

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

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

This document comprises a prospectus relating to the Company and the C Shares and the Subscription Shares in accordance with the Prospectus Rules made under Section 73A of the Financial Services and Markets Act 2000, as amended (the “FSMA”), an admission document relating to the Company as required by the AIM Rules, a prospectus under the rules of the Bermuda Stock Exchange for the purpose of giving information with regard to the Company and the Listing Document for the purposes of the application for the admission of the C Shares, Subscription Shares, Ordinary Shares and Warrants to the Daily Official List of the Channel Islands Stock Exchange, LBG (the “CISX”) and to trading on the CISX and includes particulars given in compliance with the Listing Rules of the CISX for the purpose of giving information with regard to the issuer in relation to the admission and listing of the C Shares, Subscription Shares, Ordinary Shares and Warrants on the CISX. This document has been filed with the FSA, made available to the public in accordance with Rule 3.2 of the Prospectus Rules and has been approved by the FSA as a prospectus under Section 87A of the FSMA.

The CISX has been recognised by the UK HM Revenue and Customs under Section 841 of the Income and Corporation Taxes Act 1988 and approved by the UK Financial Services Authority as a Designated Investment Exchange within the meaning of the FSMA.

The Directors of the Company, whose names appear on page 14 of this document, and the Company accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

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

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority (the “Official List”). A prospective investor should be aware of the risks in investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. The rules of AIM are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the C Shares, Ordinary Shares, Warrants or Subscription Shares to the Official List. Further, the London Stock Exchange has not examined or approved the contents of this document. Save for the application to be admitted to the Daily Official List of the CISX and listed on the Bermuda Stock Exchange, the C Shares, Ordinary Shares, Warrants and Subscription Shares are not traded on any other recognised investment exchange and no other such applications have been made. The whole text of this document should be read. The attention of investors is drawn in particular to the risk factors set out on pages 17 to 22 of this document.

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

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

UTILICO EMERGING MARKETS LIMITED

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

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

by

Arbuthnot Securities Limited

Nominated Adviser and Broker

and

Listing on the Channel Islands Stock Exchange

and

Notice of Special General Meeting

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

Arbuthnot Securities Limited, which is regulated by the Financial Services Authority, is acting as nominated adviser and broker to the Company in relation to the Issue and will not be responsible to any person other than the Company for providing the protections afforded to its customers or for advising any other person on the contents of this document or any transaction or arrangement referred to herein. Arbuthnot Securities Limited has not authorised the contents of any part of this document for the purposes of the AIM Rules. The responsibility of Arbuthnot Securities Limited 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 Limited is not making any representation or warranty, express or implied, as to the contents of this document.

Cenkos Channel Islands Limited, as sponsor to the listing on the CISX, is acting for the Company and for no-one else in connection with the Issue and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Cenkos Channel Islands Limited or for affording advice in relation to the contents of this document or any other matters referred to herein.

The Company has not been and will not be registered under the US Investment Company Act of 1940, as amended (the “Investment Company Act”). In addition, the C Shares, the Ordinary Shares, the Warrants and the Subscription Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the “Securities Act”) or with any securities regulatory authority of any state or other jurisdiction in the United States. Consequently, none of the C Shares, the Ordinary Shares, the Warrants or the Subscription Shares may be offered or sold or otherwise transferred within the United States or to, or for the account or benefit of, US Persons except in accordance with the Securities Act or an exemption therefrom and under circumstances which will not require the Company to register under the Investment Company Act. The C Shares, the Ordinary Shares, the Warrants and the Subscription Shares 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 South Africa, New Zealand or Japan or to any national, resident or citizen of Canada, Australia, the Republic of South Africa, New Zealand or Japan. The issuance of the C Shares and Subscription Shares has not been and will not be registered under the applicable securities laws of Canada, Australia, the Republic of South Africa, New Zealand or Japan. The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdictions.

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

Neither the admission of the shares to the Official List of the CISX nor the approval of the Listing Document pursuant to the Listing Regulations of the CISX shall constitute a warranty or representation by the CISX as to the competence of the service providers or to any other party connected with the Company, the adequacy and accuracy of the information contained in the Listing Document or the suitability of the Company for investment or for any other purpose.

IMPORTANT INFORMATION

For the attention of investors in Switzerland

This document does not constitute an issue prospectus pursuant to art 652a or art 1156 of the Swiss Code of Obligations nor a listing prospectus under the listing rules of SWX Swiss Exchange. The Company has not and will not register with the Swiss Federal Banking Commission as a foreign investment fund.

The shares of the Company are not and may not be offered or distributed to the public in or from Switzerland. The shares of the Company are only offered to Qualified Investors, as defined under Art. 10 (3) and (4) of the Federal Act on Collective Investment Schemes and Art. 6 (2) of the Ordinance on Collective Investment Schemes (“CISO”). The investors will be individually approached by the Company from time to time.

This document is personal and confidential to each recipient and does not constitute an offer to any other person. This document may only be used by those persons to whom it has been handed out in connection with the offer described herein and may neither be copied or directly nor indirectly be distributed or made available to other persons without express consent of the Company.

For the attention of investors in the United Arab Emirates

The Company and the C Shares and Subscription Shares offered hereby are not regulated under the laws of the United Arab Emirates (the “UAE”) relating to funds, investments or otherwise. Neither the Company nor this document is licensed or approved by the UAE Central Bank, the Emirates Securities and Commodities Authority, or any other relevant regulatory authority in the UAE, including the Dubai Financial Services Authority. This document is strictly private and confidential and is being distributed to a limited number of institutional investors. This document does not constitute a public offer, or an advertisement or solicitation to the public, is intended only for the individual recipients hereof to whom this document is personally provided, and may not be reproduced or used for any other purpose. The C Shares and Subscription Shares may not be offered or sold directly or indirectly to the public in the UAE.

For the attention of investors in Bahrain

No offering of Shares to the public is being made in the Kingdom of Bahrain. This document is intended to be read by the addressee only and must not be issued to, shown to, or made available to the public generally in the Kingdom of Bahrain.

For the attention of investors in New Zealand

No offering documents have been prepared in relation to the Proposals or the Placing and Offer. This document is intended to be read by the addressee only and has been distributed in New Zealand in reliance on the New Zealand Securities Act (Overseas Companies) Exemption Notice 2002.

For the attention of investors in Singapore

The distribution of this document and the placement of the C Shares or Subscription Shares to Singapore investors is restricted. This document may not be distributed, nor any offer or invitation in respect of the C Shares or Subscription Shares made except pursuant to and in accordance with the conditions of applicable exemptions under Subdivision (4) of Part XIII of the Securities and Futures Act (“SFA”), and the subsequent sale of C Shares or Subscription Shares acquired pursuant to such exemptions may be subject to restrictions. This document is not a prospectus as defined in the SFA, Chapter 289, and as such, statutory liability under the SFA in relation to the content of a prospectus would not apply. Investors should consider carefully whether an investment in the C Shares or Subscription Shares is suitable for them.

For the attention of investors in the Cayman Islands

The C Shares or Subscription Shares may not be offered or sold or otherwise transferred within the Cayman Islands except in accordance with the applicable laws and regulations of the Cayman Islands. The Company has not been authorised by any regulatory authority in the Cayman Islands, nor has this document nor any of the documents referred to herein been filed with, reviewed or approved by any regulatory authority in the Cayman Islands. If potential investors are in any doubt as to the contents of this document, they should obtain independent professional advice.

For the attention of investors in the European Economic Area

In relation to each member state of the European Economic Area that has implemented Directive 2003/71/EC and any relevant implementing measure in each relevant state (the “Prospectus Directive”) (each, a “relevant member state”) with effect from and including the date on which the Prospectus Directive is implemented in that relevant member state (the “relevant implementation date”), an offer of C Shares and Subscription Shares described in this document may not be made to the public in that relevant member state prior to the publication of a prospectus in relation to the C Shares and Subscription Shares approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in that relevant member state, all in accordance with the Prospectus Directive, except that, with effect from and including the relevant implementation date, an offer of securities may be made in that relevant member state at any time:

- to any legal entity that is authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities; or
- to any legal entity that has two or more of: (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43 million; and (3) an annual net turnover of more than €50 million, as shown in its last annual or consolidated accounts; or
- in any other circumstances that do not require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive.

Each subscriber of C Shares and Subscription Shares described in this prospectus located within a relevant member state where this prospectus has not been approved by, or notified to, the relevant competent authority will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of Article 2(1)(e) of the Prospectus Directive.

For the purposes of the preceding two paragraphs, the expression “an offer to the public” in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the Issue and the C Shares and Subscription Shares to be offered so as to enable an investor to decide to purchase or subscribe for the C Shares or Subscription Shares, as the expression may be varied in that member state by any measure implementing the Prospectus Directive in that member state.

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SUMMARY

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

The Company

Utilico Emerging Markets Limited (the “Company”) is an exempted, closed ended Bermuda incorporated investment company with the objective of providing shareholders with long-term capital appreciation by investing predominantly in infrastructure, utility and related companies based in Emerging Markets (being predominantly countries included in leading emerging market indices). The Company was launched in July 2005 when it raised £52.5 million (before expenses) and a £22.5 million portfolio of existing investments was transferred to the Company by Utilico Investment Trust plc. In May 2006 the Company raised £100 million (before expenses) through the issue of 100 million C shares and 20 million new warrants. The C shares were converted into Ordinary Shares (and the new warrants consolidated with the pre-existing warrants) in July 2006. The Company’s Ordinary Shares and Warrants are traded on AIM and the Bermuda Stock Exchange. As part of the Placing and Offer (the “Issue”) it is intended to seek admission of the Ordinary Shares, C Shares, Warrants and Subscription Shares to trading on the Daily Official List of the Channel Islands Stock Exchange. The Company’s investment manager is Ingot Capital Management Pty Ltd.

As at 31 March 2007, the Company had an audited Net Asset Value of £241.6 million, and an audited diluted Net Asset Value per Ordinary Share (cum income) of 138.80p (*source: Company audited accounts*) and as at 30 September 2007 an unaudited Net Asset Value of £312.4 million, and an unaudited diluted Net Asset Value per Ordinary Share (cum income) of 173.43p (*source: Company unaudited interim accounts*). As at 20 November 2007, being the latest practicable date prior to the publication of this document, the Company had an unaudited Net Asset Value of £311.3 million (*source: Company*) and an unaudited diluted Net Asset Value per Ordinary Share (cum income) of 172.89p (*source: Company unaudited weekly Net Asset Value announcement*). The Company announces its net asset value to the London Stock Exchange on a weekly basis and publishes all recent information on its website: www.uem.bm.

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

Benefits of the Issue

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

- (a) increase the potential size of strategic investments from which value can be better achieved as a larger shareholder;
- (b) capture long-term value by increasing further its presence in the Utilities sector;
- (c) allow new investors to invest in the Company who would not otherwise have been able to make an investment of their preferred size in the Company;
- (d) through the CISX listing, allow UK individuals to hold shares in the Company (excluding Warrants) through ISAs and PEPs;
- (e) provide a larger asset base over which the fixed costs of the Company may be spread, thereby reducing the Company’s total expense ratio; and

- (f) provide the Company with a wider shareholder base, an increased investor awareness of the Company's activities and provide Shareholders with greater liquidity following the conversion of the C Shares.

The Proposals ensure, through the C Share conversion mechanism, that Existing Shareholders will remain fully invested and will not suffer any dilution for the costs of the Issue or upon conversion of the C Shares and the Subscription Shares.

C Shares and principles of conversion

The Company is seeking to raise up to £100 million, before expenses, by the issue of up to 100 million C Shares (with Subscription Shares attached) at an issue price of 100p per C Share pursuant to the Issue. The assets representing the net proceeds of the Issue will be accounted for and managed as a distinct pool of assets until the conversion of the C Shares. The C Shares will convert into Ordinary Shares on the basis of the conversion ratio, which will reflect the proportion which the Company's net assets attributable to each C Share (undiluted) bears to the net assets attributable to each existing Ordinary Share (undiluted) at the Calculation Date (being on or before 31 May 2008). The C Share net assets will be calculated after deducting the full costs of the Issue, which will be borne by the C Shareholders alone.

Subscription Shares

Under the terms of the Issue, Subscription Shares will be issued on the basis of one Subscription Share for every five C Shares subscribed. On the Conversion Date the Subscription Shares will undergo a conversion process and will convert into S Shares and Deferred Subscription Shares so as to ensure that the number of S Shares in issue following the Conversion Date will be at a ratio to the number of Ordinary Shares arising on Conversion of the C Shares that is equal to the ratio of Warrants to the Ordinary Shares in issue immediately prior to the Conversion Date. Fractional entitlements will be rounded down and will not be issued. Following Conversion, the S Shares will have a subscription price of 100p. In addition to the first exercise date of 31 July 2008, the S Shares may be exercised on any of the following dates: 31 January and/or 31 July in each of the years 2009 and 2010. The rights attaching to the Subscription Shares and the S Shares will, for all material purposes, be similar to those of the Warrants, the only material difference being that the Subscription Shares and the S Shares constitute shares in the capital of the Company. Accordingly, provided they are allotted under the Offer, Subscription Shares and S Shares will be qualifying investments for the purposes of an existing PEP and for the stocks and shares component of an ISA. Warrants will remain ineligible for inclusion in PEPs or ISAs.

Investment rationale

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

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

Investment objective and policy

The Company's investment objective, which remains unchanged, is to provide long-term capital appreciation by investing predominantly in infrastructure, utility and related companies in Emerging Markets. The Company's investment policy is flexible and permits it to make investments predominantly in Emerging Markets in existing infrastructure, utilities and related sectors, including (but not limited to) water and sewerage companies, waste, power generation and distribution, gas,

telecommunications, ports, airports, service companies, rail, roads, post offices, stock exchanges, 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 infrastructure utilities and related sectors.

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

Investment Manager

Ingot Capital Management Pty Limited (“ICM”) acts as investment manager to the Company and has overall responsibility for the Company’s day-to-day activities. It manages the Company’s portfolio and provides various other services to the Company, subject to the overriding supervision of the Directors. ICM is an investment adviser incorporated in Australia and regulated by the Australian Securities and Investments Commission.

ICM is entitled to a management fee equivalent to 0.5 per cent. per annum of Gross Assets payable quarterly in arrears. In addition, ICM is entitled to a performance fee payable in respect of each financial period, equal to 15 per cent. of the amount of any outperformance in that period by equity funds attributable to Shareholders in excess of the post tax yield on the FTSE Actuaries Government Securities UK Gilt 5 to 10 years, plus inflation, plus 2 per cent.

The Issue

The Company is seeking to raise up to £100 million, before expenses, through the Placing and Offer of up to 100 million C Shares. The Placing and Offer are not being underwritten and, as a result will not proceed unless aggregate subscriptions and placing commitments are received which represent a minimum of £30 million (before expenses). The minimum subscription under the Offer is £1,000 and thereafter in multiples of £1,000.

Arbuthnot Securities has conditionally agreed, as agent for the Company, to use reasonable endeavours to procure subscribers on a non pre-emptive basis for C Shares under the Placing at a price of 100p per C Share. C Shares are also being made available on a non pre-emptive basis to Ordinary Shareholders (other than certain Overseas Shareholders) and other investors through the Offer.

The basis of allocation under the Issue will be determined by Arbuthnot in its absolute discretion after consultation with the Company. In the event that the Issue is oversubscribed, the allocation of C Shares between the Placing and the Offer, and between applicants in the Offer, will be determined by Arbuthnot in its absolute discretion after consultation with the Company.

Special General Meeting

An SGM of the Company has been convened for 10.00 a.m. (Bermuda time) on 13 December 2007 in order to obtain Shareholders’ approval for the adoption of new Bye-laws and increase in the Company’s authorised share capital in connection with the implementation of the Issue. Notice of the SGM is set out at the end of this document.

Life of the Company

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

Risk factors

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

- An investment in Ordinary Shares and/or C Shares involves a high degree of risk. Accordingly, prospective investors should carefully consider all of the information set out in this document and the risks attaching to an investment in the Company, prior to making any investment decision.
- The past performance of the Company and other funds managed by ICM is not indicative of the future performance of the Company.
- The performance of the C Shares and the assets and income attributable to them may diverge from the performance of the Ordinary Shares and the existing assets of the Company.
- There may not be a liquid market for the Ordinary Shares, the C Shares, the Warrants, the Subscription Shares and/or the S Shares and the price of the same may fluctuate.
- Warrants and similar instruments, including the Subscription Shares and S Shares, tend to involve a high degree of gearing, such that a relatively small movement in the price of the Ordinary Shares and/or C Shares is likely to result in a disproportionately large movement in the price of the Warrants and/or Subscription Shares and/or S Shares.
- The Company may not be able to invest all the net proceeds of the Issue in accordance with its investment objective and policy.
- The success of the investment strategies followed by ICM depends upon ICM's success at correctly interpreting market data and the performance of the Company's investments depends on ICM's correct assessments of the future course of price movements of the Company's assets.
- There is no guarantee that the market price of the Ordinary Shares and/or C Shares will reflect their underlying net asset value.
- The Company's investments are concentrated and accordingly may represent a different risk than a generalist fund.
- The Company is heavily dependent on the expertise of ICM, and the Company's Directors and employees.
- The Company invests in utilities, infrastructure and related companies based in Emerging Markets, which are, in general, exposed to a higher level of political and regulatory risk than companies in the stock market as a whole.
- The Company invests predominantly in securities which are not denominated or quoted in sterling, accordingly the Company's results may be adversely affected by movements in foreign exchange ratios to the extent not hedged.
- ICM serves as investment manager or adviser to other clients, including Utilico Limited and may, as a result, be subject to conflicts of interest in allocating investments amongst its clients.
- The Company uses gearing; this exposes investors to increased risk.
- The Company is incorporated in Bermuda, therefore the City Code on Takeovers and Mergers does not apply to the Company.

Transfer restrictions

C Shares, Ordinary Shares, Warrants, Subscription Shares and S Shares acquired by US Persons will be subject to significant transfer restrictions. Any offer, resale, pledge or transfer of C Shares, Ordinary Shares, Warrants, Subscription Shares and S Shares acquired by a US Person must be made in compliance with The US Securities Act of 1933, the US Investment Company Act of 1940 and any applicable US State securities laws and only in an offshore transaction in accordance with Regulation S under the Securities Act to a non-US Person. The Company may refuse to register a transfer in breach of this restriction.

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 any unpaid performance fee arising for that calculation period
“Administration Agreement”	the administration agreement between the Company and the Administrator and Secretary, a summary of which is set out in paragraph 6.1.2 of Part 9 of this document
“Administrator and Secretary”	F&C Management Limited
“Admission”	the admission of the C Shares and Subscription Shares to be issued pursuant to the Issue to trading on AIM becoming effective in accordance with the AIM Rules and to trading on the BSX becoming effective in accordance with the Listing Regulations of the BSX and admission of the issued and to be issued C Shares, Ordinary Shares, Warrants and Subscription Shares to listing on the Daily Official List becoming effective in accordance with the CISX Rules
“AIM”	the market of that name regulated by the London Stock Exchange
“AIM Rules”	the rules applicable to AIM as published by the London Stock Exchange from time to time
“Application Form”	the application form in connection with the Offer which accompanies this document
“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
“Calculation Date”	has the meaning given to that term in paragraph 1 of Part 4 of this document
“CISX”	the Channel Islands Stock Exchange, LBG
“CISX Listing Sponsor”	Cenkos Channel Islands Limited
“CISX Rules”	the listing rules published by CISX and applicable to securities listed on CISX

“CISX Sponsorship Agreement”	the CISX sponsorship agreement, dated 23 November 2007, between the Company and the CISX Listing Sponsor, a summary of which is set out in paragraph 6.1.10 of Part 9 of this document
“Commission”	the US Securities and Exchange Commission
“Company”	Utilico Emerging Markets Limited
“Conversion”	has the meaning attributed to that term in paragraph 1 of Part 4 of this document and/or paragraph 1 of Part 5 of this document, as the context may require
“Conversion Date”	has the meaning attributed to that term in paragraph 1 of Part 4 of this document
“Conversion Ratio”	has the meaning attributed to that term in paragraph 1 of Part 4 of this document
“CREST”	the computerised settlement system (as defined in the CREST Regulations) operated by Euroclear which facilitates the transfer of title to shares in uncertificated form
“CREST Agent”	Computershare Investor Services PLC
“CREST Agent Agreement”	the CREST agent agreement between the Company and the CREST Agent, a summary of which is set out in paragraph 6.1.3 of Part 9 of this document
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755)
“C Shares”	C Shares of 50p each in the capital of the Company
“C Shareholders”	holders of C Shares
“Custodian”	JPMorgan Chase Bank, N.A.
“Custodian Agreement”	the global custody agreement between the Company and the Custodian, a summary of which is set out in paragraph 6.1.4 of Part 9 of this document
“Deferred Subscription Shares”	has the meaning given to that term in paragraph 1 of Part 5 of this document
“Daily Official List”	the Daily Official List of the CISX
“Depositary Interests”	the depositary interests issued by Computershare Investor Services PLC and which represent the Ordinary Shares, C Shares, Warrants, Subscription Shares or, following Conversion, S Shares as the case may be
“Directors”	the directors of the Company, whose names are set out on page 14 of this document
“Emerging Markets”	predominantly countries included in leading emerging market indices
“Euroclear”	Euroclear UK and Ireland Limited

“Exchange Act”	the US Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder
“Existing Ordinary Shares”	Ordinary Shares in issue as at the date of this document
“Existing Shareholder”	a holder of Ordinary Shares on the register of members as at the date of this document
“Form of Direction”	the form of direction to be used by holders of Depositary Interests representing Ordinary Shares to indicate to the CREST Agent how they wish their voting rights to be exercised in respect of the SGM which accompanies this document
“Form of Proxy”	the form of proxy for use at the SGM which accompanies this document
“FSA”	the UK Financial Services Authority
“FSMA”	the Financial Services and Markets Act 2000, as amended
“Gross Assets”	the value of the total assets of the Company, including assets represented by principal monies borrowed by the Company, less current liabilities of the Company (other than principal monies borrowed), determined in accordance with the accounting policies adopted by the Company from time to time
“ICTA”	the UK Income and Corporation Taxes Act 1988
“Investment Company Act”	the US Investment Company Act of 1940, as amended, and the rules and regulations of the Commission promulgated thereunder
“Investment Manager” or “ICM”	Ingot Capital Management Pty Limited, incorporated in Australia
“Investment Management Agreement”	the investment management agreement between the Company and the Investment Manager, a summary of which is set out in paragraph 6.1.1 of Part 9 of this document
“ISA”	individual savings account
“Issue”	the Placing and Offer for Subscription on the terms described in this document
“Issue Expenses”	expenses of the Issue
“Issue Price”	100p per C Share
“London Stock Exchange”	London Stock Exchange plc
“NAV calculation date”	the business day each week on which NAV is calculated
“Net Asset Value” or “NAV”	the total assets less total liabilities (including accrued but unpaid fees) of the Company, valued in accordance with the accounting policies adopted by the Company from time to time, attributable to Shareholders
“Official List”	the Official List of the UKLA

“Offer” or “Offer for Subscription”	the offer for subscription by the Company of the C Shares at the Issue Price, with Subscription Shares attached, on the terms and subject to the conditions set out in this document and, where relevant, the Application Form
“Ordinary Shareholders”	holders of Ordinary Shares
“Ordinary Shares”	ordinary shares of 10p each in the capital of the Company
“Overseas Shareholders”	Shareholders with a registered address outside the United Kingdom
“PEP”	personal equity plan
“Placing”	the conditional placing by Arbuthnot Securities on behalf of the Company of C Shares with Subscription Shares attached pursuant to the Placing and Offer Agreement
“Placing and Offer Agreement”	the conditional agreement dated 23 November 2007 between the Company, the Investment Manager and Arbuthnot Securities, relating to the Placing and Offer, a summary of which is set out in paragraph 6.1.9 of Part 9 of this document
“Proposals”	the proposed Placing and Offer, Admission and the adoption of new Bye-laws
“Prospectus”	this document, being a prospectus of the Company dated 23 November 2007
“Registrars”	Computershare Investor Services PLC
“Resolutions”	the resolutions set out in the Notice of the SGM set out at the end of this document
“Restricted Shareholders”	Existing Shareholders with registered addresses in, or who are citizens, residents or nationals of, the US, Canada, Australia, Japan, Republic of South Africa, New Zealand or any other jurisdiction where an offer to subscribe for the C Shares would be unlawful
“Securities Act”	the US Securities Act of 1933, as amended, and the rules and regulations of the Commission promulgated thereunder
“Shareholders”	C Shareholders and Ordinary Shareholders
“Special General Meeting” or “SGM”	the special general meeting of the Company to be held on 13 December 2007, notice of which is set out at the end of this document
“S Share Conversion Ratio”	has the meaning given to that term in paragraph 1 of Part 5 of this document
“S Shares”	S shares of 0.001p each in the capital of the Company
“Subscription Shares”	subscription shares of 0.005p each in the capital of the Company
“Subscription Shareholders”	holders of Subscription Shares (and, following Conversion, S Shares)

“Tender Date”	the first business day in each year falling 30 days after the publication of the Company’s annual accounts, but does not include any date on or after which a resolution to wind up the Company has been passed
“Tender Facility”	the facility allowing Ordinary Shareholders (including C Shareholders following Conversion) to tender their Ordinary Shares for purchase by the Company which will be operated by the Directors at their sole discretion as described in paragraph 13 of Part 2 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
“Utilico”	Utilico Limited
“UK”	United Kingdom of Great Britain and Northern Ireland
“UKLA”	the FSA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
“United States”	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
“US Persons”	has the meaning assigned to it in Regulation S under the Securities Act
“Utilities”	existing infrastructure utilities and related sectors, including (but not limited to) water and sewerage companies, waste, power generation and distribution, gas, telecommunications, ports, airports, service companies, rail, roads, post offices, stock exchanges, any business with essential service or monopolistic characteristics and any new utilities which may arise
“Warrantholder”	a holder of Warrants
“Warrant Instruments”	the deed polls of the Company dated 14 July 2005 and 26 April 2006 and together constituting a single series of warrants
“Warrants”	warrants created pursuant to the Warrant Instruments

DIRECTORS, SECRETARY AND ADVISERS

Directors	Alexander Eleftherios Zagoreos (<i>non-executive Chairman</i>) Charles David Owen Jillings (<i>executive</i>) Garry Anthony Madeiros (<i>non-executive</i>) Garth Peter Denis Milne (<i>non-executive</i>) Kevin James O'Connor (<i>non-executive</i>)
	The business address of the Directors is at the Company's registered office.
Registered Office	Canon's Court 22 Victoria Street Hamilton HM 12 Bermuda Tel: + 1441 295 2244
Assistant secretary and resident representative	Appleby Services (Bermuda) Ltd Canon's Court 22 Victoria Street Hamilton HM 12 Bermuda
Investment Manager	Ingot Capital Management Pty Limited Level 11 1 York Street Sydney NSW 2000 Australia A representative of the Investment Manager can be contacted on Tel: +39 0 286400109
Nominated Adviser and broker	Arbuthnot Securities Limited Arbuthnot House 20 Ropemaker Street London EC2Y 9AR
Sponsor to the Bermuda Listing	First Bermuda Group Ltd Maxwell R. Roberts Building 1 Church Street Hamilton HM 11 Bermuda
Sponsor to the CISX Listing	Cenkos Channel Islands Limited Suite F1 Hirzel Court St Peter Port Guernsey GY1 4JG
Legal Adviser to the Company as to English law	Norton Rose LLP 3 More London Riverside London SE1 2AQ
Legal Adviser to the Company as to Bermuda law	Appleby Canon's Court 22 Victoria Street Hamilton HM 12 Bermuda

Legal Adviser to the Placing	Norton Rose LLP 3 More London Riverside London SE1 2AQ
Administrator and Secretary	F&C Management Limited Exchange House Primrose Street London EC2A 2NY Tel: +44 (0) 20 7628 8000
Reporting Accountants and Registered Auditor	Grant Thornton UK LLP 30 Finsbury Square London EC2P 2YU
Custodian and principal bankers	JPMorgan Chase Bank, N.A. 60 Victoria Embankment London EC4Y OJP Tel: +44 (0) 20 7777 2000
Registrar	Computershare Investor Services (Channel Islands) Limited PO Box 83 Ordnance House 31 Pier Road St Helier Jersey JE4 8PW
CREST Agent	Computershare Investor Services PLC PO Box 82 The Pavilions Bridgwater Road Bristol BS13 8AE

EXPECTED TIMETABLE OF PRINCIPAL EVENTS*

Placing and Offer for Subscription opens	23 November 2007
Latest time for receipt of completed Forms of Direction from holders of Depositary Interests	10.00 a.m. on 10 December 2007
Latest time for receipt of completed Proxy Forms	2.00 p.m. on 11 December 2007
Latest time for receipt of commitments under the Placing and completed Application Forms and payment under the Offer	11.00 a.m. on 12 December 2007
Special General Meeting	2.00 p.m. on 13 December 2007**
Announcement of the results of the Issue	18 December 2007
Admission to the Daily Official List of the CISX and dealings on AIM, the BSX and the CISX expected to commence in the C Shares and Subscription Shares	19 December 2007
CREST accounts credited in respect of the C Shares and Subscription Shares issued in uncertificated form	19 December 2007
Certificates in respect of the C Shares and Subscription Shares expected to be dispatched by	28 December 2007

* All references to times are to London time.

