

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.

The document is drawn up in compliance with the AIM Rules. The Directors of Utilico Emerging Markets Utilities Limited (the "Company"), whose names appear on page 6 of this document, collectively and individually accept responsibility for the information contained in this document and compliance with the AIM Rules.

Application has been made for all of the Ordinary Shares and Warrants of the Company, in issue and to be issued pursuant to the Issue, to be admitted to trading on the AIM market of the London Stock Exchange ("AIM") and to the Bermuda Stock Exchange ("BSX"). It is expected that admission will become effective and that dealings will commence on AIM and BSX on 20 July 2005 and 20 July 2005 respectively.

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 Ordinary Shares and Warrants to the Official List. Further, neither the UKLA nor the London Stock Exchange has examined or approved the contents of this document. The Ordinary Shares and 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 in Part III of this document.

This admission document 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. To the best of the knowledge and belief of the Directors (who have made all reasonable enquiries and 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 or make any statement herein misleading. The Bermuda Stock Exchange takes no responsibility for the contents of this document, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this document.

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## UTILICO EMERGING MARKETS UTILITIES LIMITED

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

**Admission to trading on AIM and the Bermuda Stock Exchange  
Placing of 52,500,000 Ordinary Shares with Warrants attached on a 1 for 5 basis at  
100p per Ordinary Share**

by

**Arbuthnot Securities Limited**

Nominated Adviser and Broker

Investment Manager

**Ingot Capital Management Pty Ltd**

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Share capital immediately following Admission

Authorised Number	Amount		Issued and fully paid Number	Amount
150,000,000	£15,000,000	ordinary shares of 10p each	75,022,239	£75,022,239

Arbuthnot Securities, which is regulated by the Financial Services Authority, is acting as Nominated Adviser and Broker to the Company in relation to the Placing 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 Investment Company Act. In addition, the Ordinary Shares and 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. Consequently, none of the Ordinary Shares or the 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 Ordinary Shares and 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 Ordinary Shares 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.

The Company is not registered as a foreign investment fund in Switzerland (Article 45 of the Swiss Federal Law of Investment Funds of March 18, 1994). Shares of the Company shall not be offered or distributed in Switzerland. The subscription for the Ordinary Shares on the basis of this admission document is not open to any individual or legal entity except, in particular, to legal entities such as banks, brokers, insurance companies, pension funds, or other institutional investors and treasuries which, based on the advice of a qualified professional, are active in the financial markets (cf. Section 3 of the Circular Letter of the Swiss Banking Commission dated 28 May 2003).

This document is addressed exclusively to qualified investors (*investisseurs qualifiés*) or to members of a restricted circle of investors (*cercle restreint d'investisseurs*) as such terms are defined by article L.411-2 of the French *Code Monétaire et Financier* and the *décret* no. 98-880 dated 1 October 1998. The recipients of this document are informed that: (i) neither this document nor any offering material relating to the Placing and/or the Admission of the Ordinary Shares and Warrants has been or will be submitted to the clearance procedure (*visa*) of the *Autorité des Marchés Financiers* in France; (ii) they may only acquire Ordinary Shares and Warrants in the course of the Placing and/or the Admission for their own account in accordance with the provisions of the *décret* no. 98-880 dated 1 October 1998; (iii) such Ordinary Shares and Warrants may only be offered, directly or indirectly, to the public in France in accordance with articles L.411-1, L.411-2, L.412-1 and L.621-8 of the French *Code Monétaire et Financier*, (iv) if the Placing and/or Admission of the Ordinary Shares and Warrants is effected as an exception to the rules relating to public offering (*appel public à l'épargne*) in France by way of an offer to a restricted circle of more than 100 investors, such investors must provide certification as to their personal, professional or family relationship with a member of the management of the Company; and (v) if they acquire Ordinary Shares and Warrants, they must refrain from marketing, offering or otherwise reselling such Ordinary Shares and Warrants in France or to French resident investors unless such marketing, offering or resale is carried out in strict compliance with the applicable legislation.

In making any investment decision in respect of the Placing, no information or representation should be relied upon in relation to the Placing or in relation to the Ordinary Shares and 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.

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 in Part III 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.

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## 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 of Part VII of this document
“Administrator and Secretary”	F&C Management Limited
“Admission”	the admission of the entire ordinary share capital of the Company and the Warrants issued and 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
“Arbuthnot Securities”	Arbuthnot Securities Limited, the Company’s nominated adviser and broker
“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
“Commission”	the US Securities and Exchange Commission
“Company”	Utilico Emerging Markets Utilities Limited
“CREST”	the computerised settlement system (as defined in the CREST Regulations) operated by CRESTCo which facilitates the transfer of title to securities 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 of Part VII of this document
“CRESTCo”	CRESTCo Limited
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755)
“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 of Part VII of this document
“Directors”	the directors of the Company, whose names are set out on page 6 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

