value per Ordinary Share. However, should the Directors suspend the weekly calculations, they have undertaken to notify Shareholders and investors through a regulatory information service.

The Net Asset Value of the C Pool (being the assets and liabilities properly attributable to the C Shares) and the Net Asset Value per C Share will be calculated and announced in the same manner.

The Net Asset Value of the Ordinary Pool (being the assets and liabilities properly attributable to the Ordinary Shares) will be the Gross Assets of the Ordinary Pool less the liabilities to creditors (including the provisions for such liabilities) attributable to the Ordinary Pool, determined in accordance with the valuation guidelines adopted by the Directors from time to time.

The Net Asset Value of the C Pool will be the Gross Assets of the C Pool less the liabilities to creditors (including the provision for such liabilities) attributable to the C Pool, determined on the same basis.

Under current valuation guidelines adopted by the Directors, such values will be determined as follows:

- the value of any cash in hand or on deposit, bills and demand notes and accounts receivable, cash dividends and interest declared or accrued as aforesaid and not yet received shall be deemed to be the full amount thereof, unless in any case the Directors will have determined that the same is unlikely to be paid or received in full, in which case the value thereof will be arrived at after making such discount as the Directors may consider appropriate in such case to reflect the true value thereof;
- securities which are quoted or dealt in on any stock exchange (including any securities traded on an “over the counter market”) will be valued in accordance with International Financial Reporting Standards;
- unquoted securities will be valued at their fair value in accordance with the International Private Equity and Venture Capital Valuations Guidelines endorsed by the British Venture Capital Association;
- all other assets (including prepayments) and liabilities to creditors will be valued at their respective fair values as determined in good faith by the Directors and in accordance with generally accepted valuation principles and procedures; and
- any value other than in pounds sterling will be translated at any officially set exchange rate or appropriate spot market rate as the Directors deem appropriate in the circumstances.

If the Directors consider that any of the above bases of valuation are inappropriate in any particular case or generally, they may adopt such other valuation procedure as they consider is reasonable in the circumstances having taken advice from the Company’s auditors. The Directors may delegate to the Investment Manager any of their discretions under the valuation guidelines.

16. Details of the Issue

The Company is seeking to raise up to £100 million, before expenses, through the issue of up to 100 million C Shares pursuant to the Placing and Open Offer. The Placing and Open Offer are not being underwritten and, as a result will not proceed unless aggregate subscriptions and placing commitments are received which represent a minimum of £50 million.

The Company intends to invest the proceeds of the Issue in line with its investment objective and policy as set out in paragraph 3 of Part 3 of this document.

Pursuant to the Placing and Open Offer Agreement, Arbuthnot Securities has conditionally agreed to place firm, with institutional investors, the Placing Shares at the Issue Price of 100p per C Share. Additionally, Arbuthnot Securities has conditionally agreed to make the Open Offer on behalf of the Company and to use its reasonable endeavours to procure subscribers for the C Shares at the Issue Price.

The Placing and Open Offer are conditional, *inter alia*, on the Placing and Open Offer Agreement becoming unconditional, and not being terminated in accordance with its terms, Admission of the C Shares and New Warrants and the passing of the Resolutions set out in the Notice of Special General Meeting on page 98 of this document. Other than as set out in this paragraph the Placing and Open Offer will not be revoked or suspended. The result of the Placing and Open Offer will be announced on 8 May 2006.

Immediately following the Placing and Open Offer, the interests of the Directors, in aggregate, will amount to approximately 0.89 per cent. of the C Shares and 0.75 per cent. of the Ordinary Shares, assuming the Issue is fully subscribed. Details of the Directors' holdings of Ordinary Shares and C Shares are set out in paragraph 3.6 of Part 10 of this document.

The Placing and Open Offer (if fully subscribed) is expected to raise up to £98.6 million (net of the Issue Expenses), all of which will be receivable by the Company. On Admission the Company will have a market capitalisation of approximately £194.6 million, based on the market capitalisation as at 31 March 2006 (being the latest practicable date prior to publication of this document) and assuming the Issue is fully subscribed.

17. Warrants

Under the Issue, New Warrants will be issued on the basis of one New Warrant for every five C Shares subscribed. On the Conversion Date such number of New Warrants will be cancelled so that the number of New Warrants outstanding is equal to one fifth of the number of Ordinary Shares arising on Conversion of the C Shares. **However, no additional New Warrants will be issued if the Conversion Ratio is such that the number of Ordinary Shares arising on Conversion is greater than the number of C Shares in issue prior to Conversion.** Each holder of New Warrants will be issued with a certificate in respect of their revised holding of New Warrants. Fractional entitlements will be rounded down and cancelled. The New Warrants will rank *pari passu* in all respects with the Existing Warrants following Conversion and any cancellation of New Warrants as set out earlier in this paragraph (including the subscription price of 100 pence per Ordinary Share and the exercise dates of 31 January and 31 July in each of the years 2007 to 2010). The terms and conditions of the New Warrants are set out in Part 6 of this document.

18. Meetings, reports and accounts

Whilst in the Company's original admission document, it was stated that it was intended that all general meetings of the Company would be held in Bermuda or the United States of America, to increase the Company's flexibility it is now intended that the Company will hold general meetings in any country outside of the United Kingdom. The Company will hold an annual general meeting each year. Shareholders are entitled to attend and vote at all general meetings. The SGM will be held at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda on 26 April 2006.

The annual report and accounts of the Company will be made up to 31 March in each year with copies expected to be sent to Shareholders within the following six months. Shareholders will also receive each year an unaudited interim report for the six months to 30 September. These are expected to be sent to Shareholders within the following six months. The first financial period of the Company covered the period from incorporation to 31 March 2006.

The audited accounts of the Company will be prepared in pounds sterling under International Financial Reporting Standards, which the Directors believe is an acceptable body of generally accepted accounting practice. Under International Financial Reporting Standards, the Company will prepare an income statement and a statement of changes in equity, which will disclose revenue and capital results, including net investment gains.

19. Dividend policy

It is the intention of the Directors that the Company will distribute in excess of 90 per cent. of its net income attributable to Ordinary Shares available for distribution by way of dividend in relation to any accounting period in respect of which it is aware that over 50 per cent. of the Company's shares are held by UK resident shareholders. Where the Company pursues such an acceptable distribution policy (within the meaning of Part I of Schedule 25 of ICTA), the Company's net income available for distribution shall be taken to mean its net chargeable profits (as defined in section 747 ICTA which excludes capital gains) attributable to Ordinary Shares, calculated as if it were a UK resident company. Prior to Conversion, the C Shares will only carry the right to participate in any dividend declared in respect of the assets attributable to the C Shares.

20. Bank borrowings

The Company may, from time to time, use bank borrowings for short-term liquidity purposes. In addition, the Directors intend to gear the Company by borrowing on a longer term basis for investment purposes. The Directors intend to restrict bank borrowings on a longer term basis to 25 per cent. of Gross Assets.

The Company intends to substantially invest the net proceeds of the Issue prior to incurring any longer term borrowings.

21. Lock-In Arrangements

Utilico, Ingot, certain employees of the Company and Ingot, and each of the Directors has, pursuant to Rule 7 of the AIM Rules, entered into lock-in arrangements in respect of any C Shares held by them on Admission or which they may subsequently acquire in the 12 month period following Admission and any Ordinary Shares held by them which arise on Conversion of such C Shares.

Under the terms of the lock-in arrangements, Utilico, Ingot, certain employees of the Company and Ingot, and each of the Directors have agreed not to sell, transfer or otherwise dispose of any C Shares held by them or their related parties (as such term is defined in the AIM Rules) and any Ordinary Shares held by them which arise on Conversion of such C Shares for a period of 12 months following Admission. The lock-in arrangements cease to apply in the event of an intervening court order, the death of the locked in party (in the case of individuals) or on the acceptance of a takeover offer for the Company which is open to all Shareholders.

After the expiry of such period, Utilico, Ingot, certain employees of the Company and Ingot and each of the Directors have agreed that any sale or disposal of C Shares and any Ordinary Shares which arise on Conversion of such C Shares will only be effected through Arbuthnot Securities for so long as it remains the Company's broker.

In addition, the same parties have signed lock-in deeds in relation to Ordinary Shares acquired on the Company's launch. The lock-in period in respect of these Ordinary Shares will expire on 19 July 2006.

22. Life of the Company

Although the Company will not have a fixed life, the Directors consider it desirable to give Shareholders the periodic opportunity to review the future of the Company. At the annual general meeting of the Company to be held in 2012, a resolution will be proposed that the Company should continue as presently constituted. If that resolution is not passed, the Directors will be required to formulate proposals to be put to Shareholders to wind-up, reorganise or reconstruct the Company.

23. Admission, settlement and CREST

AIM

Application has been made to the London Stock Exchange for all the C Shares and New Warrants to be issued pursuant to the Issue to be admitted to trading on AIM. Admission of the C Shares and New Warrants to trading on AIM is expected to take place on 12 May 2006.

The Company, through the CREST Agent, has established a depositary arrangement under English Law whereby depositary interests in registered form ("DIs"), established pursuant to a deed of trust executed by the CREST Agent operating under English Law acting as depositary, and representing C Shares and New Warrants, will be issued to investors who wish to hold their C Shares and/or New Warrants in electronic form within the CREST system. The Company will apply for the DIs representing C Shares and New Warrants to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in C Shares and New Warrants, represented by DIs, following Admission may take place within the CREST system if the relevant investors so wish. CREST is a computerised paperless share transfer and settlement system which allows shares and other securities, including depositary interests, to be held in electronic rather than paper form. CREST is a voluntary system and C Shareholders and New Warrant holders who wish to receive and retain share and warrant certificates will be able to do so.

Further information regarding the depositary arrangement and the holding of C Shares and New Warrants in the form of DIs is available from the CREST Agent, Computershare Investor Services PLC, whose contact details are set out in the Directors, Secretary and Advisers section of this document.

Bermuda Stock Exchange

Application has been made to the Bermuda Stock Exchange for all the C Shares and New Warrants to be issued pursuant to the Issue to be admitted to trading on the Bermuda Stock Exchange. Admission of the C Shares and New Warrants to the Bermuda Stock Exchange is expected to take place on 12 May 2006.

24. Taxation

The Company is resident in Bermuda for tax purposes. Potential investors are referred to Part 9 of this document for details of the taxation of the Company and of Shareholders.

Shareholders who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than the UK are strongly advised to consult their own independent financial adviser immediately.

25. Risk Factors

The Company's business is dependent on many factors and potential investors are advised to read the whole of this document, and in particular the "Risk Factors" set out on pages 14 to 18 of this document.

26. Further Information

On 13 March 2006 the Board established an Audit Committee, a Management Engagement Committee and a Remuneration Committee. It is the intention of the Directors to comply with the Combined Code as far as is appropriate for an investment company. The Board confirms that the Company complies with the corporate governance regimes set out in the AIM Rules and the Bermuda Companies Act.

The attention of investors is drawn to the information contained in Parts 1, 2 and 4 to 10 of this document which provide additional information on the Placing and Open Offer and on the Company.

PART 4

THE INVESTMENT PORTFOLIO

The ten largest investments of the Company as at 31 March 2006 are set out below. This information is unaudited.

Investment	Sector	Country	Market Value of Investment (£m)*	% of Gross Assets	Market Capitalisation of Investee Company*,** (£m)
CCR	Roads	Brazil	11.42	10.7	2,169
Ocean Wilsons Holdings	Ports	Brazil	11.41	10.7	167
ASUR	Airports	Mexico	9.93	9.3	577
Datang International Power	Electricity	China	6.44	6.0	1,880
SABESP	Water	Brazil	5.39	5.0	1,445
Electricity Generating PCL	Electricity	Thailand	4.42	4.1	613
Comgas	Gas Distribution	Brazil	4.27	4.0	960
AES Tiete	Electricity	Brazil	4.17	3.9	1,467
Hainan Meilan	Airports	China	3.99	3.7	162
International Airport					
TIM Participacoes	Telecoms	Brazil	3.79	3.5	1,872

* As at 31 March 2006, calculated on its bid price quoted on the principal exchange on which its shares are traded.

** The exchange rates used for this calculation are as follows:

One British Pound = 1.7345 US Dollars = 3.7650 Brazilian Reals = 13.4598 Hong Kong Dollars = 67.4653 Thai Baht.

AES Tiete

AES Tiete SA, owns 10 hydroelectricity plants in Brazil with a capacity of approximately 2,650 megawatts. The company is listed on the Sao Paulo Stock Exchange.

ASUR

Grupo Aeroportuario del Sureste, S.A. de C.V., administers and operates a group of nine airports in the southeast region of Mexico, in the cities of Cancún, Cozumel, Mérida, Huatulco, Oaxaca, Veracruz, Villahermosa, Tapachula and Minatitlán. The company is listed on both the New York and Mexican stock exchanges. During 2004, approximately 13.9 million passengers passed through the company's airports.

CCR

Companhia de Concessoes Rodoviaras, is the largest toll road operator in Latin America. The company is listed on the Sao Paulo Stock Exchange and operates approximately 1,300km of roads in Brazil.

Comgas

Companhia de Gas de Sao Paulo is a gas distribution company operating throughout the Brazilian state of Sao Paulo. The company supplies gas to industrial, commercial and residential customers. The company is listed on the Sao Paulo Stock Exchange.

Datang International Power Generation

Datang International Power Generation Co. Limited, based in China, is one of the largest independent power generators in China. The company has securities listed on the London, Hong Kong and Luxembourg stock exchanges.

Electricity Generating PCL

Electricity Generating Public Company Limited is an electric utility holding company. The company produces and supplies electricity to the Electricity Generating Authority of Thailand. The company is listed on the Bangkok Stock Exchange.

Hainan Meilan International Airport

Hainan Meilan International Airport Co. Limited, operates the Hainan Meilan International Airport in China; during 2004 approximately 7.5 million passengers passed through the airport. The company's shares are listed on the Hong Kong Stock Exchange.

Ocean Wilsons Holdings

Ocean Wilsons Holdings Limited, is based in Brazil and provides port and shipping services. The company is listed on the London and Bermuda stock exchanges, operates two container terminals in Brazil and is the largest provider of vessel towage services in Brazil.

SABESP

Cia de Saneamento Basico do Estado de Sao Paulo, is a water and sewerage utility, serving a population of approximately 25 million people in Brazil. The company is listed on the New York and Sao Paulo stock exchanges.

TIM Participacoes

TIM Participacoes SA, is a mobile telecommunications provider in Brazil, providing mobile telephony to approximately 7.5 million customers. The company is listed on the New York and Sao Paulo stock exchanges.

Breakdown of Investments (as at 31 March 2006)

By Sector		By Geography		By Currency		By Asset Type	
Electricity	20.9%	Asia	39.0%	USD	27.3%	Equities	90.0%
Gas	3.9%	Eastern	5.7%	BRL	23.8%	Convertibles	6.7%
Telecoms	14.2%	Europe		GBP	15.7%	Fixed	2.0%
Airports	14.9%	Latin	54.6%	HKD	12.0%	Interest	
Ports	15.8%	America		THB	9.6%	Options and	1.3%
Road/Rail	15.9%	Other	0.7%	HUF	3.0%	warrants	
Water	8.0%			MYR	2.0%		
Other	6.5%			Other	6.6%		

Percentages used in the table relate to proportions of the Company's investment portfolio.

PART 5

SUMMARY OF THE C SHARE RIGHTS

The rights and restrictions attaching to the C Shares are set out in the new Bye-laws of the Company proposed to be adopted at the Special General Meeting. The relevant provisions of the new Bye-laws are summarised below.