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

ISSUE STATISTICS

Issue Price per C Share	100p
Number of C Shares to be issued	up to 100 million
Number of Subscription Shares to be issued	up to 20 million
Estimated net proceeds of the Issue*	up to £98.5 million
Estimated initial NAV per C Share*	98.5p

* Assuming the Issue is fully subscribed.

RISK FACTORS

An investment in Ordinary Shares and/or C Shares and/or Warrants and/or Subscription Shares and/or S 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 described below, prior to making any investment decision. They are all the material risk factors applicable to the Company of which the Directors are aware.

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

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

Liquidity of the C Shares, Ordinary Shares, Warrants, Subscription Shares, S Shares and the AIM market generally.

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

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

Similar considerations apply in respect of the Company's listings on the BSX and CISX.

Warrants, Subscription Shares and S Shares

Warrants and similar instruments (including the Subscription Shares and the S Shares) tend to involve a high degree of gearing, such that a relatively small movement in the price of the Ordinary Shares and C Shares is likely to result in a disproportionately large movement, which could be unfavourable or favourable, in the respective price of the Warrants, Subscription Shares or S Shares.

Investor returns

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

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

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

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

Investment strategies

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

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

Utilities sector

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

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

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

Political and country risks

The Company was established to invest in Utilities based in Emerging Markets where the regulatory framework for Utilities is still developing. There is no assurance that future political and economic conditions in the individual countries in which the Company invests will not result in their governments adopting different policies with respect to foreign investment in Utilities and infrastructure. 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 may be 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 prices at which investments may be made and reduce the potential profits.

Exchange risks

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

US Persons will be subject to significant transfer restrictions

The C Shares, the Ordinary Shares, the Warrants, the Subscription Shares and the S Shares are not freely transferable by US Persons and any such US Persons acquiring the C Shares or the Ordinary Shares or the Warrants or the Subscription Shares or the S Shares 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. These restrictions are described in more detail in paragraph 5.1 of Part 9 of this document.

Calculation of Net Asset Value

In calculating the Company's Net Asset Value the Administrator and Secretary may rely on estimates of the value of companies in which the Company invests. Such estimates may be unaudited or may be subject to little verification or other due diligence and may not comply with International Financial Reporting Standards or other recognised 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 the Investment Management Agreement or otherwise to act in a manner that it considers fair, reasonable and equitable having regard to its obligations to other clients, when potential conflicts of interest arise.

Utilico and the Company both invest in Utilities. As a result it is possible that conflicts of interest may arise with regard to potential investments. To minimise this risk an investment allocation policy has been adopted. This policy is described in paragraph 7 of Part 2 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. Further, it is an event of default (subject to a 60 day grace period) under the Company's bank facility agreement if Charles Jillings or Duncan Saville leave their employment with the Company or ICM respectively.

BMA Approval

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

No Investment Company Act registration

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

Gearing

The Company may use gearing. Gearing can be employed in a variety of ways including direct borrowing, margining (that is, an amount of cash or eligible securities an investor deposits with a broker when borrowing to buy securities) and the use of futures, warrants, options and other derivative products. Generally, gearing is used to increase the overall level of investment in a portfolio. Higher investment levels may offer the potential for higher returns. This exposes investors to increased risk as gearing can increase the portfolio's market exposure and volatility. In particular, whilst the use of borrowings should enhance the total return on the C Shares and Ordinary Shares where the return on the Company's underlying assets is rising and exceeds the cost of borrowing, it will have the opposite

effect where the underlying return is falling, further reducing the total return on the C Shares and Ordinary Shares. Furthermore, should any fall in the underlying asset value result in the Company breaching financial covenants contained in any secured loan facilities, the Company may be required to repay such borrowings in whole or in part together with any attendant costs. Such a requirement could result in the Company being forced to sell investments at lower prices than would normally be obtained. This could adversely affect the capital and income returns to Shareholders.

Special situations

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

No Takeover Protection

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

Enforcement of Judgements

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

Further share issues

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

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

Forward looking statements

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

PART 1

LETTER FROM THE CHAIRMAN

UTILICO EMERGING MARKETS LIMITED

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

Directors:

Alexander Zagoreos (*Chairman*)
Charles Jillings
Garry Madeiros
Garth Milne
Kevin O'Connor

Registered Office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

23 November 2007

To Shareholders and, for information only, to Warrantholders

Dear Shareholder,

Placing and Offer for Subscription of up to 100 million C Shares (with Subscription Shares attached on a one for five basis), listing on the Channel Islands Stock Exchange and Notice of Special General Meeting regarding proposed changes to the Bye-laws of the Company

Introduction

On 6 November 2007, the Company announced its intention to raise funds through a placing and offer for subscription and to seek a listing on the CISX. Today, details of the proposals to raise up to £100 million (before expenses) through the Placing and Offer of C Shares, which will convert into Ordinary Shares on the basis described in Part 4 of this document, and of the proposed listing on CISX have been announced. The Issue is not being underwritten and will not proceed unless subscriptions or placing commitments are received in aggregate for at least £30 million.

This letter explains the background to and reasons for the Issue and the listing on the CISX and contains further information about the Proposals and the Company. The implementation of the Issue involves changes to the Company's Bye-laws and will require Ordinary Shareholders' approval. Notice of a Special General Meeting to be held at 10.00 a.m. (Bermuda time) on 13 December 2007, at which Ordinary Shareholders' approval for the Proposals will be sought, is set out at the end of this document.

Background

The Company is an exempted, closed ended Bermuda incorporated investment company with the objective of providing Shareholders with long-term capital appreciation by investing predominantly in infrastructure, utility and related companies in Emerging Markets. The Company was launched in July 2005 when it raised £52.5 million (before expenses) and a £22.5 million portfolio of existing investments was transferred to the Company by Utilico Investment Trust plc. In May 2006 the Company raised £100 million (before expenses) through the issue of 100 million C shares and 20 million new warrants. The C shares were converted into Ordinary Shares (and the new warrants consolidated with the pre-existing warrants) in July 2006. The Company's Ordinary Shares and Warrants are traded on AIM and the BSX. As part of the Issue it is intended to seek admission of the Ordinary Shares, C Shares, Warrants and Subscription Shares to trading on the Daily Official List of the CISX. The Company's investment manager is Ingot Capital Management Pty Ltd.

As at 31 March 2007, the Company had an audited Net Asset Value of £241.6 million, and an audited diluted Net Asset Value per Ordinary Share (cum income) of 138.80p (*source: Company audited accounts*) and as at 30 September 2007 an unaudited Net Asset Value of £312.4 million, and an unaudited diluted Net Asset Value per Ordinary Share (cum income) of 173.43p (*source: Company unaudited interim accounts*). As at 20 November 2007, being the latest practicable date prior to the publication of this document, the Company had an unaudited Net Asset Value of £311.3 million

(source: *Company*) and an unaudited diluted Net Asset Value per Ordinary Share (cum income) of 172.89p (source: *Company unaudited weekly Net Asset Value announcement*). The Company announces its Net Asset Value per Ordinary Share to the London Stock Exchange on a weekly basis and publishes all recent information on its website: www.uem.bm.

The Ordinary Shares have traded consistently above their issue price of 100p per Ordinary Share since their admission to AIM in July 2005. A summary of the Company's ten largest investments as at 31 October 2007 is set out in Part 3 of this document.

Interim Results

The Company announced its unaudited interim results to 30 September 2007 on 20 November 2007. Key highlights include an increase in undiluted NAV per share to 187.80p from 146.45p as at 31 March 2007, an increase of 28.2 per cent. Since inception, the Company has delivered an annual compound return per Ordinary Share of 36.0 per cent.

The Board declared an interim dividend of 3.5p per Ordinary Share based on revenue account earnings of 3.58p per Ordinary Share. The Company's portfolio continues to reflect good earnings and dividend growth prospects.

Listing on the CISX

A number of leading private client fund managers have expressed strong interest in investing in the Company through their PEPs and ISAs. A primary listing on the CISX will enable the Ordinary Shares, C Shares, Subscription Shares and S Shares (arising on conversion of the Subscription Shares) to qualify for inclusion in PEPs and ISAs in the UK and accordingly a listing on the CISX should enable the Company to broaden the depth of its shareholder base. Warrants are not eligible for inclusion in PEPs or ISAs.

The Proposals

After due consideration of the Company's strategy, the Board has concluded that now is an appropriate time to seek to raise additional capital for the Company in order to expand the Company's asset base and in some cases, to take larger stakes in its existing investee companies. The Company continues to source attractive investment opportunities in line with its investment policy, despite the recent relatively strong performance in Emerging Markets. Further, the Company and the Investment Manager believe that the ability to be a larger shareholder will, over time, enable the Company to both extract and defend value within the portfolio. The Company continues to seek to build strategic stakes and an increased portfolio size will facilitate this process.

The Board believes that there is demand from investors for the opportunity to invest in the Company. As referred to above, a number of leading private client fund managers have expressed interest in individuals being able to invest in the Company through PEPs and ISAs.

Benefits of the Issue

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

- (a) increase the potential size of strategic investments from which value can be better achieved as a larger shareholder;
- (b) capture long-term value by further increasing its presence in the Utilities sector;
- (c) allow new investors to invest in the Company who would not otherwise have been able to make an investment of their preferred size in the Company;
- (d) through the CISX listing, allow individuals to hold shares in the Company (excluding Warrants) through ISAs and PEPs;
- (e) provide a larger asset base over which the fixed costs of the Company may be spread, thereby reducing the Company's total expense ratio; and

- (f) provide the Company with a wider shareholder base and increased investor awareness of the Company's activities and provide Shareholders with greater liquidity following conversion of the C Shares.

The Proposals ensure, through the C Share conversion mechanism, that Existing Shareholders will remain fully invested and will not suffer any dilution for the costs of the Issue or upon conversion of the C Shares and the Subscription Shares.

Placing and Offer for Subscription

The Company is seeking to raise up to £100 million, before expenses, by the issue of up to £100 million C Shares (with Subscription Shares attached on a one for five basis) at an issue price of 100p per C Share pursuant to the Placing and Offer. The Issue is not being underwritten and, as a result will not proceed unless aggregate subscriptions and placing commitments are received which represent a minimum of £30 million (before expenses). The minimum subscription under the Offer is £1,000 and in multiples of £1,000 thereafter. C Shares and Subscription Shares allotted under the Offer will be qualifying investments for the purposes of an existing PEP and for the stocks and shares component of an ISA.

Arbuthnot Securities has conditionally agreed, as agent for the Company, to use reasonable endeavours to procure subscribers on a non pre-emptive basis for C Shares in the Placing at a price of 100p per C Share. C Shares are also being made available on a non pre-emptive basis to Ordinary Shareholders (other than certain Overseas Shareholders) and other investors through the Offer for Subscription.

The basis of allocation under the Issue will be determined by Arbuthnot Securities in its absolute discretion after consultation with the Company. In the event that the Issue is oversubscribed, the allocation of C Shares between the Placing and the Offer, and between applicants in the Offer, will be determined by Arbuthnot Securities in its absolute discretion after consultation with the Company.

Your attention is drawn to Part 10 of this document which sets out the terms and conditions of the Offer and the procedure for application. Overseas Shareholders are referred to paragraph 6 of Part 10 of this document.

C Shares and principles of Conversion

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

- the assets representing the net proceeds of the Issue will be accounted for and managed as a distinct pool of assets until the Conversion Date. By accounting for the net proceeds of the Issue separately, Existing Shareholders will not participate in a portfolio containing a substantial amount of uninvested cash before the Conversion Date;
- the Net Asset Value of the Existing Ordinary Shares will not be diluted by the Issue Expenses, which will be borne by the subscribers for C Shares;
- the Calculation Date will fall within 10 business days of at least 80 per cent. of the net proceeds of the Issue being invested in accordance with the Company's investment policy (or such greater amount as the Directors and the Investment Manager may agree) or, if earlier, 31 May 2008; and
- the basis upon which the C Shares will convert into Ordinary Shares is such that the number of Ordinary Shares to which holders of C Shares will become entitled will reflect the relative Net Asset Value of the pool of new capital attributable to the C Shares as compared to the Net Asset Value attributable to the Ordinary Shares in issue at that time. As a result, the Net Asset Value attributable to the Ordinary Shares then in issue is not expected to be adversely affected by Conversion and no dilution to Existing Shareholders will result.

Full details of the C Shares and Conversion are set out in Part 4 of this document.

Prior to Conversion, the C Shares will carry the right to any dividends declared only in respect of the assets attributable to the C Shares. For the purposes of attending and voting at general meetings of the Company, the C Shares and the Ordinary Shares will be treated as if they are a single class.

C Shareholders will be entitled to participate in a winding-up of the Company or upon a return of capital as specified in paragraph 3 of Part 4 of this document.

The Ordinary Shares arising on Conversion will rank *pari passu* with the Ordinary Shares then in issue and will have the rights set out in the Company's Bye-laws, which are summarised in paragraph 4 of Part 9 of this document.

Example of Conversion mechanism

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

The example illustrates the number of Ordinary Shares which would arise on the Conversion of 1,000 C Shares held at the Conversion Date, using assumed Net Asset Values attributable to the C Shares and Ordinary Shares in issue as at the Calculation Date. The assumed Net Asset Value (undiluted, cum income and unaudited) attributable to an Ordinary Share is that at the close of business on 20 November 2007 (being the latest practicable date prior to the publication of this document) (*source: Company unaudited weekly Net Asset Value announcement*). The assumed Net Asset Value attributable to each C Share is on the basis of the Issue Price less the Issue Expenses and assumes that the Issue is fully subscribed and that there are no returns or losses on the net proceeds of the Issue from Admission to the Calculation Date.

	<i>Example</i>
Number of C Shares subscribed	1,000
Net Asset Value attributable to a C Share as at the Calculation Date	98.50p
Net Asset Value attributable to an Ordinary Share as at the Calculation Date	187.15p
Conversion Ratio	0.5263
Number of Ordinary Shares arising on Conversion	526

Subscription Shares

Under the terms of the Issue, Subscription Shares will be issued on the basis of one Subscription Share for every five C Shares subscribed. Subscription Shares carry the right to subscribe for Ordinary Shares and holders of Subscription Shares may only subscribe for C Shares in the event of a takeover offer for the Company prior to Conversion. On the Conversion Date the Subscription Shares will convert into S Shares and Deferred Subscription Shares so as to ensure that the number of S Shares in issue following the Conversion Date will be at a ratio to the number of Ordinary Shares arising on Conversion that is equal to the ratio of Warrants to Ordinary Shares in issue immediately prior to the Conversion Date. Each holder of S Shares in certificated form will be issued with a certificate in respect of their holding of S Shares. Fractional entitlements will be rounded down and will not be issued. The S Shares will, following Conversion, carry the right to subscribe for one Ordinary Share per S Share at a subscription price of 100p per Ordinary Share. In addition to the first exercise date of 31 July 2008, the S Shares may be exercised on any of the following dates: 31 January and/or 31 July in each of the years 2009 and 2010. The rights attaching to the Subscription Shares and the S Shares will, for all material purposes, be similar to those of the Warrants, the only material difference being that the Subscription Shares and the S Shares constitute shares in the capital of the Company. Accordingly, provided they are allotted under the Offer, Subscription Shares and S Shares will be qualifying investments for the purposes of an existing PEP and for the stocks and shares component of an ISA. Warrants will remain ineligible for inclusion in PEPs and ISAs. Full details of the Subscription Shares, S Shares and the procedure on Conversion are set out in Part 5 of this document.

Example of Subscription Share Conversion mechanism

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

The example illustrates the number of S Shares which would arise on the Conversion of 1,000 Subscription Shares held at the Conversion Date, assuming the same Conversion Ratio as in the

example relating to C Shares above and further assuming that the number of Warrants and Ordinary Shares does not change between 20 November 2007, the latest practicable date prior to the publication of this document, and the Calculation Date.

	<i>Example</i>
Number of Subscription Shares subscribed	1,000
C Share Conversion Ratio	0.5263
Ratio of Warrants to Ordinary Shares on the Calculation Date	0.1956
S Share Conversion Ratio	0.5148
Number of S Shares arising on Conversion	514

Financial Impact of the Issue

By way of illustration only, had the Issue taken place at the beginning of the Company's financial period, i.e. 1 April 2007, and had the net proceeds been invested in assets that had performed in line with the Company's current portfolio, the hypothetical effect would have been to enhance the earnings of the Company. Net assets would have hypothetically increased by the amount of the net proceeds of the Issue after Issue Expenses, with liabilities remaining approximately static. This paragraph is unaudited and is for illustrative purposes only, representing a hypothetical situation and, therefore, does not represent the Company's actual financial position or results.

Intentions of Directors and Major Shareholders

The Company has received irrevocable undertakings from two major shareholders (Utilico and Foreign & Colonial Investment Trust PLC ("FCIT")) to vote in favour of the Resolutions in respect of Ordinary Shares held beneficially by them, representing approximately 25.66 per cent. (in respect of Utilico's holding) and 11.4 per cent. (in respect of FCIT's holding) respectively of the Ordinary Shares in issue as at the date of this document. The Directors all intend to vote in favour of the Resolutions in respect of Ordinary Shares held beneficially by them, representing, in aggregate, approximately 1.1 per cent. of the Ordinary Shares in issue as at the date of this document.

Special General Meeting

An SGM of the Company has been convened for 10.00 a.m. (Bermuda time) on 13 December 2007 in order to obtain Ordinary Shareholders' approval for the increase in the Company's authorised share capital and the adoption of new Bye-laws in connection with the implementation of the Issue. Notice of that meeting is set out at the end of this document.

Increase in Share Capital

The Company proposes by means of ordinary resolution number 3, set out in the notice of SGM, to increase the Company's authorised share capital by the creation of 120 million C Shares, having the rights and restrictions set out in Part 4 of this document, and 20 million Subscription Shares, having the rights and restrictions set out in Part 5 of this document.

Admission and Dealings

Applications will be made to AIM, the Bermuda Stock Exchange and the CISX for up to 100 million C Shares and up to 20 million Subscription Shares to be admitted to trading. It is expected that Admission will become effective, and that dealings in the C Shares and the Subscription Shares will commence, on 19 December 2007.

Conditions of the Issue

The Issue is subject to, *inter alia*, the satisfaction of the following conditions on or before 8.00 a.m. on 19 December 2007 or such later time and/or date (being not later than 31 January 2008), as the Company and Arbuthnot may agree:

- (i) the passing at the SGM of the Resolutions;

- (ii) the Placing and Offer Agreement becoming unconditional (save for any condition relating to Admission) and not having been terminated in accordance with its terms;
- (iii) the receipt of subscriptions or placing commitments for a minimum of £30 million; and
- (iv) Admission having become effective.

Risk Factors and Further Information

Your attention is drawn to the Risk Factors set out on pages 17 to 22 of this document and to the additional information set out in Parts 2 to 10 of this document and in the terms and conditions set out in the Application Form.

Action to be Taken

In respect of the Offer

If you wish to apply for C Shares (with Subscription Shares attached on a one for five basis) under the Offer, you should complete the Application Form enclosed with this document in accordance with the procedure for application set out in Part 10 of this document and on the Application Form. The minimum subscription under the Offer is £1,000 and in multiples of £1,000 thereafter. You should then return the Application Form with the appropriate remittance for the full amount payable on application, to be received no later than 11.00 a.m. on 12 December 2007 to the offices of the Receiving Agent, Computershare, Corporate Actions Projects, Bristol BS99 6AH. A reply paid envelope is enclosed for your convenience.

Before making any decision to subscribe for C Shares, you are recommended to read and carefully consider all the information contained in this document, including in particular the important information set out in the preceding paragraphs of this letter and the Risk Factors set out on pages 17 to 22 of this document.

In respect of the SGM

Ordinary Shareholders will find enclosed with this document a Form of Proxy or a Form of Direction for use in connection with the SGM. Ordinary Shareholders who hold their Ordinary Shares in certificated form are urged to complete and return the Form of Proxy so as to be received by Computershare Investor Services (Channel Islands) Limited, PO Box 83, Ordnance House, 31 Pier Road, St Helier, Jersey JE4 8PW no later than 2.00 p.m. on 11 December 2007.

Ordinary Shareholders who hold their Ordinary Shares through Depositary Interests in uncertificated form are urged to complete and return the Form of Direction so as to be received by Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE no later than 10.00 a.m. on 10 December 2007.

Submitting a Form of Proxy or a Form of Direction will not preclude a Shareholder from attending the SGM and voting in person should they so wish.

Recommendation to Ordinary Shareholders

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

The Directors intend to vote in favour of the Resolutions in respect of their own beneficial holdings of Ordinary Shares, which amount in aggregate to 1,840,656 Ordinary Shares, representing approximately 1.1 per cent. of the Ordinary Shares in issue as at the date of this document.

Yours faithfully,

Alexander Zagoreos
Non-executive Chairman

PART 2

INFORMATION ON THE COMPANY

1 Introduction

Utilico Emerging Markets Limited was incorporated on 9 June 2005 in Bermuda as an exempted, closed ended investment company with the objective of providing Shareholders with capital growth from investing predominantly in Utilities based in Emerging Markets. The Company was launched in July 2005 when it raised £52.5 million (before expenses) and a £22.5 million portfolio of existing investments was transferred to the Company by Utilico Investment Trust plc. The Ordinary Shares and Warrants were admitted to trading on AIM and the BSX on 20 July 2005. On 12 May 2006 the Company raised £100 million (before expenses) through the issue of 100 million C shares and 20 million new warrants. The C shares were converted into Ordinary Shares (and the new warrants consolidated with the pre-existing warrants) on 14 July 2006. As at 20 November 2007 the Company had an unaudited Net Asset Value of £311.3 million (*source: Company*). A summary of the Company's ten largest investments as at 31 October 2007 is set out in Part 3 of this document. The Company's investment objectives make it suitable for institutional and sophisticated investors with a focus on seeking capital appreciation over the long-term.

2 Investment rationale

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

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

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

3 Investment objective and policy

The Company's investment objective is to provide long-term capital appreciation by investing predominantly in infrastructure, utility and related companies in Emerging Markets.

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

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

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

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

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

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

4 Investment restrictions

The Investment Manager will not, without Board approval:

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

The Investment Manager is authorised to invest up to US\$1million in a commodity derivative as a hedge on an investment without referring to the Board.

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

Shareholders will be informed in the annual report and accounts of the Company of the actions taken by the Investment Manager in the event of any breach of the above investment restrictions.

5 Directors

The Directors are as follows:

Alexander Zagoreos (70) (Non-executive Chairman)

Alexander is based in New York. He was educated at Columbia University and was awarded an MBA and Masters degree in International Affairs. He is a limited managing director and senior adviser of

Lazard Asset Management, where he was formerly responsible for emerging market products and closed-end investment companies. Alexander has over 38 years of investment experience. He is currently a director of The World Trust Fund, Chairman of The Egypt Trust and formerly co-manager of Lazard Emerging World Investors LP, and is on the board of a number of investment companies and charitable organisations.

Charles Jillings (52) (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, has been a director of a number of listed companies and is currently an employee of Utilico.

Garry Madeiros (58) (Non-executive Director)

Garry is president and Chief Executive Officer of BELCO Holdings Limited and the former president and Chief Executive Officer of Bermuda Electric Light Company Limited. He is a director of BF&M Limited and BF&M General Insurance Company. He is a Chartered Accountant and is serving and has served on a number of corporate, community and Government boards.

Garth Milne (64) (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 UK for over 30 years and is a director of several investment companies, including Premier UK Dual Return Trust Plc, Real Estate Opportunities Limited, INVESCO Perpetual UK Smaller Companies Trust Plc and SovGEM Limited.

Kevin O'Connor (67) (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 and a trustee of the Catholic Foundation of Wellington, as well as being involved with a number of other charitable bodies.

6 Investment Manager

The Directors are responsible for the determination of the Company's investment policy, subject to Shareholder endorsement, and have overall responsibility for the Company's day to day activities. The Company's investment manager is ICM, with responsibility for the management of the Company's portfolio and the provision of various other management services to the Company, subject to the overriding supervision of the Directors. Further details of the Investment Management Agreement are summarised in paragraph 6.1.1 of Part 9 of this document.

ICM is an Australian investment adviser regulated by the Australian Securities and Investments Commission with licence number 239075 and the company was registered on 11 August 1994 with registration number 066 017 712. ICM's registered office is at Level 11, 1 York Street, Sydney, NSW 2000, Australia. A representative of ICM can be contacted on the following telephone number: +39 0 286460109.

In the UK, ICM is the investment manager of the Company and Eclectic Investment Trust plc and is investment adviser to Utilico, with gross assets in those entities totalling over £900 million. ICM was also the investment manager of Utilico's predecessors, The Special Utilities Investment Trust Plc ("SUIT") and Utilico Investment Trust plc ("UIT").

As at 20 November 2007, the Company's undiluted Net Asset Value (cum income) per Ordinary Share was 187.15p (*source: Company unaudited weekly Net Asset Value announcement*), compared to the subscription price of 100p on flotation in July 2005. The past performance of funds managed or advised by the Investment Manager is not a guide to the future performance of the Company. The

value and income of the Ordinary Shares, C Shares, Warrants, the Subscription Shares and the S Shares can fall as well as rise and an investor may get back less than the amount invested.

Duncan Saville, previously a director of UIT and SUIT, continues to act as a director of the Investment Manager. He is a non executive director of Infratil Limited and ERG Limited and was formerly a director of Eclectic Investment Trust plc, East Surrey Holdings plc, Dee Valley Group plc, Glasgow Prestwick International Airport Limited and Wellington International Airport.

Investment philosophy

ICM'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 Utilities sectors and their regulation; and
- possessing a sensitivity to step changes resulting from developments in regulation and competition.

Investment process

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

7 Relationship with Utilico and potential conflicts of interest

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

Investment allocation

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

The following investment allocation policy is followed:

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

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

Management fee

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

Shareholder relationship

Utilico has given the Company an irrevocable undertaking that it will vote in favour of the Resolutions.

The Company and Utilico will conduct all of their business on arm's length commercial terms and this shareholding will not affect the relationship between the two companies.

8 Administrator

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

9 Bermuda Assistant Secretary

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

10 Registrar

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

11 Custodian

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

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

12 Fees and Expenses

Expenses of the Issue

The Issue Expenses are those which are incurred in connection with the Issue. Such expenses will include fees payable under the Placing and Offer Agreement, whereby Arbuthnot Securities will receive a corporate finance fee of £150,000, plus a commission equivalent to 1.0 per cent. of the market capitalisation of the C Shares at the Issue Price, and the registration, admission fees, printing costs, legal fees and any other relevant expenses. The Issue Expenses also include the costs of listing on the CISX, which include fees of £7,000 payable to the CISX and fees of £10,000 payable to the CISX Listing Sponsor. The Administrator and Secretary will receive a fee of £10,000 in connection with the Issue. The Issue Expenses are expected to amount to approximately 1.5 per cent. of the Gross Assets attributable to C Shareholders assuming the Issue is fully subscribed. These expenses will be borne exclusively by the subscribers for C Shares. Assuming the Proposals are approved and the Issue proceeds, none of the Issue Expenses will be borne by existing Ordinary Shareholders.

Ongoing Annual Expenses

The management fee and finance costs are allocated 70 per cent. to the capital account and 30 per cent. to the revenue account. The performance fee and other expenses of a capital nature are charged to the capital account. All other annual fees and expenses are charged to the revenue account.

