

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document and the action you should take, you are recommended immediately to seek your own independent advice from a person duly authorised under the Financial Services and Markets Act 2000 (or, if you are a person outside of the United Kingdom, otherwise duly qualified in your jurisdiction) who specialises in the acquisition of shares and other securities.

The Directors of Advance Frontier Markets Fund Limited (the "Company"), whose names appear on page 5 of this document, and the Company accept responsibility both individually and collectively for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (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 contains no omission likely to affect its import. This document, which constitutes an AIM admission document relating to the Company, has been drawn up in accordance with the AIM Rules for Companies. This document does not contain an offer of transferable securities to the public in the United Kingdom within the meaning of Section 102B of the Financial Services and Markets Act 2000 (as amended) ("FSMA") and is not required to be issued as a prospectus pursuant to Section 85 of the FSMA.

Application has been made for the admission of the entire issued and to be issued share capital of the Company and the Warrants to trading on AIM, a market operated by the London Stock Exchange plc. It is expected that dealings in the Shares and Warrants will commence on AIM on 15 June 2007. The rules of AIM are less demanding than those of the Official List of the United Kingdom Listing Authority.

Application has been made for all of the issued and to be issued capital of the Company and the Warrants to be admitted to listing and trading on the Channel Islands Stock Exchange, LBG (the "CISX"). It is expected that admission to the Daily Official List of the CISX will become effective and that dealings will commence on 15 June 2007. Ozannes Securities Limited is acting as sponsoring member in relation to the application for listing of the Shares.

The CISX has been recognised by the UK Inland Revenue under section 841 of the Income and Corporation Taxes Act 1988, as amended, and approved by the UK Financial Services Authority as a Designated Investment Exchange within the meaning of the Financial Services and Markets Act 2000.

This document comprises the Listing Document for the purposes of the application to list the issued and to be issued share capital of the Company and Warrants 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 Company. The directors, whose names appear on page 5, accept full responsibility for the information contained in this Listing Document 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.

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 United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange plc on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. Neither the United Kingdom Listing Authority nor London Stock Exchange plc has examined or approved the contents of this document. It is emphasised that no application is being made for admission of the Shares and Warrants to the Official List of the United Kingdom Listing Authority. The Shares and Warrants are not dealt on any other recognised investment exchange and no application has been or is being made for the Shares and Warrants to be admitted to any such exchange.

The whole of this document should be read. Attention is drawn in particular to the "Risk Factors" set out in Part 3 of this document.

Advance Frontier Markets Fund Limited

(incorporated and registered in Guernsey under the Companies (Guernsey) Laws, 1994 to 1996, as amended, with registered number 46809)

Placing of 85,000,000 ordinary shares of no par value with Warrants attached on a one for five basis at \$1.00 per Share and Admission to trading on AIM

Nominated Adviser

GRANT THORNTON CORPORATE FINANCE

Placing Agent and Broker

FAIRFAX I.S. PLC

Consent under the Control of Borrowing (Bailiwick of Guernsey) Ordinance, 1959 as amended has been obtained to this issue. To receive such consent application was made under the Guernsey Financial Services Commission's framework relating to Registered Closed-ended Investment Funds. Under this framework, neither the Guernsey Financial Services Commission nor the States of Guernsey Policy Council has reviewed this document but instead has relied on specific warranties provided by the Guernsey licensed administrator of the Company. Neither the Guernsey Financial Services Commission nor the States of Guernsey Policy Council takes any responsibility for the financial soundness of the Company or for the correctness of any of the statements made or opinions expressed with regard to it.

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

Grant Thornton Corporate Finance, a division of Grant Thornton UK LLP which is authorised and regulated by the Financial Services Authority, is acting as nominated adviser to the Company for the purposes of the AIM Rules for Companies in connection with the Placing and Admission and as such, its responsibilities are owed solely to London Stock Exchange plc and are not owed to the Company or to any Director or to any other person or entity. Grant Thornton Corporate Finance will not be responsible to any person other than the Company for providing the protections afforded to clients of Grant Thornton Corporate Finance or for providing advice to any other person in connection with the Placing and Admission.

Fairfax I.S. PLC is authorised and regulated by the Financial Services Authority, is a member of London Stock Exchange plc and is acting as broker to the Company and for no one else in connection with the Placing and Admission. Fairfax I.S. PLC will not be responsible to anyone other than the Company for providing the protections afforded to clients of Fairfax I.S. PLC or for providing advice to any other person in connection with the Placing and Admission.

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

The distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws of such jurisdictions. Your attention is drawn to the information contained on page 2 of this document under the heading "Important Information".

IMPORTANT INFORMATION

The information below is for general guidance only and it is the responsibility of any person or persons in possession of this admission document and wishing to make an application for Shares to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. No person has been authorised by the Company to issue any advertisement or to give any information or to make any representation in connection with the contents of this document and, if issued, given or made, such advertisement, information or representation must not be relied upon as having been authorised by the Company. This document does not constitute, and may not be used for the purposes of, an offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. In particular, this document does not constitute an offer to sell or the solicitation of an offer to buy any of the Shares and Warrants in Canada, Australia, the Republic of South Africa, Singapore or Japan (collectively, the “Prohibited Territories”) and this document should not be forwarded or transmitted to or into the Prohibited Territories or to any resident, national, citizen or corporation, partnership or other entity created or organised under the laws thereof or in any other country outside the United Kingdom where such distribution may lead to a breach of any legal or regulatory requirement. The distribution of this document may be restricted and accordingly persons into whose possession this document comes are required to inform themselves about and to observe such restrictions.

Prospective investors should inform themselves as to: (a) the legal requirements of their own countries for the purchase, holding, transfer or other disposal of the Shares and Warrants; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of the Shares and Warrants which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of the Shares and Warrants. Prospective investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein. Statements made in this document are based on the law and practice currently in force in England and Wales and Guernsey and are subject to change. This document should be read in its entirety. All Shareholders are entitled to the benefit of, and are bound by and are deemed to have notice of, the provisions of the Articles of the Company and the provisions of the Warrant Instrument.

FOR THE ATTENTION OF UNITED KINGDOM RESIDENTS

Neither Grant Thornton Corporate Finance nor Fairfax I.S. PLC has approved this document for the purposes of FSMA. This document is only for distribution in the United Kingdom prior to Admission (i) to persons reasonably believed by the Company to be investment professionals within the meaning of Paragraph (5) of Article 19 or to high net worth companies or unincorporated associations within the meaning of Paragraph (2) of Article 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (SI 2005/1529), as amended, and (ii) to persons who are qualified investors within the meaning of Section 86(7) of FSMA.

Outside the United Kingdom (and subject as provided below), this document is only being sent to persons reasonably believed by the Company to be investment professionals or to persons to whom it may otherwise be lawful to distribute it. This document is being supplied to the recipient for their information and may not be reproduced, further distributed or published in whole or in part by any other person. As the Placing Shares will be offered to fewer than 100 persons (other than qualified investors within the meaning of Section 86(7) of FSMA) per member state of the European Economic Area, the Placing will be an exempt offer of securities to the public for the purposes of Section 86 of FSMA. Accordingly, this document is not a prospectus and does not require the approval of the FSA or any other relevant authority in any other member state of the European Economic Area.