1. The following definitions apply for the purposes of this Part 5 of this document only:

“**Bye-laws**” means the bye-laws of the Company proposed to be adopted by the passing of the resolution numbered 3 at the Special General Meeting;

“**Auditors**” means the auditors of the Company for the time being;

“**Business Day**” means any day on which banks are generally open for business in London and Bermuda, other than a Saturday;

“**C Shares**” means a separate class of conversion shares of 50p each (unless the context otherwise requires) in the capital of the Company carrying the rights set out in paragraphs 2 to 8 (inclusive) below;

“**Calculation Date**” means the earliest of the:

- (a) close of business on the date to be determined by the Directors occurring not more than 10 Business Days after the day on which the Investment Manager shall have given notice to the Directors that at least 80 per cent. of the Net Proceeds (or such higher level as the Directors and Investment Manager shall agree) shall have been invested; or
- (b) close of business on 30 November 2006 or if such a date is not a Business Day the next following Business Day; or
- (c) close of business on the day on which the Directors resolve that Force Majeure Circumstances have arisen or are imminent;

“**Conversion**” means conversion of the C Shares into Ordinary Shares and Deferred Shares in accordance with paragraph 8 below;

“**Conversion Date**” means the close of business on such Business Day as may be selected by the Directors falling not more than 10 Business Days after the Calculation Date;

“**Conversion Ratio**” is the ratio of the net asset value per C Share to the net asset value per Ordinary Share, which is calculated as:

$$\frac{A}{B} \text{ where } A = \frac{C-D}{E} \text{ and } B = \frac{F-C-G+D}{H}$$

Where:

“**C**” is the aggregate of:

- (a) the value of the investments of the Company attributable to the C Shares (other than investments which are subject to restrictions on transfer or a suspension of dealings, which are in each case to be valued in accordance with (b) below) which are listed or dealt in on a stock exchange calculated by reference to the bid-market quotations at close of business of, or, if appropriate, the daily average of the prices marked for, those investments on the Calculation Date on the principal stock exchange or market where the relevant investment is listed or dealt in or traded, as derived from the relevant exchange’s or market’s recognised method of publication of prices for such investments where such published prices are available; and
- (b) the value of all other investments of the Company attributable to the C Shares (other than investments included in (a) above) calculated by reference to the Directors’ belief as to a fair

current value for those investments on the Calculation Date after taking into account any other price publication services reasonably available to the Directors; and

- (c) the amount which, in the Directors' opinion, fairly reflects, on the Calculation Date, the value of the net current assets of the Company attributable to the C Shares (excluding the investments valued under (a) and (b) above but including cash and deposits with or balances at a bank and including any accrued income (including performance fee credit) less accrued expenses and other items of a revenue nature);

“D” is the amount (to the extent not otherwise deducted from the assets attributable to the C Shares) which, in the Directors' opinion, fairly reflects the amount of the liabilities of the Company attributable to the C Shares on the Calculation Date including any accrued for performance fee payable to the Investment Manager in respect of the management of the investments attributable to the C Shares;

“E” is the number of the C Shares in issue on the Calculation Date;

“F” is the aggregate of:

- (a) the value of all the investments of the Company (other than investments which are subject to restrictions on transfer or a suspension of dealings, which are in each case to be valued in accordance with (b) below) which are listed or dealt in or traded on a stock exchange calculated by reference to the bid-market quotations at close of business of, or, if appropriate, the daily average of the prices marked for, those investments on the Calculation Date on the principal stock exchange or market where the relevant investment is listed or dealt in or traded as derived from the relevant exchange's or market's recognised method of publication of prices for such investments where such published prices are available; and
- (b) the value of all other investments of the Company (other than investments included in (a) above) calculated by reference to the Directors' belief as to a fair current value for those investments on the Calculation Date after taking into account any other price publication services reasonably available to the Directors; and
- (c) the amount which, in the Directors' opinion, fairly reflects, on the Calculation Date, the value of the net current assets of the Company (excluding the investments valued under (a) and (b) above but including cash and deposits with or balances at a bank and including any accrued income less accrued expenses and other items of a revenue nature);

“G” is the amount (to the extent not otherwise deducted in the calculation of F) which, in the Directors' opinion, fairly reflects the amount of the liabilities of the Company on the Calculation Date including any accrual for any performance fee payable to the Investment Manager; and

“H” is the number of Ordinary Shares in issue on the Calculation Date;

provided that the Directors shall make such adjustments to the value or amount of A and B as the Auditors shall report to be appropriate having regard among other things, to the assets of the Company immediately prior to the date on which the Company first receives the Net Proceeds and/or to the reasons for the issue of C Shares;

“**Deferred Shares**” means deferred shares of 10p each in the capital of the Company arising on Conversion;

“**Existing Ordinary Shares**” means the Ordinary Shares in issue immediately prior to Conversion;

“**Force Majeure Circumstances**” means (i) any political and/or economic circumstances and/or actual or anticipated changes in fiscal or other legislation which, in the reasonable opinion of the Directors, renders Conversion necessary or desirable; (ii) the issue of any proceedings challenging or seeking to challenge the power of the Company and/or its Directors to issue the C Shares with the rights proposed to be attached to them and/or to the persons to whom they are, and/or the terms upon which they are proposed to be issued; or (iii) giving of notice of any general meeting of the Company at which a resolution is to be proposed to wind up the Company, whichever shall happen earliest;

“**Net Proceeds**” means the net cash proceeds of the issue of the C Shares (after deduction of those commissions and expenses relating thereto and payable by the Company); and

“**Ordinary Shares**” means ordinary shares of 10p each in the capital of the Company.

References to the Auditors confirming any matter should be construed to mean confirmation of their opinion as to such matter whether qualified or not.

References to ordinary shareholders, C shareholders and deferred shareholders should be construed as references to holders for the time being of Ordinary Shares, C Shares, and Deferred Shares respectively.

2. The holders of the Ordinary Shares, the C Shares, and the Deferred Shares shall, subject to the provisions of the Bye-laws, have the following rights to be paid dividends:
 - (a) the Deferred Shares (to the extent that any are in issue and extant) shall entitle the holders thereof to a non-cumulative dividend at a fixed rate of one per cent. of the nominal amount thereof (the “**Deferred Dividend**”) on the date six months after the Conversion Date and on each anniversary of such date payable to the holders thereof on the register of members on that date as holders of Deferred Shares but shall confer no other right, save as provided herein, on the holders thereof to share in the profits of the Company. The Deferred Dividend shall not accrue or become payable in any way until the date six months after the Conversion Date and shall then only be payable to those holders of Deferred Shares registered in the register of members of the Company as holders of Deferred Shares on that date. It should be noted that given the possible repurchase of the Deferred Shares as described below, it is not expected that any dividends will accrue or be paid on such shares;
 - (b) the C shareholders shall be entitled to receive in that capacity such dividends as the Directors may resolve to pay out of net assets attributable to the C Shares and from income received and accrued which is attributable to the C Shares;
 - (c) the Existing Ordinary Shares shall confer the right to dividends declared in accordance with the Bye-laws;
 - (d) the Ordinary Shares into which C Shares shall convert shall rank *pari passu* with the Existing Ordinary Shares for dividends and other distributions made or declared by reference to a record date falling after the Calculation Date; and
 - (e) no dividend or other distribution shall be made or paid by the Company on any of its shares (other than any Deferred Shares for the time being in issue) between the Calculation Date and the Conversion Date (both dates inclusive) and no such dividend shall be declared with a record date falling between the Calculation Date and the Conversion Date (both dates inclusive).
3. The holders of the Ordinary Shares, the C Shares, and the Deferred Shares shall, subject to the provisions of the Bye-laws, have the following rights as to capital:
 - (a) the surplus capital and assets of the Company shall on a winding-up or on a return of capital (otherwise than on a purchase by the Company of any of its shares) at a time when the C Shares are in issue and prior to the Conversion Date be applied amongst the holders of the Existing Ordinary Shares *pro rata* according to the nominal capital paid up on their holdings of Existing Ordinary Shares, after having deducted therefrom an amount equivalent to (C-D) using the methods of calculation of C and D given in the definition of Conversion Ratio, which amount shall be applied amongst the C shareholders *pro rata* according to the nominal capital paid up on their holdings of C Shares. For the purposes of this paragraph 3(a) the Calculation Date shall be such date as the liquidator may determine; and
 - (b) the surplus capital and assets of the Company shall on a winding-up or on a return of capital (otherwise than on a purchase by the Company of any of its shares) at a time when no C Shares are for the time being in issue be applied as follows:
 - (i) first, if there are Deferred Shares in issue, in paying to the deferred shareholders 1p in aggregate in respect of every one million Deferred Shares (or part thereof) of which they are respectively the holders; and

- (ii) secondly, the surplus shall be divided amongst the ordinary shareholders *pro rata* according to the nominal capital paid up on their holdings of Ordinary Shares.
- 4. As regards voting:
 - (a) The C Shares shall carry the right to receive notice of and to attend and vote at any annual and/or special general meeting of the Company. The voting rights of holders of C Shares will be the same as those applying to holders of Existing Ordinary Shares as set out in the Bye-laws as if the C Shares and Existing Ordinary Shares were a single class.
 - (b) The Deferred Shares shall not carry any right to receive notice of nor to attend or vote at any general meeting of the Company.
- 5. The following shall apply to the Deferred Shares:
 - (a) the C Shares shall be issued on such terms that the Deferred Shares arising upon Conversion (but not the Ordinary Shares arising on Conversion) may be repurchased by the Company in accordance with the terms set out herein;
 - (b) immediately upon Conversion, the Company shall repurchase all of the Deferred Shares which arise as a result of the Conversion for an aggregate consideration of 1p for every 1,000,000 Deferred Shares and the notice referred to in paragraph 8(b) below shall be deemed to constitute notice to each C shareholder (and any person or persons having rights to acquire or acquiring C Shares on or after the Calculation Date) that the Deferred Shares shall be repurchased immediately upon Conversion for an aggregate consideration of 1p for each holding of 1,000,000 Deferred Shares. On repurchase, each Deferred Share shall be treated as cancelled and the resulting authorised but unissued share capital shall ipso facto be reclassified and redesignated as Ordinary Shares without further resolution or consent; and
 - (c) the Company shall not be obliged to: (a) issue share certificates to the deferred shareholders in respect of the Deferred Shares; or (b) account to any deferred shareholder for the repurchase of monies in respect of such Deferred Shares.
- 6. Without prejudice to the generality of the Bye-laws, for so long as any C Shares are for the time being in issue it shall be a special right attaching to the Existing Ordinary Shares as a class and to the C Shares as a separate class that without the sanction or consent of such holders given in accordance with the Company's Bye-laws:
 - (a) no alteration shall be made to the Bye-laws of the Company;
 - (b) no allotment or issue will be made of any security convertible into or carrying a right to subscribe for any share capital of the Company other than the allotment and issue of further C Shares; and
 - (c) no resolution of the Company shall be passed to wind up the Company.

For the avoidance of doubt but subject to the rights or privileges attached to any other class of shares, the previous sanction of an extraordinary resolution of the holders of Existing Ordinary Shares and C Shares, as described above, shall not be required in respect of:

 - (a) the issue of further Ordinary Shares ranking *pari passu* in all respects with the Existing Ordinary Shares, whether pursuant to the exercise of the Existing Warrant, the New Warrants or otherwise; or
 - (b) the issue of a separate class of conversion shares.
- 7. For so long as the C Shares are in issue, until Conversion of such C Shares and without prejudice to its obligations under applicable laws the Company shall:
 - (a) procure that the Company's records, and bank and custody accounts shall be operated so that the assets attributable to the C Shares can, at all times, be separately identified and, in particular but without prejudice to the generality of the foregoing, the Company shall, without prejudice to any obligations pursuant to applicable laws, procure that separate cash accounts, broker settlement accounts and investment ledger accounts shall be created and maintained in the books of the Company for the assets attributable to the C Shares;

- (b) allocate to the assets attributable to the C Shares such proportion of the income, expenses and liabilities of the Company incurred or accrued between the date on which the Company first receives the Net Proceeds and the Calculation Date relating to the C Shares (both dates inclusive) as the Directors fairly consider to be attributable to the C Shares (including any accrual for any performance fee payable to the Investment Manager in respect of the investments attributable to the C Shares); and
 - (c) give appropriate instructions to the Investment Manager to manage the Company's assets so that such undertakings can be complied with by the Company.
8. The C Shares for the time being in issue shall be sub-divided and converted into Ordinary Shares and Deferred Shares on the Conversion Date in accordance with the following provisions of this paragraph 8:
- (a) The Directors shall procure that within 10 Business Days of the Calculation Date:
 - (i) the Conversion Ratio as at the Calculation Date and the numbers of Ordinary Shares and Deferred Shares to which each C shareholder shall be entitled on Conversion shall be calculated; and
 - (ii) the Auditors shall be requested to confirm that such calculations as have been made by the Company have, in their opinion, been performed in accordance with the Bye-laws and are arithmetically accurate whereupon such calculations shall become final and binding on the Company and all holders of the Company's shares and any other securities issued by the Company which are convertible into the Company's shares, subject to the proviso immediately after the definition of "H" in paragraph 1 above.
 - (b) The Directors shall procure that, as soon as practicable following such confirmation and in any event within 10 Business Days of the Calculation Date, a notice is sent to each C shareholder advising such C shareholder of the Conversion Date, the Conversion Ratio and the numbers of Ordinary Shares and Deferred Shares to which such C shareholder will be entitled on Conversion.
 - (c) On conversion each C Share shall automatically subdivide into 5 conversion shares of 10p each and such conversion shares of 10p each shall automatically convert into such number of Ordinary Shares and Deferred Shares as shall be necessary to ensure that, upon such Conversion being completed:
 - (i) the aggregate number of Ordinary Shares into which the same number of conversion shares of 10p each are converted equals the number of C Shares in issue on the Calculation Date multiplied by the Conversion Ratio (rounded down to the nearest whole Ordinary Share); and
 - (ii) each conversion share of 10p which does not so convert into an Ordinary Share shall convert into one Deferred Share.
 - (d) The Ordinary Shares and Deferred Shares arising upon Conversion shall be divided amongst the former C shareholders pro rata according to their respective former holdings of C Shares (provided always that the Directors may deal in such manner as they think fit with fractional entitlements to Ordinary Shares and Deferred Shares arising upon Conversion including, without prejudice to the generality of the foregoing, selling any Ordinary Shares representing such fractional entitlements and retaining the proceeds for the benefit of the Company).
 - (e) Forthwith upon Conversion, the share certificates relating to the C Shares shall be cancelled and the Company shall issue to each former C shareholder new certificates in respect of the Ordinary Shares which have arisen upon Conversion to which he or she is entitled. Share certificates in respect of the Deferred Shares will not be issued.
 - (f) The Directors may make such adjustments to the terms and timing of Conversion as they in their discretion consider are fair and reasonable having regard to the interests of all Shareholders.

PART 6

TERMS AND CONDITIONS OF THE NEW WARRANTS

The New Warrants will not carry the right to subscribe for C Shares except in the event of a takeover offer for the Company or on the making of an order or passing of a resolution for the Company's winding up prior to the Calculation Date. On the Conversion Date a number of New Warrants will be cancelled so as to ensure that the number of New Warrants outstanding following the Conversion Date is equal to one fifth of the number of Ordinary Shares arising on Conversion. Fractional entitlements will be rounded down and will be cancelled. **However, no additional New Warrants will be issued if the Conversion Ratio is such that the number of Ordinary Shares arising on Conversion is greater than the number of C Shares in issue prior to Conversion.**

The rights attaching to the New Warrants are set out below.

Definitions and interpretation

In this Part 6 the following expressions have the following meanings, except where the context otherwise requires:

“AIM”	the market of that name regulated by the London Stock Exchange plc
“Auditors”	the auditors for the time being of the Company
“BSX”	the Bermuda Stock Exchange
“Bye-laws”	the bye-laws of the Company as altered from time to time
“Directors”	the directors for the time being of the Company
“Existing Warrant Instrument”	the deed poll of the Company dated 14 July 2005 and constituting a series of warrants
“Existing Warrants”	warrants created pursuant to the Existing Warrant Instrument
“extraordinary resolution”	a resolution passed at a meeting of the holders of the Warrants duly convened and passed by a majority consisting of not less than three-fourths of the votes cast, whether on a show of hands or on a poll
“holder”	the registered holder for the time being of Warrants
“Ordinary Shares”	ordinary shares of 10 pence each (or of such other nominal amount as may be adjusted as described in paragraph 3 below) in the capital of the Company
“Registrar”	the registrar for the time being of the Company
“subscription date”	31 July (or, if such day is not a business day, the next following business day) in any of the years 2007 to 2010 (both inclusive) (or, if later, on the thirtieth day after the date on which copies of the audited accounts of the Company for the immediately preceding financial year are dispatched to shareholders) and 31 January (or, if such day is not a business day, the next following business day) in any of the years 2007 to 2010 (both inclusive) (or, if later, on the thirtieth day after the date on which copies of the interim accounts of the Company for the immediately preceding interim period are dispatched to shareholders)
“subscription price”	the price of 100 pence per Ordinary Share at which the subscription rights are exercisable on each subscription date, or such adjusted price as may be determined from time to time in accordance with the provisions described in paragraph 3 below
“subscription rights”	the rights to subscribe for Ordinary Shares specified in paragraph 2(a) below
“Warrant”	a New Warrant
“Warrantholder”	a holder of Warrants

If the Company changes its accounting reference date from 31 March, the references to 31 July and 31 January in the Warrant Instrument shall be changed to the date falling four months after the new accounting reference date and interim date, as appropriate.

2. Subscription rights

- (a) A holder of Warrants shall have rights (“**subscription rights**”) to subscribe in cash on each subscription date for all or any of the Ordinary Shares for which he is entitled to subscribe under such Warrants of which he is the holder at the subscription price payable in full on subscription, subject to adjustment as provided in paragraph 3 below. The number of Ordinary Shares to which each Warrant relates is (prior to any adjustment as provided in paragraph 3 below) one Ordinary Share. The subscription price, the number of Warrants outstanding and the number and/or nominal value of the Ordinary Shares to be subscribed upon exercise of the Warrants shall be subject to adjustment as provided in paragraph 3 below. Where Warrants are held in certificated form, the Warrants registered in a holder’s name will be evidenced by a Warrant certificate issued by the Company.
- (b) In order to exercise the subscription rights, in whole or in part, the holder of a Warrant must, unless the Directors may in their absolute discretion determine otherwise, lodge the relevant Warrant certificate(s) (or such other document(s) as the Board may, in its absolute discretion, accept) at the office of the Registrar during the period of 28 days ending at 3.30 p.m. on the relevant subscription date, having completed the notice of exercise of subscription rights thereon (or by giving such other notice of exercise of subscription rights as the Company may, in its absolute discretion, accept), accompanied by a remittance for the aggregate subscription price for the Ordinary Shares in respect of which the subscription rights are being exercised. The Directors may accept as valid, notices of exercise of subscription rights which are received after the relevant subscription date provided they are accompanied by the correct remittance, as described above. Once lodged, a notice of exercise of subscription rights shall be irrevocable, save with the consent of the Directors. Compliance must also be made with any statutory and regulatory requirements for the time being applicable.
- (c) Not earlier than 56 days nor later than 28 days before each subscription date, the Company shall give notice in writing to the holders of the outstanding Warrants reminding them of their subscription rights. Failure by any holder to receive such notice shall not prejudice his rights, nor those of any other holder, to subscribe for Ordinary Shares pursuant to their Warrants.
- (d) Unless the Directors otherwise determine, the Ordinary Shares arising on exercise of the Warrants shall be issued in certificated form. Ordinary Shares issued pursuant to the exercise of subscription rights will be allotted not later than 14 days after, and with effect from, the relevant subscription date. In the case of any Warrants that were in certificated form on the subscription date concerned, certificates in respect of such Ordinary Shares will be issued free of charge and despatched (at the risk of the person(s) entitled thereto) not later than 28 days after the relevant subscription date to the person(s) in whose name(s) the Warrants are registered at the date of such exercise (and, if more than one, to the first named, which shall be sufficient despatch for all) or (subject as provided by law and to payment of stamp duty, stamp duty reserve tax or any like tax as may be applicable) to such other person(s) as may be named in the form of nomination available from the Registrar (and, if more than one, to the first named, which shall be sufficient despatch for all). In the event of a partial exercise of the subscription rights evidenced by a Warrant certificate, the Company shall at the same time issue a fresh Warrant certificate in the name of the Warrantholder for any balance of Warrants with subscription rights remaining exercisable.
- (e) No fractions of an Ordinary Share will be issued on the exercise of any Warrant, provided that if more than one Warrant is exercised at the same time by the same holder then, for the purposes of determining the number of Ordinary Shares to be issued upon the exercise of such Warrants and whether (and, if so, what) fraction of an Ordinary Share arises, the number of Ordinary Shares arising on the exercise of each Warrant (including for this purpose fractions) shall first be aggregated. Any fractions of Ordinary Shares arising on the exercise of Warrants on any subscription date shall be aggregated and, if practicable, sold in the market. The net proceeds of such sale will be paid to

the holders of Warrants entitled thereto in proportion to the fractions arising on exercise of their Warrants, save that amounts of less than £3.00 will be retained for the benefit of the Company.