“Gross Assets”	the value of total assets of the Company, including assets represented by principal monies borrowed by the Company, less current liabilities of the Company (other than principle monies borrowed) determined in accordance with accounting policies adopted by the Company from time to time
“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 Ltd of 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 of Part VII of this document
“Issue”	the Placing on the terms as described in this document
“Issue Price”	100p per Ordinary 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 Company’s accounting policies, attributable to Shareholders. For the avoidance of doubt, the amounts attributable at the NAV calculation dates, other than as published in the annual accounts in relation to the year end date, will be unaudited
“Official List”	the Official List of the UKLA
“Ordinary Shares”	ordinary shares of 10p each in the capital of the Company
“Placees”	the subscribers of the Ordinary Shares pursuant to the Placing
“Placing”	the conditional placing by Arbuthnot Securities on behalf of the Company of the Placing Shares (with Warrants attached on a one for five basis), pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement dated 14 July 2005 between the Company, the Directors, Ingot and Arbuthnot Securities, relating to the Placing, details of which are set out in paragraph 6 of Part VII of this document
“Placing Shares”	52.5 million new Ordinary Shares to be issued pursuant to the Placing
“RPIX”	the rate of UK inflation in annual percentage terms calculated by reference to the year on year change in the UK all items Retail Prices Index excluding mortgage interest payments as issued by the Office of National Statistics calculated as a monthly average
“Securities Act”	the US Securities Act of 1933, as amended, and the rules and regulations of the Commission promulgated thereunder
“Shareholders”	holders of Ordinary Shares
“SUIT”	Special Utilities Investment Trust Plc
“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 Shareholders 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 I 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 Agreement”	the conditional agreement between the Company and Utilico pursuant to which the Company will purchase from Utilico the Transfer Portfolio upon Admission, further details of which are set out in paragraph 6 of Part VII of this document
“Transfer Portfolio”	the investments to be transferred by Utilico to the Company upon Admission, as more particularly described in Part II of this document
“Utilico”	Utilico Investment Trust plc, an investment trust listed on the Official List to which Ingot provides investment advice
“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
“Warrants”	warrants to be issued by the Company in connection with the Issue on the terms and conditions set out in Part IV of this document
“Warrantholder”	a holder of Warrants

## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors</b>	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> )
<b>Registered Office</b>	Canon's Court 22 Victoria Street Hamilton HM 12 Bermuda
<b>Bermuda Resident Representative</b>	Appleby Corporate Services (Bermuda) Ltd Canon's Court 22 Victoria Street Hamilton HM 12 Bermuda
<b>Investment Manager</b>	Ingot Capital Management Pty Ltd Level 11 1 York Street Sydney 2000 Australia
<b>Nominated Adviser and Broker</b>	Arbuthnot Securities Limited Arbuthnot House 20 Ropemaker Street London EC2Y 9AR
<b>Sponsor to the Bermuda Listing</b>	First Bermuda Group Ltd ChevronTexaco House Hamilton, HM 11 Bermuda
<b>Legal Adviser to the Company as to English law</b>	Norton Rose Kempson House Camomile Street London EC3A 7AN
<b>Legal Adviser to the Company as to Bermuda law</b>	Appleby Spurling Hunter Canon's Court 22 Victoria Street Hamilton HM 12 Bermuda
<b>Legal Adviser to the Placing</b>	Lawrence Graham LLP 190 Strand London WC2R 1JN
<b>Administrator and Secretary</b>	F&C Management Limited Exchange House Primrose Street London EC2A 2NY
<b>Reporting Accountants and Registered Auditor</b>	RSM Robson Rhodes LLP 186 City Road London EC1V 2NU
<b>Custodian</b>	JPMorgan Chase Bank, N.A. 60 Victoria Embankment London EC4Y 0JP
<b>Registrar to the Depositary Interests</b>	Computershare Investor Services PLC P.O. Box 82 The Pavilions Bridgwater Road Bristol BS99 7NH

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Admission and dealings commence in the Ordinary Shares and Warrants on AIM	8.00 a.m. on 20 July 2005
Delivery of Depositary Interests for Ordinary Shares and Warrants into CREST	20 July 2005
Admission and dealings commence in the Ordinary Shares and Warrants on the BSX	20 July 2005
Despatch of definitive certificates in respect of the Ordinary Shares and Warrants	27 July 2005

## ISSUE STATISTICS

Number of Ordinary Shares in issue and fully paid following the Issue	75,022,239
Number of Warrants in issue following the Issue	15,004,447
Market capitalisation at the Issue Price	£75.0 million
Gross proceeds of the Issue	£52.5 million
Net proceeds of the Issue to be received by the Company	£51.3 million
Initial Net Asset Value per Ordinary Share	£0.98

## KEY INFORMATION

*The following information is derived from and should be read in conjunction with the full text of this document. You should read the whole of this document and not rely solely on the key information set out below:*

### **The Company**

The Company is a new exempted closed-end Bermuda incorporated investment company. The Company has been established to invest predominantly in utilities based in Emerging Markets. Its capital will initially consist of a single class of Ordinary Shares, with associated Warrants issued to Shareholders on Admission on the basis of one Warrant for every five Ordinary Shares issued.

Utilico has conditionally agreed to transfer the Transfer Portfolio, consisting of 9 Emerging Market investments, to the Company upon Admission. The Transfer Portfolio will be transferred for a consideration of £22,522,239 satisfied by the issue, credited as fully paid, of 22,522,239 Ordinary Shares. Such consideration represents the aggregate of the mid-market prices of the Transfer Portfolio's constituent investments at the close of business in the relevant markets on 6 July 2005, with the Ordinary Shares valued at the Issue Price.

### **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 in proportion to the risk of investing in them are likely to be generally higher than elsewhere. 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 in Emerging Markets. The Company's investment policy is flexible and permits it to make investments predominantly in Emerging Markets and in existing utilities and related sectors, including (but not limited to) water and sewerage companies, 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 focus on the undeveloped and developing markets of Asia, Latin America, Emerging Europe and Africa but will have 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 Australian investment adviser, regulated by the Australian Securities and Investments Commission.

The Investment Manager will be entitled to a management fee equivalent to 0.5 per cent. of Gross Assets per annum payable quarterly in arrears. The Investment Manager will also be entitled to a performance fee, details of which can be found on page 13 of this document.



**The Placing**

The Company is proposing to raise £52.5 million (before expenses) through a conditional placing, to be undertaken by Arbuthnot Securities, of 52.5 million Placing Shares at 100 pence per share. The aggregate proceeds of the Placing will be approximately £51.3 million (net of expenses).

**Eligibility**

Each prospective investor will be required to certify that it is not a “US Person” within the meaning of Regulation S under the Securities Act, among other required certifications. Prospective investors unable to provide this certification will be required to satisfy the Company and the Investment Manager that they are “qualified institutional buyers” within the meaning of Rule 144A under the Securities Act and “qualified purchasers” within the meaning of Section 3(c)(7) of the Investment Company Act.