FOR THE ATTENTION OF IRISH RESIDENTS

This document has not been approved by the Financial Regulator as the competent authority in Ireland under Directive (2003/71/EEC) (the “Prospectus Directive”) as implemented into Irish law pursuant to Irish Prospectus Law (as defined in the Investment Funds, Companies and Miscellaneous Provisions Act, 2005) nor has it been approved, where appropriate, by a competent authority in another Member State and notified to the Financial Regulator pursuant to such Irish Prospectus Law and therefore this document does not constitute a “prospectus” for the purposes thereof. As a result, no Shares or Warrants may be offered or sold in Ireland in circumstances that would constitute an offer to the public within the meaning of Irish

Prospectus Law at any time other than in circumstances which do not require the publication by the Company of a prospectus pursuant to Irish Prospectus Law.

FOR THE ATTENTION OF UNITED STATES RESIDENTS

The Shares and Warrants have not been and will not be registered under the US Securities Act of 1933, as amended, (the “Securities Act”) or with any securities regulatory authority of any state or any other jurisdiction of the United States and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, “US persons” (as defined in Regulation S under the Securities Act (“Regulation S”). In addition, the Company and the Investment Manager have not been and will not be registered under the US Investment Company Act of 1940, as amended (the “Investment Company Act”), and investors will not be entitled to the benefits of that Act. Accordingly, the Company and the Investment Manager are not subject to the provisions of the Investment Company Act, except Section 12(d)(1) thereof in reliance upon certain exemptions from registration provided in the Investment Company Act. The Shares and Warrants have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Shares and Warrants or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States and re-offer or resale of any of the Shares in the United States or to US persons may constitute a violation of US law or regulation.

FOR THE ATTENTION OF SWISS RESIDENTS

The Company has not been and will not be licensed or authorised by the Swiss Federal Banking Commission (the “SFBC”) publicly to offer the Shares and Warrants in Switzerland and neither this document nor any other offering document has been or will be submitted to the SFBC for approval. Accordingly, the offer of the Shares and Warrants is restricted to a private placement as defined in Circular Letter N° 2003/1 of the SFBC (the “Circular Letter”). As a result, the Shares and Warrants may only be offered and this document and other materials in respect of an investment in the Company may only be distributed in or from Switzerland to (i) institutional investors (as defined in the Circular Letter), and (ii) a maximum of 20 non-institutional investors per business year. The offer of the Shares and Warrants and the distribution or disclosure of this document or any other document in respect of investing in the Company to persons other than those listed above, is strictly forbidden and may contravene Swiss law. Investors in the Company will not benefit from the protections granted by the Swiss Federal Act on Investment Funds of 18 March 1994 (as amended) or its implementing ordinance of 19 October 1994 (as amended).

FOR THE ATTENTION OF RESIDENTS OF THE NETHERLANDS

The Shares and Warrants are not, will not and may not be, offered in the Netherlands other than to professional market parties in terms of Section 1c(1)(a) of the Dutch Exemption Regulation pursuant to the Act on the Supervision of the Securities Trade 1995 (Vrijstellingsregeling Wet toezicht effectenverkeer 1995). Therefore, pursuant to Section 1c(1)(a) of the Dutch Exemption Regulation pursuant to the Act on the Supervision of the Securities Trade 1995 (Wet toezicht effectenverkeer 1995), the Placing is exempted from the obligation to make generally available a prospectus that has been approved by the Dutch Authority for the Financial Markets (Autoriteit Financiële Markten; “AFM”) or by a supervisory authority in another EU member state. No prospectus has been filed with or approved by the AFM or by a supervisory authority in another EU member state.

FOR THE ATTENTION OF GUERNSEY RESIDENTS

The Shares and Warrants are not being promoted in or from within the Bailiwick of Guernsey and may not be offered to, sold to or purchased by persons resident in Guernsey.

FORWARD LOOKING STATEMENTS

This document contains forward looking statements. These relate to the Company’s future prospects, developments and strategies. Forward looking statements are identified by their use of terms and phrases such as “believe”, “could”, “envisage”, “estimate”, “intend”, “may”, “plan”, “will” or the negative of those, variations or comparable expressions, including references to assumptions. These statements are primarily contained in the Summary Information set out on page 11 of this document and Parts 1, 2 and 4 of this document. The forward looking statements in this document are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements.

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DIRECTORS, INVESTMENT MANAGER AND ADVISERS

Directors

Aly Mahmoud El-Tahry (Chairman)
Helen Foster Green
(James) Grant Wilson
Richard Dunmore Napier Hotchkis

all non-executive and of registered office:

1 Le Marchant Street
St. Peter Port
Guernsey GY1 4HP

Investment Manager

Progressive Developing Markets Limited
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London EC1V 4RU
United Kingdom

Nominated Adviser

Grant Thornton Corporate Finance
Grant Thornton House
Melton Street
Euston Square
London NW1 2EP
United Kingdom

Legal Adviser to the Company

(as to English law)
Lawrence Graham LLP
4 More London Riverside
London SE1 2AU
United Kingdom

Legal Adviser to the Company

(as to Guernsey Law)
Ozannes
1 Le Marchant Street
St. Peter Port
Guernsey GY1 4HP

Administrator and Company Secretary

Legis Corporate Services Limited
1 Le Marchant Street
St. Peter Port
Guernsey GY1 4HP

Registrar

Capita Registrars (Guernsey) Limited
2nd Floor, No 1 Le Truchot
St. Peter Port
Guernsey GY1 4AE

Legal Adviser to the Nominated Adviser and Broker

Travers Smith
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United Kingdom

Placing Agent and Broker

Fairfax I.S. PLC
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London W1J 5AT
United Kingdom

UK Administration Agent

Cavendish Administration Limited
145-157 St. John Street
London EC1V 4RU
United Kingdom

Custodian

The Northern Trust Company
50 Bank Street
Canary Wharf
London E14 5NT
United Kingdom

Tax Adviser to the Company

Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
London NW1 2EP
United Kingdom

Reporting Accountants & Auditors

RSM Robson Rhodes (Guernsey) Limited
PO Box 313, Anson Court
La Route des Camps, St Martin
Guernsey GY1 3TF

CISX Listing Sponsor

Ozannes Securities Limited
1 Le Marchant Street
St. Peter Port
Guernsey GY1 4HP

DEFINITIONS

“ADMT”	Advance Developing Markets Trust plc
“AEMF”	Advance Emerging Markets Fund
“AFMF” or the “Company”	Advance Frontier Markets Fund Limited
“Administration and Secretarial Agreement”	the agreement dated 7 June 2007 between the Company and the Administrator, as described in paragraph 7.6 of Part 7 of this document
“Administrator” or “Legis”	Legis Corporate Services Limited
“Admission”	the admission of the Shares and Warrants to trading on AIM in accordance with the AIM Rules for Companies and admission of the Shares and Warrants to listing on the Daily Official List of the CISX and trading on the CISX both becoming effective in accordance with the CISX Rules
“AIM”	the market of that name operated by the London Stock Exchange
“AIM Rules for Companies”	the rules which set out the rules and responsibilities in relation to companies whose shares are admitted to AIM as published by the London Stock Exchange from time to time
“AIM Rules for Nominated Advisers”	the rules of the London Stock Exchange which set out the eligibility, obligations and certain disciplinary matters in relation to nominated advisers as published by the London Stock Exchange from time to time
“Articles of Association” or “Articles”	the articles of association of the Company
“Board” or “Directors”	the board of directors of the Company
“CISX” or “Exchange”	the Channel Islands Stock Exchange, LBG
“CISX Listing Sponsor”	Ozannes Securities Limited
“CISX Rules”	the listing rules published by CISX and applicable to securities listed on CISX
“CISX Sponsorship Agreement”	the CISX sponsorship agreement dated 7 June 2007 between the Company and the CISX Listing Sponsor, as described in paragraph 7.9 of Part 7 of this document
“Combined Code”	the Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2006
“Companies Laws” or “Laws”	The Companies (Guernsey) Laws, 1994 to 1996, as amended
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which CRESTCo Limited is the Operator (as defined in the CREST Regulations) in accordance with which securities may be held and transferred in uncertificated form
“CREST Guernsey Requirements”	rule 8 and such other rules and requirements of CRESTCo as may be applicable to issues by a Guernsey company from time to time specified in the CREST Manual
“CREST Manual”	the compendium of documents entitled CREST Manual issued by CRESTCo from time to time
“CRESTCo”	CRESTCo Limited, a company incorporated under the laws of England and Wales and the operator of CREST
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) of the United Kingdom
“Custodian”	The Northern Trust Company