- (f) Ordinary Shares allotted pursuant to the exercise of subscription rights will not rank for any dividends or other distributions declared, paid or made on the Ordinary Shares by reference to a record date prior to the relevant subscription date but, subject thereto, will rank in full for all dividends and other distributions declared, paid or made on the Ordinary Shares and otherwise will rank *pari passu* in all other respects with Ordinary Shares in issue at the subscription date, provided that on any allotment falling to be made pursuant to paragraph 4(f) below, the Ordinary Shares to be allotted shall not rank for any dividend or other distribution declared, paid or made by reference to a record date prior to the date of actual allotment.
- (g) For so long as the Company's ordinary share capital is listed on AIM and the BSX, it is the intention of the Company to apply to AIM and the BSX for the Ordinary Shares allotted pursuant to any exercise of subscription rights to be admitted to AIM and the BSX and the Company will use all reasonable endeavours to obtain such admissions as soon as practicable and, in any event, not later than 14 days after the allotment thereof.
- (h) If, immediately after any subscription date (other than the final subscription date) and after giving effect to any subscription rights exercised on that date, subscription rights shall have been exercised or Warrants otherwise lapsed in respect of 75 per cent. or more of the Ordinary Shares to which the Warrants issued subject to and with the benefit of the Warrant Instrument relate, the Company shall be entitled within 14 days thereafter to serve notice in writing on the holders of the Warrants then outstanding of its intention to appoint a trustee for the purposes set out below upon the expiry of 21 days from the date of such notice (the "Notice Period") and for this purpose the Notice Period shall expire at 3.30 p.m. (London time) on the twenty-first day from the date of such notice. However, such notice shall in its terms give the holders of the Warrants so outstanding a final opportunity to exercise their subscription rights by completing the notice of exercise of subscription rights on their Warrant certificates (or by giving such other notice of exercise of subscription rights as the Company may, in its absolute discretion, accept) and lodging the same at the office of the Registrar before the expiry of the Notice Period, accompanied by a remittance for the aggregate subscription price for the Ordinary Shares in respect of which the subscription rights are being exercised. Forthwith after the expiry of the Notice Period, the Company shall appoint a trustee who, provided that in his opinion the net proceeds of sale after deduction of any costs and expenses incurred by, and any fee payable to, him will exceed the costs of subscription, shall within the period of 14 days following the expiry of the Notice Period exercise the subscription rights which shall not have been exercised, on the terms (subject to any adjustments made previously pursuant to paragraphs 3(a) to (f) below) on which the same could have been exercised immediately prior to the expiry of the Notice Period if they had been exercisable on that date and sell in the market the Ordinary Shares acquired on such subscription. The trustee shall distribute *pro rata* the net proceeds of such sale (after deduction of any costs and expenses incurred by, and any fee payable to, him) less such subscription costs to the persons entitled thereto at the risk of such persons within two months of the relevant subscription date, provided that entitlements of under £3.00 shall be retained for the benefit of the Company. Following the expiry of the Notice Period, if the trustee does not exercise the subscription rights within the period of 14 days following such expiry as aforesaid (and so that his decision in respect thereof shall be final and binding on all holders of outstanding Warrants), all rights attaching to such Warrants shall lapse on the expiry of such period of 14 days.
- (i) Within seven days following the final subscription date the Company shall appoint a trustee who, provided that in his opinion the proceeds of sale after deduction of all costs and expenses incurred by, and any fee payable to, him will exceed the costs of subscription, shall within the period of 14 days following the final subscription date exercise the subscription rights which shall not have been exercised, on the terms (subject to any adjustments made previously pursuant to paragraphs 3(a) to (f) below) on which the same could have been exercised on the final subscription date and sell in the market the Ordinary Shares acquired on such subscription. The trustee shall distribute *pro rata* the net proceeds of such sale (after deduction of any costs and expenses incurred by, and any fee payable to, him) less such subscription costs to the persons entitled thereto within two months

of the final subscription date, provided that entitlements of under £3.00 shall be retained for the benefit of the Company. If the trustee shall not exercise the subscription rights within the period of 14 days following the final subscription date (and so that his decision in respect thereof shall be final and binding on all holders of outstanding Warrants), any outstanding Warrants shall lapse at the expiry of the period of 14 days following the final subscription date.

- (j) The trustee referred to in paragraphs 2(h) and (i) above shall have no liability of any nature whatsoever where he has acted honestly and reasonably and shall have no responsibility for the safe custody of, or to earn any interest on, any unpaid or unclaimed money.
- (k) The Warrants and the Ordinary Shares issuable on exercise of the Warrants have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States and the Company has not been and will not be registered under the Investment Company Act. Each Warrant certificate will bear a legend to the effect that the Warrants and the Ordinary Shares to be issued upon their exercise have not been and will not be so registered, and that the Warrants may not be exercised for cash in the US unless registered under the Securities Act or an exemption from such registration requirements is available. Accordingly, if a Warrant is exercised for cash the exercise notice is required to contain, among other things, a representation and warranty by the person exercising the subscription rights that it is (i) outside the United States in an “offshore transaction” within the meaning of Regulation S under the Securities Act or (ii) a “qualified institutional buyer” within the meaning of Rule 144A under the Securities Act that is also a “qualified purchaser” within the meaning of Section 3(c)(7) of the Investment Company Act that is acquiring the Ordinary Shares to be issued upon exercise of the Warrant for investment purposes only and not with a view to, or for resale in connection with, any public distribution thereof within the United States within the meaning of the Securities Act, failing which the Company may refuse to authorise the issue of Ordinary Shares to such person, except in certain limited circumstances.

3. Adjustments of subscription rights

The subscription price (and the number of Warrants outstanding and the number and/or the nominal value of the Ordinary Shares to be subscribed upon exercise of the Warrants) shall from time to time be adjusted in accordance with the provisions of this paragraph 3.

- (a) If and whenever there shall be an alteration in the nominal amount of the Ordinary Shares as a result of a consolidation or sub-division, the subscription price in force immediately prior to such alteration shall be adjusted by multiplying it by a fraction of which the numerator shall be the nominal amount of one such Ordinary Share immediately after such alteration and the denominator shall be the nominal amount of one such Ordinary Share immediately prior to such alteration, and such adjustment shall become effective on the date the alteration takes effect.
- (b) If and whenever the Company shall allot to holders of Ordinary Shares any Ordinary Shares credited as fully paid by way of capitalisation of reserves or profits (other than Ordinary Shares paid up out of distributable reserves and issued in lieu of a cash dividend), the subscription price in force immediately prior to such allotment shall be adjusted by multiplying it by a fraction of which the numerator shall be the aggregate nominal amount of the issued Ordinary Shares immediately before such alteration and the denominator shall be the aggregate nominal amount of the issued and allotted Ordinary Shares immediately after such allotment, and such adjustment shall become effective as at the date of allotment of such Ordinary Shares.
- (c) If on a date (or by reference to a record date) before the expiry of 14 days from the final subscription date, the Company makes any offer or invitation to the holders of the Ordinary Shares (whether by way of rights issue or otherwise or an offer made in connection with scrip dividend arrangements), or any offer or invitation (not being an offer to which paragraph 4(f) below applies) is made to such holders otherwise than by the Company, then the Company shall not be required to procure that the same offer or invitation is made to the then holders of the Warrants but the subscription price shall be adjusted: (i) in the case of an offer of new Ordinary Shares for subscription by way of rights at a price less than the market price at the date of announcement of the terms of the offer, by multiplying the subscription price in force immediately before such announcement by a fraction of

which the numerator is the number of Ordinary Shares in issue on the date of such announcement plus the number of Ordinary Shares which the aggregate amount payable for the total number of new Ordinary Shares comprised in such rights issue would purchase at such market price and the denominator is the number of Ordinary Shares in issue on the date of such announcement plus the aggregate number of Ordinary Shares offered for subscription and (ii) in any other case, in such manner as the Auditors shall report in writing to be, in their opinion, fair and reasonable. Any such adjustments shall become effective, in the case of (i) above, as at the date of allotment of the new Ordinary Shares which are the subject of the offer or invitation and, in the case of (ii) above, as at the date determined by the Auditors. For the purposes of this paragraph “market price” shall mean the average of the middle market quotations for one Ordinary Share for the five consecutive dealing days ending on the dealing day immediately preceding the day on which the market price is to be ascertained, making an appropriate adjustment if the Ordinary Shares to be issued pursuant to the offer or invitation do not rank, on some or all of the relevant dealing days, *pari passu* as to dividends or other distributions with the Ordinary Shares in issue on those days.

- (d) No adjustment shall be made to the subscription price pursuant to paragraphs 3(a), (b) or (c) above (other than by reason of and to reflect a consolidation of Ordinary Shares as referred to in paragraph 3(a) above) if it would result in an increase in the subscription price and, in any event, no adjustment shall be made if such adjustment would (taken together with the amount of any adjustment carried forward under the provisions of this paragraph 3(d)) be less than 1 per cent. of the subscription price then in force and on any adjustment the adjusted subscription price will be rounded down to the nearest 1p. Any adjustment not so made and any amount by which the subscription price is rounded down will be carried forward and taken into account in any subsequent adjustment.
- (e) Whenever the subscription price is adjusted in accordance with paragraphs 3(a) to (d) above (other than by reason of and to reflect a consolidation of Ordinary Shares as referred to in paragraph 3(a) above), the Company shall, subject as provided below, issue, for no payment, additional Warrants to each holder of Warrants at the same time as such adjustment takes effect. The number of additional Warrants to which a holder of Warrants will be entitled shall be the number of existing Warrants held by him multiplied by the following fraction:

$$\frac{X - Y}{Y}$$

where:

X = the subscription price immediately before the adjustment; and

Y = the subscription price immediately after the adjustment.

Fractions of Warrants will not be allotted to holders of Warrants but all such fractions will be aggregated and, if practicable, sold in the market. The net proceeds will be paid to the holders of Warrants entitled thereto at the risk of such persons, save that amounts of less than £3.00 will be retained for the benefit of the Company.

The Company may, following such an adjustment to the subscription price, elect to adjust the subscription terms of existing Warrants (as opposed to issuing additional Warrants) so that the number and/or nominal value of Ordinary Shares to be subscribed on any subsequent exercise of the Warrants will be increased or, as the case may be, reduced in due proportion (fractions being ignored on an aggregated basis) so as to maintain the same cost of exercising the subscription rights of each holder of Warrants. Such adjustment shall be determined by the Directors and the Auditors shall confirm that, in their opinion, the adjustments have been determined in all material respects in accordance with the provisions of the Warrant Instrument.

- (f) Whenever the subscription price is adjusted in accordance with this paragraph 3 by reason of a consolidation of Ordinary Shares as referred to in paragraph 3(a) above, the number of Ordinary Shares for which each Warranholder is entitled to subscribe will be reduced accordingly.
- (g) The Company shall give notice to Warranholders within 28 days of any adjustment made pursuant to paragraphs 3(a) to (f) above and, if appropriate, within such period dispatch Warrant certificates

(at the risk of the persons entitled thereto) to the Warrantholders in respect of any additional Warrants.

- (h) If a Warrantholder shall become entitled to exercise his subscription pursuant to paragraph 4(f) below, the subscription price payable on such exercise (but not otherwise) shall be reduced by an amount determined by the Auditors to be fair in accordance with the following formula:

$$A = (B + C) - D$$

where:

- A = the reduction in the subscription price;
- B = the subscription price which would, but for the provisions of this paragraph 3(h), be applicable (subject to any adjustments previously made pursuant to paragraphs 3(a) to (f) above) if the subscription rights were exercisable on the date on which the Company shall become aware as provided in paragraph 4(f) below;
- C = the average of the middle market quotations for one Warrant for the 10 consecutive dealing days ending on the dealing day immediately preceding the date of the announcement of the offer referred to in paragraph 4(f) below (or, where such offer is a revised offer, the original offer) or, if applicable and earlier, the date of the first announcement of the intention to make such offer or original offer or of the possibility of the same being made; and
- D = the average of the middle market quotations for one Ordinary Share for the 10 consecutive dealing days referred to in the definition of C above,

provided that:

- (i) the subscription price shall not be reduced so as to cause the Company to be obliged to issue Ordinary Shares at a discount to nominal value and, if the application of the above formula would in the absence of this sub-paragraph 3(h)(i), have reduced the subscription price to below the nominal value of an Ordinary Share, the number of Ordinary Shares to be subscribed pursuant to paragraph 4(f) below shall be adjusted in such manner as the Auditors shall report to be appropriate to achieve the same economic result for the holders of the Warrants as if the subscription price had been reduced without regard to this sub-paragraph 3(h)(i);
- (ii) the subscription price shall not be reduced where the value of D exceeds the aggregate value of B and C in the above formula;
- (iii) notwithstanding (ii) above, the subscription price shall be further adjusted to take account, to the extent that it is not already reflected in the market value of the Warrants, of the time value of money in such manner as the Directors shall determine, subject to the Auditors having reported that in their opinion, in all the circumstances, such adjustment is fair and reasonable.

The notice required to be given by the Company under paragraph 4(f) below shall give details of any reduction in the subscription price pursuant to this paragraph 3(h).

- (i) For the purpose of determining whether paragraph 4(h) below shall apply and, accordingly, whether each holder of a Warrant is to be treated as if his subscription rights had been exercisable and had been exercised as therein provided, the subscription price which would have been payable on such exercise shall be reduced by an amount determined by the Auditors in accordance with the following formula:

$$A = (B + C) - D$$

where:

- A = the reduction in the subscription price;
- B = the subscription price which would, but for the provisions of this paragraph 3(i), be applicable (subject to any adjustments previously made pursuant to paragraphs 3(a) to (f) above) if the subscription rights were exercisable immediately before the date on which the order referred

to in paragraph 4(h) below shall be made or on which the effective resolution referred to in that paragraph shall be passed (as the case may be);

- C = the average of the middle market quotations for one Warrant for the 10 consecutive dealing days ending on the dealing day immediately preceding the date of the presentation of the petition for such order or of the notice convening the meeting at which such resolution shall be passed (as the case may be) or, if applicable and earlier, the date of the first announcement of the presentation of such petition or the convening of such meeting (as the case may be) or that the same is proposed; and
- D = the amount (as determined by the Auditors) of the surplus available for distribution in respect of each Ordinary Share, taking into account for this purpose the Ordinary Shares which would arise on exercise of all the subscription rights and the subscription price which would be payable on the exercise of such subscription rights (subject to any adjustments previously made pursuant to paragraphs 3(a) to (f) above but ignoring any adjustment to be made pursuant to this paragraph 3(i)).

The provisos set out in paragraph 3(h) above shall apply *mutatis mutandis* to any adjustment made in accordance with this paragraph 3(i).

- (j) Notwithstanding the provisions of sub-paragraphs 3(a) to (i) above, in any circumstances where the Directors shall consider that an adjustment to the subscription price provided for under the said provisions should not be made or should be calculated on a different basis or that an adjustment to the subscription price should be made notwithstanding that no such adjustment is required under the said provisions or that an adjustment should take effect on a different date or with a different time from that provided for under the said provisions, the Company may appoint the Auditors to consider whether for any reason whatever the adjustment to be made (or the absence of adjustment) would or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if the Auditors shall consider this to be the case, the adjustment shall be modified or nullified, or another adjustment made instead, or no adjustment made, in such manner (including without limitation, making an adjustment calculated on a different basis) and/or to take effect from such other date and/or time as shall be reported by the Auditors to be in their opinion appropriate.