**Transfer restrictions**

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

**Risk factors**

The attention of potential investors is drawn to the section entitled “Risk Factors” set out in Part III of this document.

## PART I

### Information on the Company

#### 1. Introduction

Utilico Emerging Markets Utilities Limited is a new exempted closed end Bermuda incorporated investment company. The Company has been established to invest predominantly in utilities based in Emerging Markets, in accordance with the Company's investment objective and policy set out in this document. The Company's assets will be managed by Ingot Capital Management Pty Ltd.

Utilico has conditionally agreed to transfer the Transfer Portfolio, consisting of 9 Emerging Market investments, to the Company upon Admission. The consideration for the Transfer Portfolio will be £22,522,239 satisfied by the issue, credited as fully paid, of 22,522,239 Ordinary Shares (together with attached Warrants on a one for five basis). Such consideration represents the aggregate of the mid-market prices of the Transfer Portfolio's constituent investments at the close of business in the relevant markets on 6 July 2005, with the Ordinary Shares valued at the Issue Price.

The Company's share capital will comprise Ordinary Shares. Warrants will also be issued on Admission to Shareholders on the basis of one Warrant for every five Ordinary Shares issued. Application has been made for the Ordinary Shares and the Warrants to be admitted to trading on AIM and to the Bermuda Stock Exchange. Arbuthnot Securities has received commitments from Places to subscribe for up to 52.5 million Ordinary Shares pursuant to the Placing.

The Company has an indefinite life but a continuation resolution will be proposed at the annual general meeting to be held in 2012.

#### 2. Investment rationale

The Directors consider that there are a range of sound investment opportunities in the utilities sector, in particular those 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, in spite of 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 (including those comprised in the Transfer Portfolio) and the essential services provided by utilities should make the utilities sector an attractive investment opportunity.

The Directors intend to focus on Emerging Markets as they believe that in such markets the returns from investing in utilities companies in proportion to the risk of investing in them are likely to be generally higher than elsewhere. 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. 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, 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 focus on the undeveloped and developing markets of Asia, Latin America, Emerging Europe and Africa but will have 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 will have the flexibility to invest in shares, bonds, convertibles and other types of securities, including non-investment grade bonds where suitable opportunities arise. The Company will also have the flexibility to invest in unlisted securities.

The Company may use derivative instruments such as financial futures, options and warrants. 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 be substantially fully invested within the first year following Admission and thereafter 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.

#### **4. Transfer Portfolio**

The Company and Utilico have entered into the Transfer Agreement pursuant to which the Transfer Portfolio will be transferred to the Company upon Admission. The consideration for the Transfer Portfolio will be £22,522,239 satisfied by the issue, credited as fully paid, or 22,522,239 Ordinary Shares (with Warrants attached on a 1 for 5 basis). Such consideration represents the aggregate of the mid-market prices of the Transfer Portfolio's constituent investments at the close of business in the relevant markets on 6 July 2005, with the Ordinary Shares valued at the Issue Price. From 7 July 2005 the Company bears the risks and rewards of any movements of the value of the portfolio.

Summary details of the Transfer Portfolio are set out in Part II of this document. Details of the Transfer Agreement are set out in paragraph 6 of Part VII of this document. The consideration represents approximately 30.0 per cent. of the Ordinary Shares to be in issue upon Admission.

#### **5. 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 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.

## 6. Directors

The Directors, are as follows:

### *Alexander Zagoreos (67) (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 managing director of Lazard Asset Management, where he is responsible for emerging market products and closed-end investment companies. Alexander has over 37 years of investment experience. He is currently the managing director of The World Trust Fund, a director of The Egypt Trust and 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 (49) (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 (62) (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, Murray Extra Return Investment Trust PLC, Real Estate Opportunities Limited, INVESCO Perpetual UK Smaller Companies Trust PLC and Henderson Far East Income Trust Plc.

### *Kevin O'Connor (64) (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.

## 7. 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 has, however, entered into an Investment Management Agreement with Ingot under which Ingot has been appointed 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. Ingot is an Australian investment adviser regulated by the Australian Securities and Investments Commission. Further details of the Investment Management Agreement are summarised in paragraph 6 of Part VII of this document.

### *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
- possessing a sensitivity to step changes resulting from developments in regulation and competition

Ingot may also use hedging instruments, where appropriate, to protect the Company's portfolio from market volatility.

#### *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 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.

#### *Performance*

The Investment Manager is also the investment adviser to Utilico and was previously the investment manager of SUIT. Utilico was incorporated in May 2003 as a successor vehicle to SUIT. Based on the value of a SUIT continuation package unit, an investment in SUIT made at net asset value (100p) at launch in August 1993 had a net asset value of 285.30p when SUIT was wound up in August 2003. Based on the value of a SUIT Capital Share, an investment of 40p in August 1993 had a net asset value of 222.35p when SUIT was wound up in August 2003. An ordinary share issued by Utilico at 100p at launch in August 2003 had an undiluted net asset value (cum income) of 187.13p as at 30 June 2005. The past performance of other 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, and the value of Warrants, can fall as well as rise and an investor may get back less than the amount invested.

#### *Management fee*

Ingot will receive 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 will not charge Utilico a management fee or performance fee in respect of Utilico's investment in the Company.

## **8. Relationship with Utilico**

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 will employ certain Utilico employees. Such employees will remain employees of Utilico but will in addition be employed by the Company and be required to devote sufficient time to their duties with the Company. It is currently envisaged that the services provided by the Company's employees will 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. Charles Jillings will act as an executive director of both the Company and Utilico.

#### *Investment allocation*

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

The following investment allocation policy will be followed:

- all investments in Emerging Markets will first be 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 will be referred to the Chairman of the Company;

- if the Chairman agrees with the Investment Manager’s decision, then Utilico will be 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 will be 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 will 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 will be 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 will be free to make that investment (to the extent that the opportunity remains).

#### *Shareholder relationship*

On Admission it is expected that Utilico will own approximately 30.0 per cent. of the Company’s issued share capital. 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.