Investment Manager

Management fee

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

Performance fee

In addition to the annual management fee, the Investment Manager is entitled to receive a performance related fee from the Company, including on the assets attributable to the C Shares, in certain circumstances. The performance fee due to the Investment Manager is calculated and paid annually based on the performance in the Company's accounting period.

The performance fee is calculated based on 15 per cent. of any out performance of the Adjusted Equity Funds in excess of a benchmark index. For this purpose the benchmark index is the post tax yield on the FTSE Actuaries Government Securities UK Gilt 5 to 10 years index, plus inflation (on the RPIX basis), plus two per cent. By way of example, as at 20 November 2007, 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 4.63 per cent., inflation of 3.1 per cent. and a tax rate of 30.0 per cent., the benchmark index would have been 8.34 per cent. No performance fee is payable if, despite having exceeded the benchmark, the Adjusted Equity Funds is less than it was on the previous calculation date or the last calculation date where a performance fee was last paid, as adjusted to take account of the Issue (the "Hurdles"). The Hurdles will be adjusted for any capital event (including but not limited to bonus issues, any repayment or otherwise that reduces the funds attributable to Ordinary Shares and/or C Shares and any new issue of equity (including the exercise of the Warrants, the Subscription Shares and the S Shares)).

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 (cum income) 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 seven 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 (cum income) 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 (cum income) at the time of such purchase, the Company will issue to the Investment Manager new Ordinary Shares equivalent to any shortfall.

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

Further details in respect of the calculation of the performance fee are set out in paragraph 6.1.1 of Part 9 of this document.

Administrator and Secretary

Under the terms of the Administration Agreement, the Administrator and Secretary is entitled to a fee of £210,000 per annum. This fee is reviewed every twelve months. The Administrator and Secretary and any of its delegates are also entitled to reimbursement of certain expenses incurred by it in connection with its duties.

Custodian

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

Directors

Each of the Directors is entitled to receive a fee from the Company at such a rate as may be determined in accordance with the Bye-laws. The fees are paid quarterly at a current rate of £22,000 for each Director per annum, with the Chairman's fee being at the current rate of £31,500 per annum. The Chairman of the Audit Committee receives an additional £5,500 per annum. The Directors' fees are satisfied in Ordinary Shares (the "Fee Shares") as set out below. The Directors are also entitled to be paid all reasonable expenses properly incurred by them in attending general meetings, Board or Committee meetings or otherwise in connection with the performance of their duties. The number of Fee Shares to which each Director is entitled is the number of Ordinary Shares that, when valued at the fully diluted Net Asset Value per Ordinary Share (cum income) at the end of the quarter to which the Director's fee relates, equals 25 per cent. of the Director's annual fee. During the 14 day period immediately following the Fee Shares becoming due, each Director makes reasonable endeavours to procure the purchase of the Fee Shares in the market at a price (including transaction costs) equivalent to or below the fully diluted Net Asset Value per Ordinary Share (cum income) at the time of such purchase. The Company puts the relevant Director in funds for such purposes. In the event that any Director is unable to procure the purchase of some or all of the Fee Shares in the market at or below the fully diluted Net Asset Value per Ordinary Share (cum income) at the time of such purchase, the Director returns any monies advanced to him by the Company (to the extent not used to procure Fee Shares) and the Company issues to that Director such number of new Ordinary Shares as is equivalent to any shortfall.

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

Nominated adviser and broker

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

13 Discount Management Provisions and Repurchase of Shares

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

Regular Tender Facility

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

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

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

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

Purchases of Ordinary Shares by the Company

In addition to the Tender Facility, the Company has been granted authority to make market purchases of up to 14.99 per cent. of its Ordinary Shares. The Company's authority to make purchases of its Ordinary Shares will expire at the earlier of 7 March 2009 and the conclusion of the 2008 annual general meeting of the Company. A renewal of the authority to make purchases of Ordinary Shares

will be sought from Shareholders at each annual general meeting of the Company. The timing of any purchases will be decided by the Board and will be at its absolute discretion.

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

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

15 Net Asset Value

The Net Asset Value per Ordinary Share will be calculated (and rounded to two decimal places) in pounds sterling by the Administrator and Secretary (or such other person as the Directors may appoint for such purpose from time to time) on the NAV calculation date. Such value will be announced through the London Stock Exchange (as well as the BSX and the CISX) following the relevant NAV calculation date. The Directors do not expect at any point to suspend the weekly calculations of the Net Asset Value and the Net Asset Value per Ordinary Share. However, should the Directors suspend the weekly calculations, they have undertaken to notify Shareholders and investors through a regulatory information service.

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

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

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

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

- the value of any cash in hand or on deposit, bills and demand notes and accounts receivable, cash dividends and interest declared or accrued as aforesaid and not yet received shall be deemed to be the full amount thereof, unless in any case the Directors will have determined that the same is unlikely to be paid or received in full, in which case the value thereof will be arrived at after making such discount as the Directors may consider appropriate in such case to reflect the true value thereof;
- securities which are quoted or dealt in on any stock exchange (including any securities traded on an "over the counter market") will be valued in accordance with International Financial Reporting Standards;

- unquoted securities will be valued at their fair value in accordance with the International Private Equity and Venture Capital Valuations Guidelines endorsed by the British Venture Capital Association;
- all other assets (including prepayments) and liabilities to creditors will be valued at their respective fair values as determined in good faith by the Directors and in accordance with generally accepted valuation principles and procedures; and
- any value other than in pounds sterling will be translated at any officially set exchange rate or appropriate spot market rate as the Directors deem appropriate in the circumstances.

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

16 Details of the Issue

The Company is seeking to raise up to £100 million, before expenses, through the issue of up to 100 million C Shares (with Subscription Shares attached on a 1 for 5 basis) pursuant to the Issue. The Issue is not being underwritten and, as a result will not proceed unless aggregate subscriptions and placing commitments are received which represent a minimum of £30 million. The minimum subscription under the Offer is £1,000 and thereafter in multiples of £1,000. C Shares allotted under the Offer will be qualifying investments for the purposes of an existing PEP and for the stocks and shares component of an ISA. Warrants will remain ineligible for inclusion in PEPs or ISAs.

The Company intends to invest the net proceeds of the Issue in line with its investment objective and policy as set out in paragraph 3 of this Part 2.

Arbuthnot Securities has conditionally agreed, as agent for the Company, to use reasonable endeavours to procure subscribers on a non pre-emptive basis for C Shares under the Placing at a price of 100p per C Share. C Shares are also being made available on a non pre-emptive basis to Existing Shareholders (other than certain Overseas Shareholders) and other investors through the Offer for Subscription.

The Issue is conditional, *inter alia*, on the Placing and Offer Agreement becoming unconditional, and not being terminated in accordance with its terms, the receipt of subscriptions or placing commitments for a minimum of £30 million, Admission having become effective and the passing of the Resolutions set out in the Notice of Special General Meeting on page 123 of this document. Other than as set out in this paragraph the Issue will not be revoked or suspended. The result of the Issue will be announced on 18 December 2007.

Immediately following the Issue, the interests of the Directors, in aggregate, will amount to approximately 0.27 per cent. of the C Shares and 1.11 per cent. of the Ordinary Shares, assuming the Issue is fully subscribed. Details of the Directors' holdings of Ordinary Shares and C Shares are set out in paragraph 3.6 of Part 9 of this document.

The Issue (if fully subscribed) is expected to raise up to £98.5 million (net of the Issue Expenses), all of which will be receivable by the Company. On Admission the Company will have a market capitalisation of approximately £380.5 million, based on the market capitalisation of £282.0 million as at 20 November 2007 (being the latest practicable date prior to publication of this document) and assuming the Issue is fully subscribed.

17 Subscription Shares

Under the Issue, Subscription Shares will be issued on the basis of one Subscription Share for every five C Shares subscribed. Subscription Shares carry the right to subscribe for Ordinary Shares and holders may only subscribe for C Shares in the event of a takeover offer for the Company prior to Conversion. On the Conversion Date the Subscription Shares will convert into S Shares and Deferred Subscription Shares so as to ensure that the number of S Shares in issue following the Conversion Date will be at a ratio to the number of Ordinary Shares arising on Conversion that is equal to the ratio of the Warrants to Ordinary Shares in issue immediately prior to the Conversion Date. Each holder of S

Shares in certificated form will be issued with a certificate in respect of their holding of S Shares. Fractional entitlements will be rounded down and will not be issued. The S Shares will, following Conversion, carry the right to subscribe for one Ordinary Share per S Share at a subscription price of 100p per Ordinary Share. In addition to the first exercise date of 31 July 2008, the S Shares may be exercised on any of the following dates: 31 January and/or 31 July in each of the years 2009 and 2010. The rights attaching to the Subscription Shares and the S Shares will, for all material purposes, be similar to those of the Warrants, the only material difference being that the Subscription Shares and the S Shares constitute shares in the capital of the Company. Accordingly, unlike Warrants which are not eligible for inclusion in a PEP or ISA, provided they are allotted under the Offer, Subscription Shares and S Shares will be qualifying investments for the purposes of an existing PEP and for the stocks and shares component of an ISA. Full details of the Subscription Shares, S Shares and the procedure on Conversion are set out in Part 5 of this document.

18 Meetings, reports and accounts

The Company will hold general meetings in any country outside of the United Kingdom. The Company will hold an annual general meeting each year. Shareholders are entitled to attend and vote at all general meetings. The SGM will be held at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda at 10.00 a.m. (Bermuda time) on 13 December 2007.

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 three months.

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

If the Directors become aware that in any accounting period the Company is controlled by UK persons (as such term is defined by section 755D ICTA), it is the intention of the Directors that the Company will distribute in excess of 90 per cent. of its net income attributable to Ordinary Shareholders available for distribution by way of dividend. Where the Company pursues such an acceptable distribution policy (within the meaning of Part I of Schedule 25 of ICTA), the Company's net income available for distribution shall be taken to mean its net chargeable profits (as defined in section 747 ICTA which excludes capital gains) attributable to Ordinary Shares, calculated as if it were a UK resident company. Prior to Conversion, the C Shareholders will only carry the right to participate in any dividend declared in respect of the assets attributable to the C Shares. The Subscription Shares and S Shares do not carry the right to any dividend save as set out in Part 5 of this document.

20 Bank borrowings

The Company may, from time to time, use bank borrowings for short-term liquidity purposes. In addition, the Directors intend to gear the Company by borrowing on a longer term basis for investment purposes. The Directors intend to restrict bank borrowings on a longer term basis to 25 per cent. of Gross Assets. As at 31 October 2007 the Company's borrowings were equal to £72.7 million.

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

21 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.

22 Admission, settlement and CREST

AIM

Application will be made to the London Stock Exchange for all the C Shares and Subscription Shares to be issued pursuant to the Issue to be admitted to trading on AIM. Admission of the C Shares and Subscription Shares to trading on AIM is expected to take place on 19 December 2007.

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

Further information regarding the depositary arrangement and the holding of C Shares and Subscription Shares in the form of DIs is available from the CREST Agent, Computershare Investor Services PLC, whose contact details are set out on page 15 of this document.

Bermuda Stock Exchange

Application will be made to the Bermuda Stock Exchange for all the C Shares and Subscription Shares to be issued pursuant to the Issue to be admitted to trading on the Bermuda Stock Exchange. Admission of the C Shares and Subscription Shares to the Bermuda Stock Exchange is expected to take place on 19 December 2007.

Channel Islands Stock Exchange

Application will be made for all of the Ordinary Shares and Warrants and all of the C Shares and Subscription Shares to be issued pursuant to the Issue to be admitted to listing and trading on the CISX. Admission of the Ordinary Shares, Warrants, C Shares and Subscription Shares is expected to take place on 19 December 2007.

23 Taxation

The Company is resident in Bermuda for tax purposes. Potential investors are referred to Part 8 of this document for details of the taxation of the Company and of Shareholders.

ISAs and PEPs

Offer for Subscription

C Shares and Subscription Shares allotted under the Offer for Subscription will be eligible for direct transfer into an ISA, subject to the usual annual subscription limits being complied with.

Placing

C Shares and Subscription Shares allotted under the Placing are not eligible for direct transfer into an ISA. Subsequently, C Shares and Subscription Shares acquired in the secondary market may be eligible for inclusion in an ISA. The C Shares and Subscription Shares would need to be acquired by an account manager by way of a purchase in the market and the account manager will confirm ISA eligibility.

PEPs

Although no new PEPs may be opened and no further subscription made to existing PEPs, the C Shares and Subscription Shares may be qualifying investments for existing PEPs provided that the PEP manager has acquired such C Shares and Subscription Shares by subscription under the Offer for Subscription or by purchase in the market and is satisfied on the subject of eligibility.

Shareholders should note that Warrants are not eligible for inclusion in a PEP or an ISA.

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.

24 Risk Factors

The Company's business is dependent on many factors and potential investors are advised to read the whole of this document, and in particular the "Risk Factors" set out on pages 17 to 22 of this document.

25 Further Information

On 13 March 2006 the Board established an Audit Committee, a Management Engagement Committee and a Remuneration Committee. It is the intention of the Directors to comply with the Combined Code for Corporate Governance as far as is appropriate for an investment company. The Company is a member of the AIC and will, as far as is appropriate, comply with the AIC's Code of Corporate Governance, which complements the Combined Code and provides a framework of best practice for investment companies. The Board confirms that the Company complies with the corporate governance regimes set out in the AIM Rules and the Bermuda Companies Act and will, following Admission, comply with the relevant provisions of the CISX Rules.

The attention of investors is drawn to the information contained in Part 1 and Parts 3 to 10 of this document which provide additional information on the Issue and on the Company.

PART 3

THE INVESTMENT PORTFOLIO

The ten largest investments of the Company as at 31 October 2007 are set out below. This information is unaudited.

<i>Investment</i>	<i>Sector</i>	<i>Country</i>	<i>Market Value of Investment (£m)*</i>	<i>% of Gross Assets</i>	<i>Date of first investment</i>	<i>Market Capitalisation of Investee Company*, *** (£m)</i>
Datang International Power Generation	Electricity	China	30.45	7.6	29/11/2005	11,513
International Container Terminal Services	Ports	Philippines	23.75	5.9	12/10/2005	1,053
SABESP	Water	Brazil	23.10	5.8	21/07/2005	2,849
Puncak Niaga Holdings	Water	Malaysia	22.03	5.5	14/03/2006	315
Ocean Wilsons Holdings	Ports	Brazil	21.45	5.3	21/07/2005	312
Malaysia Airport	Airports	Malaysia	19.46	4.8	21/07/2005	563
Comgas**	Gas	Brazil	18.27	4.5	21/07/2005	1,493
CCR**	Roads	Brazil	15.81	3.9	21/07/2005	3,573
AES Tiete S.A.**	Electricity	Brazil	14.64	3.6	21/07/2005	1,652
Beijing Capital International Airport Co	Airports	China	14.15	3.5	21/07/2005	3,844

* As at 31 October 2007, calculated on its bid price quoted on the principal exchange on which its shares are traded.

** Part of the holdings in these companies are constituted by CFDs.

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

One British Pound = 2.08 US Dollars = 3.61 Brazilian Reals = 16.12 Hong Kong Dollars = 6.92 Malaysian Ringgit = 90.58 Philippine Peso = 15.52 Chinese Renminbi.

AES Tiete

AES Tiete S.A. is an electricity generation company located in the Brazilian state of Sao Paulo. AES Tiete owns 10 hydroelectricity plants with a capacity of approximately 2,650 megawatts. The company is listed on the Sao Paulo Stock Exchange.

Beijing Capital International Airport Co

BCIA operates Beijing International Airport, the main international gateway into China and one of the country's three main hubs for domestic traffic. The official capacity of Beijing Airport is 35m passengers but the airport is currently undergoing a significant expansion including a third runway and new terminal. The project, which will increase capacity to 79m, is due to be completed in early 2008 in time for the Beijing Olympics. The company is listed on the Hong Kong Stock Exchange.

CCR

Companhia de Concessões Rodoviárias is the largest toll road operator in Latin America. CCR operates six concessions totalling approximately 1,300km of roads in Brazil including the country's two busiest roads: AutoBan linking Sao Paulo to the interior of the state and Nova Dutra, which links Sao Paulo and Rio de Janeiro. The company is listed on the Sao Paulo Stock Exchange.

Comgas

Companhia de Gas de Sao Paulo is Brazil's largest gas distribution company operating throughout the state of Sao Paulo. The company operates a pipeline network of over 4,000km and supplies gas to industrial, commercial and residential customers. The company is listed on the Sao Paulo Stock Exchange.

Datang International Power Generation

Datang International Power Generation Co. Limited is one of the largest independent power generators in China. Datang International mainly focuses on coal powered generation and owns 24 plants with a total attributable capacity of approximately 19,400 megawatts. The company has securities listed on the London, Hong Kong and Luxembourg stock exchanges.

International Container Terminal Services

International Container Terminal Services manages and operates container terminals in the Philippines and throughout the world. As well as its operation in Manila, ICT also manages ports in Brazil, Poland, Japan, Madagascar, Indonesia, Syria, China and Ecuador. The company is listed on the Manila Stock Exchange.

Malaysia Airport

Malaysia Airport Holdings Berhad is the sole operator of civilian airports in Malaysia and operates 39 airports, the largest of which is Kuala Lumpur International Airport. The company is listed on the Kuala Lumpur stock exchange and is majority controlled by Khazanah Nasional, the Malaysian government's investment holding company.

Ocean Wilsons Holdings

Ocean Wilsons Holdings Limited is a leading supplier of maritime services in Brazil and controls 58.3 per cent. of Wilson Sons. Wilson Sons is the largest provider of vessel towage services in Brazil where the company operates two container terminals. Ocean Wilsons also owns a portfolio of internationally listed investments. The company is listed on the London and Bermuda stock exchanges.

Puncak Niaga Holdings

Puncak Niaga Holdings Berhad is a water treatment and supply company serving the state of Selangor in Malaysia. Puncak operates 29 water treatment plants with a total average capacity of approximately 1,900m litres. Their assets were formerly owned and operated by the State Government. Puncak received the concession in 2005. The company is listed on the Malaysia stock exchange.

SABESP

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

Breakdown of investments (as at 31 October 2007)

<i>By Sector</i>	<i>%</i>	<i>By Geography</i>	<i>%</i>	<i>By Currency</i>	<i>%</i>	<i>By Asset Type</i>	<i>%</i>
Electricity	20.7	Brazil	30.6	USD	25.0	Equities	87.3
Water	16.0	China	22.6	BRL	16.5	Convertibles	12.0
Ports	15.5	Malaysia	16.9	MYR	16.4	Fixed Interest	0.7
Airports	13.2	Philippines	8.4	HKD	11.9		
Telecoms	10.4	Thailand	6.3	GBP	9.5		
Road/Rail	6.7	Eastern Europe	6.0	PHP	8.1		
Gas	5.7	Other Latin America	4.8	THB	6.1		
				Other	3.0		
Investment funds	3.5	Other Far East	3.6	CZK	1.6		
Post Office	2.8	Middle East / North Africa	0.8	RON	1.0		
Other	2.7			SGD	0.9		
Satellites	1.4						
Renewables	1.4						

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

PART 4

SUMMARY OF THE C SHARE RIGHTS

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

1 The following definitions apply for the purposes of this Part 4 of this document only:

“**Bye-laws**” means the bye-laws of the Company proposed to be adopted by the passing of the resolution numbered 4 at the Special General Meeting;

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

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

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

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

- (a) close of business on the date to be determined by the Directors occurring not more than 10 Business Days after the day on which the Investment Manager shall have given notice to the Directors that at least 80 per cent. of the Net Proceeds (or such higher level as the Directors and Investment Manager shall agree) shall have been invested; or
- (b) close of business on 31 May 2008 or if such a date is not a Business Day the next following Business Day; or
- (c) close of business on the day on which the Directors resolve that Force Majeure Circumstances have arisen or are imminent;

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

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

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

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

Where

“**C**” is the aggregate of:

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

- (b) the value of all other investments of the Company attributable to the C Shares (other than investments included in (a) above) calculated by reference to the Directors' belief as to a fair current value for those investments on the Calculation Date after taking into account any other price publication services reasonably available to the Directors; and
- (c) the amount which, in the Directors' opinion, fairly reflects, on the Calculation Date, the value of the net current assets of the Company attributable to the C Shares (excluding the investments valued under (a) and (b) above but including cash and deposits with or balances at a bank and including any accrued income (including performance fee credit) less accrued expenses and other items of a revenue nature);

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

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

“F” is the aggregate of:

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

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

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

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

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

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

“Force Majeure Circumstances” means (i) any political and/or economic circumstances and/or actual or anticipated changes in fiscal or other legislation which, in the reasonable opinion of the Directors, renders Conversion necessary or desirable; (ii) the issue of any proceedings challenging or seeking to challenge the power of the Company and/or its Directors to issue the C Shares with

the rights proposed to be attached to them and/or to the persons to whom they are, and/or the terms upon which they are proposed to be, issued; or (iii) the giving of notice of any general meeting of the Company at which a resolution is to be proposed to wind up the Company, whichever shall happen earliest;

“**Issue**” means the issue of the C Shares pursuant to placing and offer for subscription as described in a prospectus of the Company dated 23 November 2007;

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

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

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

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

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

methods of calculation of C and D given in the definition of Conversion Ratio, which amount shall be applied amongst the C shareholders *pro rata* according to the nominal capital paid up on their holdings of C Shares. For the purposes of this paragraph 3(a) the Calculation Date shall be such date as the liquidator may determine; and

- (b) the surplus capital and assets of the Company shall on a winding-up or on a return of capital (otherwise than on a purchase by the Company of any of its shares) at a time when no C Shares are for the time being in issue be applied as follows:
 - (i) first, if there are Deferred Shares in issue, in paying to the deferred shareholders 1p in aggregate in respect of every one million Deferred Shares (or part thereof) of which they are respectively the holders; and
 - (ii) secondly, the surplus shall be divided amongst the ordinary shareholders *pro rata* according to the nominal capital paid up on their holdings of Ordinary Shares.

4 As regards voting:

- (a) The C Shares shall carry the right to receive notice of and to attend and vote at any annual and/or special general meeting of the Company. The voting rights of holders of C Shares will be the same as those applying to holders of Existing Ordinary Shares as set out in the Bye-laws as if the C Shares and Existing Ordinary Shares were a single class.
- (b) The Deferred Shares shall not carry any right to receive notice of nor to attend or vote at any general meeting of the Company.

5 The following shall apply to the Deferred Shares:

- (a) the C Shares shall be issued on such terms that the Deferred Shares arising upon Conversion (but not the Ordinary Shares arising on Conversion) may be repurchased by the Company in accordance with the terms set out herein;
- (b) immediately upon Conversion, the Company shall repurchase all of the Deferred Shares which arise as a result of the Conversion for an aggregate consideration of 1p for every 1,000,000 Deferred Shares and the announcement referred to in paragraph 8(b) below shall be deemed to constitute notice to each C shareholder (and any person or persons having rights to acquire or acquiring C Shares on or after the Calculation Date) that the Deferred Shares shall be repurchased immediately upon Conversion for an aggregate consideration of 1p for each holding of 1,000,000 Deferred Shares. On repurchase, each Deferred Share shall be treated as cancelled and the resulting authorised but unissued share capital shall *ipso facto* be reclassified and redesignated as Ordinary Shares without further resolution or consent; and
- (c) the Company shall not be obliged to: (a) issue share certificates to the deferred shareholders in respect of the Deferred Shares; or (b) account to any deferred shareholder for the repurchase of monies in respect of such Deferred Shares.

6 Without prejudice to the generality of the Bye-laws, for so long as any C Shares are for the time being in issue it shall be a special right attaching to the Existing Ordinary Shares as a class and to the C Shares as a separate class that without the sanction or consent of such holders given in accordance with the Company's Bye-laws:

- (a) no alteration shall be made to the Bye-laws of the Company;
- (b) no allotment or issue will be made of any security convertible into or carrying a right to subscribe for any share capital of the Company other than the allotment and issue of further C Shares and the issue of the Subscription Shares pursuant to the Issue; and
- (c) no resolution of the Company shall be passed to wind up the Company.

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

- (a) the issue of further Ordinary Shares ranking *pari passu* in all respects with the Existing Ordinary Shares, whether pursuant to the exercise of the Warrants, the Subscription Shares or otherwise; or
- (b) the issue of a separate class of conversion shares.

7 For so long as the C Shares are in issue, until Conversion of such C Shares and without prejudice to its obligations under applicable laws the Company shall:

- (a) procure that the Company's records, and bank and custody accounts shall be operated so that the assets attributable to the C Shares can, at all times, be separately identified and, in particular but without prejudice to the generality of the foregoing, the Company shall, without prejudice to any obligations pursuant to applicable laws, procure that separate cash accounts, broker settlement accounts and investment ledger accounts shall be created and maintained in the books of the Company for the assets attributable to the C Shares;
- (b) allocate to the assets attributable to the C Shares such proportion of the income, expenses and liabilities of the Company incurred or accrued between the date on which the Company first receives the Net Proceeds and the Calculation Date relating to the C Shares (both dates inclusive) as the Directors fairly consider to be attributable to the C Shares (including any accrual for any performance fee payable to the Investment Manager in respect of the investments attributable to the C Shares); and
- (c) give appropriate instructions to the Investment Manager to manage the Company's assets so that such undertakings can be complied with by the Company.

8 The C Shares for the time being in issue shall be sub-divided and converted into Ordinary Shares and Deferred Shares on the Conversion Date in accordance with the following provisions of this paragraph 8:

- (a) The Directors shall procure that within 10 Business Days of the Calculation Date:
 - (i) the Conversion Ratio as at the Calculation Date and the numbers of Ordinary Shares and Deferred Shares to which each C shareholder shall be entitled on Conversion shall be calculated; and
 - (ii) the Auditors shall be requested to confirm that such calculations as have been made by the Company have, in their opinion, been performed in accordance with the Bye-laws and are arithmetically accurate whereupon such calculations shall become final and binding on the Company and all holders of the Company's shares and any other securities issued by the Company which are convertible into the Company's shares, subject to the proviso immediately after the definition of "H" in paragraph 1 above.
- (b) The Directors shall procure that, as soon as practicable following such confirmation and in any event within 10 Business Days of the Calculation Date, an announcement is made through a regulatory information service stating the Conversion Date, the Conversion Ratio and the numbers of Ordinary Shares and Deferred Shares to which such C shareholder will be entitled on Conversion.
- (c) On conversion each issued C Share shall automatically sub-divide into 5 conversion shares of 10p each and such conversion shares of 10p each shall automatically convert into such number of Ordinary Shares and Deferred Shares as shall be necessary to ensure that, upon such Conversion being completed:
 - (i) the aggregate number of Ordinary Shares into which the same number of conversion shares of 10p each are converted equals the number of C Shares in issue on the

Calculation Date multiplied by the Conversion Ratio (rounded down to the nearest whole Ordinary Share); and

- (ii) each conversion share of 10p which does not so convert into an Ordinary Share shall convert into one Deferred Share.
- (d) The Ordinary Shares and Deferred Shares arising upon Conversion shall be divided amongst the former C shareholders *pro rata* according to their respective former holdings of C Shares (provided always that the Directors may deal in such manner as they think fit with fractional entitlements to Ordinary Shares and Deferred Shares arising upon Conversion including, without prejudice to the generality of the foregoing, selling any Ordinary Shares representing such fractional entitlements and retaining the proceeds for the benefit of the Company).
- (e) Forthwith upon Conversion, the share certificates relating to the C Shares shall be cancelled and the Company shall issue to each former C shareholder new certificates in respect of the Ordinary Shares which have arisen upon Conversion to which he or she is entitled. Share certificates in respect of the Deferred Shares will not be issued.
- (f) On Conversion each unissued C Share shall automatically sub-divide and convert into Ordinary Shares of 10p each.
- (g) The Directors may make such adjustments to the terms and timing of Conversion as they in their discretion consider are fair and reasonable having regard to the interests of all Shareholders.

PART 5

SUMMARY OF THE SUBSCRIPTION SHARE RIGHTS AND THE S SHARE RIGHTS

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

As set out below, the Subscription Shares will not carry the right to subscribe for C Shares except in the event of a takeover offer for the Company or on the making of an order or passing of a resolution for the Company's winding up prior to the Calculation Date. On the Conversion Date, the Subscription Shares will undergo a conversion process and will convert into S Shares and Deferred Subscription Shares so as to ensure that the number of S Shares in issue following the Conversion Date will be at a ratio to the number of Ordinary Shares arising on Conversion of the C Shares that is equal to the ratio of the Warrants to the Ordinary Shares immediately prior to Conversion. Fractional entitlements will be rounded down and will be cancelled.