“Custodian Agreement”	the agreement dated 7 June 2007 between the Company and the Custodian, as described in paragraph 7.5 of Part 7 of this document
“Daily Official List”	the Daily Official List of the CISX
“Developed Markets”	the countries included in the Morgan Stanley Capital International World Index
“Diluted Net Asset Value per Share”	the Net Asset Value divided by the number of Shares in issue (other than shares held in treasury) adjusted to take account of the dilution (if any) which would arise from the exercise of all the Warrants then in issue
“Emerging Markets”	the countries included in the Emerging Markets Index
“Emerging Markets Index”	S&P/IFCI Composite Index
“Existing Funds”	the existing funds managed by the Investment Manager, being Advance Developing Markets Trust plc, an investment trust listed on the London Stock Exchange and the Advance Emerging Markets Fund, an open ended investment company listed on the Dublin Stock Exchange
“Fairfax”, “Placing Agent” or “Broker”	Fairfax I.S. PLC
“Financial Year”	the financial year of the Company ending on 30 June
“Frontier Markets”	the markets described as such in paragraph 2 of Part 1 of this document
“Frontier Markets Index”	S&P/IFCG Frontier Markets Index
“FSA”	the Financial Services Authority of the UK
“FSMA”	the Financial Services and Markets Act 2000 (as amended) of the UK
“GFSC”	the Guernsey Financial Services Commission
“Grant Thornton Corporate Finance” or “Nominated Adviser”	the corporate finance division of Grant Thornton UK LLP which is authorised by the FSA to carry on investment business
“Guernsey”	the Bailiwick of Guernsey, her territories and dependencies
“High Watermark”	the higher of (i) one US Dollar and (ii) the Net Asset Value per Share, after the deduction of the relevant performance fee, as at the end of the latest Performance Period in respect of which the Investment Manager was awarded a performance fee
“Hurdle Rate”	twelve per cent. per annum, or an increased or reduced pro rata percentage for any Performance Period that represents more or less than a complete year
“IFRS”	International Financial Reporting Standards
“Investee Manager”	the investment manager of any of the funds in which AFMF invests
“Investment Manager” or “PDML”	Progressive Developing Markets Limited, a company incorporated in England and Wales with limited liability
“Investment Management Agreement” or “IMA”	the agreement dated 7 June 2007 between the Company and the Investment Manager relating to the provision of investment management services to the Company by the Investment Manager, as described in paragraph 7.4 of Part 7 of this document
“Investment Team”	the individuals described in Part 2 of this document who are employed by the Investment Manager
“Large Emerging Markets”	those countries which individually constitute 2.5 per cent. or more of the Emerging Markets Index
“London Stock Exchange”	London Stock Exchange plc

“Market Capitalisation”	the number of issued Shares (other than Shares held in treasury) multiplied by the price per Share as determined by taking the mid-point of the bid and offer prices as quoted by the London Stock Exchange at the relevant point in time
“Net Asset Value” or “NAV”	the value, as at any date, of the assets of the Company after deduction of all liabilities (including provisions and accrued liabilities) calculated in the manner described in paragraph 4 of Part 4 of this document
“Net Asset Value per Share”	the Net Asset Value divided by the number of Shares in issue (other than Shares held in treasury) at the date of calculation
“Net Proceeds”	the gross proceeds of the Placing less the expenses of the Placing and Admission
“Official List”	the Official List of the UK Listing Authority
“PAML”	Progressive Asset Management Limited, a company incorporated in England and Wales with limited liability and the immediate parent company of PDML
“Performance Period”	each period in respect of which the Company produces audited accounts and, if different, the final period for which the Investment Management Agreement subsists. The first performance period will commence on the date of Admission
“Placing”	the placing by Fairfax of the Placing Shares and Warrants at the Placing Price pursuant to the Placing Agreement
“Placing Agreement”	the agreement dated 12 June 2007 between the Company, the Investment Manager, Fairfax and Grant Thornton Corporate Finance relating to the Placing, as described in paragraph 7.3 of Part 7 of this document
“Placing Price”	\$1.00 per Share
“Placing Shares”	the 85,000,000 Shares (with Warrants attached on a one for five basis) placed or to be placed by Fairfax pursuant to the Placing Agreement
“Registrar”	Capita Registrars (Guernsey) Limited
“Registrar Agreement”	the agreement dated 7 June 2007 between the Company and the Registrar, as described in paragraph 7.7 of Part 7 of this document
“Regulatory Information Service Provider” or “RIS”	a regulatory information service provider that is approved by the FSA
“Shareholders”	holders of Shares
“Shares”	the ordinary shares of no par value in the capital of the Company
“Smaller Emerging Markets”	the markets described as such in paragraph 2 of Part 1 of this document
“Target Net Asset Value per Share”	for the first Performance Period, one US Dollar increased by the Hurdle Rate. For each subsequent Performance Period, the Target Net Asset Value per Share means the higher of (i) the High Watermark and (ii) Net Asset Value per Share at the start of the relevant Performance Period as increased by the Hurdle Rate
“UK Administration Agent”	Cavendish Administration Limited
“UK” or “United Kingdom”	United Kingdom of Great Britain and Northern Ireland
“UK ISA”	individual savings account available in the UK
“UKLA” or “United Kingdom Listing Authority”	the FSA acting in its capacity as the competent authority for the purposes of Part 8 of the FSMA
“UK PEP”	a personal equity plan available in the UK

“UK SIPPS”	a self-invested personal pension scheme available in the UK
“UK SSAS”	a small self-administered scheme available in the UK
“US” or “United States”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia and all other areas subject to its jurisdiction
“VAT”	value added tax
“Warrants”	warrants to subscribe for Shares to be issued by the Company in connection with the Placing on the terms and conditions set out in the Warrant Instrument
“Warrantholders”	holders of Warrants
“Warrant Instrument”	the deed poll of the Company dated 7 June 2007 and which constitutes the Warrants, details of which are set out in Part 6 of this document
“\$” or “US Dollar”	the lawful currency of the United States
“£” or “Pound Sterling”	the lawful currency of the United Kingdom

PLACING STATISTICS

Placing Price	\$1.00
Market capitalisation at the Placing Price on Admission	\$85,000,000
Number of Shares in issue on Admission	85,000,000
Number of Warrants in issue on Admission	17,000,000
Estimated Net Proceeds of the Placing receivable by the Company	\$82,411,460
Estimated initial Net Asset Value per Share on Admission	\$0.97

EXPECTED TIMETABLE

Publication of the admission document and listing document on	12 June 2007
Admission and dealings commence in the Shares and the Warrants on AIM and CISX at 8.00 a.m. (London time) on	15 June 2007
Crediting (where relevant) of CREST stock accounts in respect of the Shares	15 June 2007
Share certificates (where relevant) and Warrant certificates dispatched by	29 June 2007

Save in relation to the date on which the admission document is published, each of the times and dates in the above timetable is subject to change

EXCHANGE RATE

All references to \$ in this document are to US Dollars and to cents are to US cents. The rate of exchange used for the purpose of this document is, unless otherwise stated, \$1.00 = £0.5091, being the relevant rate of exchange at the close of business in London on 8 June 2007 (as ascertained from Bloomberg).