#### **9. Administrator and Secretary**

F&C Management Limited has been appointed as administrator and secretary pursuant to the Administration Agreement, a summary of which is set out in paragraph 6 of Part VII of this document. The Administrator and Secretary will be responsible for the day-to-day administration of the Company.

#### **10. Registrar**

Computershare Investor Services (Channel Islands) Limited (“Computershare CI”) has been appointed by the Bermuda Resident Representative to maintain in Jersey a branch copy of the register of Shareholders and Warrantholders. Computershare CI will liaise with Computershare Investor Services PLC, the CREST agent and UK transfer agent, for the transfer and settlement of uncertificated depositary interests representing Ordinary Shares and Warrants.

#### **11. Custodian**

JPMorgan Chase Bank, N.A. has been appointed as custodian to the Company pursuant to the Custodian Agreement, a summary of which is set out in paragraph 6 of Part VII of this document. In such capacity JPMorgan Chase Bank, N.A. will act as custodian of the Company’s assets.

#### **12. Fees and Expenses**

##### **Formation and Initial Expenses**

The formation and initial expenses of the Company are those which are necessary for the incorporation of the Company and the Issue. These expenses will be met by the Company and paid on or around Admission. Such expenses will be written off in the first year of incorporation and will include fees payable under the Placing Agreement, whereby Arbuthnot Securities will receive a corporate finance fee of £150,000, plus a commission equivalent to one per cent. of the market capitalisation of the Company 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 costs/expenses of the Issue are expected to amount to less than two per cent. of the Gross Assets.

##### **Ongoing Annual Expenses**

All annual fees and expenses will be charged to the revenue account with the exception of the performance fee and other expenses of a capital nature, which will be 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 will also be 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 will be calculated and paid annually based on the performance in the Company's accounting period. The first performance fee will be calculated for the initial period between Admission and 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. By way of example, as at 6 July 2005, 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 4.24 per cent., inflation of 2.10 per cent. and a tax rate of 30 per cent., the benchmark index would have been 7.07 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 attributable to the Ordinary Shareholders immediately following Admission (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 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.

Further details in respect of the calculation of the performance fee are set out in paragraph 6 of Part VII 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 will also be entitled to reimbursement of certain expenses incurred by it in connection with its duties and a one-off set-up fee of £10,000.

### **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 will be 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 initial fees will be paid quarterly at a rate of £17,500 for each Director per annum, with the Chairman's initial fee being at the rate of £25,000 per annum. The Directors' fees will be satisfied in Ordinary Shares (the "Fee Shares") as set out below. The Directors will also be 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 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 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 will return any monies advanced to him by the Company (to the extent not used to procure Fee Shares) and the Company will issue to that Director such number of new Ordinary Shares as is equivalent to any shortfall.

### **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 will be paid a fee of £25,000 per annum.

## **13. Discount Management Provisions and Repurchase of Shares**

As a closed-end company whose Ordinary Shares are traded on AIM, Ordinary Shares may trade at a discount to their Net Asset Value per Ordinary Share. However, in structuring the Company, the Directors have given detailed consideration to the discount risk and how this can be reduced.

### *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, Shareholders may request the repurchase of all or part of their holding of Ordinary Shares for cash pursuant to a regular Tender Facility. The Tender Price will usually be set at a 5 per cent. discount to NAV 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.

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. 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 Shareholders 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 following the conclusion of the Issue. 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 their 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 Ordinary 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 of the relevant class 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 warrant instrument the Company has the ability to buy-back Warrants. Any 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 Ordinary Shares and/or 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 Ordinary Shares and/or Warrants 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. It will be announced through the London Stock Exchange following the NAV Calculation Date.

The Net Asset Value will be the Gross Assets less the liabilities to creditors (including the provisions for such liabilities) of the Company determined in accordance with the valuation guidelines adopted by the Directors from time to time.

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 generally accepted UK accounting practices;
- unquoted securities will be valued at their fair value in accordance with the guidelines issued by the British Venture Capital Association or any successor body;
- 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 having regard, *inter alia*, to any premium or discount which may be relevant and to costs of exchange.

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

### *Placing*

The Company is proposing to raise £52.5 million (before expenses) through a conditional placing by Arbuthnot Securities of 52.5 million Placing Shares at 100 pence per Placing Share (with Warrants attached on a one for five basis).

Under the Placing Agreement, Arbuthnot Securities has agreed to use its reasonable endeavours to procure subscribers for the Placing Shares at the Issue Price and as at the date of this document has conditionally placed £52.5 million Placing Shares at the Issue Price with institutional and other investors. The obligations of Arbuthnot Securities under the Placing Agreement are conditional upon, *inter alia*, Admission taking place by 8.00 a.m. on 20 July 2005 (or such later date, being not later than 8.00 a.m. on 31 August 2005). The Placing Agreement contains provisions entitling Arbuthnot Securities to terminate the Placing Agreement at any time prior to Admission in certain circumstances. If this right is exercised, the Placing will lapse. The Placing has not been underwritten by Arbuthnot Securities. Further details of the Placing Agreement are set out in paragraph 6 of Part VII of this document.

Immediately following the Placing and Admission, the interests of the Directors, in aggregate will amount to approximately 0.7 per cent. of the issued ordinary share capital of the Company. Details of the Directors’ holdings of Ordinary Shares are set out in paragraph 3 of Part VII of this document.

The Placing is expected to raise approximately £51.3 million (net of expenses), all of which will be receivable by the Company. On Admission the Company will have a market capitalisation of approximately £75.0 million.

## 17. Warrants

Under the Issue, Warrants will be issued on the basis of one Warrant for every five Ordinary Shares subscribed. Each Warrant will entitle its holder to subscribe for one Ordinary Share at a subscription price of 100p (subject to adjustment) on one of the following dates: 31 January and/or 31 July in each of the years 2006 to 2010.

Further details of the terms and conditions of the Warrants are set out in Part IV of this document.