1 Definitions and interpretation

In this Part 5 the following expressions have the following meanings, except where the context otherwise requires:

“AIM”	the market of that name regulated by the London Stock Exchange plc
“Auditors”	the auditors for the time being of the Company
“BSX”	the Bermuda Stock Exchange
“Bye-laws”	the bye-laws of the Company proposed to be adopted by the passing of the resolution numbered 4 at the Special General Meeting
“Conversion”	the conversion of the Subscription Shares into S Shares and Deferred Subscription Shares in accordance with paragraph 9 below
“CISX”	the Channel Islands Stock Exchange, LBG
“Deferred Subscription Share”	a deferred subscription share of 0.001p in the capital of the Company arising on Conversion
“Directors”	the directors for the time being of the Company
“special resolution”	a resolution passed at a meeting of the holders of the Subscription Shares 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
“Ordinary Shares”	ordinary shares of 10p each (or of such other nominal amount as may be adjusted as described in paragraph 3 below) in the capital of the Company
“Prospectus”	the prospectus of the Company published on 23 November 2007
“Registrar”	the registrar for the time being of the Company
“S Share”	an S share of 0.001p in the capital of the Company arising on Conversion

“subscription date”	31 July (or, if such day is not a business day, the next following business day) in any of the years 2008 to 2010 (both inclusive) (or, if later, on the thirtieth day after the date on which copies of the audited accounts of the Company for the immediately preceding financial year are dispatched to shareholders) and 31 January (or, if such day is not a business day, the next following business day) in the years 2009 to 2010 (or, if later, on the thirtieth day after the date on which copies of the interim accounts of the Company for the immediately preceding interim period are dispatched to shareholders)
“subscription price”	the price of 100p 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
“Subscription Share”	a subscription share of 0.005p each in the capital of the Company
“S Share Conversion Ratio”	a ratio equal to $\frac{(A * B * C)}{D}$
	where:
	“A” is equal to the number of C Shares issued pursuant to the Issue described in the Prospectus
	“B” is equal to the Conversion Ratio as defined in Part 4 of the Prospectus
	“C” is equal to the number of Warrants outstanding on the Calculation Date (as defined in Part 4 of the Prospectus) divided by the number of Ordinary Shares in issue on the Calculation Date
	“D” is equal to the number of Subscription Shares issued pursuant to the Issue described in the Prospectus
“S Shareholder”	a holder of S Shares

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

2 Subscription rights

- (a) An S Shareholder 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 S Shares 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 S Share relates is (prior to any adjustment as provided in paragraph 3 below) one Ordinary Share. The subscription price, the number of S Shares outstanding and the number and/or nominal value of the Ordinary Shares to be subscribed upon exercise of the subscription rights shall be subject to adjustment as provided in paragraph 3 below. Where S Shares are held in certificated form, the S Shares registered in a S Shareholder’s name will be evidenced by a share certificate issued by the Company.

- (b) In order to exercise the subscription rights, in whole or in part, an S Shareholder must, unless the Directors may in their absolute discretion determine otherwise, lodge the relevant share certificate(s) (or such other document(s) as the Board may, in its absolute discretion, accept) at the office of the Registrar during the period of 28 days ending at 3.30 p.m. (London time) 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 S Shareholders reminding them of their subscription rights. Failure by any S Shareholder to receive such notice shall not prejudice his rights, nor those of any other S Shareholder, to subscribe for Ordinary Shares pursuant to the subscription rights attaching to their S Shares.
- (d) Unless the Directors otherwise determine, the Ordinary Shares arising on exercise of the S Shares 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 S Shares that were in certificated form on the subscription date concerned, certificates in respect of such Ordinary Shares will be issued free of charge and despatched (at the risk of the person(s) entitled thereto) not later than 28 days after the relevant subscription date to the person(s) in whose name(s) the S Shares 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 S Share certificate, the Company shall at the same time issue a fresh share certificate in the name of the S Shareholder for any balance of S Shares with subscription rights remaining exercisable.
- (e) No fractions of an Ordinary Share will be issued on the exercise of any subscription rights, provided that if the subscription rights attaching to more than one S Share are 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 subscription rights and whether a (and, if so, what) fraction of an Ordinary Share arises, the number of Ordinary Shares arising on the exercise of the subscription rights attaching to each S Share (including for this purpose fractions) shall first be aggregated. Any fractions of Ordinary Shares arising on the exercise of the subscription rights attaching to S Shares 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 S Shareholders entitled thereto in proportion to the fractions arising on exercise of the subscription rights attaching to their S Shares, save that amounts of less than £3.00 will be retained for the benefit of the Company.
- (f) Ordinary Shares allotted pursuant to the exercise of subscription rights will not rank for any dividends or other distributions declared, paid or made on the Ordinary Shares by reference to a record date prior to the relevant subscription date but, subject thereto, will rank in full for all dividends and other distributions declared, paid or made on the Ordinary Shares and otherwise will rank *pari passu* in all other respects with Ordinary Shares in issue at the subscription date, provided that on any allotment falling to be made pursuant to paragraph 4(f) below, the Ordinary Shares to be allotted shall not rank for any dividend or other distribution declared, paid or made by reference to a record date prior to the date of actual allotment.
- (g) For so long as the Company's ordinary share capital is listed on AIM, the BSX and the CISX, it is the intention of the Company to apply to AIM, the BSX and the CISX for the Ordinary Shares allotted pursuant to any exercise of subscription rights to be admitted to AIM, the BSX and the

CISX 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 S Shares otherwise repurchased or redeemed in respect of 75 per cent. or more of the Ordinary Shares to which the S Shares created on Conversion relate, the Company shall be entitled within 14 days thereafter to serve notice in writing on the holders of the S Shares 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 S Shares so outstanding a final opportunity to exercise their subscription rights by completing the notice of exercise of subscription rights on their share 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 S Shares), all rights attaching to such S Shares shall lapse on the expiry of such period of 14 days and all the S Shares shall be redesignated as Deferred Subscription Shares and repurchased by the Company.
- (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 S Shares), all rights attaching to such S Shares shall lapse at the expiry of the period of 14 days following the final subscription date and all the S Shares shall be redesignated as Deferred Subscription Shares and repurchased by the Company.
- (j) The trustee referred to in paragraphs 2(h) and (i) above shall have no liability of any nature whatsoever where he has acted honestly and reasonably and shall have no responsibility for the safe custody of, or to earn any interest on, any unpaid or unclaimed money.
- (k) The Subscription Shares, the S Shares and the Ordinary Shares issuable on exercise of the subscription rights have not been and will not be registered under the US Securities Act of 1933, as amended (the “Securities Act”) or with any securities regulatory authority of any state or other jurisdiction in the United States and the Company has not been and will not be registered under the US Investment Company Act of 1940, as amended (the “Investment Company Act”). Each

share certificate will bear a legend to the effect that the Subscription Shares, S Shares and the Ordinary Shares to be issued upon the exercise of the subscription rights have not been and will not be so registered, and that the subscription rights attaching to the Subscription Shares and the S Shares may not be exercised for cash in the US unless the Subscription Shares and S Shares are registered under the Securities Act or an exemption from such registration requirements is available. Accordingly, if a subscription right attaching to a S Share is exercised for cash the exercise notice is required to contain, among other things, a representation and warranty by the person exercising the subscription right 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 subscription right 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.

- (l) The exercise of the subscription rights attaching to such S Shares as are due to be exercised as aforesaid on any subscription date (in this paragraph 2 such S Shares being referred to as the “Relevant Shares”) shall be effected in accordance with the following provisions of this paragraph 2 or in such other manner as may be authorised by law.
- (m) To enable the subscription rights to be exercised, the Directors may elect to redeem at par the Relevant Shares on any subscription date out of the funds of the Company which would otherwise be available for dividend or distribution. A Relevant Share shall (in the event that the Directors determine to redeem the same at par out of such funds as aforesaid), confer upon the holder thereof the right to subscribe for the appropriate number of Ordinary Shares at the applicable subscription price plus a premium equal to the redemption moneys to which the holder is entitled; in any such case, the notice of exercise of subscription rights given by a holder of Relevant Shares shall be deemed irrevocably to authorise and instruct the Directors to apply the redemption moneys payable to him in subscribing for such Ordinary Shares at such premium as aforesaid.
- (n) To enable the exercise of subscription rights to be effected, the Directors may subject as herein provided determine to redeem the Relevant Shares on any subscription date at par out of the proceeds of a fresh issue of Ordinary Shares made for the purposes of the redemption. A Relevant Share (in the event that Directors elect to redeem out of the proceeds of a fresh issue as aforesaid) shall confer on the holder thereof the right to subscribe and shall authorise the secretary of the Company (or any other person appointed for the purpose by the Directors) to subscribe as agent on the holder’s behalf for the appropriate number of Ordinary Shares at the applicable subscription price plus a premium equal to the amount of the redemption monies to which the holder is so entitled; in any such case, the notice of subscription rights given by a holder of the Relevant Shares shall be deemed irrevocably to authorise and instruct the aforementioned agent to apply the redemption monies payable to him in subscribing for such Ordinary Shares at such premium as aforesaid.
- (o) The Directors may determine to effect exercise of subscription rights by means of consolidation and sub-division. In such case the requisite consolidation and sub-division shall be effected pursuant to the authority given by the resolution adopting the new Bye-laws that incorporate this paragraph by consolidating into one share all the Relevant Shares held by any holder or joint holders and in respect of which a notice of the exercise of subscription rights shall have been given in respect of the relevant subscription date (treating holdings of the same holders or joint holders in certificated and uncertificated form as separate holdings, unless the Directors otherwise determine) and, if the Directors so determine, any shares allotted to such holder or joint holder pursuant to paragraph 2(p) below and converting (and, if necessary, sub-dividing) such consolidated share into shares of 10p each (or such other nominal amount as may be appropriate as a result of any consolidation or sub-division of Ordinary Shares) of which one share for every complete 10p of the nominal amount of the consolidated share (or such other number of shares as may be appropriate as a result of any adjustment pursuant to the provisions of paragraph 3 below) shall be Ordinary Shares (and so in proportion for any other nominal amount of the

consolidated share, fractional entitlements to an Ordinary Share being disregarded) and the balance (if any) of such shares shall be redesignated as Deferred Subscription Shares.

- (p) Notwithstanding any other provision of the Bye-laws, to enable the exercise of subscription rights to be effected the Directors shall, and are hereby authorised to, capitalise any part of the amount then standing to the credit of any of the Company's reserve accounts (whether or not the same would lawfully be distributable by way of cash dividend) or to the credit of the share premium account, capital redemption reserve, profit and loss account or otherwise available for the purpose and the same shall be applied in paying up in full at par the shares created and to be issued pursuant to the preceding paragraphs above (or such of those shares as shall not have been created and issued pursuant to such paragraphs) to be allotted and issued, credited as fully paid, to and amongst the holders of the S Shares exercising their subscription rights in accordance with their respective entitlements.

3 Adjustments of subscription rights

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

- (a) If and whenever there shall be an alteration in the nominal amount of the Ordinary Shares as a result of a consolidation or sub-division, the subscription price in force immediately prior to such alteration shall be adjusted by multiplying it by a fraction of which the numerator shall be the nominal amount of one such Ordinary Share immediately after such alteration and the denominator shall be the nominal amount of one such Ordinary Share immediately prior to such alteration, and such adjustment shall become effective on the date the alteration takes effect.
- (b) If and whenever the Company shall allot to holders of Ordinary Shares any Ordinary Shares credited as fully paid by way of capitalisation of reserves or profits (other than Ordinary Shares paid up out of distributable reserves and issued in lieu of a cash dividend), the subscription price in force immediately prior to such allotment shall be adjusted by multiplying it by a fraction of which the numerator shall be the aggregate nominal amount of the issued Ordinary Shares immediately before such alteration and the denominator shall be the aggregate nominal amount of the issued and allotted Ordinary Shares immediately after such allotment, and such adjustment shall become effective as at the date of allotment of such Ordinary Shares.
- (c) If on a date (or by reference to a record date) before the expiry of 14 days from the final subscription date, the Company makes any offer or invitation to the holders of the Ordinary Shares (whether by way of rights issue or otherwise or an offer made in connection with scrip dividend arrangements), or any offer or invitation (not being an offer to which paragraph 4(f) below applies) is made to such holders otherwise than by the Company, then the Company shall not be required to procure that the same offer or invitation is made to the then holders of the S Shares 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 on AIM (or the other principal market on which the Ordinary Shares are traded) 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 additional S Shares, credited as fully paid to each holder of S Shares at the same time as such adjustment takes effect. The number of additional S Shares to which a holder of S Shares will be entitled shall be the number of existing S Shares 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 S Shares will not be allotted to holders of S Shares but all such fractions will be aggregated and, if practicable, sold in the market. The net proceeds will be paid to the holders of S Shares 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.

- (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 S Shareholder is entitled to subscribe will be reduced accordingly.
- (g) The Company shall give notice to S Shareholders within 28 days of any adjustment made pursuant to paragraphs 3(a) to (f) above and, if appropriate, within such period dispatch share certificates (at the risk of the persons entitled thereto) to the S Shareholders in respect of any additional S Shares.
- (h) If an S Shareholder shall become entitled to exercise his subscription rights pursuant to paragraph 4(f) below, the subscription price payable on such exercise (but not otherwise) shall be reduced by an amount determined by the Auditors to be fair in accordance with the following formula:

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

where:

A = the reduction in the subscription price;

B = the subscription price which would, but for the provisions of this paragraph 3(h), be applicable (subject to any adjustments previously made pursuant to paragraphs 3(a) to (f) above) if the subscription rights were exercisable on the date on which the Company shall become aware as provided in paragraph 4(f) below;

C = the average of the middle market quotations for one S Share on AIM (or the other principal market on which the S Shares are for the time being traded) for the 10 consecutive dealing days ending on the dealing day immediately preceding the date of the announcement of the

offer referred to in paragraph 4(f) below (or, where such offer is a revised offer, the original offer) or, if applicable and earlier, the date of the first announcement of the intention to make such offer or original offer or of the possibility of the same being made; and

D = the average of the middle market quotations for one Ordinary Share on AIM (or the other principal market on which the Ordinary Shares are for the time being traded) for the 10 consecutive dealing days referred to in the definition of C above,

provided that:

- (i) the subscription price shall not be reduced so as to cause the Company to be obliged to issue Ordinary Shares at a discount to nominal value and, if the application of the above formula would in the absence of this sub-paragraph 3(h)(i), have reduced the subscription price to below the nominal value of an Ordinary Share, the number of Ordinary Shares to be subscribed pursuant to paragraph 4(f) below shall be adjusted in such manner as the Auditors shall report to be appropriate to achieve the same economic result for the holders of the S Shares 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 S Shares, of the time value of money in such manner as the Directors shall determine, subject to the Auditors having reported that in their opinion, in all the circumstances, such adjustment is fair and reasonable.

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

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

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

where:

A = the reduction in the subscription price;

B = the subscription price which would, but for the provisions of this paragraph 3(i), be applicable (subject to any adjustments previously made pursuant to paragraphs 3(a) to (f) above) if the subscription rights were exercisable immediately before the date on which the order referred to in paragraph 4(h) below shall be made or on which the effective resolution referred to in that paragraph shall be passed (as the case may be);

C = the average of the middle market quotations for one S Share on AIM (or the other principal market on which the S Shares are for the time being traded) 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 a special 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 pursuant to paragraph 2(p); 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 S Shares any such offer or invitation as may be made by a third party);
- (b) the Company shall not (except with the sanction of a special resolution of the S Shareholders) 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 a special resolution, the Company shall not grant (or offer or agree to grant) any option in respect of, or create any rights of subscription for, or issue any loan capital carrying rights of conversion

into, Ordinary Shares if the price per Ordinary Share at which any such option or right is exercisable, or into which such loan capital is convertible, is lower than the subscription price for the time being;

- (f) subject as provided in paragraph 4(g) below, if at any time an offer is made to all holders of Ordinary Shares (or all such holders other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with the offeror) to acquire the whole or any part of the issued ordinary share capital of the Company and the Company becomes aware on or before the final subscription date that as a result of such offer (or as a result of such offer and any other offer made by the offeror) the right to cast a majority of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or such companies or persons as aforesaid, the Company shall give notice to the holders of the S Shares 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 July 2008, the S Shares shall, subject to paragraph 4(i), nevertheless be deemed to be exercisable during all of that period for the purposes of this paragraph 4(f) and if any part of such period falls after 31 July 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(f) above the consideration shall consist solely of the issue of ordinary shares of the offeror and the offeror shall make available an offer of warrants or other rights to subscribe for ordinary shares in the offeror in exchange for the S Shares, 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 S Shares shall not have the right to exercise his subscription rights on the basis referred to in paragraph 4(f) above and, subject to the offer as referred to in paragraph 4(f) above becoming or being declared wholly unconditional and the offeror being in a position to acquire compulsorily the whole of the then issued ordinary share capital of the Company not already owned by it, and/or any company controlled by it and/or any persons acting in concert with it, any Director of the Company shall be irrevocably authorised as attorney for the holders of the S Shares who have not accepted the offer of warrants or other rights to subscribe for ordinary shares in the offeror in exchange for the S Shares:
 - (i) to execute a transfer thereof in favour of the offeror in consideration of the issue of warrants or other rights to subscribe for ordinary shares in the offeror as aforesaid, whereupon all the subscription rights attaching to the S Shares shall lapse and all issued S Shares shall be redesignated as Deferred Subscription Shares having the rights set out in paragraph 10 below; and
 - (ii) to do all such acts and things as may be necessary or appropriate in connection therewith;
- (h) if an order is made or an effective resolution is passed for winding up the Company (except for the purpose of reconstruction, amalgamation or unitisation on terms sanctioned by a special resolution) each holder of a S Share 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 the subscription rights attaching to the S Shares shall lapse on winding up of the Company and all issued S Shares shall be redesignated as Deferred Subscription Shares having the rights set out in paragraph 10 below; and

- (i) Notwithstanding any other provisions in the Company's Bye-laws, if any of the circumstances set out in paragraphs 4(f) to (h) occur at a time prior to the Conversion Date (as such term is defined in the Prospectus) the Subscription Shares shall be treated as having subscription rights to subscribe for C Shares (as defined in the Prospectus) at a price of 100 pence per C Share for every Subscription Share held, or such adjusted price as may be determined from time to time in accordance with the provisions of paragraph 3 above (as if references in paragraph 3 to Ordinary Shares were references to C Shares).

Notwithstanding the above provisions of this paragraph 4, a qualifying "C" share issue (as defined below) shall not constitute an alteration or abrogation of the rights attached to the S Shares or the Subscription Shares (and shall not require the sanction of a special 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 or subscription shares or securities having similar subscription rights (whether on the same terms and conditions as the Subscription Shares, the S Shares or otherwise) and any matters reasonably incidental to the process by which such securities are converted into Ordinary 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 Subscription Shares or the S Shares and all or any of the Bye-laws relating to the Subscription Shares and S Shares may from time to time (whether or not the Company is being wound up) be altered or abrogated with the sanction of a special resolution. All the provisions of the Bye-laws for the time being of the Company as to general meetings shall apply *mutatis mutandis* to the Subscription Shares and the S Shares as 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 Subscription Shareholders or S Shareholders (present in person or by proxy) entitled to subscribe one-third in nominal amount of the C Shares or the Ordinary Shares, as applicable, attributable to such outstanding Subscription Shares or S Shares;
- (b) every holder of a Subscription Share or S Share 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 or C Share, as applicable, for which he is entitled to subscribe;
- (c) any holder of a Subscription Share or S Share 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 Subscription Shares or S Shares then present in person or by proxy shall be a quorum.

6 Purchase

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

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

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

7 Transfer

Each Subscription Share and S Share 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) Without prejudice to paragraph 5 above, the Subscription Shares, S Shares and Deferred Subscription Shares shall not carry any right to receive notice of, nor to attend and vote at, any general meeting of the Company.
- (b) The Company will, concurrently with the issue of the same to the holders of the Ordinary Shares, send to each holder of a Subscription Share or a S Share (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.
- (c) Subject as otherwise provided in the Bye-law relating to the Subscription Shares and the S Shares (as described in this Part 5), 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 Subscription Shares and S Shares as if they were Ordinary Shares.
- (d) Any determination or adjustment made pursuant to these Bye-laws 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 Subscription Shares or S Shares.
- (e) Any reference in these terms and conditions to a statutory provision shall include that provision as from time to time modified or re-enacted.

9 Conversion and redesignation on the Conversion Date

Defined terms used in this paragraph 9 and not otherwise defined in this Part 5 bear the meanings given to them in Part 4 of the Prospectus.

The Subscription Shares for the time being in issue shall be sub-divided and converted into S Shares and Deferred Subscription Shares on the Conversion Date in accordance with the following provisions of this paragraph 9:

- (a) The Directors shall procure that within 10 Business Days of the Calculation Date:
 - (i) the S Share Conversion Ratio as at the Calculation Date and the numbers of S Shares and Deferred Subscription Shares to which each Subscription Shareholder shall be entitled on Conversion shall be calculated; and
 - (ii) the Auditors shall be requested to confirm that such calculations as have been made by the Company have, in their opinion, been performed in accordance with the Bye-laws and are

arithmetically accurate whereupon such calculations shall become final and binding on the Company and all holders of the Company's shares and any other securities issued by the Company which are convertible into the Company's shares, subject to the proviso immediately after the definition of "H" in paragraph 1 of Part 4 of the Prospectus.

- (b) The Directors shall procure that, as soon as practicable following such confirmation and in any event within 10 Business Days of the Calculation Date, an announcement is made through a regulatory information service stating the Conversion Date, the S Share Conversion Ratio and the numbers of S Shares and Deferred Subscription Shares to which such Subscription Shareholder will be entitled on Conversion.
- (c) On Conversion each Subscription Share shall automatically sub-divide into 5 conversion shares of 0.001p each and such conversion shares of 0.001p each shall automatically convert into such number of S Shares and Deferred Subscription Shares as shall be necessary to ensure that, upon such Conversion being completed:
 - (i) the aggregate number of S Shares into which the same number of conversion shares of 0.001p each are converted equals the number of Subscription Shares in issue on the Calculation Date multiplied by the S Share Conversion Ratio (rounded down to the nearest whole S Share); and
 - (ii) each conversion share of 0.001p which does not so convert into an S Share shall convert into one Deferred Subscription Share.
- (d) The S Shares and Deferred Subscription Shares arising upon Conversion shall be divided amongst the former Subscription Shareholders *pro rata* according to their respective former holdings of Subscription Shares (provided always that the Directors may deal in such manner as they think fit with fractional entitlements to S Shares and Deferred Subscription Shares arising upon Conversion including, without prejudice to the generality of the foregoing, selling any S Shares representing such fractional entitlements and retaining the proceeds for the benefit of the Company).
- (e) Forthwith upon Conversion, the share certificates relating to the Subscription Shares shall be cancelled and the Company shall issue to each former Subscription Shareholder new certificates in respect of the S Shares which have arisen upon Conversion to which he or she is entitled. Share certificates in respect of the Deferred Subscription Shares will not be issued.
- (f) On Conversion each unissued Subscription Share shall automatically sub-divide and convert into 5 Deferred Subscription Shares and all such Deferred Subscription Shares shall automatically consolidate and convert into Ordinary Shares of 10p each without further resolution or consent.
- (g) The Directors may make such adjustments to the terms and timing of Conversion as they in their discretion consider are fair and reasonable having regard to the interests of all Shareholders.

10 The following shall apply to the Deferred Subscription Shares

- (a) The Subscription Shares shall be issued on such terms that the Deferred Subscription Shares arising upon Conversion (but not the S Shares arising on Conversion) and any other Deferred Subscription Shares that may arise at any time may be repurchased by the Company in accordance with the terms set out herein;
- (b) immediately upon Conversion, the Company shall repurchase all of the Deferred Subscription Shares which arise as a result of the Conversion for an aggregate consideration of 1p for every 1,000,000 Deferred Subscription Shares and the notice referred to in paragraph 9(b) above shall be deemed to constitute notice to each Subscription Shareholder (and any person or persons having rights to acquire or acquiring Subscription Shares on or after the Calculation Date) that the Deferred Subscription Shares shall be repurchased immediately upon Conversion for an aggregate consideration of 1p for each holding of 1,000,000 Deferred Subscription Shares. On repurchase, each Deferred Subscription Share shall be treated as cancelled and the resulting authorised but unissued share capital shall ipso facto be reclassified and redesignated as Ordinary Shares without further resolution or consent;

- (c) the Company shall not be obliged to: (a) issue share certificates to the holders of Deferred Subscription Shares in respect of their Deferred Subscription Shares; or (b) account to any such holder for the repurchase monies in respect of such Deferred Subscription Shares;
- (d) the Deferred Subscription Shares shall on a return of assets in a winding-up entitle the holder only to the repayment of the amounts paid up on such shares after repayment of the capital paid up on the Ordinary Shares plus the payment of £5,000 on each Ordinary Share and shall not entitle the holder to the payment of any dividend nor to receive notice of or to attend or vote at any general meeting of the Company and such conversion shall be deemed to confer irrevocable authority on the Company at any time thereafter to appoint any person to execute on behalf of the holders of such shares a transfer thereof and/or an agreement to transfer the same, without making any payment to the holders thereof, to such person as the Company may determine as custodian thereof and to cancel and/or purchase the same (in accordance with the provisions of Bermuda law) without making any payment to or obtaining the sanction of the holder thereof and pending such transfer and/or cancellation and/or purchase to retain the certificate for such shares; and
- (e) following Conversion and the repurchase of all the Deferred Subscription Shares in accordance with the foregoing provisions of this paragraph 10, all of the unissued Deferred Subscription Shares will be consolidated into Ordinary Shares of 10p each without any further resolution or consent.

PART 6
FINANCIAL INFORMATION
PART 6A

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION

The following is the full text of a report by Grant Thornton UK LLP, the reporting accountants to the Company.

Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YU

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

23 November 2007

Dear Sirs

Utilico Emerging Markets Limited

We report on the financial information set out in Part 6B. This financial information has been prepared for inclusion in the prospectus relating to Placing and Offer for Subscription of up to 100 million C Shares dated 23 November 2007 of Utilico Emerging Markets Limited (the Prospectus) on the basis of the accounting policies set out in Note 1 of the financial information.

Responsibilities

This report is required by item 20.1 of Annex 1 to the PD Regulation and is given for the purpose of complying with that regulation and for no other purpose.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex 1 to the PD Regulation, consenting to its inclusion in the Prospectus.

The Directors of Utilico Emerging Markets Limited are responsible for preparing the financial information on the basis of preparation set out in Note 1 to the financial information and in accordance with International Financial Reporting Standards.

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

Basis Of Opinion

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

the significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion, the financial information gives, for the purposes of the Prospectus dated 23 November 2007, a true and fair view of the state of affairs of Utilico Emerging Markets Limited as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in Note 1 to the financial information and in accordance with International Financial Reporting Standards.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex 1 of the PD Regulation.

Yours faithfully

GRANT THORNTON UK LLP

PART 6B

FINANCIAL INFORMATION FOR THE TWO ACCOUNTING PERIODS ENDING 31 MARCH 2007

This financial information, which shows the performance of the Company from its inception on 9 June 2005, has been extracted without material adjustment from the audited financial statements for the period from 9 June 2005 to 31 March 2006 and for the year to 31 March 2007.

Income Statement

Notes	Year to 31 March 2007			Period from 9 June 2005 to 31 March 2006*			
	Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s	
10	Gains and losses on investments	–	58,094	58,094	–	17,057	17,057
12	Gains and losses on derivative financial instruments	–	2,450	2,450	–	(18)	(18)
	Exchange gains and losses	–	1,830	1,830	1	(234)	(233)
2	Investment and other income	8,457	–	8,457	2,073	–	2,073
	Total income	8,457	62,374	70,831	2,074	16,805	18,879
3	Management and administration fees	(1,275)	(7,102)	(8,377)	(431)	(2,141)	(2,572)
4	Other expenses	(709)	(77)	(786)	(290)	(30)	(320)
	Profit before finance costs and taxation	6,473	55,195	61,668	1,353	14,634	15,987
6	Finance costs	(1,417)	–	(1,417)	(81)	–	(81)
	Profit before taxation	5,056	55,195	60,251	1,272	14,634	15,906
7	Taxation	(488)	(2,421)	(2,909)	(57)	–	(57)
	Profit for the period	4,568	52,774	57,342	1,215	14,634	15,849
8	Earnings per share (basic) – pence	2.96	34.19	37.15	1.62	19.50	21.12
8	Earnings per share (diluted) – pence	2.87	33.14	36.01	1.59	19.15	20.74

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

All income is attributable to the equity holders of the Company.