4. Other provisions

So long as any subscription rights remain exercisable:

- (a) the Company shall not (except with the sanction of an extraordinary resolution):
 - (i) make any distribution of capital profits or capital reserves except by means of a capitalisation issue in the form of fully paid Ordinary Shares issued to the holders of its Ordinary Shares or except on the winding up of the Company;
 - (ii) issue securities by way of capitalisation of profits or reserves except fully paid Ordinary Shares issued to the holders of its Ordinary Shares; or
 - (iii) on or by reference to a record date falling within the period of six weeks ending on the final subscription date, make any such allotment as is referred to in paragraph 3(b) above or any such offer or invitation as is referred to in paragraph 3(c) above (except by extending to the holders of the Warrants any such offer or invitation as may be made by a third party);
- (b) the Company shall not (except with the sanction of an extraordinary resolution) in any way modify the rights attached to its existing Ordinary Shares as a class, or create or issue any new class of equity share capital except for shares which carry, as compared with the rights attached to the existing Ordinary Shares, rights which are not more advantageous as regards voting, dividend or return of capital, provided that nothing herein shall restrict the right of the Company to increase, consolidate or sub-divide its share capital or to issue further Ordinary Shares which carry, as compared with the rights attached to the existing Ordinary Shares, rights which are not more advantageous as regards voting, dividend or return of capital;
- (c) the Company shall not issue any Ordinary Shares credited as fully paid by way of capitalisation of profits or reserves nor make any such offer as is referred to in paragraph 3(c) above if, in either case,

the Company would on any subsequent exercise of the subscription rights be obliged to issue Ordinary Shares at a discount to nominal value;

- (d) the Company shall keep available for issue sufficient authorised but unissued ordinary share capital to satisfy in full all subscription rights remaining exercisable;
- (e) except in circumstances where paragraph 3(c) above applies or except with the sanction of an extraordinary resolution, the Company shall not grant (or offer or agree to grant) any option in respect of, or create any rights of subscription for, or issue any loan capital carrying rights of conversion into, Ordinary Shares if the price per Ordinary Share at which any such option or right is exercisable, or into which such loan capital is convertible, is lower than the subscription price for the time being;
- (f) subject as provided in paragraph 4(g) below, if at any time an offer is made to all holders of Ordinary Shares (or all such holders other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with the offeror) to acquire the whole or any part of the issued ordinary share capital of the Company and the Company becomes aware on or before the final subscription date that as a result of such offer (or as a result of such offer and any other offer made by the offeror) the right to cast a majority of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or such companies or persons as aforesaid, the Company shall give notice to the holders of the Warrants of such vesting within 14 days of its becoming so aware, and each such holder shall be entitled, at any time within the period of 30 days immediately following the date of such notice, to exercise his subscription rights on the terms (subject to any adjustments previously made pursuant to paragraphs 3(a) to (f) and subject to paragraph 3(h) above) on which the same could have been exercised if they had been exercisable and had been exercised on the date on which the Company shall have become aware as aforesaid. If any part of the 30 day period referred to falls before 31 January 2007, the Warrants shall, subject to paragraph 4(i), nevertheless be deemed to be exercisable during all of that period for the purposes of this paragraph 4(f) and if any part of such period falls after 31 July 2011 the final subscription date shall be deemed to be the last business day of such 30 day period;
- (g) if under any offer as referred to in paragraph 4(f) above the consideration shall consist solely of the issue of ordinary shares of the offeror and the offeror shall make available an offer of warrants to subscribe for ordinary shares in the offeror in exchange for the Warrants, which offer the financial advisers to the Company (acting as experts and not as arbitrators) shall consider to be fair and reasonable (having regard to the terms of the offer and to the terms of paragraph 3(h) and any other circumstances which may appear to such financial advisers to be relevant), then a holder of Warrants shall not have the right to exercise his subscription rights on the basis referred to in paragraph 4(f) above and, subject to the offer as referred to in paragraph 4(f) above becoming or being declared wholly unconditional and the offeror being in a position to acquire compulsorily the whole of the then issued ordinary share capital of the Company not already owned by it, and/or any company controlled by it and/or any persons acting in concert with it, any Director of the Company shall be irrevocably authorised as attorney for the holders of the Warrants who have not accepted the offer of warrants to subscribe for ordinary shares in the offeror in exchange for the Warrants:
 - (i) to execute a transfer thereof in favour of the offeror in consideration of the issue of warrants to subscribe for ordinary shares in the offeror as aforesaid, whereupon all the Warrants shall lapse; and
 - (ii) to do all such acts and things as may be necessary or appropriate in connection therewith;
- (h) if an order is made or an effective resolution is passed for winding up the Company (except for the purpose of reconstruction, amalgamation or unitisation on terms sanctioned by an extraordinary resolution) each holder of a Warrant shall (if in such winding up, on the basis that all subscription rights then unexercised had been exercised in full and the subscription price therefor had been received in full by the Company, there shall be a surplus available for distribution amongst the holders of the Ordinary Shares, including for this purpose the Ordinary Shares which would arise on exercise of all the subscription rights (taking into account any adjustments previously made pursuant to paragraphs 3(a) to (f) and subject to paragraph 3(i) above), which surplus would, on

such basis, exceed in respect of each Ordinary Share a sum equal to such subscription price) be treated as if immediately before the date of such order or resolution (as the case may be) his subscription rights had been exercisable and had been exercised in full on the terms (subject to any adjustments previously made pursuant to paragraphs 3(a) to (f) and subject to paragraph 3(i) above) on which the same could have been exercised if they had been exercisable immediately before the date of such order or resolution (as the case may be), and shall accordingly be entitled to receive out of the assets available in the winding up *pari passu* with the holders of the Ordinary Shares, such a sum as he would have received had he been the holder of the Ordinary Shares to which he would have become entitled by virtue of such subscription after deducting a sum per Ordinary Share equal to the subscription price (subject to any adjustments previously made pursuant to paragraphs 3(a) to (f) and subject to paragraph 3(i) above). Subject to the foregoing, all subscription rights shall lapse on winding up of the Company; and

- (i) Notwithstanding any other provisions of this Warrant Instrument, if any of the circumstances set out in paragraphs 4(f) to (h) occur at a time prior to the Conversion Date (as such term is defined in the prospectus of the Company dated 7 April 2006 (the "Prospectus")) the subscription rights of the Warrants shall be treated as being rights to subscribe for C Shares (as defined in the Prospectus) at a price of 100 pence per C Share, or such adjusted price as may be determined from time to time in accordance with the provisions of paragraph 3 above (as if references in paragraph 3 to Ordinary Shares were references to C Shares).

Notwithstanding the above provisions of this paragraph 4, a qualifying "C" share issue (as defined below) shall not constitute an alteration or abrogation of the rights attached to the Warrants (and shall not require the sanction of an extraordinary resolution) even though it may involve modification of the rights attached to the existing Ordinary Shares or the creation or issue of a new class of equity share capital if the Directors are of the opinion (having regard to all the circumstances) that such issue should not have any material dilutive effect on the fully diluted net asset value attributable to each Ordinary Share. For this purpose, a "qualifying "C" share issue" means an issue by the Company of shares which will, within two years of the date of issue thereof, be converted into Ordinary Shares ranking *pari passu* in all respects with the Ordinary Shares then in issue (other than, if the case requires, as regards dividends or other distributions declared, paid or made in respect of the financial year in which the conversion takes place) and may include the issue in connection therewith of warrants (whether on the same terms and conditions as the Warrants or otherwise) and any matters reasonably incidental to the process by which such shares are converted into Ordinary Shares or, as the case may require, into income and/or capital shares, including but not limited to the creation, issue, sub-division, consolidation, redesignation, purchase or cancellation of any share capital of the Company, including share capital with preferred or deferred rights.

5. Modification of rights

Subject to the existing rights of the holders of Ordinary Shares, all or any of the rights for the time being attached to the Warrants and all or any of these terms and conditions may from time to time (whether or not the Company is being wound up) be altered or abrogated with the sanction of an extraordinary resolution. All the provisions of the Bye-laws for the time being of the Company as to general meetings shall apply *mutatis mutandis* as though the Warrants were a class of shares forming part of the capital of the Company, but so that:

- (a) the necessary quorum shall be the requisite number of Warrantholders (present in person or by proxy) entitled to subscribe one-third in nominal amount of the Ordinary Shares attributable to such outstanding Warrants;
- (b) every holder of a Warrant present in person at any such meeting shall be entitled on a show of hands to one vote and every such holder present in person or by proxy shall be entitled on a poll to one vote for each Ordinary Share for which he is entitled to subscribe;
- (c) any holder of a Warrant present in person or by proxy may demand or join in demanding a poll; and
- (d) if at any adjourned meeting a quorum as above defined is not present, the holder or holders of Warrants then present in person or by proxy shall be a quorum.

Any such alteration or abrogation approved as aforesaid shall be effected by deed poll executed by the Company and expressed to be supplemental to the Warrant Instrument. Modifications to the Warrant Instrument which are of a formal, minor or technical nature, or made to correct a manifest error, and which do not adversely affect the interests of the holders of the Warrants, may be effected without the sanction of an extraordinary resolution by deed poll executed by the Company and expressed to be supplemental to the Warrant Instrument and notice of such alteration or abrogation or modification shall be given by the Company to the holders of the Warrants.

6. Purchase

The Company and its subsidiaries shall have the right to purchase Warrants in the market, by tender or by private treaty or otherwise, and the Company may accept the surrender of Warrants at any time but:

- (a) such purchases will be made in accordance with the rules of any stock exchange on which the Warrants are listed; and
- (b) if such purchases are by tender, such tender will be available to all holders of Warrants alike.

All Warrants so purchased or surrendered shall forthwith be cancelled and shall not be available for re-issue or resale.

7. Transfer

Each Warrant will be in registered form and will be transferable by instrument of transfer in any usual or common form, or in any other form which may be approved by the Directors. No transfer of a right to subscribe for a fraction of an Ordinary Share may be effected.

8. General

- (a) The Company will, concurrently with the issue of the same to the holders of the Ordinary Shares, send to each holder of a Warrant (or, in the case of joint holders, to the first-named) a copy of each published annual report and accounts of the Company (or such abbreviated or summary financial statement sent to holders of Ordinary Shares in lieu thereof), together with all documents required by law to be annexed thereto, and a copy of every other statement, notice or circular issued by the Company to holders of Ordinary Shares.
- (b) Subject as otherwise provided in these terms and conditions, the provisions of the Bye-laws for the time being of the Company relating to notice of meetings, untraced members, lost certificates and the registration, transfer and transmission of Ordinary Shares shall apply *mutatis mutandis* to the Warrants as if they were Ordinary Shares.
- (c) Any determination or adjustment made pursuant to these terms and conditions by the Auditors shall be made by them as experts and not as arbitrators and any such determination or adjustment made by them shall be final and binding on the Company, its shareholders and each holder of Warrants.
- (d) Any reference in these terms and conditions to a statutory provision shall include that provision as from time to time modified or re-enacted.

9. Cancellation and variation of terms

- (a) On the Conversion Date such number of Warrants held by each Warrantholder will be cancelled so as to ensure that the total number of Warrants outstanding following such cancellation is equal to one fifth of the number of Ordinary Shares arising on Conversion and such cancellation shall be effected *pro rata* by reference to each Warrantholder's holding of Warrants immediately prior to the Conversion Date. Fractional entitlements will be rounded down and will be cancelled. No additional New Warrants will be issued if the Conversion Ratio is such that the number of Ordinary Shares arising on Conversion is greater than the number of C Shares in issue prior to Conversion.
- (b) Following the cancellation of certain Warrants in accordance with paragraph 9(a) above, these terms and conditions shall be deemed to be varied so that the terms are exactly the same as the terms and conditions of the Existing Warrant Instrument and the Warrants and the Existing Warrants shall be treated as forming a single class for all purposes including, without limitation, with respect to subscription rights and the right to attend and vote at meetings of Warrantholders.

PART 7

FINANCIAL INFORMATION

The following is the full text of a report by RSM Robson Rhodes LLP, the reporting accountants to the Company.

RSM Robson Rhodes LLP
30 Finsbury Square
London EC2P 2YU

The Directors
Utilico Emerging Markets Utilities Limited
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

The Directors
Arbuthnot Securities Limited
Arbuthnot House
20 Ropemaker Street
London EC2Y 9AR

7 April 2006

Dear Sirs,

Utilico Emerging Markets Utilities Limited (the "Company")

Introduction

We report on the financial information set out in pages 66 to 74. This financial information has been prepared for inclusion in the Prospectus relating to the Placing and Open Offer of up to 100 million C Shares of Utilico Emerging Markets Utilities Limited dated 7 April 2006 (the "Prospectus") on the basis of the accounting policies set out in Note 1 to the financial information and in accordance with International Financial Reporting Standards ("IFRS"). This report is required by Annex I item 20.1 of the PD Regulation and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in Note 1 and in accordance with IFRS.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Prospectus, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of Utilico Emerging Markets Utilities Limited as at 31 December 2005 and of its net revenue, cashflows and changes in equity for the period 9 June 2005 to 31 December 2005 in accordance with the basis of preparation described in Note 1 to the financial information and in accordance with IFRS.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I of the PD Regulation.

Yours faithfully

RSM Robson Rhodes LLP

Income Statement

for the period from 9 June 2005 to 31 December 2005

	Notes	Revenue £'000s	Capital £'000s	Total £'000s
Gains on investments held at fair value		–	6,363	6,363
Gains on derivative instruments		–	55	55
Exchange gains/(losses)		1	(61)	(60)
Other income	2	1,305	–	1,305
Total income		<u>1,306</u>	<u>6,357</u>	<u>7,663</u>
Management and administration fees	3	(267)	(516)	(783)
Other expenses		<u>(165)</u>	<u>(21)</u>	<u>(186)</u>
Profit before finance costs and taxation		874	5,820	6,694
Finance costs		<u>(11)</u>	<u>–</u>	<u>(11)</u>
Profit before taxation		863	5,820	6,683
Taxation		<u>(16)</u>	<u>–</u>	<u>(16)</u>
Profit for the period		<u>847</u>	<u>5,820</u>	<u>6,667</u>
Earnings per share (basic) – pence	5	<u>1.13</u>	<u>7.76</u>	<u>8.89</u>
Earnings per share (diluted) – pence	5	<u>1.12</u>	<u>7.68</u>	<u>8.80</u>

The 'total' column of this statement represents the Company's Income Statement, prepared in accordance with IFRS. The supplementary revenue return and capital return columns are both prepared under guidance published by the Association of Investment Trust Companies in the UK. All items in the above statement derive from continuing operations.

All income is attributable to equity holders of the Company.

The Company was incorporated on 9 June 2005 and commenced trading on 20 July 2005.

Statement of Changes in Equity

for the period from 9 June 2005 to 31 December 2005

	Share Capital £'000s	Share Premium Account £'000s	Warrant Reserve £'000s	Retained Earnings		Total £'000s
				Capital Reserve £'000s	Revenue Reserve £'000s	
Issue of ordinary shares and warrants	7,505	63,490	4,051	–	–	75,046
Issue costs of ordinary share capital	–	(1,230)	–	–	–	(1,230)
Profit for the period	–	–	–	5,820	847	6,667
Balance at 31 December 2005	<u>7,505</u>	<u>62,260</u>	<u>4,051</u>	<u>5,820</u>	<u>847</u>	<u>80,483</u>

Balance Sheet

	Notes	As at 31 December 2005 £'000s
Non current assets		
Investments held at fair value		77,259
Current assets		
Sales for future settlement		2,069
Other receivables		499
Derivatives designated as fair value through profit or loss		766
Cash and cash equivalents		909
		<u>4,243</u>
Current liabilities		
Purchases for future settlement		(100)
Other payables		(826)
Derivatives designated as fair value through profit or loss		(93)
		<u>(1,019)</u>
Net current assets		<u>3,224</u>
Net assets		<u>80,483</u>
Equity attributable to equity holders		
Ordinary share capital	6	7,505
Share premium account		62,260
Warrant reserve		4,051
Capital reserves	7	5,820
Revenue reserve	7	847
		<u>80,483</u>
Total attributable to equity holders		<u>80,483</u>
Net asset value per ordinary share		
Basic – pence	9	<u>107.25</u>
Diluted – pence	9	<u>106.04</u>

Cash Flow Statement

for the period ended 31 December 2005

	Notes	£'000s
Cash flows from operating activities	10	(50,301)
Cash flows from investing activities		–
Cash flows before financing activities		<u>(50,301)</u>
Cash flows from financing activities	11	51,270
Net increase in cash and cash equivalents		969
Effect of foreign exchange changes		(60)
Cash and cash equivalents at the end of the period		<u>909</u>

NOTES TO THE FINANCIAL INFORMATION

1. Accounting Policies

The Company was incorporated on 9 June 2005 and commenced trading on 20 July 2005. The Company's first financial period end is 31 March 2006 and thus there are no comparatives.

The functional and reporting currency is pounds sterling because that is the currency of the primary economic environment in which the Company operates.

(a) *Basis of accounting*

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which comprise standards and interpretations approved by the IASB, and International Accounting Standards and Standing Interpretations Committee interpretations approved by the IASC that remain in effect.

The above financial statements have been prepared on a historical cost basis, except for the measurement at fair value of investments and derivative financial instruments.

(b) *Valuation of investments*

Investment purchases and sales are accounted for on the trade date.

Investments are classified as being at fair value through profit or loss. As the Company's business is investing in financial assets with a view to profiting from their total return in the form of dividends, interest or increases in fair value, its investments are designated as being at fair value through profit or loss on initial recognition. The Company manages and evaluates the performance of these investments on a fair value basis in accordance with its investment strategy, and information about the Company is provided internally on this basis to the Company's Directors and key management personnel.

The gains and losses are analysed within the income statement as capital. Listed investments are shown at fair value using market bid prices. The fair value of unlisted investments is determined by the Board. The Board's valuation technique takes into account, where appropriate, latest dealing prices, valuations from reliable sources, asset values and other relevant factors. Listed options and similar derivative instruments are valued at listed market prices.

(c) *Foreign currency*

Foreign currency assets and liabilities are expressed in sterling at rates of exchange ruling at the balance sheet date. Foreign currency transactions are translated at the rates of exchange ruling at the dates of those transactions. Exchange profits and losses on currency balances are credited or charged to the income statement and analysed as capital or income as appropriate. Forward foreign exchange contracts are valued in accordance with quoted market rates.

(d) *Other income*

Dividends receivable are allocated to the revenue column within the income statement (except where, in the opinion of the Directors, their nature indicates they should be recognised within the capital account) on the ex-dividend date or, where no ex-dividend date is quoted, when the Company's right to receive payment is established.

Where the Company has elected to receive its dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is allocated as revenue in the income statement. Any excess in the value of the shares received over the amount of the cash dividend foregone is allocated as capital in the income statement.

Interest on debt securities is accrued on a time basis using the effective interest rate method. Bank and short term deposit interest is recognised on an accruals basis.

(e) *Expenses*

All expenses are accounted for on an accruals basis. Expenses are charged through the income statement and allocated to the revenue column except those expenses incidental to the acquisition

or disposal of investments and performance-related advisory fees (calculated under the terms of the management agreement) which are allocated to the capital column.

(f) ***Share based payments***

Directors' fees, expensed in the income statement in the revenue column are satisfied in Ordinary Shares. The number of shares to which each Director is entitled to is the number of Ordinary Shares that, when valued at fully diluted Net Asset Value per Ordinary Share, equates to the Directors' fees due. The company will put the relevant Director in funds for such purpose. Should the Directors be unable to procure the purchase of some or all of the shares in the market at or below the fully diluted Net Asset Value per Ordinary Share, the funds are returned and the Company will issue such new Ordinary Shares as is equivalent to any shortfall to each Director.

(g) ***Finance costs***

Finance costs are accounted for on an effective yield basis, recognised through the income statement and allocated to the revenue column.

(h) ***Dividends payable***

Dividends paid by the Company are accounted for in the period in which the Company is liable to pay them.