#### **18. Meetings, reports and accounts**

It is intended that all general meetings of the Company will be held in Bermuda or the United States of America. The Company will hold an annual general meeting each year. Ordinary Shareholders are entitled to attend and vote at all general meetings.

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 will cover 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 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 Ordinary 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 the Income and Corporation Taxes Act 1988 ("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) calculated as if it were a UK resident company.

#### **20. Bank borrowings**

The Company may, from time to time, use bank borrowings for short-term liquidity purposes and, if the Directors deem prudent, for longer term purposes. The Directors intend to restrict bank borrowings on a longer term basis to 25 per cent. of Gross Assets.

#### **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 Ordinary Shares held by them on Admission or which they may subsequently acquire in the 12 month period following Admission.

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 Ordinary Shares held by them or their related parties (as such term is defined in the AIM Rules), other than in certain limited circumstances, for a period of 12 months following Admission.

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 Ordinary Shares will only be effected through Arbuthnot Securities for so long as it remains the Company's broker.

The lock-in arrangements outlined above will apply in respect of 23,289,239 Ordinary Shares in aggregate representing approximately 31.0 per cent. of the issued share capital of the Company on Admission.

#### **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 Ordinary Shares and Warrants issued and to be issued pursuant to the Issue to be admitted to trading on AIM. Admission of the Ordinary Shares and Warrants to trading on AIM is expected to take place on 20 July 2005.

The Company, through the CREST Agent, has established a depository arrangement whereby depository interests (“DIs”) established pursuant to a deed of trust executed by the CREST Agent, acting as depository and representing Ordinary Shares and Warrants, will be issued to investors who wish to hold their Ordinary Shares and Warrants in electronic form within the CREST system. The Company will apply for the DIs representing Ordinary Shares and Warrants to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in Ordinary Shares and 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 depository interests, to be held in electronic rather than paper form. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so.

Further information regarding the depository arrangement and the holding of Ordinary Shares and Warrants in the form of DIs is available from the CREST Agent, 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 Ordinary Shares and Warrants issued and to be issued pursuant to the Issue to be admitted to trading on the Bermuda Stock Exchange. Admission of the Ordinary Shares and Warrants to the Bermuda Stock Exchange is expected to take place on 20 July 2005.

## 24. Taxation

The Company is resident in Bermuda for tax purposes. Potential investors are referred to Part VI 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 Part III entitled “Risk Factors”.

## 26. Further Information

The attention of investors is drawn to the information contained in Parts II, III, IV, V, VI and VII of this document which provide additional information on the Company.

## PART II

### The Transfer Portfolio

The composition of the Transfer Portfolio is set out below, along with a brief description of each of the investments that it contains.

<i>Investment</i>	<i>Country</i>	<i>Sector</i>	<i>Market Value of Investment (£m)*</i>	<i>% of Transfer Portfolio*</i>	<i>Market Capitalisation of Investee Company*, ** (£m)</i>
ASUR	Mexico	Airports	8.6	38.2	554.7
Ocean Wilsons Holdings	Brazil	Ports	5.4	23.9	109.6
CCR	Brazil	Roads	3.3	14.5	1289.7
Beijing Capital Airport	China	Airports	1.3	5.9	907.8
Zhejiang Expressway	China	Roads	1.3	5.6	1700.6
Datang International Power	China	Electricity	1.3	5.6	2210.5
Hainan Meilan International Airport	China	Airports	0.6	2.9	161.1
Luka Koper	Slovenia	Ports	0.4	1.9	149.1
CEMIG	Brazil	Electricity	0.3	1.5	1345.0
<b>Total</b>			<u>22.5</u>	<u>100</u>	

\* As at 6 July 2005, calculated based on its mid-market 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 = 1.7578 US Dollars = 4.1959 Brazilian Reals = 13.6635 Hong Kong Dollars = 352.81685 Slovenian Tolars

#### *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.

#### *Beijing Capital Airport*

Beijing Capital International Airport Company Limited, is based in China and operates Beijing International Airport, which is China's largest airport. The company is listed on the Hong Kong stock exchange and in 2004 handled approximately 34.9 million passengers.

#### *CCR*

Companhia de Concessões Rodoviárias, is the largest private 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.

#### *CEMIG*

Companhia Energética de Minas Gerais, is one of the largest electricity utilities in Brazil, based in the state of Minas Gerais. It owns generators with a capacity of 6,000 megawatts and supplies electricity to approximately 6 million customers. The company is listed on the Brazilian and New York stock exchanges.

#### *Datang International Power*

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

#### *Hainan Meilan International Airport*

Hainan Meilan International Airport Company 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.

### *Luka Koper*

Luka Koper,d.d, operates the port of Koper in Slovenia, and handled about 12 million tons of maritime cargo in 2004. The company is listed on the Ljubljana 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.

### *Zhejiang Expressway*

Zhejiang Expressway Company Limited, is a major constructor and operator of expressway roads in the Zhejiang province in China. The company's shares are listed on the Hong Kong and London stock exchanges. The company has contracts to operate the Shangsang and Shanghai-Hangzhou-Ningbo expressways.

## PART III

### Risk Factors

An investment in Ordinary 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, including, in particular, the risks described below, prior to making any investment decision. The information below does not purport to be an exhaustive list or summary of the risks which the Company may encounter and is not set out in any particular order of priority. Investors should carefully consider whether an investment in the Company is suitable for them in the light of the information in this document and the financial resources available to them.

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 case, the market price of the Ordinary Shares could decline due to any of these risks and investors could lose all or part of their investment. Additional risks and uncertainties not presently known to the Directors, or that the Directors currently deem immaterial, may also have an adverse affect on the Company.

#### Liquidity of the Ordinary Shares and 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 Ordinary Shares and Warrants cannot be guaranteed.