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

Statement of Changes in Equity

for the year to 31 March 2007

	Notes	Ordinary share capital £'000s	Share premium account £'000s	Warrant reserve £'000s	Non- distributable reserve £'000s	Retained earnings Capital reserves £'000s	Revenue reserve £'000s	Total £'000s
Balance as at 31 March 2006		7,507	62,284	4,050	1	14,634	1,215	89,691
Profit for the year		–	–	–	–	52,774	4,568	57,342
Ordinary dividends paid	9	–	–	–	–	–	(4,418)	(4,418)
Issue of ordinary share capital and warrants		8,991	86,308	5,000	100	–	–	100,399
Cost of issuing ordinary share capital		–	(1,398)	–	–	–	–	(1,398)
Balance at 31 March 2007		<u>16,498</u>	<u>147,194</u>	<u>9,050</u>	<u>101</u>	<u>67,408</u>	<u>1,365</u>	<u>241,616</u>

for the period from 9 June 2005 to 31 March 2006

	Notes	Ordinary share capital £'000s	Share premium account £'000s	Warrant reserve £'000s	Non- distributable reserve £'000s	Retained earnings Capital reserves £'000s	Revenue reserve £'000s	Total £'000s
Profit for the period		–	–	–	–	14,634	1,215	15,849
Issue of ordinary share capital and warrants		7,507	63,514	4,050	1	–	–	75,073
Cost of issuing ordinary share capital		–	(1,230)	–	–	–	–	(1,231)
Balance at 31 March 2006		<u>7,507</u>	<u>62,284</u>	<u>4,050</u>	<u>1</u>	<u>14,634</u>	<u>1,215</u>	<u>89,691</u>

Balance Sheet

<i>Notes</i>	<i>31 March 2007</i>		<i>31 March 2006</i>	
	<i>£'000s</i>	<i>£'000s</i>	<i>£'000s</i>	<i>£'000s</i>
	Non current assets			
10	Investments	<u>273,708</u>		<u>108,056</u>
	Current assets			
11	Other receivables	2,229	780	
12	Derivative financial instruments	7,605	883	
	Cash and cash equivalents	<u>19,904</u>	<u>1,238</u>	
		<u>29,738</u>		<u>2,901</u>
	Current liabilities			
13	Bank loans	(20,000)	(17,528)	
14	Other payables	(14,335)	(3,575)	
12	Derivative financial instruments	<u>(482)</u>	<u>(163)</u>	
		<u>(34,817)</u>		<u>(21,266)</u>
	Net current liabilities	<u>(5,079)</u>		<u>(18,365)</u>
	Total assets less current liabilities	268,629		89,691
	Non-current liabilities			
15	Bank loans	(25,014)	–	
16	Deferred tax	<u>(1,999)</u>	<u>–</u>	
		<u>(27,013)</u>		<u>–</u>
	Net assets	<u>241,616</u>		<u>89,691</u>
	Equity attributable to equity holders			
18	Ordinary share capital	16,498	7,507	
19	Share premium account	147,194	62,284	
20	Warrant reserve	9,050	4,050	
21	Non-distributable reserve	101	1	
22	Capital reserves	67,408	14,634	
22	Revenue reserve	<u>1,365</u>	<u>1,215</u>	
	Total attributable to equity holders	<u>241,616</u>		<u>89,691</u>
23	Net asset value per ordinary share			
	Basic – pence	<u>146.45</u>		<u>119.48</u>
	Diluted – pence	<u>138.80</u>		<u>116.23</u>

Cash Flow Statement

<i>Notes</i>	<i>Year to 31</i>	<i>Period to 31</i>	
	<i>March 2007</i>	<i>March 2006</i>	
	<i>£'000s</i>	<i>£'000s</i>	
24	Cash flows from operating activities	<u>(105,201)</u>	<u>(67,324)</u>
	Cash flows before financing activities	<u>(105,201)</u>	<u>(67,324)</u>
	Financing activities		
9	Equity dividends paid	(4,418)	–
	Proceeds from borrowings	29,839	17,428
	Proceeds from warrants exercised	361	4
	Proceeds from issue of ordinary share capital	<u>98,608</u>	<u>51,264</u>
	Cash flows from financing activities	<u>124,390</u>	<u>68,696</u>
	Net increase in cash and cash equivalents	19,189	1,372
	Cash and cash equivalents at the beginning of the period	1,238	–
	Effect of movement in foreign exchange	<u>(523)</u>	<u>(134)</u>
	Cash and cash equivalents at the end of the period	<u>19,904</u>	<u>1,238</u>

Notes to the accounts

1. Accounting policies

The Company is an Investment Company incorporated in Bermuda on 9 June 2005 and quoted on the Alternative Investment Market in London with effect from 20 July 2005 (the date of commencement of trading).

(a) *Basis of accounting*

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

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

Where presentational recommendations set out in the revised Statement of Recommended Practice “Financial Statements of Investment Trust Companies” (“SORP”), issued in the UK by the Association of Investment Companies (“AIC”) in December 2005, do not conflict with the requirements of IFRS, the Directors have prepared the financial statements on a basis consistent with the recommendations of the SORP, in the belief that this will aid comparison with similar investment companies incorporated in the United Kingdom.

In accordance with the SORP, the Income Statement has been analysed between a Revenue Account (dealing with items of a revenue nature) and a Capital Account (relating to items of a capital nature). Revenue returns include, but are not limited to, dividend income and operating expenses and tax (insofar as they are not allocated to capital, as described in note 1(e) below). Net revenue returns are allocated via the revenue account to the Revenue Reserve, out of which dividends are paid.

Capital returns include, but are not limited to, realised and unrealised profits and losses on fixed asset investments and derivative instruments and on cash and borrowings. Net capital returns may not be distributed by way of a dividend and are allocated via the capital account to Capital Reserves.

Certain Standards and Interpretations to Standards have been issued, but are not yet effective and have not been early adopted by the Company. These Standards and Interpretations are not expected to have any significant impact on the Company’s financial statements, in their periods of initial application, except for the disclosures about financial instruments required by IFRS 7, Financial Instruments: Disclosures, and the additional disclosures about capital required by the amendment to IAS 1, Presentation of Financial Statements, when the relevant Standard and amendment come into effect for periods commencing on or after 1 January 2007.

In the process of applying the Company’s accounting policies, judgements relating to investments have had the most significant effect on the amounts recognised in the financial statements, and details of those judgements are set out in accounting policy (b).

The key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relate to the valuation of unlisted investments, details of which are set out in accounting policy (b).

(b) *Valuation of investments and derivative instruments*

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

Investments and derivative instruments used for efficient portfolio management that do not qualify for hedge accounting are classified as being at fair value through profit or loss. As the Company’s business is investing in financial assets with a view to profiting from their total return

in the form of dividends, interest or increases in fair value, its investments are designated as being at fair value through profit or loss on initial recognition. The Company manages and evaluates the performance of these investments and derivatives on a fair value basis in accordance with its investment strategy, and information about the Company is provided internally on this basis to the Company's Directors and key management personnel.

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

(c) ***Cash and cash equivalents***

Cash and cash equivalents in the balance sheet comprise cash at bank and short term deposits with an original maturity of three months or less.

(d) ***Foreign currency***

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

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

(e) ***Other income***

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

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

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

(f) ***Expenses***

All expenses are accounted for on an accruals basis. Expenses are charged through the income statement and allocated to the revenue column except those expenses incidental to the acquisition or disposal of investments and performance related management fees (calculated under the terms of the Investment Management Agreement) which are allocated to the capital account.

(g) ***Share-based payments***

Directors' fees, expensed in the income statement in the revenue column, are satisfied in ordinary shares. The number of shares to which each Director is entitled is the number of ordinary shares that, when valued at fully diluted net asset value per ordinary share, equates to the Director's fees due. The Company puts the relevant Director in funds for such purpose. Should the Directors be unable to procure the purchase of some or all of the shares in the market at or below the fully diluted net asset value per ordinary share, the funds are returned and the Company issues such new ordinary shares as is equivalent to any shortfall to each Director.

(h) **Finance costs**

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

(i) **Dividends payable**

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

(j) **Capital reserves**

The following items are accounted for through the Income Statement and then transferred to capital reserves:

Capital reserve – realised

- gains and losses on the realisation of investments and derivative instruments
- realised exchange differences of a capital nature
- expenses allocated in accordance with note 1(f)

Capital reserve – unrealised

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

(k) **Warrant reserve**

The imputed net proceeds on initial issue of warrants, based on the market value of the warrants on the first day of listing, are transferred out of share premium account to the warrant reserve. On exercise, or cancellation, the imputed net proceeds are transferred to a separate non-distributable reserve.

2. Investment and other income

	<i>Year to 31 March 2007 Revenue £'000s</i>	<i>Year to 31 March 2007 Capital £'000s</i>	<i>Year to 31 March 2007 Total £'000s</i>	<i>Period to 31 March 2006 Revenue £'000s</i>	<i>Period to 31 March 2006 Capital £'000s</i>	<i>Period to 31 March 2006 Total £'000s</i>
Investment income						
Overseas dividends	7,334	–	7,334	1,588	–	1,588
Overseas and UK interest	704	–	704	89	–	89
	<u>8,038</u>	<u>–</u>	<u>8,038</u>	<u>1,677</u>	<u>–</u>	<u>1,677</u>
Other income						
Interest on cash and short-term deposits	419	–	419	396	–	396
Total income	<u>8,457</u>	<u>–</u>	<u>8,457</u>	<u>2,073</u>	<u>–</u>	<u>2,073</u>
Income from investments comprises:						
Listed	7,610	–	7,610	1,640	–	1,640
Unlisted	428	–	428	37	–	37
	<u>8,038</u>	<u>–</u>	<u>8,038</u>	<u>1,677</u>	<u>–</u>	<u>1,677</u>

3. Management and administration fees

	<i>Year to 31 March 2007</i>			<i>Period to 31 March 2006</i>		
	<i>Revenue £'000s</i>	<i>Capital £'000s</i>	<i>Total £'000s</i>	<i>Revenue £'000s</i>	<i>Capital £'000s</i>	<i>Total £'000s</i>
Payable to:						
Ingot Capital Management Pty Limited (“ICM”) – management fee	1,055	–	1,055	284	–	284
ICM – performance fee in respect of relevant period	–	7,187	7,187	–	2,141	2,141
– performance fee adjustment in respect of prior period	–	(85)	(85)	–	–	–
F&C Management Limited – administration fee	220	–	220	147	–	147
	<u>1,275</u>	<u>7,102</u>	<u>8,377</u>	<u>431</u>	<u>2,141</u>	<u>2,572</u>

ICM provides investment management services for a fee of 0.5 per cent. of Gross Assets per annum, payable quarterly in arrears. The Agreement with ICM may be terminated upon six months notice.

In addition, ICM is entitled to a performance fee payable in respect of each financial period, equal to 15 per cent of the amount of any outperformance in that period by equity funds attributable to shareholders compared to 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. Half of the performance fee is payable in ordinary shares of the Company, based on the diluted NAV per share at the period end. In the event ICM is unable to purchase some or all of the ordinary shares in the market at or below the fully diluted NAV per share at the time of such purchase, the Company will issue sufficient shares to ICM based on the diluted net asset value per share as at 31 March 2007, to make up any shortfall.

F&C Management Limited (“FCM”) provides accounting, secretarial, dealing and administration services to the Company for a fixed fee of £235,000 per annum (prior to 1 October 2006: £205,000), payable monthly in arrears, and will be entitled to reimbursement of certain expenses incurred by it in connection with its duties. In respect of the period to 31 March 2007, FCM also received a £10,000 fee in respect of the issue of the “C” shares of the Company. The Agreement with FCM is terminable on three months’ notice in writing.

4. Other expenses

	<i>Year to 31 March 2007</i>			<i>Period to 31 March 2006</i>		
	<i>Revenue £'000s</i>	<i>Capital £'000s</i>	<i>Total £'000s</i>	<i>Revenue £'000s</i>	<i>Capital £'000s</i>	<i>Total £'000s</i>
Auditors’ remuneration:						
for audit services	17	–	17	18	–	18
for other services*	8	–	8	3	–	3
Directors’ fees:						
fees for services to the Company	116	–	116	71	–	71
Other expenses	568	77	645	198	30	228
	<u>709</u>	<u>77</u>	<u>786</u>	<u>290</u>	<u>30</u>	<u>320</u>

* Total Auditors’ remuneration for other services amounts to £46,000. £3,000 was in relation to review of interim accounts, £5,000 was taxation advice and £38,000 was charged to share premium account in connection with the share issue on 12 May 2006 (2006: Total Auditors’ remuneration for other services amounted to £23,000 of which £3,000 was charged to revenue account in relation to review of the interim results for the period ended 30 September 2005 and £20,000 was charged to the share premium account for work undertaken in respect of the Initial Public Offering of the Company).

5. Directors' remuneration contracts and share based payments

(a) *Remuneration*

The amounts paid by the Company to Mr Jillings of £20,000 (2006: £13,000), which was for services as an executive Director of the Company, and to the other Directors, which were for services as non-executive Directors, did not include any payments or rights to pensions.

In addition to the Directors' fees disclosed above, Mr Jillings is due 300,000 Ordinary Shares in the Company and £400,000 (2006: 107,545 Ordinary Shares in the Company and £125,000) from the Investment Manager for services provided in respect of the affairs of the Company in the period.

(b) *Share based payments*

On 18 October 2005, 23,011 ordinary shares were issued by the Company in order to satisfy Directors' fee payments in shares of £24,000 for the quarter ended 30 September 2005.

On 23 January 2006, 21,926 ordinary shares were issued by the Company in order to satisfy Directors' fee payments in shares of £24,000 for the quarter ended 31 December 2005.

On 2 May 2006, 13,204 ordinary shares were issued by the Company and in addition payment was made for PAYE tax in order to satisfy Directors' fee payments of £26,000 for the quarter ended 31 March 2006.

On 7 August 2006, 22,130 ordinary shares were issued by the Company in order to satisfy Directors' fee payments of £30,000 for the quarter ended 30 June 2006.

On 13 October 2006, 24,113 ordinary shares were purchased in the market in order to satisfy Directors' fee payments of £28,375 for the quarter ended 30 September 2006.

On 10 January 2007, 22,609 ordinary shares were purchased in the market in order to satisfy Directors' fee payments of £28,375 for the quarter ended 31 December 2006.

Since the year end, a further 20,487 ordinary shares were issued by the Company in order to satisfy Directors' fee payments of £28,000 for the quarter ended 31 March 2007.

(c) *Directors' interests in contracts*

Mr Jillings was a executive director of Utilico Investment Trust plc (UIT), which owned 25.9 per cent. of the issued Ordinary Shares of the Company as at 31 March 2007 (31 March 2006: 25.9 per cent.). Mr Jillings resigned as a director of UIT on 19 June 2007.

6. Finance costs

	<i>Year to 31 March 2007</i>			<i>Period to 31 March 2006</i>		
	<i>Revenue</i>	<i>Capital</i>	<i>Total</i>	<i>Revenue</i>	<i>Capital</i>	<i>Total</i>
	<i>£'000s</i>	<i>£'000s</i>	<i>£'000s</i>	<i>£'000s</i>	<i>£'000s</i>	<i>£'000s</i>
On loans and overdrafts:						
Loans and overdrafts repayable within 1 year	1,115	–	1,115	81	–	81
Loans and overdrafts repayable between 2 and 5 years	48	–	48	–	–	–
Finance costs on Contracts for Difference	254	–	254	–	–	–
	<u>1,417</u>	<u>–</u>	<u>1,417</u>	<u>81</u>	<u>–</u>	<u>81</u>

7. Taxation

	<i>Year to 31 March 2007</i>			<i>Period to 31 March 2006</i>		
	<i>Revenue £'000s</i>	<i>Capital £'000s</i>	<i>Total £'000s</i>	<i>Revenue £'000s</i>	<i>Capital £'000s</i>	<i>Total £'000s</i>
Overseas taxation	488	–	488	57	–	57
Capital gains tax on sale of overseas investments	–	422	422	–	–	–
Total current taxation	488	422	910	57	–	57
Deferred tax	–	1,999	1,999	–	–	–
	<u>488</u>	<u>2,421</u>	<u>2,909</u>	<u>57</u>	<u>–</u>	<u>57</u>

Profits for the year are not subject to taxation in Bermuda.

Deferred tax in the capital account is in respect of capital gains tax on overseas unrealised investment gains that will be subject to taxation in future years.

8. Earnings per share

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

Earnings for the purpose of basic and diluted earnings per share being net profit attributable to equity holders

	<i>Year to 31 March 2007 £'000s</i>	<i>Period to 31 March 2006 £'000s</i>
Revenue	4,568	1,215
Capital	52,774	14,634
Total	<u>57,342</u>	<u>15,849</u>
Weighted average number of shares in issue during the period for basic earnings per share calculations	<u>154,365,003</u>	<u>75,043,340</u>

Diluted earnings per share

Diluted earnings per share has been calculated in accordance with IAS33, under which the Company's outstanding warrants are considered dilutive only if the exercise price is lower than the average market price of the shares during the period. The dilution is calculated by reference to the additional number of shares which warrant holders would have received on exercise as compared with the number of shares which the subscription proceeds would have purchased in the open market.

	<i>Year to 31 March 2007 Number</i>	<i>Period to 31 March 2006 Number</i>
Weighted average number of shares in issue during the period for basic earnings per share calculations	154,365,003	75,043,340
Dilutive potential shares	<u>4,868,838</u>	<u>1,393,396</u>
Weighted average number of shares for diluted earnings per share calculations	<u>159,233,841</u>	<u>76,436,736</u>

9. Dividends

	<i>Record Date</i>	<i>Payment date</i>	<i>Year to 31 March 2007 £'000s</i>	<i>Period to 31 March 2006 £'000s</i>
Final dividend for the period ended 31 March 2006	16 June 2006	07 August 2006	1,126	–
Interim dividend for the year ended 31 March 2007	15 December 2006	29 December 2006	3,292	–
			<u>4,418</u>	<u>–</u>

10. Investments

	<i>Listed £'000s</i>	<i>Unlisted £'000s</i>	<i>2007 Total £'000s</i>	<i>Listed £'000s</i>	<i>Unlisted £'000s</i>	<i>2006 Total £'000s</i>
Cost brought forward	85,963	6,466	92,429	–	–	–
Unrealised appreciation brought forward	15,393	234	15,627	–	–	–
Valuation at 31 March	101,356	6,700	108,056	–	–	–
Movements in the period:						
Purchases at cost	163,680	14,175	177,855	98,796	6,940	105,736
Sales						
proceeds	(64,624)	(5,673)	(70,297)	(14,231)	(506)	(14,737)
realised net gains on sales	3,725	26	3,751	1,398	32	1,430
Increase in unrealised appreciation	53,364	979	54,343	15,393	234	15,627
Valuation at 31 March	<u>257,501</u>	<u>16,207</u>	<u>273,708</u>	<u>101,356</u>	<u>6,700</u>	<u>108,056</u>
Cost at 31 March	193,566	15,215	208,781	85,963	6,466	92,429
Unrealised appreciation at 31 March	63,935	992	64,927	15,393	234	15,627
	<u>257,501</u>	<u>16,207</u>	<u>273,708</u>	<u>101,356</u>	<u>6,700</u>	<u>108,056</u>

Gains on investments

	<i>2007 £'000s</i>	<i>2006 £'000s</i>
Realised gains based on historical cost	8,797	1,430
Less amounts recognised in previous periods	(5,046)	–
Realised gains based on carrying value at previous balance sheet date	3,751	1,430
Increase in unrealised appreciation	54,343	15,627
Gains on investments	<u>58,094</u>	<u>17,057</u>

Significant interests

The Company has a holding of 3 per cent. or more of any class of share capital of the following investments, which are material in the context of the financial statements:

<i>Company</i>	<i>Class of instruments held</i>	<i>2007 % of class of instruments held</i>	<i>2006 % of class of instrument held</i>
Datang International Power Generation Company Limited	convertible notes	12.2	–
Hainan Meilan International Airport Company Limited	ordinary shares	5.1	5.1
Ocean Wilsons Holdings Limited	ordinary shares	6.5	6.8
POS Malaysia & Services Holdings Berhad	ordinary shares	5.0	–
Puncak Niaga Holdings Berhad	ordinary shares	5.7	–

11. Other receivables

	<i>2007 £'000s</i>	<i>2006 £'000s</i>
Sales for future settlement	156	–
Accrued income	1,556	737
Prepayments and other debtors	517	43
	<u>2,229</u>	<u>780</u>

The Directors consider that the carrying value of other receivables approximates to their face value.

12. Derivative financial instruments

	<i>2007 £'000s</i>	<i>2006 £'000s</i>
Forward foreign exchange contracts		
– Sterling	25,047	–
– US dollar	(25,055)	–
Net current liability forward foreign exchange contracts	<u>(8)</u>	<u>–</u>

These arrangements are designed to address significant exchange and market exposures.

	<i>2007 £'000s</i>	<i>2006 £'000s</i>
Futures and options		
Current assets		
– US dollar	<u>7,605</u>	<u>883</u>
Net current liabilities futures and options	<u>7,605</u>	<u>883</u>
Current liabilities		
– US dollar	<u>(474)</u>	<u>(163)</u>
Net current liabilities futures and options	<u>(474)</u>	<u>(163)</u>
Total net current asset futures and options	<u>7,131</u>	<u>720</u>
Total net current asset derivative financial instruments	<u>7,123</u>	<u>720</u>
Total current asset derivative financial instruments	<u>7,605</u>	<u>883</u>
Total net current liability derivative financial instruments	<u>482</u>	<u>163</u>

Changes in derivatives

	<i>Valuation Beginning of period £'000s</i>	<i>Purchases £'000s</i>	<i>Settlements £'000s</i>	<i>Gains and losses £'000s</i>	<i>Valuation End of period £'000s</i>
2007					
Total net current asset derivative financial instruments	<u>720</u>	<u>1,323</u>	<u>2,630</u>	<u>2,450</u>	<u>7,123</u>
2006					
Total net current asset derivative financial instruments	<u>–</u>	<u>438</u>	<u>300</u>	<u>(18)</u>	<u>720</u>

13. Bank loans – current liability

	<i>2007 £'000s</i>	<i>2006 £'000s</i>
UK£20.000 million repayable March 2008	20,000	–
US\$17.373 million repayable February 2007	–	7,512
HK\$101.111 million repayable February 2007	–	10,016
	<u>20,000</u>	<u>17,528</u>

The Company has a committed loan facility of £60,000,000 of which £20,000,000 expires on 15 March 2008, £20,000,000 expires on 16 March 2010 and £20,000,000 expires on 16 March 2012. Commissions are charged on any undrawn amounts at commercial rates. The terms of the loan facility, including those related to accelerated repayment and costs of repayment, are typical of those normally found in facilities of this nature.

14. Other payables

	<i>2007 £'000s</i>	<i>2006 £'000s</i>
Purchases for future settlement	6,439	1,166
Accrued interest on bank loans and overdrafts	186	8
Accrued expenses	<u>7,710</u>	<u>2,401</u>
	<u>14,335</u>	<u>3,575</u>

15. Bank loans – non-current liability

	<i>2007 £'000s</i>	<i>2006 £'000s</i>
UK£15.000 million repayable March 2010	15,000	–
US\$9.820 million repayable March 2010	5,007	–
US\$9.820 million repayable March 2012	<u>5,007</u>	<u>–</u>
	<u>25,014</u>	<u>–</u>

See note 13 for details of the loan facility

16. Deferred tax

	2007 £'000s	2006 £'000s
Balance at 31 March 2006	–	–
Increase in provision for Brazilian tax on capital gains	1,999	–
Balance at 31 March 2007	1,999	–

Provision is made for deferred tax in respect of chargeable investments in Brazil, at a rate of 15 per cent., on unrealised capital gains.

17. Business and geographical segments

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

18. Ordinary share capital

	Year to 31 March 2007				Period to 31 March 2006			
	Authorised number	£'000s	Issued and fully paid number	£'000s	Authorised number	£'000s	Issued and fully paid number	£'000s
Equity share capital								
Ordinary shares of 10p each								
Balance at beginning of period	150,000,000	15,000	75,070,776	7,507	–	–	–	–
Authorised during the period	600,000,000	60,000	–	–	– 150,000,000	15,000	–	–
Issued during the period	–	–	89,912,631	8,991	–	–	75,070,776	7,507
Balance at end of period	750,000,000	75,000	164,983,407	16,498	150,000,000	15,000	75,076,776	7,507

Ordinary shares

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

44,937 ordinary shares were issued during the period in order to satisfy Directors' fee payments (see note 5(b)) and 3,600 ordinary shares were issued on the exercise of warrants (see below).

Pursuant to a Special Resolution passed at a Special General Meeting of the Company held on 26 April 2006, the authorised share capital of the Company was increased from £15,000,000 to £75,000,000.

On 8 May 2006, the Company raised £98,602,000 (net of expenses) through an open offer, when 100,000,000 "C" shares of 50p and 20,000,000 new warrants were issued. On 23 June 2006 the Investment Manager, Ingot Capital Management Pty Limited, notified the Directors that 80 per cent. of the net proceeds of the issue had been invested and in compliance with the terms of the issue, the Directors determined the calculation date for the conversion of the "C" shares into ordinary shares was 30 June 2006. On 14 July 2006 the "C" shares were converted into 89,516,516 ordinary shares of 10p each and 10,483,385 deferred shares of 10p each in accordance with the rights attaching to the "C" shares as set out in the Company's Bye-Laws and on the basis of a conversion ratio of 0.89516615 calculated as at 30 June 2006. The deferred shares were non-voting and were entitled to a non-cumulative dividend at a fixed rate of one per cent of their nominal amount on the date falling six months after the conversion date and on every anniversary thereafter. On a winding up of the Company the holders of the deferred shares would have been entitled out of the surplus assets of the Company to 1p for every 1,000,000 deferred shares held by them. In accordance with the rights attaching to the deferred shares, the Company was deemed to have given notice to repurchase all the deferred shares on 13 July 2006 and all such shares were so repurchased and cancelled on 14 July 2006. The aggregate purchase price of the shares was £nil (based on a price of 1p for every 1,000,000 deferred

shares held by each holder), but the Company was not required to account for the purchase price following such repurchase to any of the shareholders. The deferred shares so cancelled and the resulting authorised but unissued share capital was reclassified and redesignated as ordinary shares of 10p each in the Company.

35,334 ordinary shares were issued during the period in order to satisfy Directors' fee payments and 360,781 were issued on the exercise of warrants.

Warrants

Under the terms of the issue of ordinary shares on 20 July 2005, 15,004,447 warrants were issued to ordinary shareholders on the basis of one warrant for every five shares. Holders have the right to subscribe for one ordinary share per warrant at £1 in cash on 31 January or on 31 July in any of the years 2006 to 2010 (inclusive). On 31 January 2006, 3,600 warrants were exercised. At 31 March 2006 15,000,847 were in issue.

On 8 May 2006, 20,000,000 new warrants were issued (see above) and subsequently reduced into 17,903,242 existing warrants on 14 July 2006. On 31 July 2006, 947 warrants and on 31 January 2007, 359,834 warrants were exercised. At 31 March 2007, 32,543,308 warrants were in issue. Holders have the right to subscribe for one ordinary share per warrant at £1 in cash on 31 January or on 31 July in any of the years 2007 to 2010 (inclusive).

19. Share premium accounts

	<i>2007</i>	<i>2006</i>
	<i>£'000s</i>	<i>£'000s</i>
Balance at beginning of period	62,284	–
Premium on issue of ordinary share capital	91,083	67,562
Issue costs of ordinary share capital	(1,398)	(1,230)
Transfer to warrant reserve on issue of 20,000,000 (2006: 15,004,447) warrants	(5,100)	(4,051)
Premium on exercise of 360,781 (2006: 3,600) warrants	325	3
Balance at end of period	<u>147,194</u>	<u>62,284</u>

This is a non-distributable reserve arising on the issue of share capital.