(i) ***Capital reserve***

The following items are allocated as capital to the column in the retained earnings:

Capital reserve – realised

- gains and losses on the realisation of investments
- realised exchange differences of a capital nature
- expenses allocated in accordance with note 1(e)
- costs of purchasing share capital

Capital reserve – unrealised

- increases and decreases in the valuation of investments held at the year end
- unrealised exchange differences of a capital nature

(j) ***Derivative financial instruments***

The Company's activities expose it primarily to risks of changes in foreign currency rates and interest rates.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise. If capital in nature, the associated change in value is presented as a capital item in the income statement.

2. Other Income

	Period ended 31 December 2005 £'000s
Other income comprises:	
Unfranked investment income	927
Interest on currency and deposits	378
	<hr/> 1,305 <hr/>

3. Management and Administration Expenses

Ingot Capital Management Pty Ltd was appointed investment manager for a fee of 0.5 per cent. of Gross Assets per annum, payable quarterly in arrears. The agreement with Ingot may be terminated upon six months' notice, such notice not to be effective before the expiry of an initial term of 24 months.

In addition, Ingot is entitled to a performance fee payable in respect of each financial period, equal to 15 per cent. of the amount of any outperformance of Advised Equity Funds attributable to Shareholders in excess of the post tax yield on the FTSE Actuaries Government Securities UK Gilt 5 to 10 years, plus inflation, plus 2 per cent. As at 31 December 2005 £516,000 had been accrued. The amount payable in respect of the full reporting period ending 31 March 2006 is dependent upon the performance of the Company in the period to 31 March 2006.

F&C Management Limited ("FCM") provides accounting, secretarial, dealing and administration services to the Company for a fixed fee of £200,000 per annum, payable monthly in arrears. In respect of the period to 31 December 2005 FCM also received a £10,000 fee in respect of the initial issue of the share capital of the Company. The agreement with FCM is terminable on 3 months' notice in writing after an initial one year term.

4. Directors Remuneration and Share Based Payments

The fees payable by the Company to Mr Jillings, which were for services as an executive Director of the Company, and to the other Directors, which were for services as non-executive Directors, did not include any payments or rights to pensions.

Ordinary Shares were issued by the Company in order to satisfy Directors' fee payments (see note 6).

Remuneration for qualifying services	Period ended 31 December 2005 £'000s
Director	
A E Zagoreos (Chairman)	12
J M Collier	9
C D O Jillings	9
G P D Milne	9
K J O'Connor	9
	<hr/>
	48

5. Earnings Per Share

for the period to 31 December 2005

Earnings from continuing operations

The calculation of the basic and diluted earnings per share is based on the following data:

	Revenue £'000s	Capital £'000s	Total £'000s
Earnings for the purpose of basic and diluted earnings per share being net profit attributable to equity holders	847	5,820	6,667
Number of shares			
Weighted average number of Ordinary Shares for the purpose of basic earnings per share	75,032,436	75,032,436	75,032,436
Effect of dilutive potential shares:			
Warrants	789,016	789,016	789,016
Weighted average number of Ordinary Shares for the purpose of diluted earnings per share	75,821,452	75,821,452	75,821,452
Earnings per share (basic) – pence	1.13	7.76	8.89
Earnings per share (diluted) – pence	1.12	7.68	8.80

6. Ordinary Share Capital

	Authorised		Issued and fully paid	
	Nominal Number	£'000s	Nominal Number	£'000s
Equity share capital				
Ordinary Shares of 10p each issued on 20 July 2005	150,000,000	15,000	75,022,239	7,502
Issued during the period	–	–	23,011	3
Balance at 31 December 2005	150,000,000	15,000	75,045,250	7,505

The Company was incorporated on 9 June 2005 with an authorised share capital of £10,000 divided into 100,000 ordinary shares of 10p each, issued at par with the call payment deferred. On 20 July 2005 75,022,239 ordinary shares of 10p each were authorised, issued and fully paid up. On 27 July 2005, the 100,000 nil paid shares, issued at the date of incorporation, were bought back by the Company for nil consideration and cancelled.

On 18 October 2005, 23,011 Ordinary Shares were issued in order to satisfy Directors' fee payments totalling £24,000 for the quarter ended 30 September 2005 in accordance with paragraph 3 of Part 10 of this document.

Since the period end 21,926 Ordinary Shares have been issued in order to satisfy Directors' fee payments totalling £24,000 for the quarter ended 31 December 2005 in accordance with paragraph 3 of Part 10 of this document.

Under the terms of the issue of Ordinary Shares on 20 July 2005, 15,004,447 Warrants were issued to Ordinary Shareholders on the basis of one Warrant for every five shares. On 31 January 2006, 3,600 were exercised. At 31 December 2005 15,000,847 Warrants were in issue. Holders have the right to subscribe for one Ordinary Share per Warrant at £1 in cash on 31 January or on 31 July in any of the years 2006 to 2010 (inclusive).

7. Retained Earnings

The table below shows the movement in the retained earnings analysed between revenue and capital items.

	Revenue* £'000s	Capital £'000s	Total £'000s
Movement during the period:			
Net income for the period	847	5,820	6,667
At 31 December 2005	847	5,820	6,667

* The revenue column of the retained earnings represents the amount available for distribution by way of dividend.

8. Business and Geographical Segments

The Directors are of the opinion that the Company is engaged in a single segment of business of investing in equity and debt securities, issued by companies operating and generating revenue in Emerging Markets, and therefore no segmental reporting is provided.

9. Net Asset Value per Ordinary Share

- (a) Net Asset Value per Ordinary Share is based on net assets at the period end of £80,483,000 and on 75,045,250 Ordinary Shares in issue at the period end.
- (b) Diluted Net Asset Value per Ordinary Share has been calculated on the Bye-laws basis and is based on net assets at the period end and assuming the receipt of proceeds arising from the exercise of 15,004,447 Warrants outstanding at £1 per Warrant.

	31 December 2005 Number
Ordinary Shares in issue at the period end	75,045,250
Ordinary Shares created on exercise of all warrants	15,004,447
Number of Ordinary Shares for diluted calculation	90,049,697
Attributable net assets – £'000s	95,487

10. Reconciliation of Revenue Return before Finance Costs and Taxation to Net Cash Inflow from Operating Activities

	Period to 31 December 2005 £'000s
Profit before taxation	6,683
Adjust for non-cash flow items:	
Gains on investments held at fair value	(6,363)
Gains on derivative instruments	(55)
Exchange gains/(losses)	61
Effective yield interest	(7)
Directors remuneration paid in shares	24
Increase in accrued income	(476)
Increase in creditors	826
Increase in other debtors	(23)
Tax on overseas income	(16)
	(6,029)
Adjust for cash flow items not within Income Statement:	
Net cash flows on investments	(50,293)
Net cash flows on derivatives	(662)
	(50,955)
Net cash flows from operating activities	(50,301)

11. Cash Flows from Operating and Financing Activities

Excludes £22,522,239 of investments received *in specie* from Utilico on 20 July 2005, in consideration for 22,522,239 Ordinary Shares issued pursuant to the admission of the Company's shares to the Alternative Investment Market and to the Bermuda Stock Exchange at that time.

12. Post Balance Sheet Events

On 1 March 2006 the Company entered into an agreement for a committed loan facility of £25,000,000 which expires on 28 February 2007.

Commissions on any undrawn amounts are at commercial rates. The terms of the loan facility, including those related to accelerated repayment and costs of repayment, are typical of those normally found in facilities of this nature.

13. Risk Profile of Financial Assets and Liabilities

The Company's investment objective is to provide long-term capital appreciation by investing predominantly in Utility and related businesses in Emerging Markets. The Company seeks to meet its investment objective by investing principally in a diversified portfolio of both listed and unlisted companies. Derivative instruments may be used for purposes of hedging the underlying portfolio of investments. The Company has the power to take out both short and long-term borrowings. In pursuing its investment objectives, the Company faces risks to both assets and revenue. These risks, and the Directors' approach to the management of the risks, are set out in the table below. These policies have been consistently applied throughout the period under review.

Risk Management

Risk	Management of Risk
<i>Credit</i> Failure by counterparties to deliver securities which the Company has paid for, or to pay for securities which the Company has delivered. There is also a credit risk associated with deposit takers.	All transactions are settled on the basis of delivery against payment, except where local market conditions do not permit. All counterparties to derivative instruments are approved by the Board.
<i>Liquidity</i> Difficulty in realising assets or otherwise raising funds to meet commitments associated with financial instruments.	The Company's investments are principally quoted equities. Sufficient of these are readily realisable for the purpose of meeting financial commitments at all times. The Company has the power to take out borrowings but has operated throughout the period within a ratio of net debt to net assets of 0 per cent.
<i>Market price</i> The Company's assets consist principally of quoted equities, the values of which are determined by market forces.	The Company's risk is managed through investment in a diversity of stocks, most of which are listed on recognised stock exchanges. The Board manages the market price risks inherent in the Company's portfolio by ensuring full and timely access to relevant information. The Board meets regularly and at each meeting reviews performance and financial results. Equity and index derivatives are used on a selective basis to hedge market risk.
<i>Interest rate</i> Assets, liabilities and net revenue may be affected by interest rate movements.	The Company's assets include some fixed interest stocks, the values of which are regularly reviewed by the Board.

Risk*Currency*

The majority of the Company's assets and liabilities are denominated in currencies other than sterling. As a result movements in exchange rates affect the sterling value of the portfolio, cash, investment purchases and sales and income.

Currency exposure

The profile of the Company's net assets at 31 December 2005, by currency was:

	£'000s
Brazilian Real	19,688
Sterling	11,351
Hong Kong Dollar	14,216
Hungarian Forint	3,305
Indonesian Rupiah	1,048
Malaysian Ringgit	1,235
Philippines Peso	846
Polish Zloty	1,283
Slovenian Tolar	413
Singapore Dollar	1,555
Thai Baht	4,437
US Dollar	21,106
	<hr/>
	80,483

Management of Risk

The Company reviews currency exposure regularly and currency hedging is undertaken where thought appropriate.

PART 8

OPERATING AND FINANCIAL REVIEW

This Operating and Financial review is prepared in accordance with paragraph 9 of Annex I of the Prospectus Rules and is not in accordance with the ASB's reporting statements. Except where specifically stated, the information in this Part 8 is unaudited.

1. Dividends

The Company did not declare a dividend for the period from 20 July 2005 to 30 September 2005, being the only reporting date since the launch of the Company, due to the short initial investment period to that date.

Since incorporation the Company has not declared a dividend, however, the investment portfolio is expected to have a gross income yield of over 4 per cent. per annum, equivalent to over 2.5 per cent. per annum after deduction of expenses (*source: the Company*). However the Company's inaugural trading period to 31 March 2006 is not a complete year and this, together with uneven incidence of dividend payments throughout the year, means that the income for the period is likely to be lower than it would in a full 12 month period.

As at 31 March 2006, the latest practicable date prior to the publication of this document, the income included in the 'cum income net asset value per share' was 1.05p (*source: Company unaudited weekly Net Asset Value announcement*).

2. Capital

As at 31 March 2006, the investment portfolio was valued at £108.8 million, which together with cash less current liabilities of £1.7 million resulted in Gross Assets less current liabilities of £107.1 million. Investments were 101.6 per cent. of Gross Assets less current liabilities. Net Asset Value per Ordinary Share cum income was 119.28p (undiluted) and 116.07p (diluted) representing increases of 21.3 per cent. and 18.0 per cent. over the comparable Net Asset Values at the Company's launch (*source: Company unaudited assets and liabilities schedule*).

As at 31 March 2006, the share price of the Ordinary Shares has risen from 100p at launch to 126.00p, representing a premium of 8.6 per cent. to the diluted Net Asset Value and the Existing Warrants were trading at 47.00p per warrant (*source: the London Stock Exchange plc (share and warrant prices)*).

3. Investment

At launch in July 2005, the Company had a seed portfolio valued at £22.5 million and total shareholders funds of £73.8 million, having received net proceeds from the initial placing of Ordinary shares and Existing Warrants of £51.3 million. At 31 March 2006, the Company had an investment portfolio valued at £108.8 million comprising 49 investments. The ten largest holdings are set out in Part 4 of this document (*source: Company unaudited assets and liabilities schedule*).

4. Investment in Emerging Markets Utilities

Many Emerging Market countries are in the early stages of economic development as their economy moves from a focus on agriculture towards one more geared towards the production of goods and services. As this economic transformation takes place, one of the results is a large scale population move from the relatively poor rural areas to the relatively prosperous towns and cities. This process of urbanisation has been and will remain, one of the key long-term drivers of the demand for infrastructure investment in Emerging Markets.

This infrastructure deficit, sometimes exacerbated by fast growing populations, encourages the governments of Emerging Markets countries to create and maintain an environment conducive to attracting foreign investment in domestic infrastructure. Here infrastructure includes not only the traditional gas, water and electricity utilities but also airports, ports, road and rail.

5. Capital Resources

The Company is funded by both equity and debt, with the debt provided through a £25 million facility entered into on 1 March 2006. As at 31 March 2006, £17.5 million of this facility had been utilised (*source: Company unaudited assets and liabilities schedule*).

The Directors intend to restrict bank borrowings on a longer term basis to 25 per cent. of Gross Assets.

The Company generates its cash flows from the sale of investments and dividend and interest income and uses these cash flows to pay the expenses of the Company, to service the bank debt and potentially, to pay dividends.

In the period to 31 December 2005, the Company had audited cash flows from operations of £50.3 million. No dividends were paid (*source: audited accounts*).

6. Employees and Pensions

The Company has three employees in addition to Charles Jillings, the executive director. The costs of the employees are recovered against the management fee paid to the Investment Manager. The Company makes no contributions to any pension schemes or equivalent arrangements.

The fees of the Directors are set by the Board, having regard to the practices of similar investment companies.

With the exception of Charles Jillings, none of the Directors, who have all served since the launch of the Company, has a service contract. Details of Charles Jillings' service contract are set out in paragraph 3.18 of Part 10 of this document. Each of the non-executive directors has signed a letter of appointment, details of which are set out in paragraph 3.19 of Part 10 of this document.

PART 9

TAXATION

UK Taxation

The information below, which relates only to UK taxation, is applicable to the Company and to persons who are resident or ordinarily resident in the UK for taxation purposes and who will hold shares in the Company as an investment. It is based on current UK revenue law and published practice, which law or practice is, in principle, subject to subsequent change. The information is equally applicable to C Shares, Ordinary Shares, New Warrants and Existing Warrants except where stated to the contrary.

The Company

The Company will be managed and controlled in such a way that it should not be resident in the UK for UK tax purposes. Accordingly, and provided that the Company does not carry on a trade in the UK (whether or not through a permanent establishment situated there), the Company will not be subject to UK income tax or corporation tax other than on any UK source income.

Shareholders and Warrantholders

Income

UK resident individual Shareholders will be liable to income tax on the amount of any dividends received. Higher rate taxpayers will be liable to income tax at 32.5 per cent. and other individual taxpayers at 10 per cent. Since the Company will not be UK resident there will be no tax credit in respect of the dividends. UK resident corporate Shareholders will be liable to corporation tax in respect of any dividends received from the Company.

Capital Gains

The Company should not, as a closed ended company, be an offshore fund for the purposes of UK taxation and the provisions of Chapter V of Part XVII of ICTA will not apply. Accordingly, Shareholders and Warrantholders (other than those holding Ordinary Shares, C Shares, Existing Warrants or New Warrants as dealing stock, who are subject to separate rules) who are resident or ordinarily resident in the UK, or who carry on business in the UK through a branch, agency or permanent establishment with which their investment in the Company is connected may, depending on their circumstances and subject as mentioned below, be liable to UK tax on capital gains realised on the disposal of their Ordinary Shares, C Shares, Existing Warrants or New Warrants.

On a subsequent disposal by an individual Shareholder or Warrantholder who is resident or ordinarily resident in the UK for taxation purposes, the Ordinary Shares, C Shares, Existing Warrants or New Warrants may attract non-business asset taper relief which reduces the amount of chargeable gain according to how long, measured in complete years, the Ordinary Shares, C Shares, Existing Warrants or New Warrants have been held. Such individual Shareholders or Warrantholders are entitled to an annual exemption from capital gains, which for the tax year 2005/2006 is £8,500. Corporate Shareholders and Warrantholders resident in the UK for taxation purposes will benefit from indexation allowance which, in general terms, increases the capital gains tax base cost of an asset in accordance with the rise in the retail prices index.

Exercise of Warrants

Exercise of the Warrants (including the Existing Warrants and the New Warrants) by a UK resident or ordinarily resident Warrantholder will not constitute a disposal of the Warrants for the purposes of UK taxation of capital gains. The base cost (if any) of the Warrants, together with the amount paid on exercise, will form the base cost in computing any gain or loss arising on a subsequent disposal of the Ordinary Shares so acquired.

Conversion of the C Shares into Ordinary Shares, and the cancellation of certain New Warrants

The conversion of the C Shares into Ordinary Shares on the Conversion Date will be treated as a reorganisation of share capital and accordingly will not constitute a disposal of the C Shares for the purposes of capital gains tax. The Ordinary Shares shall be treated as acquired at the same time as, and with the same base cost as, the C Shares. The exercise of the New Warrants into C Shares (in the limited circumstances set out in Part 6 Terms and Conditions of the New Warrants) will also not be a disposal for capital gains tax purposes.

On conversion of the C Shares into Ordinary Shares, certain New Warrants will be cancelled. This should not give rise to a charge to tax on capital gains as the cancellation, in accordance with the terms and conditions of the New Warrants (as set out in Part 6 of this document), will not affect the value of the relevant holding of New Warrants.

Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)

As the register of Ordinary Shareholders, C Shareholders, Existing Warrantholders and New Warrantholders will at all times be kept offshore, no UK stamp duty or SDRT will be payable on a transfer of Ordinary Shares, C Shares, Existing Warrants or New Warrants or an agreement to transfer Ordinary Shares, C Shares, Existing Warrants or New Warrants.

Transfers of depositary interests in the Ordinary Shares, C Shares, Existing Warrants or New Warrants will be subject to UK stamp duty reserve tax at the rate of 0.5 per cent. of the consideration.