The price at which the Ordinary Shares and 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 Ordinary Shares or the Warrants particularly as, on Admission, the Company will have a limited number of Shareholders. 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, Ordinary Shares may not be suitable as a short-term investment. Consequently, the share price may be subject to greater fluctuation on small volumes of shares, and thus the Ordinary Shares may be difficult to sell at a particular price. The market price of the Ordinary Shares may not reflect the underlying value of the Company's net assets.

#### Warrants

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

#### Investor returns

The past performance of the 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 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.

### **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 utilities in the Emerging Markets or anywhere else where the Company may invest may have an adverse affect 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 intends to concentrate its investment 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 has been established to invest in utilities based in Emerging Markets where the utilities regulatory framework 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 expects to invest 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 Ordinary Shares and the Warrants are not freely transferable by US Persons and any such US Persons acquiring either the Ordinary Shares or the 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 generally accepted accounting practices 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 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 8 of Part I 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. The BMA's consent has been obtained for the issue of Ordinary Shares and Warrants pursuant to this document and for the free transferability of those Ordinary Shares and Warrants without any further approval from the BMA so long as the Ordinary Shares and 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 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.

#### **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 Ordinary Shares and Warrants. Such restrictions may materially affect the ability of an investor to transfer Ordinary Shares and 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 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 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 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 Ordinary Shares and 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 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 Ordinary Shares 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 by the Company, or the possibility of an issue, may cause the market price of the Ordinary Shares and 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 IV

### Terms and Conditions of the Warrants

The Warrants are constituted by, and will be issued subject to and with the benefit of, a Deed Poll of the Company dated the date of this document (the “Warrant Instrument”). Holders of Warrants will be bound by all the terms and conditions set out in the Warrant Instrument. The terms and conditions attached to the Warrants are set out below.

#### 1. Definitions and interpretation

In the Warrant Instrument the following expressions have the following meanings, except where the context otherwise requires:

“Auditors”	the auditors for the time being of the Company
“Bye-laws”	the bye-laws of the Company as altered from time to time
“Directors”	the directors for the time being of the Company
“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”	the 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 2006 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 despatched to shareholders) and 31 January (or, if such day is not a business day, the next following business day) in any of the years 2006 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 despatched 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.

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 Company 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 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.
- (g) 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(g) 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(i) and (j) 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 but not being an offer to which paragraph 4(j) below applies or an offer made in connection with scrip dividend arrangements), or any offer or invitation (not being an offer to which paragraph 4(g) 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 Warrant holder is entitled to subscribe will be reduced accordingly.
- (g) The Company shall give notice to Warrant holders within 28 days of any adjustment made pursuant to paragraphs 3(a) to (f) above and, if appropriate, within such period despatch Warrant certificates (at the risk of the persons entitled thereto) to the Warrant holders in respect of any additional Warrants.
- (h) If a Warrant holder shall become entitled to exercise his subscription pursuant to paragraph 4(g) below, the subscription price payable on such exercise (but not otherwise) 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(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(g) 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(g) 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(g) 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(g) 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(i) 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(i) 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(h) 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 2006, the Warrants shall nevertheless be deemed to be exercisable during all of that period for the purposes of this paragraph 4(g) and if any part of such period falls after 31 July 2010 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(g) 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(g) above and, subject to the offer as referred to in paragraph 4(g) 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; and
- (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.

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 Warrant holders (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.

## PART V

### Accountants' Report on the Company

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

# RSM Robson Rhodes

**RSM Robson Rhodes LLP**  
186 City Road, London EC1V 2NU  
T 020 7251 1644 F 020 7250 0801  
www.rsmi.co.uk

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

14 July 2005

Dear Sirs

Utilico Emerging Markets Utilities Limited (the "Company")

#### Introduction

We report on the financial information of the Company set out below. The financial information has been prepared for inclusion in the Admission Document of the Company dated 14 July 2005 ("the Admission Document").

#### Basis of preparation

The financial information set out below is based on the transactions of the Company from incorporation on 9 June 2005 to 30 June 2005.

#### Responsibility

The Directors of the Company are responsible for the contents of the Admission Document in which the report is included. It is our responsibility to form an opinion on the financial information and to report our opinion to you.

RSM Robson Rhodes LLP is a limited liability partnership and is an independent member firm of RSM International, an affiliation of independent accounting and consulting firms.

RSM Robson Rhodes LLP is registered to carry on audit work by the Institute of Chartered Accountants in England and Wales and is authorised and regulated by the Financial Services Authority for investment business.

Offices at: Birmingham, Bristol, Cambridge, Edinburgh, Hemel Hempstead, Leeds, London, Manchester. Registered office: 186 City Road, London EC1V 2NU at which a list of members may be inspected.  
Registered in England and Wales No. 0C304188



INVESTOR IN PEOPLE

**Basis of opinion**

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information.

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 Admission Document dated today, a true and fair view of the state of affairs of the Company as at 30 June 2005.

**Financial information**

The Company was incorporated on 9 June 2005. The Company has not completed its first accounting period. No statutory financial statements have been prepared or audited since its incorporation.

The total authorised share capital of the Company on incorporation was £10,000 comprising 100,000 Ordinary Shares of 10p.

The two founder shareholders each agreed to take 50,000 Ordinary Shares of 10p. As at 30 June 2005 these Ordinary Shares have not been called or paid up.

On 17 June 2005, the authorised share capital of the Company was increased to £15,000,000, comprising 150,000,000 Ordinary Shares of 10p each.

Between the date of incorporation and 30 June 2005, the Company has not traded.

As a result, at 30 June 2005, the Company had net assets of £nil and called up share capital of £nil.

**Consent**

We consent to the inclusion in the Admission Document of this report and accept responsibility for this report for the purposes of Section 20 of Annex I to the Prospectus Rules.

Yours faithfully

**RSM ROBSON RHODES LLP**

## PART VI

### 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 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 branch or agency 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 the Income and Corporation Taxes Act 1988 (the “Taxes Act”) will not apply. Accordingly, Shareholders and Warrantholders (other than those holding Ordinary Shares or 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 or agency 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 or 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 or 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 or Warrants have been held. 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 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.