20. Warrant reserve

	<i>2007</i>	<i>2006</i>
	<i>£'000s</i>	<i>£'000s</i>
Balance at beginning of period	4,050	–
Transfer from share premium	5,100	4,051
Transfer to other non-distributable reserve on exercise of warrants	(100)	(1)
Balance at end of period	<u>9,050</u>	<u>4,050</u>

This reserve, which is non-distributable, arises on issue of warrants and may be utilised only on exercise or cancellation of those warrants.

21. Non-distributable reserve

	2007 £'000s	2006 £'000s
Balance at beginning of period	1	–
Transfer from warrant reserve	100	1
Balance at end of period	<u>101</u>	<u>1</u>

22. Other reserves

2007	<i>Capital reserve (realised)</i> £'000s	<i>Capital reserve (unrealised)</i> £'000s	<i>Capital reserves Total</i> £'000s	<i>Revenue reserve</i> £'000s
Realised gains on investments	3,751	–	3,751	–
Transfer on disposal of investments	5,046	(5,046)	–	–
Gains on derivative financial instruments	(217)	–	(217)	–
Transfer on disposal of derivative financial instruments	(70)	70	–	–
Exchange gains and losses	1,830	–	1,830	–
Performance fee (see note 3)	(7,102)	–	(7,102)	–
Other capital charges	(77)	–	(77)	–
Taxation	(2,421)	–	(2,421)	–
Increase in unrealised appreciation on investments	–	54,343	54,343	–
Increase in unrealised appreciation on derivative instruments	–	2,667	2,667	–
Profit for the year	–	–	–	4,568
Total profit in current year	740	52,034	52,774	4,568
Dividends paid in the year	–	–	–	(4,418)
Balance at 31 March 2006	(1,104)	15,738	14,634	1,215
Balance at 31 March 2007	<u>(364)</u>	<u>67,772</u>	<u>67,408</u>	<u>1,365</u>
2006	<i>Capital reserve (realised)</i> £'000s	<i>Capital reserve (unrealised)</i> £'000s	<i>Capital reserves Total</i> £'000s	<i>Revenue reserve</i> £'000s
Gains and losses on investments	1,430	15,627	17,057	–
Gains and losses on derivative financial instruments	(129)	111	(18)	–
Exchange gains and losses	(234)	–	(234)	–
Performance fee (see note 3)	(2,141)	–	(2,141)	–
Other capital charges	(30)	–	(30)	–
Profit for the year	–	–	–	1,215
Balance at start of period	–	–	–	–
Balance at 31 March 2006	<u>(1,104)</u>	<u>15,738</u>	<u>14,634</u>	<u>1,215</u>

23. Net asset value per share

- (a) Net asset value per ordinary share is based on net assets at the year end of £241,616,000 (2006: £89,691,000) and on 164,983,407 (2006: 75,070,776) ordinary shares in issue at the year end.
- (b) Diluted net asset value per ordinary share is based on net assets at the period end and assuming the receipt of proceeds arising from the exercise of 32,543,308 (2006: 15,000,847) warrants outstanding at £1 per warrant.

	2007 Number	2006 Number
Ordinary shares in issue at the period end	164,983,407	75,070,776
Ordinary shares created on exercise of all warrants	32,543,308	15,000,847
Number of ordinary shares for diluted calculation	<u>197,526,715</u>	<u>90,071,623</u>
Attributable net assets – £'000s	<u>274,159</u>	<u>104,692</u>
Diluted net asset value per ordinary share – pence	<u>138.80</u>	<u>116.23</u>

24. Reconciliation of total return before tax to net cash inflow from operating activities

	2007 £'000s	2006 £'000s
Profit before taxation	<u>60,251</u>	<u>15,906</u>
Adjust for non-cash flow items:		
Gains and losses on investments	(58,094)	(17,057)
Gains on derivative financial instruments	(2,450)	18
Exchange gains/(losses)	(1,830)	233
Effective yield interest	(460)	(34)
Directors' remuneration paid in shares	38	48
Increase in accrued income	(835)	(752)
Increase in creditors	5,514	2,382
Increase in other debtors	(507)	(11)
Tax on overseas income	(894)	(42)
	<u>(59,518)</u>	<u>(15,215)</u>
Adjust for cash flow items not within Income Statement:		
Net cash flow on investments	(101,982)	(67,277)
Net cash flows on derivative financial instruments	(3,952)	(738)
	<u>(105,934)</u>	<u>(68,015)</u>
Net cash flows from operating activities	<u>(105,201)</u>	<u>(67,324)</u>

25. Related party transactions

On 20 July 2005, the initial date of the listing on the Alternative Investment Market (AIM) in London, the Company issued ordinary share capital to Utilico Investment Trust PLC ("UIT") in exchange for an in-specie transfer of £22,522,000 of investment holdings. The shareholding by UIT in the Company represented 30 per cent. of the then-issued share capital.

As part of the open offer of issuing "C" shares and new warrants on 8 May 2006, the Company issued 22,522,239 "C" shares and 4,504,447 warrants to Utilico Investment Trust PLC ("UIT") for a consideration of £22,522,239. The shareholding by UIT (including UIT's subsidiary, UEM Holdings Limited) in the Company, represented 25.9 per cent. of the then-issued share capital.

Transactions entered into by Mr Jillings are disclosed in Notes 3 and 5 to the Accounts. There are no other related party transactions.

26. Risk profile of financial assets and liabilities

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

Management of financial risks

Risk

Management of risk

Credit

Failure by counterparties to deliver securities which the Company has paid for, or to pay for securities which the Company has delivered. There is also a credit risk associated with deposit takers.

All transactions are settled on the basis of delivery against payment, except where local market conditions do not permit. All counterparties to derivative instruments are approved by the Board. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The Company has no significant concentration of credit risk, with exposure spread over a number of counterparties.

Market Price

The Company's assets consist principally of quoted equities, convertible bonds and fixed interest stocks, the values of which are determined by market forces.

The Company's risk is managed through investment in a diversity of stocks, most of which are listed on recognised stock exchanges. The Board manages the market price risks inherent in the Company's portfolio by ensuring full and timely access to relevant information. The Board meets regularly and at each meeting reviews performance and financial results. Equity and index derivatives are used on a selective basis to hedge market risk.

When appropriate, the Company has the ability to buy put options on the investments in its portfolio, and also put and call stock index options.

Currency

Certain of the Company's assets, liabilities, and income, are denominated in currencies other than sterling (the currency in which the Company reports its results). As a result, movements in exchange rates may affect the sterling value of those items.

The Company has borrowings denominating in the same currencies as the portfolio.

Forward foreign exchange contracts are used on a selective basis to hedge currency risk. Income denominated in foreign currencies is converted to sterling on receipt.

Interest Rate

Interest rate movements may affect assets, liabilities and net revenue.

The Company's assets include convertible bonds and fixed interest rate stocks, the income from which, and the values of which, are reviewed by the Board on a regular basis. The risks that could arise as a result of changes in interest rates are taken into account when making investment decisions.

The Company finances part of its activities through borrowings with appropriate interest rates in currencies and at levels approved and monitored by the Board.

Liquidity

Difficulty in realising assets or otherwise raising funds to meet commitments associated with financial instruments.

The Company invests principally in equities and other investments that are readily realisable. The Company has the power to take out borrowings, and in addition has an overdraft facility of £2.0 million (2006: £1.0 million), and a multi-currency loan facility of £60.0 million (2006: £25.0 million).

The Board gives guidance to investment managers as to the maximum amount of the Company's resources that should be invested in any one holding. The policy is that the Company should remain fully invested in normal market conditions.

Financial assets

The Company's financial assets comprise equity investments, convertible bonds, fixed interest securities, CFDs, short-term receivables and cash balances. The profile of those financial assets at 31 March 2007, by currency was:

	<i>BRL</i> £'000s	<i>GBP</i> £'000s	<i>HKD</i> £'000s	<i>MYR</i> £'000s	<i>PHP</i> £'000s	<i>THB</i> £'000s	<i>USD</i> £'000s	<i>Other</i> £'000s	<i>Total</i> £'000s
Non-current investments	60,014	29,517	33,585	47,394	17,675	25,793	41,270	18,460	273,708
Derivative financial instruments	–	25,047	–	–	–	–	164,522	–	189,569
Cash and cash equivalents	–	106	–	–	–	–	19,564	234	19,904
Other receivables	672	125	20	–	–	–	477	421	1,715
	<u>60,686</u>	<u>54,795</u>	<u>33,605</u>	<u>47,394</u>	<u>17,675</u>	<u>25,793</u>	<u>225,833</u>	<u>19,115</u>	<u>484,896</u>

The profile of those financial assets at 31 March 2006, by currency was:

	<i>BRL</i> £'000s	<i>GBP</i> £'000s	<i>HKD</i> £'000s	<i>THB</i> £'000s	<i>USD</i> £'000s	<i>Other</i> £'000s	<i>Total</i> £'000s
Non-current investments		25,916	17,038	13,009	10,394	28,993	108,056
Derivative financial instruments		–	–	–	–	883	883
Cash and cash equivalents		352	409	–	–	476	1,238
Other receivables		289	92	–	130	269	780
		<u>26,557</u>	<u>17,539</u>	<u>13,009</u>	<u>10,524</u>	<u>30,621</u>	<u>110,957</u>

Financial liabilities

The Company finances its investment activities through the Company's ordinary share capital, reserves and borrowing.

The profile of the Company's financial liabilities at 31 March 2007, by currency, was:

	<i>GBP</i> £'000s	<i>USD</i> £'000s	<i>Other</i> £'000s	<i>Total</i> £'000s
Multi-currency loan facility	(35,000)	(10,014)	–	(45,014)
Derivative financial instruments	–	(182,446)	–	(182,446)
Other payables	(7,815)	(6,253)	(267)	(14,335)
	<u>(42,815)</u>	<u>(198,713)</u>	<u>(267)</u>	<u>(241,795)</u>

The profile of the Company's financial liabilities at 31 March 2006, by currency, was:

	<i>GBP</i> £'000s	<i>USD</i> £'000s	<i>HKD</i> £'000s	<i>BRL</i> £'000s	<i>Total</i> £'000s
Multi-currency loan facility	–	(10,016)	(7,512)	–	(17,528)
Derivative financial instruments	–	(163)	–	–	(163)
Other payables	(3,142)	(5)	(3)	(425)	(3,575)
	<u>(3,142)</u>	<u>(10,184)</u>	<u>(7,515)</u>	<u>(425)</u>	<u>(21,266)</u>

Interest rate risk

Financial assets

The majority of the Company's financial assets are equity shares and other investments which neither pay interest nor have a stated maturity date.

Those financial assets that are exposed to fair value interest rate risk at 31 March 2007 were:

	<i>Fixed rate financial assets £'000s</i>	<i>Weighted average interest rate %</i>
Non-current investments		
Sterling	1,600	5.00
Euro	1,385	5.00
United States dollar	<u>21,431</u>	6.75

The financial assets exposed to cash flow interest rate risk are cash and cash equivalents. These assets have floating interest rates and amount to £19,904,000 (2006: £1,238,000).

The financial assets that are exposed to fair value interest rate risk at 31 March 2006 were:

	<i>Fixed rate financial assets £'000s</i>	<i>Weighted average interest rate %</i>
Non-current investments		
Sterling	1,100	4.99
Euro	1,067	5.00
United States dollar	<u>7,319</u>	5.54

Financial liabilities

The interest rate profile of the Company's financial liabilities at 31 March 2007 was:

	<i>Fixed rate financial assets £'000s</i>	<i>Weighted average interest rate %</i>
Multi-currency loan facility:		
Sterling	35,000	5.00
United States dollar	<u>10,014</u>	5.47
	<u>45,014</u>	

No other financial liabilities are subject to interest rate risks.

The interest rate profile of the Company's financial liabilities at 31 March 2006 was:

	<i>Fixed rate financial assets £'000s</i>	<i>Weighted average interest rate %</i>
Multi-currency loan facility:		
Sterling	7,512	5.00
United States dollar	<u>10,016</u>	5.47
	<u>17,528</u>	

Fair Value of financial assets

All of the financial assets of the Company are held at fair value.

Included within cash and cash equivalents is £10.2m held as collateral against the Company's CFD exposures (2006: £nil). The agreement requires that between 50 per cent. and 60 per cent. of the gross exposure to the underlying security in the individual CFD contract is held on deposit with the counterparty.

**Unaudited Statement of Changes in Equity
for the 6 months to 30 September 2007**

	Notes	Ordinary share capital £'000s	Share premium account £'000s	Warrant reserve £'000s	Non- distributable reserve £'000s	Retained earnings Capital reserves £'000s	Revenue reserve £'000s	Total £'000s
Balance as at 31 March 2007		16,498	147,194	9,050	101	67,408	1,365	241,616
Profit for the period		–	–	–	–	63,764	5,920	69,684
Ordinary dividend paid	5	–	–	–	–	–	(1,155)	(1,155)
Issue of ordinary share capital and warrants	7	135	2,074	–	–	–	–	2,209
Balance at 30 September 2007		<u>16,633</u>	<u>149,268</u>	<u>9,050</u>	<u>101</u>	<u>131,172</u>	<u>6,130</u>	<u>312,354</u>

for the 6 months to 30 September 2006

	Notes	Ordinary share capital £'000s	Share premium account £'000s	Warrant reserve £'000s	Non- distributable reserve £'000s	Retained earnings Capital reserves £'000s	Revenue reserve £'000s	Total £'000s
Balance as at 31 March 2006		7,507	62,284	4,050	1	14,634	1,215	89,691
Profit for the period		–	–	–	–	6,475	3,436	9,911
Ordinary dividend paid		–	–	–	–	–	(1,126)	(1,126)
Issue of ordinary share capital and warrants		8,955	85,984	5,100	–	–	–	100,039
Cost of issuing ordinary share capital		–	(1,398)	–	–	–	–	(1,398)
Balance at 30 September 2006		<u>16,462</u>	<u>146,870</u>	<u>9,150</u>	<u>1</u>	<u>21,109</u>	<u>3,525</u>	<u>197,117</u>

for the year to 31 March 2007

	Notes	Ordinary share capital £'000s	Share premium account £'000s	Warrant reserve £'000s	Non- distributable reserve £'000s	Retained earnings Capital reserves £'000s	Revenue reserve £'000s	Total £'000s
Balance as at 31 March 2006		7,507	62,284	4,050	1	14,634	1,215	89,691
Profit for the year		–	–	–	–	52,774	4,568	57,342
Ordinary dividend paid		–	–	–	–	–	(4,418)	(4,418)
Issue of ordinary share capital and warrants		8,991	86,308	5,000	100	–	–	100,399
Cost of issuing ordinary share capital		–	(1,398)	–	–	–	–	(1,398)
Balance at 31 March 2007		<u>16,498</u>	<u>147,194</u>	<u>9,050</u>	<u>101</u>	<u>67,408</u>	<u>1,365</u>	<u>241,616</u>

Unaudited Balance Sheet

	Notes	30 September 2007 £'000s	30 September 2006 £'000s	31 March 2007 £'000s
Non current assets				
Investments		<u>358,598</u>	<u>218,075</u>	<u>273,708</u>
Current assets				
Other receivables		1,934	965	2,229
Derivative financial instruments		12,787	2,035	7,605
Cash and cash equivalents	6	18,979	5,365	19,904
		<u>33,700</u>	<u>8,365</u>	<u>29,738</u>
Current liabilities				
Derivative financial instruments		(709)	(426)	(482)
Other payables		(11,859)	(2,614)	(14,335)
Bank loans		(19,751)	(25,338)	(20,000)
		<u>(32,319)</u>	<u>(28,378)</u>	<u>(34,817)</u>
Net current assets/(liabilities)		<u>1,381</u>	<u>(20,013)</u>	<u>(5,079)</u>
Total assets less current liabilities		<u>359,979</u>	<u>198,062</u>	<u>268,629</u>
Non-current liabilities				
Bank loans		(44,440)	–	(25,014)
Deferred tax		(3,185)	(945)	(1,999)
Net assets		<u>312,354</u>	<u>197,117</u>	<u>241,616</u>
Equity attributable to equity holders				
Ordinary share capital	7	16,633	16,462	16,498
Share premium account		149,268	146,870	147,194
Warrant reserve		9,050	9,150	9,050
Non-distributable reserve		101	1	101
Capital reserves		131,172	21,109	67,408
Revenue reserve		6,130	3,525	1,365
Total attributable to equity holders		<u>312,354</u>	<u>197,117</u>	<u>241,616</u>
Net asset value per ordinary share				
Basic – pence	8	<u>187.80</u>	<u>119.74</u>	<u>146.45</u>
Diluted – pence	8	<u>173.43</u>	<u>116.45</u>	<u>138.80</u>

Unaudited Cash Flow Statements

	Notes	6 months to 30 September 2007 £'000s	6 months to 30 September 2006 £'000s	Year to 31 March 2007 £'000s
Cash flows from operating activities	9	(20,784)	(102,224)	(105,201)
Cash flows from investing activities		—	—	—
Cash flows before financing activities		(20,784)	(102,224)	(105,201)
Financing activities				
Equity dividends paid		(1,155)	(1,126)	(4,418)
Proceeds from borrowings		20,654	8,930	29,839
Proceeds from warrants exercised		1	1	361
Proceeds from issue of ordinary share capital		—	98,614	98,608
Cash flows from financing activities		19,500	106,419	124,390
Net increase in cash and cash equivalents		(1,284)	4,195	19,189
Cash and cash equivalents at the beginning of the period		19,904	1,238	1,238
Effect of movement in foreign exchange		359	(68)	(523)
Cash and cash equivalents at the end of the period		18,979	5,365	19,904

1 Accounting Policies

As previously announced, with effect from 1 April 2007, the management fee and finance costs are allocated 70 per cent. to capital return and 30 per cent. to revenue return. Previously these costs were fully charged to revenue return. As recommended by the Statement of Recommended Practice Finance Statements of Investment Trust Companies issued in the UK by the Association of Investment Companies in December 2005, prior period figures have not been restated. Had this policy been in place for the previous periods the basic earnings per share on the revenue return would have been 2.79p for period ended 30 September 2006 and 4.08p for year ended 31 March 2007 and the capital return would have been 4.09p for period ended 30 September 2006 and 33.07p for year ended 31 March 2007. The basic earnings per share on the total return remains the same at 6.88p for period ended 30 September 2006 and 37.15p for year ended 31 March 2007.

The interim financial statements have been prepared on the basis of the accounting policies set out in the Company's financial statements at 31 March 2007 and in accordance with IAS 34.

2 Management and Administration Fees

Ingot Capital Management Pty Ltd ("ICM") provides investment management services for a fee of 0.5 per cent. of Gross Assets per annum, payable quarterly in arrears. The Agreement with ICM may be terminated upon six months notice. The management fee is allocated 70 per cent. to capital return and 30 per cent. to revenue return (see note 1 above). In addition, ICM is entitled to a performance fee payable in respect of each financial period, equal to 15 per cent. of the amount of any outperformance in that period by equity funds attributable to shareholders compared to 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. The accrued performance fee of £9,195,000 (£nil accrued at 30 September 2006 and £7,187,000 accrued at 31 March 2007) is in respect of the year to 31 March 2008. The final amount payable is dependent upon the the performance of the Company in the year to 31 March 2008 and may therefore be greater or less than the fee accrued at 30 September 2007. The performance fee is paid half

in cash and half in ordinary shares. The number of shares to be allotted to ICM is based on the diluted Net Asset Value at 31 March. The ordinary shares are subsequently either purchased in the market at or below the fully diluted net asset value at 31 March or issued at the fully diluted net asset value if ICM is unable to purchase these shares in the market. In the event that the ordinary shares increase in value between 31 March and the date on which they are purchased or issued, the Company incurs an additional cost. In the event the shares fall in value during this period there will be a corresponding gain to the Company. Included in the period to 30 September 2007 was a cost of £606,000 relating to year ended 31 March 2007 (in the period to 30 September 2006 and the year to 31 March 2007 was a gain of £85,000 relating to year ended 31 March 2006). F&C Management Limited (“FCM”) provides accounting, secretarial, dealing and administration services to the Company for a fixed fee of £210,000 per annum (prior to 1 July 2007: £235,000), payable monthly in arrears, and will be entitled to reimbursement of certain expenses incurred by it in connection with its duties. The Agreement with FCM is terminable on three months’ notice in writing.

3 Taxation

The revenue return taxation charge of £375,000 (30 September 2006: £303,000 and 31 March 2007: £488,000) relates to overseas taxation. The capital return taxation charge of £1,621,000 (30 September 2006: £945,000 and 31 March 2007: £2,421,000) relates to capital gains on realised gains on sale of overseas investments and deferred tax in respect of capital gains tax on overseas unrealised investment gains that may be subject to taxation in future years. Profits for the period to 30 September 2007 are not subject to Bermuda tax.

4 Earnings Per Share

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

Earnings for the purpose of basic and diluted earnings per share being net profit attributable to equity holders

	<i>6 months to 30 Sep 2007 £'000s</i>	<i>6 months to 30 Sep 2006 £'000s</i>	<i>Year to 31 Mar 2007 £'000s</i>
Revenue	5,920	3,436	4,568
Capital	<u>63,764</u>	<u>6,475</u>	<u>52,774</u>
Total	<u><u>69,684</u></u>	<u><u>9,911</u></u>	<u><u>57,342</u></u>
	<i>Number</i>	<i>Number</i>	<i>Number</i>
Weighted average number of shares in issue during the period for basic earnings per share calculations	<u><u>165,399,420</u></u>	<u><u>144,060,243</u></u>	<u><u>154,365,003</u></u>

Diluted earnings per share

Diluted revenue return has been calculated in accordance with IAS33, under which the Company’s outstanding warrants are considered dilutive only if the exercise price is lower than the average market price of the shares during the period. The dilution is calculated by reference to the additional number of shares which warrant holders would have received on exercise as compared with the number of shares which the subscription proceeds would have purchased in the open market.

	<i>6 months to 30 Sep 2007 Number</i>	<i>6 months to 30 Sep 2006 Number</i>	<i>Year to 31 Mar 2007 Number</i>
Weighted average number of shares in issue during the period for basic earnings per share calculations	165,399,420	144,060,243	154,365,003
Dilutive potential shares	<u>11,492,957</u>	<u>3,308,344</u>	<u>4,868,838</u>
Weighted average number of shares for diluted earnings per share calculations	<u><u>176,892,377</u></u>	<u><u>147,368,587</u></u>	<u><u>159,233,841</u></u>

5 Dividends

The final dividend of 0.70p in respect of the year ended 31 March 2007 was paid on 29 June 2007 to shareholders on the register at 15 June 2007.

The Directors have declared an interim dividend in respect of the period ended 30 September 2007 of 3.50p per ordinary share payable on 14 December 2007 to shareholders on the register at close of business on 30 November 2007. The total cost of the dividend, which has not been accrued in the results for the period ended 30 September 2007, is £5,822,000 based on 166,344,339 shares in issue at the date of this report.

6 Cash and Cash Equivalents

	<i>30 Sep 2007 £'000s</i>	<i>30 Sep 2006 £'000s</i>	<i>31 Mar 2007 £'000s</i>
Cash at bank	4,498	5,264	9,627
Cash in margin accounts	<u>14,481</u>	<u>101</u>	<u>10,277</u>
	<u><u>18,979</u></u>	<u><u>5,365</u></u>	<u><u>19,904</u></u>

7 Ordinary Share Capital

	<i>Authorised</i>		<i>Issued and fully paid</i>	
	<i>Number</i>	<i>£'000s</i>	<i>Number</i>	<i>£'000s</i>
Equity share capital:				
Ordinary shares of 10p each				
Balance at 31 March 2007	750,000,000	75,000	164,983,407	16,498
Issued during the period	<u> </u>	<u> </u>	<u>1,342,843</u>	<u>135</u>
Balance at 30 September 2007	<u><u>750,000,000</u></u>	<u><u>75,000</u></u>	<u><u>166,326,250</u></u>	<u><u>16,633</u></u>

Ordinary shares

40,061 ordinary shares were issued during the period in order to satisfy Directors' fee payments, 1,301,992 were issued in order to satisfy the performance fee payment to the investment manager and 790 were issued on the exercise of warrants.

Since the period end a further 18,089 ordinary shares have been issued to satisfy Directors' fee payments.

Warrants

At 30 September 2007 32,542,518 were in issue (31 March 2007: 32,543,308). On 31 July 2007, 790 warrants were exercised.

Holder have the right to subscribe for one ordinary share per warrant at £1 in cash on 31 January or on 31 July in any of the years 2008 to 2010 (inclusive).

8 Net Asset Value Per Share

- (a) Net asset value per ordinary share is based on net assets at the period end of £312,354,000 (30 September 2006: £197,117,000 and 31 March 2007: £241,616,000) and on 166,326,250 ordinary shares in issue at the period end (30 September 2005: 164,623,573 and 31 March 2007: 164,983,407).
- (b) Diluted net asset value per ordinary share is based on net assets at the period end and assumes the receipt of proceeds arising from the exercise of warrants outstanding at £1 per warrant.

	30 Sep 2007 Number	30 Sep 2006 Number	31 Mar 2007 Number
Ordinary shares in issue at the period end	166,326,250	164,623,573	164,983,407
Ordinary shares created on exercise of all warrants	32,542,518	32,903,142	32,543,308
Number of ordinary shares for diluted calculation	<u>198,868,768</u>	<u>197,526,715</u>	<u>197,526,715</u>
Attributable net assets – £'000s	<u>344,897</u>	<u>230,020</u>	<u>274,159</u>
Diluted net asset value per ordinary share – pence	<u>173.43</u>	<u>116.45</u>	<u>138.80</u>

9 Reconciliation of Profit Before Tax to Net Cash Inflow from Operating Activities

	30 Sep 2007 £'000s	30 Sep 2006 £'000s	31 Mar 2007 £'000s
Profit before taxation	<u>71,680</u>	<u>11,159</u>	<u>60,251</u>
Adjust for non-cash flow items:			
Gains and losses on investments	(70,025)	(6,372)	(58,094)
Gains and losses on derivative financial instruments	(5,721)	(8)	(2,450)
Exchange gains/(losses)	(1,836)	(1,052)	(1,830)
Effective yield interest	(162)	(227)	(460)
Directors' remuneration paid in shares	60	38	38
Performance fee paid in shares	2,148	–	–
Increase in accrued income	376	(34)	(835)
Increase in creditors	1,882	(1,976)	5,514
Increase in other debtors	84	(14)	(507)
Tax on overseas income	(860)	(295)	(894)
	<u>(74,054)</u>	<u>(9,940)</u>	<u>(59,518)</u>
Adjust for cash flow items not within Income Statement			
Net cash flows on investments	(19,174)	(102,547)	(101,982)
Net cash flows on derivatives	764	(896)	(3,952)
	<u>(18,410)</u>	<u>(103,443)</u>	<u>(105,934)</u>
Net cash flows from operating activities	<u>(20,784)</u>	<u>(102,224)</u>	<u>(105,201)</u>

10 Business and Geographical Segments

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

11 Related Party Transactions

There have been no significant changes to related party transactions post 31 March 2007.

12 Results

The results for the six months to 30 September 2007 and the period to 30 September 2006, are unaudited. The latest published accounts are for the period ended 31 March 2007; the report of the auditors thereon was unqualified. The abridged financial statements shown above for the period ended 31 March 2007 are an extract from those accounts.

PART 7

OPERATING AND FINANCIAL REVIEW

This Operating and Financial review is prepared in accordance with paragraph 9 of Annex I of the Prospectus Rules and is not in accordance with the Accounting Standards Board's reporting statements. Except where specifically stated, the information in this Part 7 is unaudited.

1 Dividends

For the 6 months to 30 September 2007, the Company declared an interim dividend of 3.50p per Ordinary Share and for the year to 31 March 2007, a total dividend of 2.70p per Ordinary Share was paid.

2 Capital

As at 31 October 2007, the investment portfolio was valued at £423.9 million, which together with current liabilities (excluding loans) less cash of £22.2 million resulted in Gross Assets less current liabilities of £401.7 million. Investments were 105.5 per cent. of Gross Assets less current liabilities. The Net Asset Value per Ordinary Share (cum income) was 197.78p (undiluted) and 181.78p (diluted) representing increases of 35.1 per cent. and 31.0 per cent. over the comparable Net Asset Values at 31 March 2007 (*source: Company*).

As at 20 November 2007, the latest practicable date prior to the publication of this document, the share price of an Ordinary Share was 169.5p and the unaudited diluted NAV per Ordinary Share (cum income) was 172.89p and the Warrants were trading at 95.25p per warrant (*source: the London Stock Exchange plc (share and warrant prices)*).