SUMMARY INFORMATION

The attention of potential investors is drawn to the risk factors set out in Part 3 of this document. The Shares and Warrants are only suitable for investors who understand the potential risk of capital loss for whom an investment in the Shares and Warrants constitutes part of a diversified investment portfolio and who fully understand and are willing to assume the risks involved in investing in the Company and that there may be limited liquidity in the underlying investments of the Company. This information should be read as an introduction to the full text of this document and any decision to invest in the Shares and Warrants should be based on consideration of the full text of this document.

THE COMPANY

Advance Frontier Markets Fund Limited is a newly incorporated Guernsey closed ended investment company which has been established to invest predominantly in a portfolio of funds and other investment products which derive their value from Frontier Markets. The objective of the Company is to generate long-term capital growth for investors.

THE INVESTMENT MANAGER

The Company has appointed Progressive Developing Markets Limited as its Investment Manager. PDML is a dedicated manager of fund of fund products which has an established track record of over eight years of investing in global emerging markets. It was incorporated in 1996 and is authorised and regulated by the FSA. Since 1998, PDML has managed Advance Developing Markets Trust plc, an investment trust quoted on the Official List of the London Stock Exchange (Bloomberg: ADD LN Equity) which invests in global Emerging Markets using a fund of funds strategy. Since March 2005, PDML has managed the Advance Emerging Markets Fund, an open ended investment company listed on the Dublin Stock Exchange (Bloomberg: ADVEMUA ID Equity) which utilises a similar fund of funds strategy. The Existing Funds had combined total assets of approximately \$630 million as at 31 March 2007 and carry Standard & Poors "A" ratings. As at 31 March 2007, PDML had approximately ten per cent. of its total assets under management invested in Frontier Markets.

Potential investors should note that the past performance of funds or assets managed by the Investment Manager is not necessarily indicative of the future performance of the Company.

THE INVESTMENT UNIVERSE

The Company's portfolio will be predominantly invested in "Frontier Markets". The Company's definition of Frontier Markets includes:

- countries which are in the Frontier Markets Index;
- countries which do not qualify for inclusion in the Emerging Markets Index or the Frontier Markets Index on account of investability or liquidity of underlying equity securities; and
- Smaller Emerging Markets.

In addition, the Investment Manager considers that investment opportunities exist which, while they fall outside the geographic reach of Frontier Markets, share similar characteristics to Frontier Market investments, including low correlation with other asset classes and inaccessibility to global investors. Such opportunities will typically involve investment in less developed sectors, such as property, private equity and infrastructure in mature and more developed Emerging Markets. The value of such investments is limited to 30 per cent. of Net Asset Value at the time of investment.

INVESTMENT OBJECTIVE AND INVESTMENT POLICIES

The objective of the Company is to generate long-term capital growth for its Shareholders. The Investment Manager intends to achieve this by investing predominantly in a diversified portfolio of funds and other investment products which derive their value from Frontier Markets. The proportion of the portfolio invested in each component of the Frontier Markets will vary according to where the Investment Manager perceives the most attractive investment opportunities to be. Investee funds may include closed and open-ended funds, exchange traded funds, structured products, limited partnerships and managed accounts.

The Investment Manager believes that the Placing proceeds will be substantially invested within six months of Admission. Pending investment, reinvestment or distribution, cash will be placed in bank deposits, bonds or money market instruments.

INVESTMENT OPPORTUNITY

It is the belief of the Investment Manager that many of the characteristics that attracted investors to mainstream Emerging Markets in the past are now more prevalent in Frontier Markets. Those characteristics include:

- low correlation with other equity asset classes and each other;
- low volatility through diversification;
- attractive company valuations;
- positive macro-economic trends; and
- limited accessibility and coverage.

Each of these characteristics is described in greater detail in paragraph 4 of Part 1 of this document.

INVESTMENT PHILOSOPHY, STRATEGY AND PROCESS

PDML's investment philosophy is that the high degree of diversity seen across markets creates opportunities that are best exploited by specialist fund managers investing in specific regions, countries or sectors. By using a fund of funds approach to investment, the Investment Manager believes it can access such specialist investment talent, ideas and themes within this asset class. The strategy employed by the Investment Manager will be similar to that applied in relation to the Existing Funds and combines the selection of "best of breed" investment managers with geographical asset allocation and participation in special situations. Each of these components is described in greater detail in paragraph 6 of Part 1 of this document.

THE PLACING

The Placing comprises a limited offer by the Company of 85 million Placing Shares to raise gross proceeds of approximately \$85 million (Net Proceeds of approximately \$82.4 million). The Placing Shares (with Warrants attached on a one for five basis) have been offered to selected investors at a Placing Price of \$1.00 per Placing Share. No offer of securities to the public in the European Economic Area has been made for which a prospectus is required to be produced, and the Placing is not underwritten. The Placing is conditional, *inter alia*, upon Admission. The Net Proceeds will be used to fund investments for the Company in accordance with the investment objective, strategy and policies outlined in this document, and to pay the Company's costs.

Fairfax has conditionally procured places for 85 million Shares (with Warrants attached on a one for five basis), as placing agent for the Company at \$1.00 per Share. A commission equal to two per cent. of the Placing Price multiplied by the total number of Placing Shares allotted by the Company on Admission will be payable by the Company to Fairfax. Fairfax will also be responsible for paying any other placing agent that may be engaged in respect of the Placing.

The Shares and Warrants will not be issued in bearer form.

FEES AND EXPENSES

In aggregate, the costs and expenses of the Placing and Admission are expected to amount to approximately three per cent. of the gross funds raised by the Placing.

PART 1

THE COMPANY

1. INTRODUCTION

Advance Frontier Markets Fund Limited is a newly incorporated Guernsey closed ended investment company (incorporated on 25 April 2007 with registration number 46809) which has been established to invest predominantly in a portfolio of funds and other investment products which derive their value from Frontier Markets. The objective of the Company is to generate long-term capital growth for investors.

The Company has appointed Progressive Developing Markets Limited as its Investment Manager. PDML is a dedicated manager of fund of fund products which has an established track record of over eight years of investing in global emerging markets. The Existing Funds have consistently added value for shareholders. The Investment Manager's investment process combines the selection of "best of breed" investment managers with geographical asset allocation and participation in special situations.

The Company has raised \$85 million pursuant to the Placing conditional on Admission. The Placing will consist of 85 million Shares at \$1.00 per Share. Warrants will also be issued on the basis of one Warrant for every five Shares issued in connection with the Placing. Both the Shares and the Warrants will be admitted to trading on AIM and admitted to listing and trading on the CISX.