Other UK tax considerations

Investors should be aware that if more than 50 per cent. of the share capital of the Company is held by persons who are resident in the UK, the Company will be a “controlled foreign company” for the purposes of Chapter IV Part XVII of ICTA. If the Company becomes a controlled foreign company, any UK resident company which, either alone or together with connected or associated persons, holds 25 per cent. or more of the share capital of the Company (or Shares which entitle it to 25 per cent. or more of the income of the Company) may be assessed to corporation tax in respect of the profits of the Company which are attributable to such investor’s interest in the Company. Such an assessment may not be raised, however, if the Company pursues an “acceptable distribution policy”, which broadly requires the Company to distribute annually 90 per cent. of its “net chargeable profits” as calculated for UK tax purposes. The Directors intend to manage the affairs of the Company such that the Company will satisfy the “acceptable distribution” test, however, it must be appreciated that no assurance can be given as to whether this test will, in practice, be satisfied in respect of any particular accounting period.

Individuals ordinarily resident in the UK should note that Chapter III of Part XVII of ICTA, which contains provisions for preventing avoidance of income tax by transactions resulting in the transfer of income to persons (including companies) outside the UK, may render them liable to taxation in respect of any undistributed income and profits of the Company to the extent that they have not already been taxed on such income. In particular it should be noted that it was announced that as of 5 December 2005 these provisions will have a much wider application.

UK Shareholders resident or ordinarily resident and, if an individual, domiciled in the UK, may be affected by the provisions of section 13 of the Taxation of Chargeable Gains Act 1992 under which, in certain circumstances, a portion of capital gains made by the Company can be attributed to a Shareholder who holds, alone or together with associated persons, more than 10 per cent. of the shares in issue.

Bermuda Taxation

At the date of this document, there is no Bermuda income, corporation, or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by the Company or its Shareholders, other than Shareholders ordinarily resident in Bermuda. The Company is not subject to stamp duty in Bermuda on the issue or transfer of its Ordinary Shares or C Shares or Existing Warrants or New Warrants.

The Company has received an undertaking from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act, 1966, as amended, that, in the event that there is enacted in Bermuda any legislation imposing (i) tax computed on profits or income, (ii) tax computed on any capital assets, gain

or appreciation or (iii) any tax in the nature of estate duty or inheritance tax, such tax shall not until 28 March 2016 be applicable to the Company or to any of its operations, Ordinary Shares, C Shares, Existing Warrants, New Warrants, debentures or other obligations except insofar as such tax applies to persons ordinarily resident in Bermuda and holding such Ordinary Shares, C Shares, Existing Warrants, New Warrants, debentures or other obligations of the Company or any land leased or let to the Company.

As an exempted company, the Company is liable to pay the Bermuda Government an annual registration fee which is currently US\$9,435.

US Taxation

This document does not include any information with respect to US taxation. In particular, it includes no assessment as to whether the Company may or may not be a “passive foreign investment company” for US federal income tax purposes. Prospective investors who may be subject to tax in the United States are urged to consult their tax adviser regarding the US federal, state, local and other tax consequences of owning and disposing of the Ordinary Shares, C Shares, Existing Warrants or New Warrants.

PART 10

ADDITIONAL INFORMATION

1. The Company

- 1.1 Utilico Emerging Markets Utilities Limited was incorporated in Bermuda as an exempted, closed ended investment company with limited liability under the Bermuda Companies Act 1981, as amended, registered with number 36941 on 9 June 2005. The Company operates under the Bermuda Companies Act but is otherwise not regulated.
- 1.2 The Company's registered office is in Bermuda and is located at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The Company's telephone number at this office is 00 1441 295 2244.

2. Share Capital

- 2.1 At the date of incorporation, the Company had an authorised share capital of £10,000 divided into 100,000 Ordinary Shares of 10p each, all of which were issued nil paid. The Ordinary Shares were gifted to and cancelled by the Company on 27 July 2005. In addition, 15,004,447 Existing Warrants to subscribe for 15,004,447 Ordinary Shares at 100p each were created pursuant to the Existing Warrant Instrument, of which 15,000,847 are outstanding at the date of this document.
- 2.2 On 17 June 2005, by written resolution, the Company increased its authorised share capital from £10,000 to £15,000,000 by the creation of 149,900,000 Ordinary Shares.
- 2.3 Since 20 July 2005, 44,927 Ordinary Shares have been issued to the Directors as Fee Shares (as described in paragraph 2.9 below) and 3,600 Ordinary Shares were issued on 31 January 2006 on the exercise of 3,600 Existing Warrants.
- 2.4 The authorised and issued share capital of the Company will upon Admission (assuming the Resolutions are passed at the SGM and the Placing and Open Offer are fully subscribed) be:

Authorised			Issued and to be issued fully paid	
£	Number		£	Number
15,000,000	150,000,000	Ordinary Shares of 10p each	7,507,077.60	75,070,776
60,000,000	120,000,000	C Shares of 50p each	50,000,000	100,000,000

In addition up to 20 million New Warrants will be created pursuant to the New Warrant Instrument.

- 2.5 The ISIN number of the Ordinary Shares is BMG931151069 and of the Existing Warrants is BMG931151143. The ISIN number of the C Shares is BMG931151226 and of the New Warrants is BMG931151309.
- 2.6 The liability of Shareholders is limited to the amount payable in respect of Ordinary Shares and/or C Shares held by them.
- 2.7 The Ordinary Shares and the C Shares carry the right to attend and vote at general meetings as if they were a single class. Rights to dividends and the surplus assets of the Company on a winding-up are set out in paragraph 4.11 of Part 10 of this document. None of the Company's Shareholders have special voting rights.
- 2.8 Save pursuant to the Issue and the Existing and New Warrant Instruments and as mentioned in this paragraph 2.8, since the date of incorporation no share or loan capital of the Company has been issued or agreed to be issued, or is now proposed to be issued, for cash or any other consideration and no commission, discounts, brokerages or other special terms have been granted by the Company in connection with the issue of any such capital.
- 2.9 Under the Directors' letters of appointment and Charles Jillings' service contract the Directors will receive their remuneration in the form of Ordinary Shares ("Fee Shares"). The number of Fee Shares to which each Director is entitled will be the number of Ordinary Shares that, when valued at the fully diluted Net Asset Value per Ordinary Share at the end of the quarter to which the Director's

fee relates, equals 25 per cent. of the Director's annual fee. During the 14 day period immediately following the Fee Shares becoming due, each Director will make reasonable endeavours to procure the purchase of the Fee Shares in the market at a price (including transaction costs) equivalent to or below the fully diluted Net Asset Value per Ordinary Share at the time of such purchase. The Company will put the relevant Director in funds for such purchases. In the event that any Director is unable to procure the purchase of some or all of the Fee Shares in the market at or below the fully diluted Net Asset Value per Ordinary Share at the time of such purchase, the Director will return any monies advanced to him by the Company (to the extent not used to purchase Fee Shares) and the Company will issue to that Director such number of new Ordinary Shares as is equivalent to any shortfall.

For periods when there are both Ordinary Shares and C Shares in issue the Fee Shares issued to the Directors will be split between Ordinary Shares and C Shares on the basis of (i) the period of time for which Shares of each class were in issue during the relevant quarter and (ii) the Gross Assets attributable to each class.

As set out in paragraph 2.3 above, 44,927 Fee Shares have been issued to date.

- 2.10 Save pursuant to the Existing Warrant Instrument and the New Warrant Instrument, no share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 2.11 The Bye-laws authorise the Directors to allot an unlimited number of equity securities without pre-emption rights applying for Shareholders.
- 2.12 A resolution of the Company which took effect on 20 July 2005 granted the Company authority to make market purchases of up to 11,245,833 Ordinary Shares, such authority to expire on the earlier of 31 December 2006 and the conclusion of the first annual general meeting of the Company. The maximum price to be paid will not be more than 5 per cent. above the average mid-market values of the Ordinary Shares for the 5 business days before the purchase is made, and any purchases made will be in accordance with the Bermuda Companies Act. No such purchases have been made.
- 2.13 As of the date of this document, the Company has no listed or unlisted securities not representing share capital.
- 2.14 Under section 103 of the Bermuda Companies Act, the holders of not less than 95 per cent. of the Ordinary Shares may give notice to the remaining Shareholders to acquire their Ordinary Shares on the terms set out in the notice.

3. Directors' and Other Interests

- 3.1 The maximum amount of remuneration payable to the Directors permitted under the Bye-laws is £200,000 per annum. The Directors' fees will be paid in the form of Ordinary Shares and, if there are any C Shares in issue during the relevant period, C Shares in the Company, as described in paragraph 2.9 above.
- 3.2 It is estimated that the aggregate emoluments (including benefits in kind and pension contributions (of which none are to be made)) of the Directors for the period ending 31 March 2006 will amount to no more than £75,000.
- 3.3 Save for the service agreement with Charles Jillings, summarised in paragraph 3.18 below, there are no existing or proposed service contracts between any of the Directors and the Company.
- 3.4 Save for the transfer agreement (summarised in paragraph 6.1.8 of this Part 10) in which Charles Jillings is interested by virtue of his position as a Director of Utilico, there are no contracts entered into by the Company in which the Directors have a material interest.
- 3.5 No loan has been granted to, nor any guarantee provided for the benefit of, any Director by the Company.
- 3.6 The Directors and the persons connected (within the meaning of section 346 of the Companies Act 1985, as amended) with them have agreed to subscribe for a total of 919,937 C Shares (with New Warrants attached on a one for five basis) as set out below. In accordance with the AIM Rules, the

Directors have agreed not to dispose of their C Shares for a period of one year from the date of Admission. The interests of the Directors and the persons connected (within the meaning of section 346 of the Companies Act 1985, as amended) with them (all of which are beneficial save where otherwise stated) in the issued share capital of the Company will, following Admission, be as follows (assuming the Issue is fully subscribed and subject only to scaling back):

Name	C Shares on Admission	New Warrants on Admission	Ordinary Shares as at the date of this document	No. of Warrants as at the date of this document	Percentage of enlarged issued share capital following Admission
Alexander Zagoreos	111,825	22,365	111,825	20,000	0.12
Michael Collier	108,278	21,655	58,278	10,000	0.10
Charles Jillings	158,278	31,655	108,278	20,000	0.16
Garth Milne	258,278	51,655	208,278	40,000	0.26
Kevin O'Connor	333,278	66,655	83,278	15,000	0.30

- 3.7 Save for Charles Jillings' interest in the transfer agreement (summarised in paragraph 6.1.8 of this Part 10) by virtue of his position as a director of Utilico, the Directors have no potential conflicts of interest between any duties to the issuer and their private interest and other duties.
- 3.8 Save as disclosed, no Director (nor any member of a Director's family) has, or has had a related financial product (as defined in the AIM Rules) referenced to Ordinary Shares, C Shares, Existing Warrants or New Warrants.
- 3.9 The Company has purchased directors and officers liability insurance for the benefit of the Directors.
- 3.10 No Director has any unspent convictions relating to indictable offences, has been bankrupt or has made, or been the subject of, any individual voluntary arrangement.
- 3.11 Save as disclosed in paragraphs 3.12 to 3.17 (inclusive) below, as at the date of this document none of the Directors has:
- 3.11.1 any convictions in relation to fraudulent offences for at least the previous five years;
- 3.11.2 been bankrupt or been a director of any company or been a member of the administrative, management or supervisory body of an issuer or a senior manager of an issuer at the time of any bankruptcy or receivership or compulsory or creditors' voluntary liquidation for at least the previous five years;
- 3.11.3 been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including designated professional bodies) nor has he been disqualified by a court from acting as a director of a company or from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of an issuer, for at least the previous five years; or
- 3.11.4 any family relationship with any of the other Directors.
- 3.12 Charles Jillings was a director of Hemscott Limited ("HL") until its dissolution on 4 October 2003. Prior to its dissolution HL was in members' voluntary liquidation.
- 3.13 Charles Jillings was a director of Premier Health Group Limited (previously Premier Health Group plc) ("Premier") until 27 May 2004. Premier went into administration on 4 October 2002 with an estimated deficiency as regards creditors (excluding intra-group loans) of £2,784,000. Premier came out of administration on 3 October 2003. Following this period of administration Premier conducted a scheme of arrangement with its shareholders that began on 19 April 2004 and concluded on 20 October 2004.
- 3.14 Charles Jillings is a director of FinMedia Limited. On 28 October 2005 FinMedia Limited was placed into voluntary liquidation. There is no deficit with respect to creditors.
- 3.15 Garth Milne was a non-executive director of Aberdeen High Income Trust plc when it was placed into receivership on 26 July 2002. The administrative receiver's report dated 14 April 2004 stated that

an estimated deficit of £16,633,217 remained outstanding to creditors. The deficit to creditors at the time the statement of affairs was drawn up was £16,798,924.

- 3.16 Kevin O'Connor was a director of Bowen Corporation Ltd when it was wound-up in 1990/1991.
- 3.17 Kevin O'Connor was a partner in a partnership in New Zealand which entered into a voluntary restructuring arrangement with certain of its creditors in 1991.
- 3.18 A service agreement dated 14 July 2005 has been entered into between the Company and Charles Jillings whereby Mr Jillings has been employed by the Company to act as an executive director of the Company. Mr Jillings will be entitled to a fee of £17,500 per annum payable in Ordinary Shares as described in paragraph 2.8 above. The agreement is subject to termination on 6 months' notice not to be effective before the expiry of the initial term of 12 months.
- 3.19 Each of the non-executive directors has signed a letter of appointment for an initial term of two years. Following the expiry of this period each non-executive director is eligible for re-appointment for consecutive three year terms.
- 3.20 The following table lists all companies and partnerships of which each Director is currently a director or member of the administrative, management or supervisory body and lists those companies and partnerships of which each Director has been a director or partner or member of the administrative, management or supervisory body at any time in the five years preceding the date of this document:

Director	Current directorships/partnerships	Past directorships/partnerships
Alexander Zagoreos	Alpha Trust Andromeda Brooklyn Bridge Park Conservancy The Egypt Trust Emerging World Investors LP Gennadius Library of the American School of Classical Studies in Athens The Greek Progress Fund JPMorgan Fleming Continental European Investment Trust plc Jupiter Global Green Investment Trust plc Lazard Asset Management The National Audubon Society of New York Probank New Zealand Investment Trust plc Scenic Hudson Inc. Scottish & English Investors LP Taiwan Opportunities Fund Limited	Foreign & Colonial Latin American Investment Trust
Michael Collier	ATNP Finance Company Belco Holdings Limited Exelon Enterprises Investments Inc. Exelon Generation Finance Company LLC Indigo Trust Limited Somers Isles Shipping Co, Ltd. Teck Gold Ltd. Teck Base Metals Ltd. Teck Financial Corporation Ltd. United Insurance Ltd. Windsong Management Bermuda Limited	

Director	Current directorships/partnerships	Past directorships/partnerships
Charles Jillings	Bishops Life Limited Blue Sky Leisure Limited FinMedia Limited Hemscott Group Limited Hemscott plc Hemscott Holdings Limited Mosaic Estates Limited Newtel Limited Poggio Secco S.R.L. Premier Rugby Partnerships Limited Stocks Management Limited The Analysis & Research Company Limited Utilico International Limited Utilico Investment Trust plc	Dee Valley plc Dee Valley Group plc England Rugby Limited Hemscott Limited (previously known as HS Publishing Group Limited) (dissolved) Mosaic (Stoke) Limited Premier Health Group Limited Premier Rugby Limited Ridge Court Property Limited Stentor plc Stocks Property Holdings Limited SPG Media Group plc The Special Utilities Investment Trust plc (dissolved)
Garth Milne	BFS UK Dual Return Trust plc Flawless Group Limited Invesco Perpetual UK Smaller Companies Investment Trust plc Real Estate Opportunities Limited SovGEM Limited Henderson Far East Income Trust plc The Ukraine Opportunity Trust Plc Octant Holdings Limited Ludgrove School Trust	Aberdeen High Income Trust plc (went into receivership in 2002) Govett Asia Income & Growth Fund plc (wound up) Govett Emerging Markets Investment Trust plc (wound up following a reconstruction) HL Income & Growth Trust plc Invesco Continental Smaller Companies Trust plc (wound up) Metroking plc UBS Securities Limited Murray Extra Return Investment Trust plc (in liquidation) Bowater Limited
Kevin O'Connor	The New Zealand Takeovers Panel Wellington Regional Community Foundation Catholic Foundation of the Archdiocese of Wellington The Todd Foundation Investment Board Willeston Holdings Ltd Bowen Margins Ltd Bowen Securities Ltd Ronnoco Nominees Ltd Stebbing's Farmland Ltd	Utilico International Limited Infratil Limited Norwich & State Insurance Group in New Zealand Market Surveillance Panel of New Zealand Stock Exchange Central Regional Health Authority Sixteen The Terrace Partnership

- 3.21 The Company is not aware of any person or persons who as at the date of this document or following Admission could directly or indirectly, jointly or severally, exercise or could exercise control of the Company.
- 3.22 Other than those set out below, the Company is not aware of any person or persons who, directly or indirectly, is or are interested in 3 per cent. or more of the Company's issued ordinary share capital as at 6 April 2006, the latest practicable date prior to the issue of this document.

Percentage of
Ordinary Share
capital as at
6 April 2006

F&C Asset Management plc* as nominee for the following: 44.72%
10,000,000 Ordinary Shares (13.32%) on behalf of Foreign & Colonial
Investment Trust plc
1,050,000 Ordinary Shares (1.40%) on behalf of F&C Global Smaller
Companies plc
22,522,239 Ordinary Shares (30.00%) on behalf of Utilico Investment Trust plc

* Friends Provident Group, as the ultimate parent company of F&C Asset Management plc, is also interested in these shares.

- 3.23 Other than those set out below the Company is not aware of any person holding directly or indirectly more than 3 per cent. of the Company's issued share capital or any person who will hold, directly or indirectly, more than 3 per cent. of the Company's issued share capital after Admission (assuming the Issue is fully subscribed and F&C Global Smaller Companies plc does not subscribe for its Basic Entitlement).