3 Investment

As at 31 October 2007, the Company had an investment portfolio valued at £423.9 million, comprising 73 investments (*source: Company*). The ten largest holdings are set out in Part 3 of this document.

4 Investment in Emerging Markets Utilities

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

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

5 Capital Resources

The Company is funded by both equity and debt, with the debt provided through an £80 million facility entered into on 6 August 2007. As at 31 October 2007 £72.7 million of this facility had been utilised (*source: Company unaudited assets and liabilities schedule*). In addition to the debt facility, the Company has indirect indebtedness from its use of contracts for difference. These contracts are used for the purposes of efficient portfolio management. They can be closed out at any time and are settled net monthly on an on-going basis. Under the terms of the loan facility, contracts for difference can constitute no more than 10 per cent. of the portfolio value, subject to adjustments specified in the agreement.

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

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

In the six month period to 30 September 2007, the Company had unaudited cash flows from operations of negative £20.8 million (*source: Company's unaudited interim accounts*).

6 Employees and Pensions

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

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

Michael Collier resigned as a director of the Company and was replaced as a non-executive Director by Garry Madeiros on 19 June 2007. Other than this change, each of the Directors has served since the launch of the Company.

With the exception of Charles Jillings, none of the Directors has a service contract. Details of Charles Jillings' service contract are set out in paragraph 3.19 of Part 9 of this document. Each of the non-executive Directors has signed a letter of appointment, details of which are set out in paragraph 3.20 of Part 9 of this document.

PART 8

TAXATION

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, C Shares, Warrants, Subscription Shares or S 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 28 March 2016 be applicable to the Company or to any of its operations, Ordinary Shares, C Shares, Warrants, Subscription Shares, S Shares, debentures or other obligations except insofar as such tax applies to persons ordinarily resident in Bermuda and holding such Ordinary Shares, C Shares, Warrants, Subscription Shares, S 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 government fee which is currently US\$17,350.

UK Taxation

The following is intended as a general guide to the UK tax position under current legislation and published HM Revenue & Customs' practice at the date of this document, both of which are subject to change at any time. It only deals with the position of certain types of shareholder or holders of Warrants or Subscription Shares or S Shares, and does not deal with others (such as dealers in securities, insurance companies and collective investment schemes) whose tax position might in some cases be different. The information given is by way of general summary only and does not constitute legal or tax advice to any person. Shareholders or holders of Warrants, Subscription Shares or S Shares who are in any doubt about their tax position, or who are taxable in a jurisdiction other than the UK, should obtain detailed tax advice. The information is equally applicable to C Shares, Ordinary Shares, Subscription Shares, Warrants and S Shares, except where stated to the contrary.

The Company

It is the intention of the Directors to conduct the affairs of the Company so that the central management and control of the Company is not exercised in the UK and so that the Company does not carry out any trade in the UK (whether or not through a permanent establishment situated there). On this basis, the Company should not be liable for UK taxation on its income and gains other than certain income deriving from a UK source.

UK Shareholders and Warrantholders

UK Taxation of Dividends

Dividends received by an individual who is resident or ordinarily resident in the UK for taxation purposes will be chargeable to taxation at the dividend rate. Such a shareholder is not currently entitled to a tax credit in the UK in respect of a dividend received from the Company and will be liable to income tax on the dividend. For such shareholders who are liable to income tax at the starting or basic rates, dividends received from the Company would be liable to income tax at the dividend ordinary rate, currently 10 per cent. of the dividend paid. For individual shareholders who are liable to income tax at the higher rate, dividends received from the Company would be subject to income tax at the dividend higher rate, currently 32.5 per cent. of the dividend paid.

The UK Government has announced its intention to introduce legislation to grant a non-payable tax credit (subject to certain financial limits) to UK resident or ordinarily resident individuals who are in receipt of

dividends from non-UK resident companies. If such legislation is enacted, it would bring the taxation of dividends received from the Company by individual shareholders who are resident or ordinarily resident in the UK more closely into line with the taxation of dividends received from UK resident companies by such shareholders, in that the effect of the tax credit would be to reduce the effective rate of income tax payable in respect of such dividends down from 32.5 per cent. of the dividend received to 25 per cent. of the dividend received. However, there can be no guarantee that these proposals will be enacted, and even if they are enacted the current proposals are only for the tax credit to be available for dividends paid after 5 April 2008.

A UK resident corporate shareholder will be liable to corporation tax on the dividend.

UK Taxation of Capital Gains

In the case of those shareholders who are individuals or otherwise not within the charge to corporation tax, capital gains tax may be payable on a disposal of shares. Taper relief may be available to reduce the amount of any chargeable gain on a disposal on or before 5 April 2008. The UK Government has announced its intention to amend the legislation relating to disposals which take place on or after 6 April 2008, so that they become subject to capital gains tax at a fixed rate of 18 per cent., with no taper relief available. No indexation allowance will be available to such shareholders on disposals at any time. Individual shareholders are entitled to an annual exemption from capital gains. For the 2007/2008 tax year this is £9,200.

Shareholders within the charge to UK corporation tax may be subject to corporation tax on capital gains in respect of any gain arising on a disposal of shares. Indexation allowance may apply to reduce any chargeable gain arising on disposal of the shares but will not create or increase an allowable loss.

Shareholders may also be subject to capital gains tax on a disposal of the Warrants, depending on their circumstances. Individual shareholders are entitled to an annual exemption from capital gains tax (as described above) and shareholders within the charge to UK corporation tax may have the benefit of indexation allowance (as described above).

It is not anticipated that the Company would be regarded as a close company if it were resident in the UK. Therefore, capital gains realised by the Company should not be attributed to shareholders under section 13 of the Taxation of Chargeable Gains Act 1992.

Exercise of Warrants and S Shares

The exercise of the Warrants by a UK resident or ordinarily resident Warrantholder will not constitute a disposal for the purposes of UK capital gains tax. The base cost (if any) of the Warrants together with the price paid on exercise will form the base cost in computing any gain or loss arising on a subsequent realisation of the Ordinary Shares so acquired.

The exercise of the subscription rights attaching to the S Shares by a UK resident or ordinarily resident holder of S Shares will not constitute a disposal for the purposes of UK capital gains tax. The base cost of the S Shares together with the price paid on exercise will form the base cost in computing any gain or loss arising on a subsequent realisation of the Ordinary Shares (or, in certain limited circumstances, the C Shares) acquired.

Conversion of the C Shares into Ordinary Shares and the Subscription Shares into S Shares

The conversion of the C Shares into Ordinary Shares on the Conversion Date will be treated as a reorganisation of share capital and accordingly will not constitute a disposal of the C Shares for the purposes of capital gains tax. The Ordinary Shares shall be treated as acquired at the same time as, and with the same base cost as, the C Shares.

The conversion of the Subscription Shares into S Shares on the Conversion Date will be treated as a reorganisation of share capital and accordingly will not constitute a disposal of the Subscription Shares for the purposes of capital gains tax. The S Shares shall be treated as acquired at the same time as, and with the same base cost as, the Subscription Shares.

Other UK Taxation Matters

The Directors intend to manage the Company's affairs such that it should not be regarded as a collective investment scheme for the purposes of section 235 Financial Services and Markets Act 2000 (as deemed to

be amended for tax purposes by Finance Act 2007). On this basis a shareholding in the Company should not be regarded as a material interest in an offshore fund for the purposes of sections 756A to 764 of ICTA. Accordingly, gains realised on such holdings should not be subject to tax as income under that legislation.

A UK resident corporate shareholder or who, together with connected or associated persons, is entitled to at least 25 per cent. of the shares should note the provisions of the controlled foreign companies legislation contained in sections 747 to 756 of ICTA.

The attention of individuals ordinarily resident in the UK is drawn to the provisions of Chapter 2 of Part 13 of the Income Tax Act 2007 which may render such individuals liable to tax on the income of the Company (taken before any deduction for interest) in certain circumstances.

The attention of UK residents and domiciled investors is drawn to Chapter 1 of Part 13 of the Income Tax Act 2007 under which HM Revenue and Customs may seek to cancel tax advantages from certain transactions in securities.

Non-UK Shareholders and Warrantholders

Shareholders and Warrantholders who are not resident or ordinarily resident (or temporarily non resident) in the UK and do not carry on a trade, profession or vocation through a branch, agency or other form of permanent establishment in the UK with which the shares or Warrants are connected will not normally be liable to UK taxation on capital gains arising on the sale or other disposal of their shares or Warrants. However, non-UK shareholders and Warrantholders will need to take specific professional advice about their individual tax position.

Stamp Duty and Stamp Duty Reserve Tax

The following comments are intended as a guide to the general UK Stamp Duty and Stamp Duty Reserve Tax ("SDRT") position and do not relate to persons such as market makers, brokers, dealers, intermediaries and persons connected with depository arrangements or clearance services to whom special rules apply. No UK Stamp Duty or SDRT will be payable on the issue of the C Shares. UK Stamp Duty (at the rate of 0.5 per cent., rounded up where necessary to the next £5, of the amount of the value of the consideration for the transfer) is payable on any instrument of transfer of shares or Warrants executed within, or in certain cases brought into, the UK. Provided that shares and Warrants are not registered in any register of the Company kept in the UK any agreement to transfer the shares or Warrants should not be subject to SDRT.

Transfers of depository interests in the C Shares, Ordinary Shares, Warrants and Subscription Shares will not be subject to UK SDRT.

PEPs and ISAs

In so far as is possible, the Company intends to manage its affairs so that the Ordinary Shares, C Shares, Subscription Shares and S Shares arising on conversion of the Subscription Shares will be eligible for inclusion within a PEP or the stocks and shares component of an ISA (subject to the usual annual subscription limits). Warrants are not and will not be eligible for inclusion in PEPs or ISAs.

C Shares and Subscription Shares allotted under the Offer for Subscription will be eligible for direct transfer into an ISA or existing PEP. C Shares and Subscription Shares allotted under the Placing are not eligible for direct transfer into an ISA or existing PEP. Subsequently, C Shares and Subscription Shares acquired in the secondary market may be eligible for inclusion in an ISA or PEP, provided that the C Shares and Subscription Shares are acquired by an account manager by purchase in the market, and they will confirm ISA/PEP eligibility.

Any person who is in any doubt as to their tax position or requires more detailed information than the general outline above should consult their professional advisers.

US Taxation

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

PART 9

ADDITIONAL INFORMATION

1 The Company

- 1.1 Utilico Emerging Markets Limited was incorporated in Bermuda as an exempted, closed ended investment company with limited liability under the Bermuda Companies Act 1981, as amended, registered with number 36941 on 9 June 2005 and with the name Utilico Emerging Markets Utilities Limited. The Company changed its name to Utilico Emerging Markets Limited on 31 July 2006. The Company operates under the Bermuda Companies Act but is otherwise not regulated.
- 1.2 The Company's registered office is in Bermuda and is located at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The Company's telephone number at this office is 00 1441 295 2244.

2 Share Capital

- 2.1 At the date of incorporation, the Company had an authorised share capital of £10,000 divided into 100,000 Ordinary Shares of 10p each, all of which were issued nil paid. These Ordinary Shares were gifted to and cancelled by the Company on 27 July 2005.
- 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. On 26 April 2006 the Company increased its authorised share capital by £60,000,000 to £75,000,000 by the creation of 120 million C shares of 50p each.
- 2.3 On 20 July 2005 75,022,239 Ordinary Shares were issued at a price of 100p per Ordinary Share. Of these Ordinary Shares, 22,522,239 were issued in consideration for the transfer of a portfolio of assets from Utilico Investment Trust plc and 52,500,000 were issued for cash. In addition, 15,004,447 Warrants to subscribe for 15,004,447 Ordinary Shares at 100p each were created and issued pursuant to the first Warrant Instrument.
- 2.4 On 12 May 2006 100,000,000 C shares were issued at 100p per C share and 20,000,000 new warrants were created and issued pursuant to the second Warrant Instrument. On 17 July 2006 these C shares were converted into 89,516,517 Ordinary Shares and 2,096,758 new warrants were cancelled, leaving 17,903,242 new warrants which then ranked *pari passu* with, and are now treated as a single series with, the Warrants.
- 2.5 Since 20 July 2005, 146,947 Ordinary Shares have been issued or transferred to the Directors as Fee Shares (as described in paragraph 2.12 below) and 365,171 Ordinary Shares have been issued on the exercise of the same number of Warrants. Additionally, 1,321,566 Ordinary Shares have been issued to ICM and 1,300,000 Ordinary Shares were bought in the market by the Company on behalf of ICM in respect of the share element of the performance fee for the year ended 31 March 2007.
- 2.6 The number of Warrants (including the warrants issued and not cancelled as a result of the C share issue in May 2006) outstanding as at the date of this document is 32,542,518. Each of the Warrants carries the right to subscribe for one Ordinary Share at a subscription price of 100p.
- 2.7 The authorised and issued share capital of the Company will upon Admission (assuming the Resolutions are passed at the SGM and the Issue is fully subscribed) be:

<i>Authorised</i>			<i>Issued and to be issued fully paid</i>	
<i>£</i>	<i>Number</i>		<i>£</i>	<i>Number</i>
75,000,000	750,000,000	Ordinary Shares of 10p each	16,634,433	166,344,339
60,000,000	120,000,000	C Shares of 50p each	50,000,000	100,000,000
100,000	20,000,000	Subscription Shares of 0.005p each	100,000	20,000,000

- 2.8 The ISIN number of the Ordinary Shares is BMG931151069 and of the Warrants is BMG931151143. The ISIN number of the C Shares is BMG931071119 and of the Subscription Shares is BMG931071036.
- 2.9 The liability of Shareholders is limited to the amount payable in respect of Ordinary Shares and/or C Shares held by them.
- 2.10 The Ordinary Shares and the C Shares carry the right to attend and vote at general meetings as if they were a single class. Rights to dividends and the surplus assets of the Company on a winding-up are set out in paragraphs 2 and 3 of Part 4 and paragraph 4.1.12 of Part 9 of this document. None of the Shareholders have special voting rights.
- 2.11 Save pursuant to the Issue and the Warrant Instruments and as mentioned in this paragraph 2, since the date of incorporation no share or loan capital (including any convertible debt securities) 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.
- 2.12 Under the Directors' letters of appointment and Charles Jillings' service contract remuneration is received 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 Directors' fee relates, equals 25 per cent. of the Director's annual fee. During the 14 day period immediately following the Fee Shares becoming due, each Director will make reasonable endeavours to procure the purchase of the Fee Shares in the market at a price (including transaction costs) equivalent to or below the fully diluted Net Asset Value per Ordinary Share at the time of such purchase. The Company will put the relevant Director in funds for such purchases. In the event that any Director is unable to procure the purchase of some or all of the Fee Shares in the market at or below the fully diluted Net Asset Value per Ordinary Share at the time of such purchase, the Director will return any monies advanced to him by the Company (to the extent not used to purchase Fee Shares) and the Company will issue to that Director such number of new Ordinary Shares as is equivalent to any shortfall.

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

As set out in paragraph 2.5 above, 146,947 Fee Shares have been issued or transferred to the Directors as at the date of this document. This figure does not include the 34,633 Fee Shares that were issued to John Michael Collier, who served as a director of the Company from its incorporation until 19 June 2007.

- 2.13 Save pursuant to the Warrant Instruments and the rights attaching to the Subscription Shares and the S Shares, no share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 2.14 The Bye-laws authorise the Directors to allot an unlimited number of equity securities without pre-emption rights applying to Shareholders.
- 2.15 A resolution of the Company which was passed on 7 September 2007 granted the Company authority to make market purchases of up to 24,734,083 Ordinary Shares, such authority to expire on the earlier of 7 March 2009 and the conclusion of the 2008 annual general meeting of the Company. The maximum price to be paid will not be more than 5 per cent. above the average mid-market values of the Ordinary Shares for the 5 business days before the purchase is made, and any purchases made will be in accordance with the Bermuda Companies Act. No such purchases have been made.

- 2.16 As of the date of this document and save for the Warrants, the Company has no listed or unlisted securities not representing share capital.
- 2.17 Under section 103 of the Bermuda Companies Act, the holders of not less than 95 per cent. of the Ordinary Shares may give notice to the remaining Shareholders to acquire their Ordinary Shares on the terms set out in the notice.

3 Directors' and Other Interests

- 3.1 The maximum amount of remuneration payable to the Directors permitted under the Bye-laws is £200,000 per annum. The Directors' fees will be paid in the form of Ordinary Shares and, if there are any C Shares in issue during the relevant period, C Shares in the Company, as described in paragraph 2.12 above.
- 3.2 It is estimated that the aggregate emoluments (including benefits in kind and pension contributions (of which none are to be made)) of the Directors for the period ending 31 March 2008 will amount to no more than £125,000.
- 3.3 Save for the service agreement with Charles Jillings, summarised in paragraph 3.19 below, there are no existing or proposed service contracts between any of the Directors and the Company.
- 3.4 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 252 of the UK Companies Act 2006) with them have agreed to subscribe for a total of 275,000 C Shares (with Subscription Shares attached on a one for five basis) as set out below. The interests of the Directors and the persons connected (within the meaning of section 252 of the Companies Act 2006) with them (all of which are beneficial save where otherwise stated) in the issued share capital of the Company will, following Admission, be as follows (assuming the Issue is fully subscribed and subject only to scaling back):

<i>Name</i>	<i>C Shares on Admission</i>	<i>Subscription Shares on Admission</i>	<i>Ordinary Shares as at the date of this document</i>	<i>No. of Warrants as at the date of this document</i>	<i>Percentage of issued ordinary share capital following Admission</i>	<i>Percentage of issued C share capital following Admission</i>
Alexander Zagoreos	50,000	10,000	290,459	–	0.17	0.05
Charles Jillings	100,000	20,000	677,955	293,093	0.41	0.10
Garry Madeiros	75,000	15,000	4,560	–	0.00	0.08
Garth Milne	–	–	459,080	86,239	0.28	–
Kevin O'Connor	50,000	10,000	408,602	74,668	0.25	0.05

- 3.7 Save for Charles Jillings' employment with Utilico, the Directors have no potential conflicts of interest between any duties to the Company and their private interest and other duties.
- 3.8 Save as disclosed, no Director (nor any member of a Director's family) has, or has had a related financial product (as defined in the AIM Rules) referenced to Ordinary Shares, C Shares, Warrants, Subscription Shares or S Shares.
- 3.9 The Company has purchased directors and officers liability insurance for the benefit of the Directors.
- 3.10 No Director has any unspent convictions relating to indictable offences, has been bankrupt or has made, or been the subject of, any individual voluntary arrangement.

- 3.11 Save as disclosed in paragraphs 3.12 to 3.18 (inclusive) below, as at the date of this document none of the Directors has:
- 3.11.1 any convictions in relation to fraudulent offences for at least the previous five years;
 - 3.11.2 been bankrupt or been a director of any company or been a member of the administrative, management or supervisory body of an issuer or a senior manager of an issuer at the time of any bankruptcy or receivership or compulsory or creditors' voluntary liquidation for at least the previous five years;
 - 3.11.3 been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including designated professional bodies) nor has he been disqualified by a court from acting as a director of a company or from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of an issuer, for at least the previous five years; or
 - 3.11.4 any family relationship with any of the other Directors.
- 3.12 Charles Jillings was a director of Hemscott Limited ("HL") until its dissolution on 4 October 2003. Prior to its dissolution HL was in members' voluntary liquidation.
- 3.13 Charles Jillings was a director of Premier Health Group Limited (previously Premier Health Group plc) ("Premier") until 27 May 2004. Premier went into administration on 4 October 2002 with an estimated deficiency as regards creditors (excluding intra-group loans) of £2,784,000. Premier came out of administration on 3 October 2003. Following this period of administration Premier conducted a scheme of arrangement with its shareholders that began on 19 April 2004 and concluded on 20 October 2004.
- 3.14 Charles Jillings was a director of FinMedia Limited. On 28 October 2005 FinMedia Limited was placed into voluntary liquidation. There is no deficit with respect to creditors.
- 3.15 Charles Jillings was a director of Utilico Investment Trust plc, which entered members' voluntary liquidation on 19 June 2007 pursuant to a scheme of reconstruction under s.110 Insolvency Act 1986. This scheme of reconstruction involved the launch of Utilico Limited as the successor investment company to Utilico Investment Trust plc.
- 3.16 Garth Milne was a non-executive director of Aberdeen High Income Trust plc when it was placed into receivership on 26 July 2002. The administrative receiver's report dated 14 April 2004 stated that an estimated deficit of £16,633,217 remained outstanding to creditors. The deficit to creditors at the time the statement of affairs was drawn up was £16,798,924.
- 3.17 Kevin O'Connor was a director of Bowen Corporation Ltd when it was wound-up in 1990/1991.
- 3.18 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.
- 3.19 A service agreement dated 14 July 2005 has been entered into between the Company and Charles Jillings whereby Mr Jillings is employed by the Company to act as an executive director of the Company. Mr Jillings will be entitled to a fee of £22,000 per annum payable in Ordinary Shares as described in paragraph 2.12 above. The agreement is subject to termination on 6 months' notice.
- 3.20 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.
- 3.21 The following table lists all companies and partnerships of which each Director is currently a director or member of the administrative, management or supervisory body and lists those companies and partnerships of which each Director has been a director or partner or member of

the administrative, management or supervisory body at any time in the five years preceding the date of this document:

<i>Director</i>	<i>Current directorships/partnerships</i>	<i>Past directorships/partnerships</i>
Alexander Zagoreos	Alpha Trust Andromeda Brooklyn Bridge Park Conservancy The Egypt Trust Emerging World Investors LP Gennadius Library of the American School of Classical Studies in Athens The Greek Progress Fund JPMorgan Fleming Continental European Investment Trust plc 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 Jupiter Global Green Investment Trust plc
Charles Jillings	Bishops Life Limited Blue Sky Leisure Limited Newtel Holdings Limited Poggio Secco S.R.L. The Analysis & Research Company Limited Global Equity Risk Protection Limited	Dee Valley Group plc Dee Valley plc England Rugby Limited FinMedia Limited Hemscott Group Limited Hemscott plc Hemscott Holdings Limited Mosaic Estates Limited Mosaic (Stoke) Limited MVL 100 Ltd Premier Health Group Ltd Premier Rugby Limited Ridge Court Property Ltd Stocks Management Limited Stocks Property Holdings Ltd The Special Utilities Investment Trust plc Utilico Investment Trust plc Financial Media Holdings Limited Utilico International Limited
Garry Madeiros	Bermuda Electric Light Co Ltd BF&M Limited BELCO Holdings Limited Bermuda Gas & Utility Company Limited BELCO Properties Limited BTS Limited BF&M General Insurance Company	

<i>Director</i>	<i>Current directorships/partnerships</i>	<i>Past directorships/partnerships</i>
Garth Milne	Premier UK Dual Return Trust plc Flawless Group Limited Invesco Perpetual UK Smaller Companies Investment Trust plc Real Estate Opportunities Limited SovGEM Limited Octant Holdings Limited Ludgrove School Trust	Aberdeen High Income Trust plc (went into receivership in 2002) Govett Asia Income & Growth Fund plc (wound up) Govett Emerging Markets Investment Trust plc (wound up following a reconstruction) HL Income & Growth Trust plc Invesco Continental Smaller Companies Trust plc (wound up) Metroking plc Murray Extra Return Investment Trust plc (in liquidation) Bowater Limited Henderson Far East Income Trust plc The Ukraine Opportunity Trust plc
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

3.22 The Company is not aware of any person or persons who as at the date of this document or following Admission could directly or indirectly, jointly or severally, exercise or could exercise control of the Company.

3.23 Other than those set out below, the Company is not aware of any person or persons who, directly or indirectly, is or are interested in 3 per cent. or more of the Company's issued ordinary share capital as at 20 November 2007, being the latest practicable date prior to the issue of this document.

	<i>No of Ordinary Shares held</i>	<i>% held</i>
Utilico Limited*	42,683,384	25.66
Foreign & Colonial Investment Trust plc**	18,951,662	11.39
Rensburg Sheppards Investment Management Limited***	12,601,079	7.57
Smith & Williamson Holdings Limited	8,616,029	5.17
Sarasin Investment Management	8,490,000	5.10
J O Hambro Investment Management Ltd	7,414,893	4.45

* Includes the holding of Utilico Limited's subsidiary, UEM Holdings Limited.

** F&C Management Limited, its parent company, F&C Asset Management plc and Friends Provident Group (as ultimate holding company) are deemed to be interested in these Ordinary Shares.

*** Client holdings registered in the name of nominee companies 100 per cent. owned by Rensburg Sheppards Investment Management Limited.

3.24 The Company is not aware of any person or persons who, directly or indirectly, will be interested in 3 per cent. or more of the Company's issued C Share capital following Admission.

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

4 Bye-laws

4.1 New Bye-laws are proposed to be adopted by the passing of the Resolutions. The New Bye-laws will incorporate the rights of C Shareholders and Subscription Shareholders and such rights are set out in Parts 4 and 5 of this document. At present, the Bye-laws of the Company contain provisions, *inter alia*, to the following effect:

4.1.1 Voting

The Shareholders have the right to receive notice of, and to vote at, general meetings of the Company. Each Shareholder who is present in person (or, being a corporation, by representative) at a general meeting on a show of hands has one vote and, on a poll, every such holder who is present in person (or, being a corporation, by representative) or by proxy has one vote in respect of each 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 at any adjourned meeting of such holders a quorum as above defined is not present those Shareholders who are present shall be a quorum). Every holder of Ordinary Shares shall be entitled at such meeting to one vote for every Ordinary 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 Ordinary 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 and section 561 of the Companies Act 2006, in each case of England and Wales which confer pre-emption rights on existing Shareholders in connection with the allotment of equity securities for cash.
- (c) The Company may also pay such brokerages and/or commissions as may be lawful.
- (d) No person shall be recognised by the Company as holding any shares upon any interest other than an absolute right of the registered holder to the entirety of a share.

4.1.4 Notice requiring disclosure of interest in Shares

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

response to such notice to be given within such reasonable time as the Directors may determine.

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

4.1.5 *Transfer of shares*

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

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

The Directors may refuse to register a transfer:

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

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

4.1.6 *Compulsory transfer of shares*

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

4.1.7 *Alteration of capital and purchase of shares*

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

The Bermuda Companies Act provides that the Company may by resolution consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares; subdivide all or any of its shares into shares of a smaller amount than is fixed by the memorandum of association; cancel any shares which at the date of the resolution have not

been taken or agreed to be taken and diminish its authorised share capital accordingly; and convert its fully paid shares into shares denominated in a different currency.

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

4.1.8 *Interests of Directors*

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

4.1.9 *Remuneration of Directors*

- (a) The Directors shall be remunerated quarterly for their services at such rate as the Directors shall determine provided that the aggregate amount of such fees shall not exceed £200,000 per annum (or such sum as the Company in general meeting shall from

time to time determine). The Directors fees will be satisfied with Ordinary Shares or, if appropriate, C Shares as described in paragraph 2.12 above.

- (b) A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director on such terms as to tenure of office and otherwise as the Directors may determine.
- (c) The Directors may from time to time appoint one or more of their body to the office of managing director or to any other office for such term and at such remuneration and upon such terms as they determine.

4.1.10 *Appointment of Directors*

- (a) The number of Directors shall be not less than two and shall not be subject to a maximum.
- (b) Any one or more vacancies in the Board not filled at any general meeting shall be deemed casual vacancies. The Board, provided a quorum remains in office, may appoint any individual to be a Director to fill a casual vacancy.
- (c) A Director so appointed shall hold office only until the next following annual general meeting and shall not be taken into account in determining the Directors to retire by rotation at the meeting. If not reappointed that Director shall vacate office at the end of the meeting.

4.1.11 *Retirement of Directors*

- (a) Directors shall be subject to retirement by rotation. One third of the Directors will retire at each 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.

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

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

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

4.1.13 *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.

4.1.14 *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.

4.1.15 *Register of Shareholders*

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

The register of depositary interests representing Ordinary Shares, C Shares, Warrants and Subscription Shares (and, following Conversion, S Shares) is kept by the CREST Agent in the United Kingdom.