2. THE INVESTMENT UNIVERSE

The Company's portfolio will be constructed so as to provide exposure to a wide range of markets and opportunities that fall outside the major constituents of the Emerging Markets Index.

The portfolio will be predominantly invested in "Frontier Markets". The Company's definition of Frontier Markets includes:

- countries which are in the Frontier Markets Index (see below);
- countries which do not qualify for inclusion in the Emerging Markets Index or the Frontier Markets Index on account of investability or liquidity of underlying equity securities; and
- Smaller Emerging Markets.

The Frontier Markets Index is produced by Standard & Poor's and is based on the monthly returns of stock markets that it considers are less developed than those in the Emerging Markets Index. The Frontier Markets Index currently includes countries such as Bangladesh, Botswana, Bulgaria, Croatia, Ecuador, Jamaica, Lebanon, Mauritius, Romania, Slovenia, Tunisia, Ukraine and Vietnam.

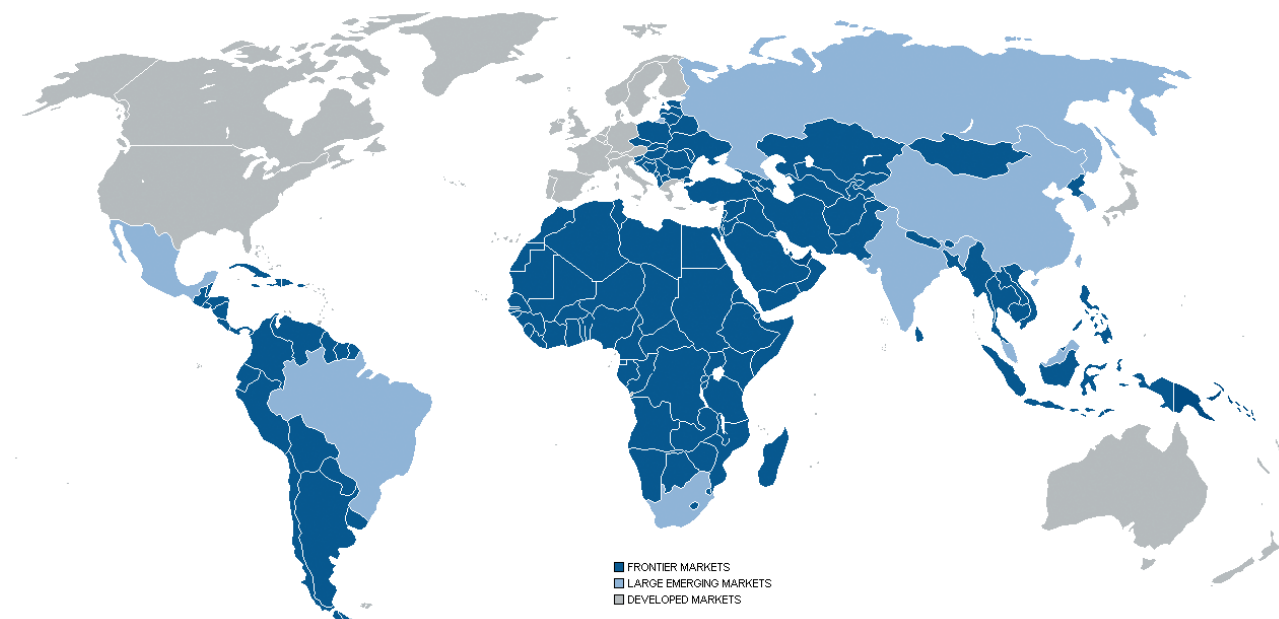
Countries which do not qualify for inclusion in the Emerging Markets Index or the Frontier Markets Index on grounds of investability and liquidity include, amongst others, Algeria, Bahrain, Belize, Cuba, Iran, Jordan, Kazakhstan, Kuwait, Mauritius, the Maldives, Mozambique, Pakistan, Paraguay, Tanzania, Trinidad and Tobago, United Arab Emirates and Uruguay.

Smaller Emerging Markets are those countries which qualify for inclusion in the Emerging Markets Index, but which individually represent less than 2.5 per cent. of that index at time of investment. Examples include Argentina, Egypt, Hungary, Indonesia, Morocco, Peru and the Philippines.

In addition, the Investment Manager considers that investment opportunities exist which, while they fall outside the geographic reach of Frontier Markets, share similar characteristics to Frontier Market investments, including low correlation with other asset classes and inaccessibility to global investors. Such opportunities will typically involve investment in less developed sectors, such as property, private equity and infrastructure, in mature and more developed Emerging Markets. Such markets would include those represented in the Emerging Markets Index. These markets include Brazil, China, Korea, India, Malaysia, Mexico, Russia, South Africa and Taiwan. The value of such investments is limited to a maximum of 30 per cent. of Net Asset Value at the time of investment.

The diagram below shows the geographic distribution of Frontier Markets, Large Emerging Markets and Developed Markets.

Figure 1. Frontier Markets, Large Emerging Markets and Developed Markets



3. INVESTMENT OBJECTIVE AND INVESTMENT POLICIES

The objective of the Company is to generate long-term capital growth for its Shareholders. The Investment Manager intends to achieve this by investing in a diversified portfolio of funds and other investment products.

Investee funds may include closed and open-ended funds, exchange traded funds, structured products, limited partnerships and managed accounts. The number of investments in the portfolio will vary depending on the availability of attractive opportunities but, under normal market conditions, will fall within a range of 20 to 50.

The Investment Manager believes that the Placing proceeds will be substantially invested within six months of Admission. Pending investment, reinvestment or distribution, cash will be placed in bank deposits, bonds or money market instruments. The Company may, at the Investment Manager's discretion, also hold cash or cash equivalents to protect Shareholders' capital although it is envisaged that the value of these will not generally exceed ten per cent. of Net Asset Value.

The Directors will review the investment strategy, policies and restrictions set out in this document on an annual basis and, subject to their review and in the absence of unforeseen circumstances, the Company intends to adhere to such strategy, policies and restrictions for at least three years after Admission. Any future changes in the Company's investment strategy, policies and restrictions would require Shareholders' consent by an ordinary shareholders' resolution.

4. INVESTMENT OPPORTUNITY

Since the 1980s, a combination of global and local factors have caused some of the Large Emerging Markets to advance to a state where they are approaching developed market status. Nine of the ten largest Emerging Markets are now ranked as investment grade by the major debt rating agencies. Their equity markets have become significantly larger, more liquid and well researched and the investment opportunity has become well known to global investors. As the traditional Emerging Markets have converged with their developed counterparts, the correlation of investment returns between the two has increased.

Data for the Frontier Market Index is currently carried by Bloomberg for the period January 2000 to January 2007. Over this period the Emerging Market Index has achieved an annualised return of 13.5 per cent., the Frontier Markets Index has achieved an annualised return of 26.5 per cent., whilst Smaller Emerging Markets have, on average, returned 15.0 per cent. The MSCI World Index, the MSCI US Index and the MSCI UK Index have returned 3.2 per cent., 1.1 per cent. and 6.6 per cent. respectively over the same period (all returns in US Dollars).