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

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

Transfers of depository interests in the Ordinary Shares and 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 purpose of Chapter IV Part XVII of the Taxes Act. 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 Ordinary 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 the Taxes Act, which contains provisions for preventing avoidance of income tax by transactions resulting in the transfer of income to persons (including companies) abroad, may render them liable to taxation in respect of any undistributed income and profits of the Company.

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 Ordinary 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.

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 March 28, 2016 be applicable to the Company or to any of its operations, Ordinary Shares, debentures or other obligations except insofar as such tax applies to persons ordinarily resident in Bermuda and holding such Ordinary Shares, 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.

## PART VII

### Additional Information

#### 1. The Company

- 1.1 The Company was incorporated in Bermuda as an exempted, closed-end 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.
- 1.2 The Company's registered office is in Bermuda and is located at Canon's Court, 22 Victoria Street, PO Box HM 1179 Hamilton HM 12, Bermuda. Telephone 0014412952244.
- 1.3 Save for its entry into the material contracts summarised in paragraph 6 of this Part VII and certain non-material contracts, since its incorporation, the Company has not carried on business nor incurred any borrowings.
- 1.4 The Company complies with the corporate governance requirements of the AIM Rules and the Bermuda Companies Act.

#### 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, of which 50,000 Ordinary Shares were issued nil paid to Duncan Saville and 50,000 Ordinary Shares were issued nil paid to Brad Goddard. The Ordinary Shares issued to Mr Goddard and Mr Saville will be gifted to and cancelled by the Company shortly after Admission. In addition, 15,004,447 Warrants to subscribe for 15,004,447 Ordinary Shares have been created pursuant to the Warrant Instrument.
- 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 The authorised and issued share capital of the Company will upon Admission be:

<i>Authorised</i>		<i>Issued and to be issued fully paid</i>	
<i>£</i>	<i>Number</i>	<i>£</i>	<i>Number</i>
15,000,000	150,000,000	ordinary shares of 10p each	75,022,239

- 2.4 The ISIN number of the Ordinary Shares is BMG931151069 and of the Warrants is BMG931151143.
- 2.5 The liability of Shareholders is limited to the amount payable in respect of Ordinary Shares held by them.
- 2.6 The Ordinary Shares carry the right to vote at general meetings, and to receive dividends and the surplus assets of the Company on a winding-up. None of the Company's Shareholders have special voting rights.
- 2.7 Save pursuant to the Issue and the Warrant Instrument and as mentioned in paragraph 2.7 below, 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.
- 2.8 Under the Director's 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.

- 2.9 Save pursuant to the 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.
- 2.10 The Bye-laws authorise the Directors to allot an unlimited number of Ordinary Shares and Warrants without pre-emption rights applying for existing Shareholders.
- 2.11 A resolution of the Company, expressed to take effect on completion of the Issue, has been passed granting the Company authority to make market purchases of up to 14.99 per cent. of the Ordinary Shares in issue following the close of the Issue, 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.
- 2.12 As of the date of this document, the Company has no listed or unlisted securities not representing share capital.
- 2.13 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 in the Company.
- 3.2 It is estimated that the aggregate emoluments (including benefits in kind and pension contributions (of which more 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 3.13 below, there are no existing or proposed service contracts between any of the Directors and the Company.
- 3.4 Save for the Transfer Agreement 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 525,000 Ordinary Shares (with 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 securities 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:

<i>Name</i>	<i>Ordinary Shares following Admission</i>	<i>No. of Warrants following Admission</i>	<i>Percentage of issued share capital following Admission</i>
Alexander Zagoreos	100,000	20,000	0.13
Michael Collier	50,000	10,000	0.07
Charles Jillings	100,000	20,000	0.13
Garth Milne	200,000	40,000	0.26
Kevin O'Connor	75,000	15,000	0.10

- 3.7 No Director has any interest in any transactions which are or were unusual in their nature or significant to the business of the Company and which have been effected by the Company since incorporation or have been effected by the Company since incorporation and remain in any way outstanding or unperformed.
- 3.8 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 or Warrants.
- 3.9 The Company will purchase 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, 3.13, 3.14 and 3.15 below, none of the Directors has been a director of any company at the time of or within twelve months preceding the date of its receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors. Save as disclosed in paragraph 3.16 below, none of the Directors has been a partner of any partnership at the time of or within twelve months preceding the date of its compulsory liquidation, administration or partnership voluntary arrangement or the receivership of any assets of such partnership nor have any of their assets been the subject of receivership.
- 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 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.
- 3.15 Kevin O'Connor was a director of Bowen Corporation Ltd when it was wound-up in 1990/1991.
- 3.16 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.
- 3.17 None of the Directors has been publicly criticised by any statutory or regulatory authority or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- 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 shares. 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 directorships held by each of the Directors over the five years preceding the date of this document and the partnerships in which they have been partners in the five years preceding the date of this document are as follows:

<i>Director</i>	<i>Current directorships</i>	<i>Past directorships</i>
Alexander Zagoreos	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 Somers Isles Shipping Co, Ltd. Teck Gold Ltd. Teck Base Metals Ltd. Teck Financial Corporation Ltd. United Insurance Ltd. Windsong Management Bermuda Limited	
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)

<i>Director</i>	<i>Current directorships</i>	<i>Past directorships</i>
Garth Milne	BFS UK Dual Return Trust plc Bowater Limited Flawless Group Limited Invesco Perpetual UK Smaller Companies Investment Trust plc Murray Extra Return Investment Trust plc Real Estate Opportunities Limited SovGem Limited Henderson Far East Income Trust plc	Aberdeen High Income Trust plc (went into receivership in 2002) Govett Asia Income & Growth Fund plc 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
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 following Admission could directly or indirectly, jointly or severally, exercise or could exercise control of the Company. At the date of incorporation Duncan Saville and Brad Goddard controlled 100 per cent. of the Ordinary Shares.