4.2 Memorandum of Association

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

5 Overseas Investors

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

5.1 *United States*

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

the future it decides to offer, resell, pledge or otherwise transfer any such C Shares, Subscription Shares and, following Conversion, S Shares 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 in an offshore transaction in accordance with Regulation S under the Securities Act to a non-US Person. It understands that one purpose of the foregoing limitation is to ensure that the Company is not required to register under the Investment Company Act;

- (f) it understands that the C Shares, Subscription Shares and following Conversion, S 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 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”) AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS. THE HOLDER ACKNOWLEDGES THAT THE PURPOSE OF THE FOREGOING LIMITATION IS, IN PART, TO ENSURE THAT THE ISSUER IS NOT REQUIRED TO REGISTER UNDER THE INVESTMENT COMPANY ACT.

- (g) it agrees that it will inform each subsequent purchaser of the C Shares, Subscription Shares and S Shares from it of these transfer restrictions;
- (h) it acknowledges that the Company reserves the right to make inquiries of any holder of the C Shares, Subscription Shares or S Shares or interests therein at any time as to such person’s status under US securities laws, including without limitation whether it is a QP, and to require any such person that has not satisfied the Company that such person is holding appropriately under US securities laws to transfer such C Shares, Subscription Shares, S Shares or interests immediately under the direction of the Company;
- (i) it acknowledges that the Company, any of its registrars, any distributors or dealers or their affiliates, and others will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements. If it is acquiring the C Shares or Subscription Shares for the account of a QIB/QP, it represents that it has sole investment discretion with respect to such account and that it has full power to make the foregoing representations, acknowledgements and agreements on behalf of such account;
- (j) for the purposes of ERISA, either (a) it is not acquiring the C Shares, Subscription Shares or, following Conversion, the S Shares 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. 12510.3-101 (the “Plan Asset Regulations”) or (b) no C Shares, Subscription Shares or, following Conversion, the S Shares acquired by it will be, nor

deemed to be pursuant to the Plan Asset Regulations or otherwise, (i) assets of an employee benefit plan, within the meaning of section 3(3) of ERISA, that is not exempt from the provisions of Title I of ERISA pursuant to section 4(b) of ERISA or (ii) assets of a plan within the meaning of section 4975(e) of the Internal Revenue Code of 1986, as amended (the "Code"), that is not exempt from the provisions of such section pursuant to section 4975(g) of the Code; and

- (k) it has investigated the potential US tax consequences, including any federal, state and local consequences, affecting it in connection with its purchase and any subsequent disposal of the C Shares, Subscription Shares and, following Conversion, S Shares.

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

6 Material Contracts

- 6.1 The following contracts, not being contracts entered into in the ordinary course of business, are contracts which (i) are or may be material and have been entered into by the Company within the two years immediately preceding the date of this document; or (ii) have been entered into by the Company at any time before the date of this document where those contracts contain provisions under which the Company has an obligation or entitlement which is or may be material to the Company as at the date of this document:

- 6.1.1 The Investment Management Agreement dated 14 July 2005 between the Company and ICM under which the Company has appointed ICM to provide the Company with portfolio monitoring, research and other investment management services. The Agreement is subject to termination on 6 months' notice. 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.

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

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

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.

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

ICM has the benefit of an indemnity from the Company in relation to liabilities incurred by ICM 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 ICM 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 is terminable on 3 months’ notice in writing or on shorter notice in the event of breach of contract or insolvency. The Administrator and Secretary is paid an annual fee of £210,000 for its company administration, and valuation services. 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 £7,500, with further fees to be determined under the CREST Agent Agreement. The CREST Agent Agreement may be terminated by either party on 6 months’ notice, such notice not to expire before the third anniversary of the agreement.
- 6.1.4 The Custody Agreement dated 12 July 2005 between the Company and the Custodian under which the Custodian has agreed to act as custodian of the Company’s assets. The Custodian has the benefit of an indemnity from the Company against liabilities arising in the absence of the Custodian’s wilful misfeasance, bad faith, negligence, fraud or reckless disregard of

its duties under this Agreement. The Custodian receives a fee based on the assets under custody and the jurisdiction in which the assets are located. The Custodian Agreement is terminable on 60 days' notice.

- 6.1.5 A Nominated Adviser and Broker Agreement dated 14 July 2005 between the Company and Arbuthnot Securities pursuant to which Arbuthnot Securities has agreed to act as nominated adviser and broker to the Company for the purposes of the AIM Rules. Arbuthnot Securities has the benefit of an indemnity from the Company in the absence of its negligence wilful default or fraud. The Nominated Adviser and Broker Agreement may be terminated by either party on one month's notice. The Company and Arbuthnot Securities both have rights of automatic termination for material breach. In return for acting as nominated adviser and broker, Arbuthnot Securities receives a fee of £25,000 per annum.
- 6.1.6 A sponsorship agreement dated 14 July 2005 between the Company and First Bermuda Group Ltd, pursuant to which First Bermuda Group Ltd agreed to provide sponsorship services in connection with the Company's shares that are listed on the Bermuda Stock Exchange. The Company and First Bermuda Group Ltd both have rights of automatic termination under the agreement for material breach. First Bermuda Group Ltd receives a fee of US\$4,000 per annum.
- 6.1.7 A Placing and Open Offer Agreement dated 7 April 2006 between the Company, the Investment Manager and Arbuthnot Securities under which Arbuthnot Securities agreed, as agent of the Company, to use its reasonable endeavours to procure placees for C Shares under a placing described in a prospectus dated 7 April 2006 and to make an open offer on behalf of the Company to qualifying holders. Arbuthnot received a corporate financial advisory fee from the Company of £150,000. Arbuthnot Securities earned 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 C Shares subscribed for by investors based in the US). The agreement included warranties and indemnities by the Investment Manager and the Company to Arbuthnot Securities for loss suffered except where Arbuthnot Securities was negligent or in breach of duty. The warranties and indemnities given by the Company and the Investment Manager were standard for an agreement of this nature.
- 6.1.8 A loan agreement dated 15 March 2007 between the Company and The Royal Bank of Scotland Plc (the "Bank") as amended by an amendment agreement dated 6 August 2007 under which the Bank agrees to make available to the Company a multi-currency revolving credit facility of up to £80,000,000. Facility A is for up to £30m, Facility B and Facility C are both for up to £25m. Interest is payable at various margins (1 per cent. for Facility A, 1.25 per cent. for Facility B and 1.5 per cent. for Facility C) above LIBOR plus the Bank's mandatory costs. The terms of the facilities are one year for Facility A, three years for Facility B and five years for Facility C, each from 15 March 2007. A commitment fee of 40 per cent. of the applicable margin is payable on the undrawn balance of Facilities B and C. The loan agreement restricts the Company's total financial indebtedness to 25 per cent. of the adjusted portfolio value (in this context, adjusted portfolio value means the gross market value of the Company's investments plus any credit balances held with the Bank and/or the Custodian less (without double counting) (i) the amount by which the market value of any single investment exceeds 12.5 per cent. of the portfolio, (ii) the amount by which the market value of the investments of the Company in any one country exceeds 35 per cent. of the portfolio, and (iv) the gross market value of all unlisted investments in excess of 5 per cent. of the portfolio value). The loan agreement contains standard events of default and mandatory prepayment events for a facility of this nature.
- 6.1.9 A Placing and Offer Agreement dated 23 November 2007 between the Company, the Investment Manager and Arbuthnot Securities under which Arbuthnot Securities has agreed, as agent of the Company, to use its reasonable endeavours to procure placees for C Shares under the Placing at the Issue Price and to make the Offer for Subscription. Arbuthnot will receive a corporate finance advisory fee from the Company of £150,000. Arbuthnot Securities will also earn commission of 1 per cent. of the market capitalisation of the C Shares at the Issue Price on Admission. The agreement includes warranties and

indemnities by the Investment Manager and the Company to Arbuthnot Securities for loss suffered except where Arbuthnot Securities is negligent or in breach of duty. The warranties and indemnities given by the Company and the Investment Manager are standard for an agreement of this nature.

6.1.10A Sponsorship Agreement dated 23 November 2007 between the Company and Cenkos Channel Islands Limited (“Cenkos”) under which Cenkos agrees to act as the Company’s listing sponsor in respect of the listing of the Ordinary Shares, C Shares, Warrants and Subscription Shares on the CISX. Cenkos will receive a fee of £10,000 on Admission and an annual fee of £3,750 payable on each anniversary of Admission. The agreement contains an indemnity given by the Company to Cenkos, which is standard for an agreement of this nature.

6.1.11A letter of appointment dated 23 November 2007 under which the Company appoints Computershare Investor Services PLC to act as the receiving agent for the Offer. The receiving agent will receive a fee of £3,000 for managing the Offer and a fee of £1,000 for processing the forms of proxy and forms of direction in respect of the SGM. Various other fees will be payable depending on the work done by the receiving agent.

7 Working Capital

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

8 Miscellaneous

- 8.1 Since the incorporation of the Company it has not been involved in any governmental, legal or arbitration proceedings nor, so far as the Company is aware, are there any such governmental, legal or arbitration proceedings pending or threatened by or against the Company which may have or have had since the Company’s incorporation a significant effect on the Company’s financial position or profitability.
- 8.2 None of the C Shares available under the Issue are being underwritten.
- 8.3 There has been no significant change in the financial or trading position of the Company since 31 March 2007, being the date to which the audited annual financial statements set out in Part 6 of this document have been prepared.
- 8.4 The Company does not, nor has it since incorporation, owned or leased any premises.
- 8.5 The Company has three employees, James Smith, David McIlroy and Mark Lebbell, in addition to Charles Jillings, the executive director.
- 8.6 The total costs and expenses payable by the Company in connection with the Issue (including professional fees, the costs of printing and the other fees payable, including commission) will be approximately £1.5 million representing approximately 1.5 per cent. of the gross proceeds of the Issue (assuming full subscription of the Issue). The net proceeds, assuming full subscription of the Issue, will be approximately £98.5 million.
- 8.7 The Company is not dependent on any patents or other intellectual property rights or licences.
- 8.8 Save as disclosed in this document, no person has received, directly or indirectly, from the Company since 9 June 2005 (the date of incorporation of the Company) or entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission, fees totalling £10,000 or more or securities in the Company with a value of £10,000 or more, calculated by reference to the Issue Price, or any other benefit with a value of £10,000 or more at the date of Admission.
- 8.9 The accounting reference date of the Company is 31 March.

8.10 The ongoing costs of the CISX Listing include an annual fee of £2,700 payable to the CISX and an annual fee of £3,750 payable to the CISX Listing Sponsor.

8.11 Capitalisation and Indebtedness

	<i>As at 30 September 2007 £'000s</i>	
A	Guaranteed current debt	–
B	Secured current debt	19,751
C	Unguaranteed/unsecured current debt	–
D	Total current debt (A+B+C)	19,751
E	Guaranteed non-current debt	–
F	Secured non-current debt	44,440
G	Unguaranteed/unsecured non-current debt	–
H	Total non-current debt (excluding current portion of non-current debt) (E+F+G)	44,440

(source: Unaudited management accounts)

	<i>As at 30 September 2007 £'000s</i>	
I	Share capital	16,633
J	Share premium account	149,268
K	Other reserves*	9,151
L	Shareholders' equity (I+J+K)	175,052
M	Total	239,243

* Excluding revenue reserve in accordance with CESR guidelines.

(source: Audited annual accounts set out in Part 6 of this document)

Since 30 September 2007, the Company's share capital has increased by £2,000 to £16,635,000 and the share premium account has increased by £29,000 to £149,297,000 at 31 October 2007 through the issue of shares to Directors in lieu of fees. (source: unaudited management accounts).

	<i>As at 30 September 2007 £'000s</i>	
A	Cash	18,979
B	Cash equivalents	–
C	Trading securities	–
D	Liquidity (A+B+C)	18,979
E	Current financial receivable	–
F	Current bank debt	19,751
G	Current position of non-current debt	–
H	Other current financial debt	–
I	Current financial debt (F+G+H)	19,751
J	Net current financial indebtedness (I-E-D)	772
K	Non-current bank loans	44,440
L	Bonds issues	–
M	Other non-current loans	–
N	Non-current financial indebtedness (K+L+M)	44,440
O	Net financial indebtedness (J+N)	45,212

As at 30 September 2007, the Company had no indirect or contingent indebtedness except as disclosed in the paragraph below. The information set out in the indebtedness table above has been

extracted from the unaudited management accounts of the Company for the period to 30 September 2007.

In addition to the debt disclosed above, the Company enters into contracts for difference which are classified as derivatives, settle net and do not show gross exposure. The gross financial asset of the Company at 30 September 2007 in contracts for difference is £25,275,000 with a financial liability of £24,997,000.

- 8.12 Where information in this document has been sourced from a third party the source is referred to where the information is included, such information has been accurately reproduced and, as far as the Company is aware and is able to ascertain from the information published by the third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Within this document the only third party source used is the London Stock Exchange plc.
- 8.13 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.
- 8.14 Grant Thornton UK LLP, who are a member firm of the Institute of Chartered Accountants in England and Wales, has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear and has authorised the inclusion of its report in Part 6 of this document, in the form and context in which it is included and references to it.
- 8.15 Grant Thornton UK LLP declares that, having taken all reasonable care to ensure that such is the case, the information contained in Part 6 of this document for which it is responsible is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

9 Availability of Document

- 9.1 Copies of this document will be available free of charge to the public at the registered office of Arbuthnot Securities, Arbuthnot House, 20 Ropemaker Street, London EC2Y 9AR during normal business hours on any weekday (Saturdays and public holidays excepted) until the date falling one month after the date of Admission.
- 9.2 Copies of the following documents will be available for inspection at the offices of Norton Rose LLP, 3 More London Riverside, London, SE1 2AQ during normal business hours on any weekday (Saturdays and public holidays excepted) until Admission:
- 9.2.1 the memorandum of association, the existing Bye-laws and the proposed new Bye-laws of the Company;
- 9.2.2 the material contracts listed in paragraph 6 of this Part 9;
- 9.2.3 the audited annual accounts of the Company to 31 March 2007;
- 9.2.4 the unaudited interim accounts of the Company to 30 September 2007;
- 9.2.5 the report on the financial information in Part 6 of Grant Thornton UK LLP; and
- 9.2.6 this document.

Dated: 23 November 2007

PART 10

TERMS AND CONDITIONS OF APPLICATION UNDER THE OFFER

In the case of a joint Application, references to you in these terms and conditions of Application are to each of you, and your liability is joint and several. **Please ensure you read these terms and conditions in full before completing the Application Form.** Save where the context otherwise requires and unless otherwise defined, words and expressions defined on pages 9 to 13 of this document have the same meanings when used in the Application Form and these terms and conditions.

If you have a query concerning the Application Form, please contact Computershare Investor Services PLC on 0870 707 1375. Prospective investors should note that Computershare Investor Services PLC can only answer queries in relation to your Application and cannot give any tax or investment advice.

In these terms and conditions, which apply to the Offer:

“**Applicant**” means a person or persons (in the case of joint applicants) whose name(s) appear(s) on the registration details of an Application Form;

“**Application**” means the offer made by an Applicant by completing an Application Form and posting or delivering it by hand (during normal business hours only) to Computershare Investor Services PLC (the “Receiving Agent”) at Corporate Actions Projects, Bristol BS99 6AH;

“**Depository Interests**” means the depository interests representing Shares and Subscription Shares to be issued by Computershare Investor Services PLC;

“**Money Laundering Regulations**” means the Money Laundering Regulations 2003, the Money Laundering Regulations 2007 (if applicable) and any other applicable legislation in any jurisdiction concerning money laundering;

“**Prospectus**” means the circular and prospectus dated 23 November 2007 published by the Company;

“**Shares**” means the C shares of 50p each in the capital of the Company; and

“**Subscription Shares**” means the Subscription Shares to be issued with the Shares on the terms set out in the Prospectus.

1. The contract created by the acceptance of an Application under the Offer will be conditional on:
 - 1.1. the admission to trading on AIM, admission to listing on the BSX and admission to trading on the CISX of the Shares and the Subscription Shares issued pursuant to the Placing and the Offer (“Admission”) becoming effective by not later than 8.00 a.m. on 19 December 2007 (or such later date as the Company and Arbuthnot Securities may determine);
 - 1.2. the Placing and Offer Agreement referred to in paragraph 6.1.9 of Part 9 of the Prospectus becoming unconditional (save for any condition relating to Admission in that agreement), and not being terminated in accordance with its terms;
 - 1.3. the Resolutions being passed at the SGM prior to Admission; and
 - 1.4. a minimum of £30 million being raised under the Issue.
2. Completed Application Forms accompanied by a cheque or banker’s draft in relation to the Offer must be posted to Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH so as to be received by 11.00 a.m. on 12 December 2007.
3. The right is reserved by the Company to present all cheques and bankers’ drafts for payment on receipt and to retain application monies, share certificates and surplus share certificates and refrain from delivering an Applicant’s Depository Interests into CREST, pending clearance of successful Applicants’ cheques and bankers’ drafts. The Company also reserves the right to reject

in whole or part, or to scale down or limit, any Application. The Company may treat Applications as valid and binding even if not made in all respects in accordance with the prescribed instructions and the Company may, at its discretion, accept an Application in respect of which payment is not received by the Company prior to the closing of the Offer. If any Application is not accepted in full or if any contract created by acceptance does not become unconditional, the application monies or, as the case may be, the balance thereof will be returned (without interest) by returning each relevant Applicant's cheque or bankers' draft or by crossed cheque in favour of the first-named Applicant, through the post at the risk of the person(s) entitled thereto. In the meantime, application monies will be retained by the Receiving Agent in a separate account.

4. Payments must be made by cheque or bankers' draft in pounds sterling drawn on a branch in the United Kingdom of a bank or building society which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques or bankers drafts' to be cleared through the facilities provided for members of any of these companies. Such cheques or bankers' drafts must bear the appropriate sort code in the top right hand corner. Cheques, which must be drawn on the personal account of the individual investor where they have a sole or joint title to the funds, should be made payable to The Royal Bank of Scotland a/c Utilico Emerging Markets Limited. Third party cheques will not be accepted with the exception of building society cheques or bankers' drafts where the building society or Bank has confirmed the name of the account holder by stamping/endorsing the cheque/bankers' draft to such effect.

The account name should be the same as that shown on the Application Form.

5. By completing and delivering an Application Form, you, as the Applicant (and, if you sign the Application Form on behalf of somebody else or a corporation, that person or corporation, except as referred to in paragraph 5.9 below):
 - 5.1. offer to subscribe for the number of Shares specified in your Application Form (or such lesser number for which your Application is accepted) on the terms of and subject to the Prospectus, including these terms and conditions, and subject to the Memorandum of Association and Bye-laws of the Company;
 - 5.2. agree that, in consideration of the Company agreeing to process your Application, your Application cannot be revoked until after 31 January 2008 and that this paragraph shall constitute a collateral contract between you and the Company which will become binding upon despatch by post to, or (in the case of delivery by hand) on receipt by, the Receiving Agent of your Application Form;
 - 5.3. agree and warrant that your cheque or bankers' draft may be presented for payment on receipt and will be honoured on first presentation and agree that if it is not so honoured you will not be entitled to receive a certificate in respect of the Shares until you make payment in cleared funds for Shares and such payment is received and accepted by the Company in its absolute discretion (which acceptance shall be on the basis that you indemnify it and the Receiving Agent against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and you agree that, at any time prior to the unconditional acceptance by the Company of such late payment, the Company may (without prejudice to its other rights) avoid the agreement to subscribe such Shares and may issue or allot such Shares to some other person, in which case you will not be entitled to any payment in respect of such Shares other than the refund to you at your risk of the proceeds (if any) of the cheque or bankers' draft accompanying your application, without interest;
 - 5.4. agree that any definitive document of title and any monies returnable to you may be retained pending clearance of your remittance and the completion of any verification of identity required by Money Laundering Regulations and that such monies will not bear interest;
 - 5.5. undertake to provide satisfactory evidence of identity within such reasonable time (in each case to be determined in the absolute discretion of the Company and the Receiving Agent) to ensure compliance with Money Laundering Regulations;

- 5.6. agree that, in respect of those Shares for which your Application has been received and is not rejected, acceptance of your Application shall be constituted, at the election of the Company, either (a) by notification to the London Stock Exchange of the basis of allocation (in which case acceptance shall be on that basis) or (b) by notification of acceptance thereof to the Receiving Agent;
- 5.7. agree that any monies returnable to you may be retained by the Receiving Agent pending clearance of your remittance and that such monies will not bear interest;
- 5.8. where the Applicant wishes to hold his Shares in certificated form, authorise the Receiving Agent to send share certificates in respect of the number of Shares for which your Application is accepted and/or a crossed cheque for any monies returnable by post without interest, at the risk of the person(s) entitled thereto to the address of the person (or in the case of joint holders, the first-named person) named as an Applicant in the Application Form and to procure that your name (together with the name(s) of any other joint Applicant(s)) is/are placed on the register of members of the Company in respect of such Shares;
- 5.9. warrant that, if you sign the Application Form on behalf of somebody else or on behalf of a corporation, you have due authority to do so on behalf of that other person or corporation, and such person or corporation will also be bound accordingly and will be deemed also to have given the confirmations, warranties, undertakings and authorities contained herein and undertake to enclose your power of attorney or a copy thereof duly certified by a solicitor or bank with the Application Form;
- 5.10. warrant that in connection with your Application you have observed the laws of all requisite territories, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue or transfer or other taxes due in connection with your Application in any territory and that you have not taken any legal action which will or may result in the Company and/or the Receiving Agent acting in breach of the local regulatory or legal requirements of any territory in connection with the Offer or your Application;
- 5.11. agree that all Applications, acceptances of Applications and contracts resulting therefrom shall be governed by and construed in accordance with English law, and that you submit to the jurisdiction of the English courts and agree that nothing shall limit the right of the Company to bring any action, suit or proceeding arising out of or in connection with any such Applications, acceptances of Applications and contracts in any other manner permitted by law or in any court of competent jurisdiction;
- 5.12. confirm that, in making such Application, neither you nor any person on whose behalf you are applying are relying on any information or representation in relation to the Company other than the information contained in the Prospectus and, accordingly, you agree that no person responsible solely or jointly for the Prospectus or any part thereof or involved in the preparation thereof shall have any liability for any such information or representation;
- 5.13. irrevocably authorise the Receiving Agent, or any person authorised by it, as your agent, to do all things necessary to effect registration of any Shares and Subscription Shares subscribed by or issued to you into your name(s) or into the name(s) of any person(s) in whose favour the entitlement to any such Shares has been transferred and authorise any representative of the Receiving Agent to execute any document required therefor;
- 5.14. confirm that you have reviewed the restrictions contained in these terms and conditions;
- 5.15. agree that, having had the opportunity to read the Prospectus, you shall be deemed to have had notice of all information and representations concerning the Company and the Shares and the Subscription Shares contained therein;
- 5.16. warrant that, if you are an individual, you are not under the age of 18;

- 5.17. agree that all documents and cheques sent by post to, by or on behalf of the Company or the Receiving Agent, will be sent at the risk of the person(s) entitled thereto;
- 5.18. agree, on request by the Company, to disclose promptly in writing to the Company any information which the Company may reasonably request in connection with your Application and authorise the Company to disclose any information relating to your Application as it considers appropriate; and
- 5.19 agree that Arbuthnot Securities will not treat you as its customer by virtue of your Application being accepted or owe you any duties or responsibilities concerning the price of the Shares or the suitability of the Shares or be responsible to you for providing the protections afforded to their customers.
6. No person receiving a copy of the Application Form in any territory other than the UK may treat the same as constituting an invitation or offer to him; nor should he in any event use an Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or the Application Form could lawfully be used without contravention of any, or compliance with any unfulfilled, registration or other legal or regulatory requirements. It is the responsibility of any person outside the UK wishing to apply for Shares under the Offer to satisfy himself as to the full observance of the laws of any relevant territory in connection with any such Application, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in any such territory and paying any issue, transfer or other taxes required to be paid in any such territory.

None of the Shares, Subscription Shares or S Shares has been or will be registered under the United States Securities Act of 1933, as amended, (the "1933 Act"). The relevant clearances have not been, and will not be, obtained from the Securities Commission of any province of Canada, Australia, New Zealand, the Republic of South Africa or Japan and, accordingly, unless an exemption under the 1933 Act or any other relevant legislation or regulations is applicable, none of the Shares, Subscription Shares or S Shares may be offered, sold, renounced, transferred or delivered, directly or indirectly, in the United States, Canada, Australia, New Zealand, the Republic of South Africa or Japan or to any US Person. In addition, the Company has not been and will not be registered under the United States Investment Company Act of 1940, as amended, and Ingot Capital Management Pty Limited will not be registered under the United States Investment Advisers Act of 1940, as amended. Accordingly, unless the Company has expressly agreed in writing that it is satisfied that an exception under the 1933 Act or any other relevant legislation or regulation is applicable to you and may be relied on by you, you represent and warrant to the Company that you are not a US person or a resident of Canada, Australia, New Zealand, the Republic of South Africa or Japan and that you are not subscribing for such Shares, Subscription Shares or S Shares for the account of any US person or resident of Canada, Australia, New Zealand, the Republic of South Africa or Japan (otherwise than on a discretionary basis) and that you will not offer, sell, renounce, transfer or deliver, directly or indirectly, Shares, Subscription Shares or S Shares subscribed for by you in the United States, Canada, Australia, New Zealand, the Republic of South Africa or Japan or to any US person or resident of Canada, Australia, New Zealand, the Republic of South Africa or Japan. No Application will be accepted if it bears an address in the United States, Canada, Australia, New Zealand, the Republic of South Africa or Japan unless an appropriate exemption is available as referred to above. As used in this paragraph, "United States" means the United States of America (including each of the States and the District of Columbia), its territories or possessions or other areas subject to its jurisdiction and "US person" means any person who is a US person within the meaning of Regulation S adopted under the 1933 Act.

7. The basis of allocation will be determined by Arbuthnot Securities Limited in its absolute discretion after consultation with the Company. The right is reserved to reject in whole or in part and/or scale down and/or ballot any Application or any part thereof. The right is reserved to treat as valid any Application not in all respects completed in accordance with the instructions relating to the Application Form, including if the accompanying cheque or bankers' draft is for the wrong amount. Dealings prior to the issue of Shares and Subscription Shares will be at the risk of Applicants. A person so dealing must recognise the risk that an Application may not be accepted to the extent anticipated or at all.

8. Save where the context otherwise requires, words and expressions defined in the Prospectus have the same meanings when used in these terms and conditions and in the Application Form and explanatory notes in relation thereto.

UTILICO EMERGING MARKETS LIMITED

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

NOTICE OF SPECIAL GENERAL MEETING

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

Thursday, 13 December 2007 at 10.00 a.m. (Bermuda time)

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

AGENDA

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

RESOLUTIONS

- 3 Accept the recommendation of the Directors and resolve that the authorised share capital of the Company be increased from £75,000,000 to £135,100,000 by the creation of:

100 million shares of par value 50 pence each; and that such new shares be designated as C Shares (which will convert into Ordinary Shares and deferred shares); and

20 million shares of par value 0.005 pence each; and that such new shares be designated as Subscription Shares (which will convert into S Shares and deferred subscription shares),

each having the rights and being subject to the restrictions set out in the Bye-Laws of the Company proposed to be adopted pursuant to agenda item 4 below.
- 4 Accept the recommendation of the Directors to adopt the Bye-Laws contained in the draft document produced to the meeting and for the purpose of identification initialled by the Chairman of the meeting as the Bye-Laws of the Company, in substitution for, and to the exclusion of, the existing Bye-Laws of the Company.
- 5 Approve the proposed variation of the rights attaching to the Existing Ordinary Shares, as set out in Bye-law 3.9 of the Bye-laws of the Company proposed to be adopted pursuant to agenda item 4 above.

BY ORDER of the Board

F&C Management Limited

Secretary

Notes:

- 1 Members entitled to attend and vote at this meeting may appoint one or more proxies (who need not be members) to attend and vote on their behalf.
- 2 To be valid, the Form of Proxy (and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof) must be received by the Company's Registrar, Computershare Investor Services (Channel Islands) Limited, PO Box 83, Ordnance House, 31 Pier Road, St Helier, Jersey JE4 8PW, not less than 48 hours before the time fixed for the meeting or adjourned meeting.
- 3 A Form of Proxy is enclosed. Completion and return of the Form of Proxy will not preclude members from attending and voting at the meeting should they so wish.
- 4 If the meeting is adjourned through want of a quorum, the adjourned meeting will be held at 10.00 a.m. (Bermuda time) on Thursday, 20 December 2007 at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