It is the belief of the Investment Manager that many of the characteristics that attracted investors to Large Emerging Markets in the past are now more prevalent in Frontier Markets. Those characteristics include:

Low correlation with other equity asset classes and each other

Over the same seven years the Frontier Markets Index has achieved a correlation with the Emerging Markets Index, the MSCI World Index, the MSCI US Index and MSCI UK Index of just 0.47, 0.43, 0.30 and 0.45 respectively. This low level of correlation, the Investment Manager believes, is the result of the underlying markets being driven by local economic and political factors rather than global events. In addition, the inaccessibility of these markets to foreign investors and the long-term investment horizons required has generally prevented rapid flows of capital in and out of these markets.

Low volatility through diversification

Frontier Markets contain a high degree of diversification, encompassing in excess of 100 markets, each with its own dynamics. Markets that are constituents of the Frontier Markets Index alone contain more than 4,000 listed equities. Despite huge divergence of returns between individual markets, the annualised volatility of the Frontier Markets Index has been just 9.8 per cent. over the same seven year period. This compares with the volatility of the average monthly returns on the Emerging Markets Index and MSCI World Index of 20.9 per cent. and 13.8 per cent. respectively over the same period.

Attractive company valuations

There are many economies and companies in the Frontier Markets that can be considered undervalued both in absolute terms and relative to global markets. Historic price to earnings ratios ("P/Es") on Frontier Markets show that half those markets trade at a discount to Emerging Markets, with several trading on P/Es of less than ten times. These ratios do not take into account any future growth in earnings.

Positive macro-economic trends

Significant changes in economic strength and stability have been well documented where they have occurred in Emerging Markets. The same improvements have also been witnessed in Frontier Markets with improved fiscal balances, declining interest rates, lower and more stable inflation and, ultimately, higher rates of growth. Looking forward, Goldman Sachs has projected figures for real GDP growth across a number of Developed Markets and Frontier Markets. These forecasts are reproduced in the table below, which clearly shows that economic growth is predicted to remain much stronger in the Frontier Market countries they highlight than in their Developed Market counterparts for at least the next decade.

Figure 2. Projected Real GDP Growth

	UK	US	Japan	Bangladesh	Egypt	Indonesia	Iran	Nigeria	Pakistan	Philippines	Vietnam
2005-10	2.1	2.8	1.2	5.0	5.0	5.1	5.3	5.0	5.6	5.1	7.9
2010-15	2.2	2.2	1.0	4.8	5.1	5.2	4.7	5.5	5.0	5.2	7.6
2015-20	1.9	2.1	1.4	5.0	5.1	5.0	4.3	5.7	4.9	5.1	6.9

Source: Goldman Sachs, Global Economics Paper No. 134

Limited accessibility and coverage

At present, the universe of funds and other investment vehicles through which investors can gain exposure to Frontier Markets is small when compared to the offerings available for Emerging Markets as a whole. The recent trend has been for global investors to concentrate their investments in Emerging Markets where liquidity is now high. This is reflected in the recent appetite for BRIC funds (i.e. those investing solely in the markets of Brazil, Russia, India and China). Funds that do invest in Frontier Markets often have highly specific remits, liquidity restrictions and substantial minimum investments. These characteristics provide a barrier to inflows of capital and diversification. Research coverage of Frontier Markets and the underlying assets remains limited and dominated by local institutions rather than international investment banks. This provides an opportunity for active investors with a focus on fundamental analysis.

5. INVESTMENT MANAGER AND TRACK RECORD

Progressive Developing Markets Limited is a dedicated global emerging markets investment manager. It was incorporated in 1996 and is authorised and regulated by the FSA. Since 1998, PDML has managed Advance Developing Markets Trust plc, an investment trust quoted on the Official List of the London Stock Exchange (Bloomberg: ADD LN Equity) which invests in global Emerging Markets using a fund of funds strategy.

Since March 2005, PDML has also managed the Advance Emerging Markets Fund, an open ended investment company listed on the Dublin Stock Exchange (Bloomberg: ADVEMUA ID Equity) which utilises a similar fund of funds strategy. The Existing Funds had combined total assets of approximately \$630 million as at 31 March 2007 and carry Standard & Poors "A" ratings. As at 31 March 2007, PDML had approximately ten per cent. of its total assets under management invested in dedicated Frontier Markets funds.

Considerable Frontier Markets experience already exists within the Investment Team, through due diligence carried out in relation to prospective investments in the Existing Funds (which have a limited exposure to Frontier Markets). The Investment Manager has identified investment opportunities which are managed by professional investors, usually located in the markets in which they invest and with extensive experience of their respective markets or asset classes. Access to these managers and products, the Investment Manager believes, is a key part of the overall investment opportunity.

PDML is a subsidiary of Progressive Asset Management Limited, the holding company of an independent fund management group with assets under management of approximately \$1 billion, as at 31 March 2007, in a range of innovative products with the common objective of providing a consistent high level of performance and service.

The Investment Team has, in aggregate, over 100 years of combined operating and investment experience mostly in Emerging Markets. Information on the Investment Team is included in paragraph 2 of Part 2 of this document.

ADMT has outperformed its benchmark, the Emerging Markets Index in each of the eight individual calendar years since its launch in 1998. ADMT's net asset value performance ranks it in the top quartile of global emerging market funds within the S&P/Micropal Database in every one of those years.

Figure 3. Performance of Advance Developing Markets Trust

	1999	2000	2001	2002	2003	2004	2005	2006	Q1 2007	Cumulative since Inception
ADMT NAV change (%)	86.1	-19.7	4.0	-10.1	48.4	16.6	53.3	20.3	4.1	292.7
Excess return over Benchmark (%)	17.8	7.9	2.1	5.0	11.0	0.7	7.7	4.4	2.2	137.6
S&P/IFC Quartile Ranking	1st	1st	1st	1st	1st	1st	1st	1st	1st	1st

Source: PDML, S&P/Micropal Emerging Markets Database – GBP returns 19.06.98-31.03.07

AEMF has achieved an annualised return of 30.9 per cent. in US Dollars since its inception in March 2005, comfortably ahead of its benchmark return of 27.9 per cent., and has also been consistently ranked in the top quartile of global Emerging Market funds.

Potential investors should note that the past performance of funds or assets managed by the Investment Manager is not necessarily indicative of the future performance of the Company.

6. INVESTMENT PHILOSOPHY, STRATEGY AND PROCESS

PDML's investment philosophy is that the high degree of diversity seen across markets creates opportunities that are best exploited by specialist fund managers investing in specific regions, countries or sectors. By using a fund of funds approach to investment, the Investment Manager believes it can access such specialist investment talent, ideas and themes within this asset class.

The strategy employed by the Investment Manager will be similar to that applied in relation to the Existing Funds and consists of three core components: Investee Manager selection, geographical asset allocation and participation in special situations.

Investee Manager Selection

The Investment Manager aims to identify funds and Investee Managers which it considers are likely to deliver consistent capital growth over the long term. The Investment Manager believes that qualitative aspects of a fund are the strongest indicators of the prospects for future performance. The Investment Manager has, over the past eight years, gained substantial experience in the appraisal and selection of Investee Managers. The Investment Manager also has the benefit of a global network of contacts in the fund industry.

Qualitative Analysis

The Investment Manager places importance on interviewing managers in person and on establishing detailed understanding of the process employed, style, motivations and personal strengths and weaknesses of potential Investee Managers. Meetings with Investee Managers are conducted at least bi-annually, usually face to face, with the lead fund manager for the relevant vehicle. The Investment Manager aims to meet Investee Managers in their own offices whenever possible. In excess of 250 meetings were conducted in 2006, one third of them outside the UK. Comprehensive meeting notes and internally developed due diligence templates are used to document initial and follow up meetings.