3.22 Save for Utilico having agreed to subscribe for Ordinary Shares pursuant to the Transfer Agreement, the Directors are not aware of any person directly or indirectly, jointly or severally who exercises or could exercise control over the Company or who is interested in 3 per cent. or more of the issued share capital of the Company as at the date of the publication of this document.

3.23 Save for Utilico 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.

#### **4. Bye-laws**

4.1 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 Ordinary 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 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 Ordinary 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 Ordinary 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 Ordinary 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 Ordinary 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 Ordinary 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 Ordinary 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 US Investment Companies Act of 1940 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 follows. 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. The Directors shall also be 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.
- (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 divide.
- (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 he 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 will be kept in Jersey.

The register of depositary instruments representing Ordinary Shares and Warrants will be 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 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 Ordinary Shares nor should he in any event acquire, subscribe for or purchase Ordinary Shares 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 Ordinary 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.

##### *United States*

The Ordinary 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, of the Ordinary Shares that 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. Accordingly, US Persons acquiring Ordinary Shares will be subject to significant restrictions on transfer. The Ordinary Shares may only be resold or transferred in accordance with the restrictions set forth herein.

Accordingly, the Ordinary 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 Ordinary Shares. Any representation to the contrary is a criminal offence.

Each purchaser of the Ordinary Shares 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 Ordinary Shares.

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:

1. it understands and acknowledges that the Ordinary Shares and the 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;
2. 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;

3. it represents that (i) at the time the Ordinary Shares and 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 Ordinary Shares and Warrants for the account of an affiliate of the Company or of a person acting on behalf of such an affiliate;
4. it (i) is a QIB/QP, (ii) is acquiring the Ordinary Shares and 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 Ordinary Shares and Warrants has been advised, that the sale of such Ordinary Shares and Warrants is being made in reliance on Rule 144A or another available exemption from registration under the Securities Act;
5. it understands that the Ordinary Shares and 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 Ordinary Shares and 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;
6. it understands that the Ordinary Shares, 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.**

7. it agrees that it will inform each subsequent purchaser of the Ordinary Shares and Warrants from it of these transfer restrictions;

8. it acknowledges that the Company reserves the right to make inquiries of any holder of the Ordinary Shares 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 Ordinary Shares or interests immediately under the direction of the Company;
9. 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 Ordinary Shares or 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;
10. for the purposes of ERISA, either (a) it is not acquiring the Ordinary Shares and 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 Ordinary Shares and 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
11. 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 Ordinary Shares and Warrants.

The Company's Bye-laws contain provisions designed to restrict the holding of Ordinary 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% 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 attributable to the Ordinary Shareholders immediately following Admission (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 will be 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 payable 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 14 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 is to receive 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 Limited pursuant to which Arbuthnot agrees to act as nominated adviser and broker to the Company for the purposes of the AIM Rules. Arbuthnot has the benefit of an indemnity from the Company in the absence of its negligence wilful default of fraud. The Broker Agreement may be terminated by either party on one month's notice after an initial term of one year. The Company and Arbuthnot both have rights of automatic termination under the Nominated Adviser and Broker Agreement for material breach. In return for acting as adviser and broker, Arbuthnot Securities will receive 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 under which Arbuthnot Securities has agreed, as agent of the Company, to use its reasonable endeavours to procure places for Ordinary Shares under the Placing at the Issue Price. 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 by the Investment Manager and the Company and an indemnity by the Company to Arbuthnot for loss suffered except where Arbuthnot Securities is negligent or in breach of duty. The warranties and indemnity given by the Company are standard for an agreement of this nature.

A sponsorship agreement dated 14 July 2005 between the Company and First Bermuda Group Ltd, pursuant to which First Bermuda Group Ltd agrees to provide sponsorship services in connection with the Company's shares that will be 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 will receive a fee of US\$4,000 per annum.

- 6.1.7 A transfer agreement dated 14 July 2005 between the Company and Utilico. Pursuant to the Transfer Agreement, upon Admission, the Company will purchase from Utilico certain of its investments in companies based in Emerging Markets. Such investments will be 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 Warrants attached on a 1 for 5 basis), valued at the Issue Price. The transfer of the Emerging Markets investments is subject to scaling back in the event that any single investment would exceed 20 per cent. of the Company's Gross Assets. If this occurs the number of Ordinary Shares and Warrants to be transferred to Utilico will be reduced appropriately. 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 as set out in paragraph 19 of Part I of this document.

## **7. Working Capital**

In the Directors' opinion, having made due and careful enquiry, the working capital available to the Company will, from Admission, be sufficient for its present requirements, that is for at least the next 12 months.

## **8. Miscellaneous**

- 8.1 The Company has not been and is not currently engaged in any legal or arbitration proceedings nor, so far as the Company is aware, are there any such 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.
- 8.2 None of the Ordinary Shares available under the Issue are being underwritten.
- 8.3 The Directors confirm that the Company was incorporated and registered on the date referred to in paragraph 1 above and that, save for its entry into the material contracts described in paragraph 6 above, the Company has not traded, no accounts have been made up and no dividends have been declared.
- 8.4 There has been no significant change in the financial or trading position of the Company since the date of its incorporation or any factors which have influenced its activities. The Company does not nor has it had 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 and the acquisition of the Transfer Portfolio pursuant to the Transfer Agreement (including professional fees, the costs of printing and the other fees payable, including commission) will be approximately £1.25 million representing approximately 1.6 per cent. of the market capitalisation on Admission.
- 8.7 The Company is not dependant on any patents or other intellectual property rights or licences.
- 8.8 The Company currently has no significant investments in progress other than the Transfer Agreement.
- 8.9 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.
- 8.10 The accounting reference date of the Company is 31 March.
- 8.11 Where information in this document has been sourced from a third party, 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.
- 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 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.
- 8.14 Ingot 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.

## **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 ECY 9AR during normal business hours on any weekday (Saturdays and public holidays excepted) until the date falling one month after the date of Admission.

Dated: 14 July 2005