Percentage of
issued share
capital following
Admission

F&C Asset Management plc* as nominee for the following: 34.11%
10,000,000 Ordinary Shares (13.32%) and 10,000,000 C Shares (10.00%)
on behalf of Foreign & Colonial Investment Trust plc
1,050,000 Ordinary Shares (1.40%) and 0 C Shares (0%) on behalf of
F&C Global Smaller Companies plc
22,522,239 Ordinary Shares (30.00%) and 22,522,239 C Shares (22.52%)
on behalf of Utilico Investment Trust plc

* Friends Provident Group, as the ultimate parent company of F&C Asset Management plc, is also interested in these shares.

- 3.24 Those interested, directly or indirectly, in three per cent. or more of the issued share capital of the Company do not have different voting rights from other holders of Shares in the Company.

4. Bye-laws

- 4.1 The Bye-laws are proposed to be amended by the passing of the Resolutions. This will incorporate the rights of C Shareholders into the Bye-laws and such rights are set out in Part 5 of this document. At present, the Bye-laws of the Company contain provisions, inter alia, to the following effect:

4.1.1 Voting

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

4.1.2 Variation of Rights

Subject to the Bermuda Companies Act, the special rights attached to any class of shares may be varied or abrogated with the consent in writing of the holders of three-fourths of the issued shares of the class or with the sanction of a resolution passed at a separate meeting of the holders of such shares. The necessary quorum shall be two persons at least holding or representing by proxy one-third in number of the issued shares of the relevant class (but so that if at any adjourned meeting of such holders a quorum as above defined is not present those shareholders who are present shall be a quorum). Every holder of Shares shall be entitled at such meeting to one vote for every Share held by him on a poll. The special rights conferred upon the Ordinary Shares shall not be deemed to be varied by the exercise of any power under the disclosure provisions requiring Shareholders to disclose an interest in the Company's Shares as set out in the Bye-laws.

4.1.3 *Offers of shares*

- (a) Subject to the provisions of the Bye-laws and without prejudice to any special rights conferred on the holders of any class of shares, any share in the Company may be issued with or have attached thereto such preferred, deferred or other special rights, or such restrictions whether in regard to dividend, return of capital, voting or otherwise as the Company may from time to time by resolution determine or if there has not been any such determination or so far as the same shall not make specific provision, as the Board may determine.
- (b) Subject to the Bye-laws, the unissued shares shall be at the disposal of the Directors, and they may allot, grant options over, issue warrants in respect of or otherwise dispose of them to such persons, at such times and generally on such terms and conditions as they determine. There are no provisions of Bermuda law equivalent to sections 89 to 90 of the Companies Act 1985 of England and Wales which confer pre-emption rights on existing shareholders in connection with the allotment of equity securities for cash.
- (c) The Company may also pay such brokerages and/or commissions as may be lawful.
- (d) No person shall be recognised by the Company as holding any shares upon any interest other than an absolute right of the registered holder to the entirety of a share.

4.1.4 *Notice requiring disclosure of interest in Shares*

The Directors may serve notice on any Shareholder requiring that Shareholder to disclose to the Company the identity of any person (other than the Shareholder) who has an interest in the Shares held by the Shareholder. Any such notice shall require any information in response to such notice to be given within such reasonable time as the Directors may determine.

If any Shareholder is in default in supplying to the Company the information required by the Company within the prescribed period (which is 28 days after service of the notice or 14 days if the shares concerned represent 0.25 per cent. or more of the issued shares), the Directors in their absolute discretion may serve a direction notice on the Shareholder. The direction notice may direct that in respect of the shares in respect of which the default has occurred (the “default shares”) the Shareholder shall not be entitled to vote in general meetings. Where the default shares represent at least 0.25 per cent. of the class of shares concerned the direction notice may additionally direct that dividends on such shares will be retained by the Company (without interest) and that no transfer of the shares (other than a transfer authorised under the Bye-laws) shall be registered until the default is rectified.

4.1.5 *Transfer of shares*

Subject as provided below, any Shareholder may transfer all or any of his Shares by instrument of transfer in any form which the Directors may approve. The instrument of transfer of a Share shall be signed by or on behalf of the transferor.

The Directors may refuse to register any transfer of Shares unless the instrument of transfer is lodged at the registered office accompanied by the relevant share certificate(s) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer.

The Directors may refuse to register a transfer:

- (a) of any Share which is not fully paid up or on which the Company has a lien provided that this would not prevent dealings from taking place on an open and proper basis;
- (b) where the holding of such Shares may result in regulatory, pecuniary, legal, taxation or material administrative disadvantage for the Company or the Shareholders as a whole; or
- (c) where permission of the Bermuda Monetary Authority to the transfer is required but has not been obtained.

The registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine provided that such suspension shall not be for more than 30 days in any year.

4.1.6 *Compulsory transfer of shares*

The Board may refuse to register any transfer of shares, or may require the transfer of shares owned or which appear to be owned directly by any person who, by virtue of his holding, may in the opinion of the Directors give rise to a breach of any applicable law or requirement in any jurisdiction or may cause or be likely to cause the Company or Shareholders of the Company some legal, pecuniary or material disadvantage or cause or be likely to cause the assets of the Company to be considered “plan assets” within the meaning of the regulations adopted under the US Employee Retirement Income Security Act of 1974, as amended (“ERISA”), or which holding would or might result in the Company being required to register or qualify under the Investment Companies Act or other US law.

4.1.7 *Alteration of capital and purchase of shares*

The Company may from time to time, subject to the provisions of the Bermuda Companies Act, purchase its own shares in any manner authorised by the Bermuda Companies Act.

The Bermuda Companies Act provides that the Company may by resolution consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares; subdivide all or any of its shares into shares of a smaller amount than is fixed by the memorandum of association; cancel any shares which at the date of the resolution have not been taken or agreed to be taken and diminish its authorised share capital accordingly; and convert its fully paid shares into shares denominated in a different currency.

The Company may by resolution reduce its share capital, any redemption reserve fund or any stated capital account, including share premium account, in any manner permitted by and with and subject to any consent required by the Bermuda Companies Act.

4.1.8 *Interests of Directors*

- (a) Save as mentioned below, a Director may not vote or be counted in the quorum on any resolution of the Board (or a committee of the Directors) in respect of any matter in which he has (together with any interest of any person connected with him) a material interest (other than by virtue of his interest, directly or indirectly, in shares or debentures or other securities of the Company).
- (b) Subject to the Bermuda Companies Act, a Director shall be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:
 - (i) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person for the benefit of the Company or any of its subsidiaries;
 - (ii) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director himself has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
 - (iii) a contract, arrangement, transaction or proposal concerning, or the offer of shares, debentures or other securities of the Company or its subsidiaries in which offer he is or may be entitled to participate or in the underwriting or sub-underwriting of which he is to or may participate;
 - (iv) any proposal concerning any other company in which he is interested, directly or indirectly, as an officer, creditor or shareholder or otherwise, provided that he, together with persons connected with him, is not to his knowledge the holder of or beneficially interested in 1 per cent. or more of any class of the equity share capital of any such company (or of any third company through which his interest is derived) or of the voting rights of such company;
 - (v) any arrangement for the benefit of employees of the Company or any of its subsidiaries which accords to the Director only such privileges and advantages as are generally accorded to the employees to whom the arrangement relates; or

- (vi) any proposal for the purchase or maintenance of insurance for the benefit of the Director or persons including the Directors.
- (c) Any Director may act by himself or by his firm in a professional capacity for the Company, other than as auditor, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.
- (d) Any Director may continue to be or become a director, managing director, manager or other officer or member of a company in which the Company is interested, and any such Director shall not be accountable to the Company for any remuneration or other benefits received by him.

4.1.9 *Remuneration of Directors*

- (a) The Directors shall be remunerated quarterly for their services at such rate as the Directors shall determine provided that the aggregate amount of such fees shall not exceed £200,000 per annum (or such sum as the Company in general meeting shall from time to time determine). The Directors fees will be satisfied with Ordinary Shares (the "Fee Shares") as described in paragraph 2.9 above.
- (b) A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director on such terms as to tenure of office and otherwise as the Directors may determine.
- (c) The Directors may from time to time appoint one or more of their body to the office of managing director or to any other office for such term and at such remuneration and upon such terms as they determine.

4.1.10 *Retirement of Directors*

- (a) Directors shall be subject to retirement by rotation. Two Directors will retire at the 2007 annual general meeting, one of whom will be Charles Jillings, and thereafter a third of the Directors will retire at the 2008 annual general meeting. Any Director who retires is eligible for re-appointment.
- (b) A Director shall not be required to hold any qualification shares.
- (c) No person shall be or become incapable of being appointed a Director by reason of having attained the age of 70 or any other age and no Director shall be required to vacate his office at any time by reason of the fact that he has attained the age of 70 or any other age.

4.1.11 *Dividends and distribution of assets on a winding up*

- (a) Subject to the rights of persons entitled to shares with special rights as to dividends, the Company in general meeting may declare a dividend but no dividend shall exceed the amount recommended by the Directors.
- (b) No dividend shall be paid other than from the profits (including for the avoidance of doubt all gross revenues) resulting from the Company's business.
- (c) The Directors may if they think fit from time to time pay the Shareholders such interim dividends as appear to be justified by the profits of the Company.
- (d) No dividend or other amount payable to any Shareholder shall bear interest against the Company. All unclaimed dividends and other amounts payable as aforesaid may be invested or otherwise made use of for the benefit of the Company until claimed. Payment by the Company of any unclaimed dividend or other amount payable in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. Any dividend unclaimed on the earlier of (1) seven years from the date when it first became payable or (2) the date on which the Company is wound up, shall be forfeited automatically, without the necessity for any declaration or other action by the Company.

- (e) The Directors are also empowered to create reserves before recommending or declaring any dividend. The Directors may also carry forward any profits which they think prudent not to distribute.
- (f) If the Company should be wound up (whether the liquidation is voluntary, under supervision or by the court) the liquidator may with the authority of a special resolution and any other sanction required by Bermuda Companies Act, divide amongst the members in specie the whole or any part of the assets of the Company and whether or not the assets shall consist of property of one kind or of properties of different kinds, and may for such purposes set such value as the liquidator deems fair upon any one or more class or classes or property, and may determine how such division should be carried out as between the members or different classes of members.

4.1.12 *Life of the Company*

At the annual general meeting of the Company to be held in 2012 a resolution will be proposed that the Company should continue as presently constituted. If that resolution is not passed, the Directors will be required to formulate proposals to be put to Shareholders to wind-up, reorganise or reconstruct the Company.

4.1.13 *Borrowing*

- (a) The Directors may exercise all and any powers of the Company to borrow money.
- (b) Any person lending money to the Company shall be entitled to assume that the Company is acting in accordance with the Bye-laws and shall not be concerned to enquire whether such provisions have in fact been complied with.

4.1.14 *Register of Shareholders*

The register of Shareholders is the hard copy register of Shareholders kept in Bermuda pursuant to section 65 of the Bermuda Companies Act. A branch copy of the register is kept in Jersey.

The register of depositary interests representing Ordinary Shares, C Shares, Existing Warrants and New Warrants is kept by the CREST Agent in the United Kingdom.

4.2 *Memorandum of Association*

The Company's objects are contained in its memorandum of association. They are to invest its capital and to acquire, hold, sell, dispose of and deal in real property outside Bermuda and personal property of all kinds.

5. **Overseas Investors**

No action has been taken to permit the distribution of this document in any jurisdiction outside the UK where such action is required to be taken. This document may not therefore be used for the purpose of, and does not constitute, an offer or solicitation by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. Accordingly, no person receiving a copy of this document in any territory other than the United Kingdom, may treat the same as constituting an offer or invitation to him to acquire, subscribe for or purchase C Shares and New Warrants nor should he in any event acquire, subscribe for or purchase C Shares or New Warrants unless such an invitation, acquisition, subscription or purchase complies with any registration or other legal requirements in the relevant territory. Any person outside the United Kingdom wishing to acquire, subscribe for or purchase C Shares should satisfy himself that, in doing so, he complies with the laws of any relevant territory, and that he obtains any requisite governmental or other consents and observes any other applicable formalities.

5.1 *United States*

- 5.1.1 The C Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States and the Company has not been and will not be registered under the Investment Company Act. Consequently, the C Shares and New Warrants may not be offered or sold or otherwise transferred within the United States or to, or for the account or benefit of, US Persons except in accordance with the Securities Act or an exemption therefrom and under circumstances which will not require the Company to register under the Investment Company Act. Accordingly, US Persons acquiring C Shares and New Warrants will be subject to significant restrictions on transfer. The C Shares and New Warrants may only be resold or transferred in accordance with the restrictions set forth herein.
- 5.1.2 Accordingly, the C Shares and New Warrants are being offered and sold only (i) to qualified institutional buyers (“QIBs”) within the meaning of Rule 144A under the Securities Act that are also qualified purchasers (“QPs”) within the meaning of Section 3(c)(7) of the Investment Company Act (QIBs that are also QPs being referred to as “QIB/QPs”) and (ii) outside the United States in an “offshore transaction” within the meaning of Regulation S under the Securities Act.
- 5.1.3 Neither the Commission nor any securities commission of any state of the United States has determined whether this document is truthful or complete, nor have they made, nor will they make, any determination as to whether anyone should buy the C Shares and New Warrants. Any representation to the contrary is a criminal offence.
- 5.1.4 Each purchaser of the C Shares (with New Warrants attached on a one for five basis) under the Placing that is a US Person will be required to execute and deliver to the Company a placing letter setting forth and acknowledging certain restrictions and procedures regarding the transfer of the C Shares and New Warrants.
- 5.1.5 In the placing letter, which placees will be required to execute, each such purchaser will make representations, among other representations, substantially to the following effect:
- (a) it understands and acknowledges that the C Shares and the New Warrants have not been, and will not be, registered under the Securities Act, and accordingly may not be offered or sold or otherwise transferred in the United States or to, or for the account or benefit of, US Persons unless registered or an exemption from registration is available;
 - (b) it understands and acknowledges that the Company has not registered and will not register under the Investment Company Act and that the Company has put in place restrictions for transactions not involving any public offering, and to ensure that the Company is not required and will not be required to be registered under the Investment Company Act;
 - (c) it represents that (i) at the time the C Shares and New Warrants are acquired it is not an affiliate of the Company or a person acting on behalf of such an affiliate and (ii) it is not acquiring the C Shares and New Warrants for the account of an affiliate of the Company or of a person acting on behalf of such an affiliate;
 - (d) it (i) is a QIB/QP, (ii) is acquiring the C Shares and New Warrants for its own account or for the account of one or more QIB/QPs and (iii) is aware, and each beneficial owner of the C Shares and New Warrants has been advised, that the sale of such C Shares and New Warrants is being made in reliance on Rule 144A or another available exemption from registration under the Securities Act;
 - (e) it understands that the C Shares and New Warrants acquired by it are being offered to it and may be transferred only in transactions not involving any public offering in the United States within the meaning of the Securities Act or the Investment Company Act, as applicable. It agrees, for the benefit of the Company, any distributors or dealers and any such persons’ affiliates, that, if in the future it decides to offer, resell, pledge

or otherwise transfer any such C Shares and New Warrants acquired by it, any offer, resale, pledge or transfer will be made in compliance with the Securities Act, the Investment Company Act and any applicable US State securities laws and only (1) in an offshore transaction in accordance with Regulation S under the Securities Act to a non-US Person or (2) pursuant to an exemption from registration under the Securities Act (provided that, if such transfer pursuant to this clause is to a US Person, the purchaser is a QP). It understands that one purpose of the foregoing limitation is to ensure that the Company is not required to register under the Investment Company Act;

- (f) it understands that the C Shares and New Warrants, unless the Company determines otherwise in compliance with applicable law, will bear a legend to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE OFFER, SALE, PLEDGE OR TRANSFER OF THIS SECURITY IS SUBJECT TO CERTAIN CONDITIONS AND RESTRICTIONS. THE HOLDER HEREOF, BY PURCHASING OR OTHERWISE ACQUIRING THIS SECURITY, ACKNOWLEDGES THAT THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT AND THAT THE ISSUER HAS NOT REGISTERED AND WILL NOT REGISTER UNDER THE US INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE “INVESTMENT COMPANY ACT”). THE HOLDER AGREES FOR THE BENEFIT OF THE ISSUER, ANY DISTRIBUTORS OR DEALERS AND ANY SUCH PERSONS’ AFFILIATES THAT THIS SECURITY MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT, THE INVESTMENT COMPANY ACT AND ANY APPLICABLE STATE SECURITIES LAWS AND ONLY (1) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT TO A NON-US PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT, “US PERSON”) OR (2) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (PROVIDED THAT, IF SUCH TRANSFER PURSUANT TO THIS CLAUSE (2) IS TO A US PERSON, THE PURCHASER IS A QUALIFIED PURCHASER WITHIN THE MEANING OF THE INVESTMENT COMPANY ACT), AND IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS. THE HOLDER ACKNOWLEDGES THAT THE PURPOSE OF THE FOREGOING LIMITATION IS, IN PART, TO ENSURE THAT THE ISSUER IS NOT REQUIRED TO REGISTER UNDER THE INVESTMENT COMPANY ACT.

- (g) it agrees that it will inform each subsequent purchaser of the C Shares and New Warrants from it of these transfer restrictions;
- (h) it acknowledges that the Company reserves the right to make inquiries of any holder of the C Shares or New Warrants or interests therein at any time as to such person’s status under the US securities laws, including without limitation whether it is a QP, and to require any such person that has not satisfied the Company that such person is holding appropriately under the US securities laws to transfer such C Shares, New Warrants or interests immediately under the direction of the Company;
- (i) it acknowledges that the Company, any of its registrars, any distributors or dealers or their affiliates, and others will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements. If it is acquiring the C Shares or New Warrants for the account of a QIB/QP, it represents that it has sole investment

discretion with respect to such account and that it has full power to make the foregoing representations, acknowledgements and agreements on behalf of such account;

- (j) for the purposes of ERISA, either (a) it is not acquiring the C Shares and New Warrants for the account of or with the assets of a benefit plan investor within the meaning of the US Department of Labor regulations at 29 C.F.R. Ĩ 2510.3-101 (the “Plan Asset Regulations”) or (b) no C Shares and New Warrants acquired by it will be, nor deemed to be pursuant to the Plan Asset Regulations or otherwise, (i) assets of an employee benefit plan, within the meaning of section 3(3) of ERISA, that is not exempt from the provisions of Title I of ERISA pursuant to section 4(b) of ERISA or (ii) assets of a plan within the meaning of section 4975(e) of the Internal Revenue Code of 1986, as amended (the “Code”), that is not exempt from the provisions of such section pursuant to section 4975(g) of the Code; and
- (k) it has investigated the potential US tax consequences, including any federal, state and local consequences, affecting it in connection with its purchase and any subsequent disposal of the C Shares and New Warrants.