The Investment Manager considers the following characteristics to be of importance:

- *Investee Managers* – the Investee Managers of the fund will be experienced in the markets in which they invest, key personnel incentivised to perform through ownership or performance related pay, accessible, will manage a reasonable amount of money and their key personnel will have freedom to apply their own style but with effective support to control “key man” risk.
- *Process* – the process will be clear and logical, not unduly complicated, appropriate for the markets in question, include active risk controls, afford the manager a degree of flexibility and have demonstrated durability over time.
- *Corporate Governance* – the fund management group and product will be suitably structured, regulated by appropriate local authorities, offer transparency and accessibility to shareholders and maintain contact with investors and prospective investors.
- *Fund Characteristics* – the fund’s objectives will be defined, followed by the Investee Manager and will be consistent with the Company’s own objectives and policy. The fund’s investment universe will be manageable and of a reasonable size. The fund’s management fee will be commensurate with the work undertaken and any performance fees will be calculated in a manner that aligns the interests of investee managers with those of shareholders.
- *Management Company* – the management company will be of critical mass, but not so large as to cause internal politics and inefficiencies that may detract from the ability of prospective Investee Managers to run their funds effectively. The effect of material changes within the management company will be considered.

Quantitative Analysis

Detailed statistical analysis relying on proprietary and third party databases is used to support qualitative findings on known products and to identify potential investment opportunities. The Investment Manager will consider the consistency and quality of returns relative to a fund’s peers, the sources of any outperformance and whether the Investee Manager’s objectives are consistent with the Company’s own objective. Particular focus is given to the following details:

- *Performance History* – the Investee Manager will usually have a track record that demonstrates an ability to generate capital growth, either consistently, or under certain market conditions. The length of the record and material changes to the fund or management during the period will be taken into consideration. Attribution analysis will be used to identify the timing, source and consistency of value added by an Investee Manager.
- *Return Characteristics* – the Investee Manager should exhibit consistency of returns over discrete time periods, or under specific market conditions, without adopting excessive levels of risk. Volatility should also be managed within reasonable limits.
- *Fund Characteristics* – the Investee Manager will have sufficient capacity and liquidity in the underlying strategy to enable timely subscriptions and redemptions. In the case of closed-ended funds, liquidity in the fund’s shares should be sufficient to allow a complete entry and exit to be effected over a reasonable time period.

Geographical Asset Allocation

The Investment Manager will take a long-term view on asset allocation and, where a high degree of conviction exists, may position the portfolio aggressively. Investee Managers have a key role to play as they will typically have extensive experience of investing in their respective markets. They will have dedicated

resources at their disposal used in the collection and analysis of market information on which they base investment decisions and hence their own asset allocation. PDML will use its regular contact and good relationships with Investee Managers to benefit from the Investee Manager's experience and knowledge when determining the Company's asset allocation.

PDML's internal view on market prospects will be used to validate and challenge the views expressed by Investee Managers, who may be focused on a single market or region. The Investment Manager aims to identify those markets within its investment universe that offer the most attractive combinations of quality, value, growth and change. This helps to temper market bias amongst Investee Managers and therefore, in the identification of the optimum balance of investments, on an inter and intra-regional basis.

The assimilation of these factors combined with the effect of bottom up decisions relating to individual investment opportunities will determine the actual geographic split of the Company's funds at any one point in time.

Special Situations

The Investment Manager will seek to identify pricing anomalies in investment products and use such opportunities to add value to the Company's portfolio. Normally, this will involve investing in closed-ended funds that are available for purchase at a discount to their net asset value. Discounts usually arise as a result of imbalances in supply and demand for the shares of a fund. Once an anomaly has been identified, the Investment Manager will use the following process to analyse the opportunity:

- *Identify Problem* - the Investment Manager will first determine the cause of the discount, which could be a result of imbalances in supply and demand, irregular liquidity, sustained poor performance or questionable corporate governance.
- *Estimate Potential Uplift and Horizon* – once the Investment Manager understands the cause of the discount, the net effect of performance of the underlying fund and the effect of any discount narrowing during the forecast holding period will be analysed to determine the potential uplift within such period.
- *Identify Possible Solutions* – the Investment Manager will then determine the possible solutions available that could reduce the discount, such as the use of share buybacks, tender offers, discount control mechanisms, removal of manager, replacement of the board, merger, reconstruction, change of remit, or renewed marketing efforts.
- *Identify Barriers/Catalysts* – the Investment Manager will then determine whether there are any barriers to implementing the solution or particular catalysts which would accelerate the realisation of value. This may include a friendly or hostile shareholder register, board members who are constructive, inactive or non-independent or pre-defined reconstruction provisions including continuation votes and tender offers.
- *Define a Strategy to Achieve Uplift* – once the barriers or catalysts are understood, the Investment Manager will devise an investment strategy, which may include directly approaching the board of directors or management or mobilising other shareholders.

The Investment Manager will then implement this strategy to realise value from the special situation. PDML has eight years experience of investing in special situations.

7. INVESTMENT RESTRICTIONS

The Investment Manager will invest in order to achieve its Investment Objective whilst adhering to the following investment restrictions:

- *Geographical Focus.* The Company will limit exposure to any individual country to 15 per cent. of the Company's Net Asset Value at the time of investment. If, at any time, this limit is exceeded, the Company will seek to rebalance its portfolio of investments so that the restriction is adhered to.
- *Investment Size.* No single investment position in any fund will exceed ten per cent. of the Company's Net Asset Value at the time of the investment.
- *Leverage.* Save as set out below, the Company will not borrow to fund its investments but may use an overdraft and/or other short-term borrowing facilities to meet its working capital needs, including for the payment of any expenses or fees. The same facilities may be used to take advantage of

favourable investment opportunities pending the payment of proceeds from the sale or redemption of investments.

In the event of a breach of any of the above-listed investment restrictions, the Investment Manager shall, upon becoming aware of the same, inform the Board and the Board will then discuss any such breach with the Company's nominated adviser and, if appropriate, make an announcement via a Regulatory Information Service Provider.

8. FOREIGN EXCHANGE POLICY

It is the Company's policy to determine the valuations of all its investments in US Dollars. Consequently, the value of its investments may fluctuate with changes in the rate of exchange of the US Dollars against any other currency in which an investment is denominated. The Company does not expect to enter into arrangements to hedge currency risks but reserves the right to do so if such arrangements are desirable and practicable in the future. However, there is no guarantee that such arrangements will be available on favourable economic terms or at all.

9. DISTRIBUTION POLICY

As the Company's investment objective is based on capital appreciation and it expects to reinvest realised returns from investments into new investments that are consistent with its investment strategy, the Directors do not intend and are not required to make dividend distributions to Shareholders. The Directors do reserve the right to make such distributions, if they believe it to be in the best interests of the Company and its Shareholders.

10. REPURCHASE OF SHARES AND DISCOUNT CONTROL

Conditional upon Admission, the Company has been granted authority to make market purchases of Shares of up to 14.99 per cent. of the Shares in issue following Admission. This authority will expire on the earlier of 30 November 2008 and the conclusion of the first annual general meeting of the Company. A renewal of the authority to make purchases of 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. Any Shares bought back by the Company will either be held in treasury (and may be reissued) or cancelled.