The Company’s Bye-laws contain provisions designed to restrict the holding of Shares by persons, including US Persons, where in the opinion of the Directors such a holding could cause or be likely to cause the Company some legal, regulatory, pecuniary, tax or material administrative disadvantage.

6. Material Contracts

6.1 The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company since its incorporation and are, or may be, material:

6.1.1 The Investment Management Agreement dated 14 July 2005 between the Company and Ingot under which the Company has appointed Ingot to provide the Company with portfolio monitoring, research and other investment management services. The Agreement is subject to termination on 6 months’ notice, such notice not to be effective before the expiry of an initial term of 24 months. Under the terms of the Investment Management Agreement, the Investment Manager is entitled to receive a management fee from the Company equivalent to 0.5 per cent. of Gross Assets per annum payable quarterly in arrears. In addition to the management fee, the Investment Manager is entitled to receive a performance fee as set out below.

Performance Fee

The performance fee is based on the annual increase in the fully diluted Net Asset Value per Ordinary Share. Calculation periods run from the first day of the Company’s accounting reference period to the last day of the same accounting reference period, save where the Investment Management Agreement is terminated for any reason or the Company commences winding up. Any entitlement to a performance fee in the Company’s first accounting period will be based on the Company’s performance from Admission to 31 March 2006.

The performance fee will be calculated based on 15 per cent. of any out performance of Adjusted Equity Funds attributable to Shareholders in excess of a benchmark index. For this purpose the benchmark index is the post tax yield on the FTSE Actuaries Government Securities UK Gilt 5 to 10 years index, plus inflation (on the RPIX basis), plus two per cent.

No performance fee is payable if, despite having exceeded the benchmark, the Adjusted Equity Funds attributable to the Shareholders is less than it was on the previous calculation date, the calculation date where a performance fee was last paid or the Adjusted Equity Funds on 20 July 2005 and as adjusted to take account of the the Issue (the “Hurdles”). The Hurdles will be adjusted for any capital event (including but not limited to bonus issues, any repayment or otherwise that reduces the funds attributable to Ordinary Shares and any new issue of equity (including the exercise of warrants)).

If any new shares (of whatever class) are issued, or any shares are redeemed or repurchased or any other reconstruction or amalgamation relating to the Company’s share capital occurs

at any time during the life of the Company, the calculation of the performance fee will be adjusted, after consultation with the Company's auditors, so that the effect of the capital raising is neutral as regards the performance fee.

If a performance fee is payable the Company will pay the Investment Manager a sum equivalent to 15 per cent. of any outperformance of the benchmark index.

Any performance fee payable will be paid as to 50 per cent. in cash and 50 per cent. in Ordinary Shares. The number of Ordinary Shares to which the Investment Manager is entitled ("**Performance Shares**") will be the number of Ordinary Shares that, when valued at the fully diluted Net Asset Value per Ordinary Share at the end of the financial year to which the performance fee relates, equals 50 per cent. of the performance fee. The cash element of the performance fee will be paid in cash approximately 7 business days after the publication of the annual report and accounts for the relevant financial year. During the 21 days following publication of the annual report and accounts, the Investment Manager will make reasonable endeavours to purchase the Performance Shares in the market at a price (including transaction costs) equal to or below the fully diluted Net Asset Value per Ordinary Share at the time of such purchase. The Company will reimburse the Investment Manager in cash for such purchases. In the event that the Investment Manager is unable to purchase some or all of the Performance Shares in the market at or below the fully diluted Net Asset Value per Ordinary Share at the time of such purchase, the Company will issue to the Investment Manager new Ordinary Shares equivalent to any shortfall.

Ingot has the benefit of an indemnity from the Company in relation to liabilities incurred by Ingot in the discharge of its duties under the Investment Management Agreement other than those arising by reason of any fraud, wilful default, negligence or bad faith or breach of the agreement on the part of Ingot or its delegate.

- 6.1.2 The Administration Agreement dated 14 July 2005 between the Company, the Investment Manager and the Administrator and Secretary whereby the Company has appointed the Administrator and Secretary to provide administrative services to the Company. Under the Administration Agreement, the Administrator and Secretary has the authority to delegate the discharge of certain of its functions thereunder provided that the Administrator and Secretary remains fully responsible for the acts and omissions of any delegate it shall appoint for such purposes other than a delegate appointed at the request of the Company or the Investment Manager. The agreement, after an initial one year term, is terminable on 3 months' notice in writing or on shorter notice in the event of breach of contract or insolvency. The Administrator and Secretary is paid an annual fee of £200,000 for its company administration, and valuation services. This annual fee is exclusive of a one-off set up fee paid by the Company to the Administrator of £10,000. The Company will reimburse the Administrator and Secretary in respect of reasonable out of pocket expenses properly incurred in the performance of its duties. The Administrator and Secretary has the benefit of an indemnity from the Company under the terms of the Administration Agreement in relation to liabilities incurred in the discharge of its duties other than those arising by reason of any bad faith, fraud, wilful default or negligence.
- 6.1.3 The CREST Agent Agreement dated 14 July 2005 whereby the CREST Agent has agreed to act as CREST agent and UK transfer agent to the Company. The CREST Agent is entitled to a minimum annual fee of £6,000, with further fees to be determined under the CREST Agent Agreement. The CREST Agent Agreement may be terminated by either party on 6 months' notice, such notice not to expire before the third anniversary of the agreement.
- 6.1.4 The Custody Agreement dated 12 July 2005 between the Company and the Custodian under which the Custodian has agreed to act as custodian of the Company's assets. The Custodian has the benefit of an indemnity from the Company against liabilities arising in the absence of the Custodian's wilful misfeasance, bad faith, negligence, fraud or reckless disregard of its duties under this Agreement. The Custodian receives a fee based on the assets under custody and the jurisdiction in which the assets are located. The Custodian Agreement is terminable on 60 days' notice.

- 6.1.5 A Nominated Adviser and Broker Agreement dated 14 July 2005 between the Company and Arbuthnot Securities pursuant to which Arbuthnot Securities has agreed to act as nominated adviser and broker to the Company for the purposes of the AIM Rules. Arbuthnot Securities has the benefit of an indemnity from the Company in the absence of its negligence wilful default or fraud. The Nominated Adviser and Broker Agreement may be terminated by either party on one month's notice after an initial term of one year. The Company and Arbuthnot Securities both have rights of automatic termination for material breach. In return for acting as nominated adviser and broker, Arbuthnot Securities receives a fee of £25,000 per annum.
- 6.1.6 A Placing Agreement dated 14 July 2005 between the Company, the Directors, the Investment Manager and Arbuthnot Securities under which Arbuthnot Securities agreed, as agent of the Company, to use its reasonable endeavours to procure places for Ordinary Shares at 100p per Ordinary Share. Arbuthnot Securities received a corporate finance advisory fee from the Company of £150,000. Arbuthnot Securities also earned commission of one per cent. of the market capitalisation of the Company on admission of the Ordinary Shares (and Existing Warrants) to AIM (together with an additional commission of 0.5 per cent. on Ordinary Shares subscribed for by investors based in the US). The agreement included warranties by the Investment Manager and the Company and an indemnity by the Company to Arbuthnot Securities for loss suffered except where Arbuthnot Securities is negligent or in breach of duty. The warranties and indemnity given by the Company were standard for an agreement of this nature.
- 6.1.7 A sponsorship agreement dated 14 July 2005 between the Company and First Bermuda Group Ltd, pursuant to which First Bermuda Group Ltd agreed to provide sponsorship services in connection with the Company's shares that are listed on the Bermuda Stock Exchange. The Company and First Bermuda Group Ltd both have rights of automatic termination under the agreement for material breach. First Bermuda Group Ltd receives a fee of US\$4,000 per annum.
- 6.1.8 A transfer agreement dated 14 July 2005 between the Company and Utilico. Pursuant to the transfer agreement the Company purchased from Utilico certain of its investments in companies based in Emerging Markets. Such investments were purchased at mid-market prices at the close of business in the relevant markets on 6 July 2005 for a consideration of 22,522,239 Ordinary Shares (with Existing Warrants attached on a 1 for 5 basis), valued at 100p per Ordinary Share. The Company agrees that for so long as Utilico holds not less than 25 per cent. of the Ordinary Shares for the time being in issue, the Company will follow the dividend policy set out in paragraph 19 of Part 3 of this document.
- 6.1.9 A Placing and Open Offer Agreement dated 7 April 2006 between the Company, the Investment Manager and Arbuthnot Securities under which Arbuthnot Securities has agreed, as agent of the Company, to use its reasonable endeavours to procure places for C Shares under the Placing at the Issue Price and to make the Open Offer on behalf of the Company to Qualifying Holders. Arbuthnot will receive a corporate financial advisory fee from the Company, conditional on Admission, of £150,000. Arbuthnot Securities will also earn commission of one per cent. of the market capitalisation of the Company on Admission (together with an additional commission of 0.5 per cent. on any Placing Shares subscribed for by investors based in the US). The agreement, which may be terminated by Arbuthnot Securities in certain limited circumstances prior to Admission, includes warranties and indemnities by the Investment Manager and the Company to Arbuthnot Securities for loss suffered except where Arbuthnot Securities is negligent or in breach of duty. The warranties and indemnities given by the Company and the Investment Manager are standard for an agreement of this nature.
- 6.1.10 A loan agreement dated 1 March 2006 between the Company and The Royal Bank of Scotland Plc (the "Bank") under which the Bank agrees to make available to the Company a multi-currency revolving credit facility of up to £ 25,000,000. Interest is payable at a margin of 0.6 per cent. above LIBOR plus the Bank's mandatory costs. A commitment fee of 0.3 per cent. per annum is payable on the undrawn balance of the facility. The loan agreement restricts

the Company's total financial indebtedness to 25 per cent. of the adjusted portfolio value (in this context, adjusted portfolio value means the gross market value of the Company's investments plus any credit balances held with the Bank or the Custodian less (i) the amount by which the market value of any single investment exceeds 12.5 per cent. of the portfolio, (ii) the amount by which the market value of the 10 largest investments of the Company exceeds 65 per cent. of the portfolio, (iii) the amount by which the market value of investments in any one country exceeds 30 per cent. of the portfolio and (iv) all unlisted investments). The loan agreement contains standard events of default and mandatory prepayment events for a facility of this nature.

7. Working Capital

In the Company's opinion, the working capital available to the Company is sufficient for its present requirements, that is for at least the next 12 months from the publication of this document.

8. Miscellaneous

- 8.1 Since the incorporation of the Company it has not been involved in any governmental, legal or arbitration proceedings nor, so far as the Company is aware, are there any such governmental, legal or arbitration proceedings pending or threatened by or against the Company which may have or have had since the Company's incorporation a significant effect on the Company's financial position or profitability.
- 8.2 None of the C Shares available under the Issue are being underwritten.
- 8.3 There has been no significant change in the financial or trading position of the Company since 31 December 2005, being the date to which the audited interim financial statements set out in Part 7 of this document have been prepared.
- 8.4 The Company does not, nor has it since incorporation, owned or leased any premises.
- 8.5 The Company has three employees, James Smith, David McIlroy and Mark Lebbell, in addition to Charles Jillings, the executive director.
- 8.6 The total costs and expenses payable by the Company in connection with the Issue (including professional fees, the costs of printing and the other fees payable, including commission) will be approximately £1.4 million representing approximately 1.4 per cent. of the gross proceeds of the Issue. The net proceeds, assuming full subscription of the Issue, will be approximately £98.6 million.
- 8.7 The Company is not dependant on any patents or other intellectual property rights or licences.
- 8.8 Save as disclosed in this document, no person has received, directly or indirectly, from the Company since 9 June 2005 (the date of incorporation of the Company) or entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission, fees totalling £10,000 or more or securities in the Company with a value of £10,000 or more, calculated by reference to the Issue Price, or any other benefit with a value of £10,000 or more at the date of Admission.
- 8.9 The accounting reference date of the Company is 31 March.

8.10 Capitalisation and Indebtedness

	As at 31 January 2006 £'000s	
A	Guaranteed current debt	–
B	Secured current debt	–
C	Unguaranteed/unsecured current debt	–
D	Total current debt (A+B+C)	–
E	Guaranteed non-current debt	–
F	Secured non-current debt	–
G	Unguaranteed/unsecured non-current debt	–
H	Total non-current debt (excluding current portion of non-current debt) (E+F+G)	–

(source: Unaudited management accounts)

	As at 31 December 2005 £'000s	
I	Share capital	7,505
J	Share premium account	62,260
K	Other reserves*	9,871
L	Shareholders' equity (I+J+K)	79,636
M	Total	79,636

* Excluding revenue reserve in accordance with CESR guidelines.

(source: Audited accounts set out in Part 7 of this document)

Since 31 December 2005, Share Capital has increased by £2,000 to £7,507,000 and Share Premium Account has increased by £21,000 to £62,281,000 at 31 January 2006 through the issue of shares to Directors in lieu of fees. Other reserves have increased from £9,871,000 at 31 December 2005 to £16,096,000 at 31 January 2006 due to increases on gains on investments held at fair value. (source: Unaudited management accounts)

	As at 31 January 2006 £'000s	
A	Cash	143
B	Cash equivalents	–
C	Trading securities	–
D	Liquidity (A+B+C)	143
E	Current financial receivable	–
F	Current bank debt	1,233
G	Current position of non-current debt	–
H	Other current financial debt	–
I	Current financial debt (F+G+H)	1,233
J	Net current financial indebtedness (I-E-D)	1,091
K	Non-current bank loans	–
L	Bonds issues	–
M	Other non-current loans	–
N	Non-current financial indebtedness (K+L+M)	–
O	Net financial indebtedness (J+N)	1,091

As at 31 January 2006, the Company had no indirect or contingent indebtedness. The information set out in the Indebtedness table above has been extracted from the unaudited management accounts of the Company for the period to 31 January 2006.

- 8.11 Where information in this document has been sourced from a third party the source is referred to where the information is included, it has been accurately reproduced and, as far as the Company is aware and is able to ascertain from the information published by the third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Within this document the only third party sources used is the London Stock Exchange plc.
- 8.12 Arbuthnot Securities has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear.
- 8.13 RSM Robson Rhodes LLP, who are a member firm of the Institute of Chartered Accountants in England and Wales, has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear and has authorised the inclusion of its report in Part 7 of this document, in the form and context in which it is included and references to it.
- 8.14 RSM Robson Rhodes LLP declares that, having taken all reasonable care to ensure that such is the case, the information contained in Part 7 of this document for which it is responsible is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

9. Availability of Document

- 9.1 Copies of this document will be available free of charge to the public at the registered office of Arbuthnot Securities, Arbuthnot House, 20 Ropemaker Street, London EC2Y 9AR during normal business hours on any weekday (Saturdays and public holidays excepted) until the date falling one month after the date of Admission.
- 9.2 Copies of the following documents will be available for inspection at the offices of Norton Rose, Kempson House, Camomile Street, London EC3A 7AN during normal business hours on any weekday (Saturdays and public holidays excepted) until Admission:
 - 9.2.1 the memorandum of association and Bye-laws of the Company;
 - 9.2.2 the material contracts listed in paragraph 6 of this Part 10;
 - 9.2.3 the audited interim accounts of the Company to 31 December 2005;
 - 9.2.4 the report on the financial information in Part 7 of RSM Robson Rhodes LLP; and
 - 9.2.5 this document.

Dated: 7 April 2006

UTILICO EMERGING MARKETS UTILITIES LIMITED

(Incorporated in Bermuda under the Companies Act 1981, as amended, with company number 36941)

NOTICE OF SPECIAL GENERAL MEETING

YOU ARE HEREBY NOTIFIED that a Special General Meeting of the Company will be held at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda on:

Wednesday, 26 April 2006 at 10.00 a.m.

for the purpose of considering the following agenda and, if thought fit, passing the resolutions set out at points 3 to 5 in the agenda which will be proposed, with or without modification, as ordinary resolutions:

AGENDA

1. Elect a Chairman, if necessary.
2. Read Notice convening this meeting.

RESOLUTIONS

3. Accept the recommendation of the Directors to adopt the Bye-Laws contained in the draft document produced to the meeting and for the purpose of identification initialed by the Chairman of the meeting as the Bye-Laws of the Company, in substitution for, and to the exclusion of, the existing Bye-Laws of the Company.
4. Accept the recommendation of the Directors and resolve that the authorised share capital of the Company be increased from £15,000,000 to £75,000,000 by the creation of 120 million shares of par value 50 pence each; and that such new shares be designated as C Shares (which will convert into Ordinary Shares and deferred shares) having the rights and being subject to the restrictions set out in the Bye-Laws of the Company proposed to be adopted pursuant to agenda item 3 above.
5. Approve the proposed variation of the rights attaching to the Existing Ordinary Shares, as set out in Bye-law 3.9 of the Bye-laws of the Company proposed to be adopted pursuant to agenda item 3 above

BY ORDER of the Board

F&C Management Limited

Secretary

Notes:

1. Members entitled to attend and vote at this meeting may appoint one or more proxies (who need not be members) to attend and vote on their behalf.
2. To be valid, the Form of Proxy (and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof) must be received by the Company's Registrar, Computershare Investor Services PLC, not less than 48 hours before the time fixed for the meeting or adjourned meeting.
3. A Form of Proxy is enclosed. Completion and return of the Form of Proxy will not preclude members from attending and voting at the meeting should they so wish.
4. If the meeting is adjourned through want of a quorum, the adjourned meeting will be held at 10.00 a.m. on Wednesday, 3 May 2006 at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