Purchases will only be made pursuant to this authority at prices below the prevailing Diluted Net Asset Value per Share. Such purchases will result in an increase in the Net Asset Value of the remaining Shares and may assist in narrowing any discount to Net Asset Value at which the Shares may trade. The maximum price which will be paid for a Share pursuant to this authority will be 105 per cent. of the average of the mid-market price of a Share for the five business days before the purchase is made. Any such purchases will be made in accordance with the Companies Laws and the Companies (Purchase of Own Shares) Ordinance 1998 as amended from time to time.

Following the date on which 75 per cent. of the Net Proceeds have been invested by the Company, in the event that the mid-market price of a Share is persistently trading at a substantial discount to the Diluted Net Asset Value per Share (the level of any such discount to be determined by the Directors in consultation with the Investment Manager) the Directors will, subject to Guernsey law and subject to any other regulatory consents necessary (to include, if required, under The City Code on Takeovers and Mergers) being obtained, exercise the Company's powers to purchase Shares with a view to narrowing such discount. In such circumstances the Company will also consider, in conjunction with the Investment Manager, whether it would be desirable to implement a campaign to improve the marketability of the Shares and thereby assist in narrowing any such discount.

Conditional on Admission and approval of the Court in Guernsey, the Company has resolved to cancel the amount standing to the credit of its share premium account following Admission. The amount released on cancellation will be credited to a distributable reserve to be established in the accounts of the Company and may be used by the Company for the funding of purchases of Shares as described above.

11. LIFE OF THE COMPANY

The Company does not have a fixed life but the Directors consider it desirable that Shareholders should have the opportunity to review the future of the Company at appropriate intervals. At the annual general meeting in 2014, a resolution will be proposed that the Company will continue in existence. If the resolution

is not passed, the Directors will be required to formulate proposals to be put to Shareholders to reorganise, reconstruct or wind-up the Company. If the resolution is passed, the Company will continue its operations and a similar resolution will be put to Shareholders every three years thereafter.

12. SUITABILITY

As an investment company incorporated in Guernsey, the Company may only be marketed to, and is only suitable as an investment for, sophisticated investors with an understanding of the risks inherent in Frontier Markets and an ability to potentially accept the total loss of all capital in the Company.

13. THE PLACING

The Placing comprises a limited offer by the Company of 85 million Placing Shares (with Warrants attached on a one for five basis) to raise gross proceeds of approximately \$85 million (Net Proceeds of approximately \$82.4 million). The Placing Shares have been offered to selected investors at a Placing Price of \$1.00 per Placing Share. No offer of securities to the public in the European Economic Area has been made for which a prospectus is required to be produced, and the Placing is not underwritten. The Placing is conditional, *inter alia*, upon Admission. The Net Proceeds will be used to fund investments for the Company in accordance with the investment objective, strategy and policies outlined in this document, and to pay the Company's costs.

Fairfax has conditionally procured places for 85 million Shares, as placing agent for the Company, at \$1.00 per Share (with Warrants attached on a one for five basis). A commission equal to two per cent. of the Placing Price multiplied by the total number of Placing Shares allotted by the Company on Admission is payable by the Company to Fairfax. Fairfax will also be responsible for paying any other placing agent that may be engaged in respect of the Placing. Further details of the Placing Agreement are set out in paragraph 7.3 of Part 7 of this document.

14. WARRANTS

Under the Placing, Warrants will be issued on the basis of one Warrant for every five Shares subscribed. Each Warrant will entitle its holder to subscribe for one Share at a subscription price of \$1.00 (subject to adjustment) on 15 June in each of the three years after Admission. Although the Warrants are being issued on the basis of one Warrant for every five Shares subscribed pursuant to the Placing, following Admission the Warrants will themselves be traded on AIM and CISX separately from the Shares and will be capable of transfer independently of the Shares. Further details of the terms and conditions of the Warrants are set out in Part 6 of this document. **Investors should note that it will not be possible to hold or transfer the Warrants through CREST and accordingly the Warrants will only be capable of being held or transferred in certificated form. It is currently anticipated that certificates in respect of Warrants will be despatched to those entitled by 29 June 2007.**

PART 2

DIRECTORS, MANAGEMENT AND ADMINISTRATION

1. THE DIRECTORS

The Directors have overall responsibility for determining the Company's investment objective and strategy and for implementing the Company's investment policies. The Board is also responsible for supervising and reviewing the activities of the Investment Manager. The Board intends to meet at least four times a year. Details of the Directors, all of whom are non-executive, are set out below.

Aly Mahmoud El-Tahry, aged 53, Non-executive Chairman

Aly El-Tahry is a director and co-founder of Beltone Financial, a regional financial services group operating in the fields of investment banking and asset management, with offices in Cairo, Dubai, Riyadh and Jeddah. In 1991, he co-founded Kidder, Peabody & Co.'s Middle-East regional office in Cairo where he was co-manager and was involved primarily in corporate finance activities such as privatisations. Aly co-founded Hermes in 1993, the largest investment bank in the Middle-East and up to the time of his departure as an executive in 1999, he managed, during two different periods, its sales and trading as well as the corporate finance divisions. In 2002, Aly co-founded Beltone Financial, which has assets under management of over 16.8 billion Egyptian pounds. Currently, Aly serves as director of two international investment funds and historically he served on the board of EFG-Hermes and the Cairo Stock Exchange. The October 1997 and September 1998 issues of Global Finance magazine named Aly as one of the 600 'World's Most Powerful People in Finance.' Aly received his MBA from the Krannert Graduate School of Management at Purdue University, West Lafayette, Indiana, USA, in 1987. He also holds Bachelor of Science degrees in both Physics-Engineering and Mechanical Engineering from Washington & Lee University, Lexington, Virginia, USA, and Rensselaer Polytechnic Institute, Troy, New York, USA, respectively.

Helen Foster Green, aged 44, Non-executive Director

Helen Green is a chartered accountant. She has been employed by Saffery Champness, a UK top 20 firm of chartered accountants since 1984. She qualified as a chartered accountant in 1988 and became a partner in the London office in 1997. Since 2000 she has been based in the Guernsey office where she is client liaison director responsible for trust and company administration. Helen serves on the boards of a number of companies in various jurisdictions and she is currently a non-executive director of Landore Resources Limited, Advance AIM Value Realisation Company Limited, Puma Brandenburg Limited (all of which are traded on AIM) and Trio Finance Limited, Kenmore European Industrial Fund Limited and Acorn Income Fund Limited (which are listed on the Official List of the London Stock Exchange).

(James) Grant Wilson, aged 45, Non-executive Director

Grant Wilson is the co-founder of Prudent Wealth Management Ltd, an FSA registered fund management company. He is also the founder and a partner of Eland Mar LLP, a director of China Development Capital (GP) Limited and GMS (Recordings) Limited. He is a trustee of several charities including The Church of Scotland Investors Trust. From 1992 to 2003 he was a director of Martin Currie Investment Management Limited. Formerly he was a director of Gartmore Investment Trust Management Limited and worked as a fund manager at Ivory & Sime plc. He is a member of the Chartered Financial Analyst Institute, The Institute of Chartered Secretaries and Administrators and the UK Society of Investment Professionals. He was awarded a degree in Business Studies & Administration while studying under a bursary scholarship from the Royal Navy.

Richard Dunmore Napier Hotchkis, aged 56, Non-executive Director

Richard Hotchkis has 30 years' investment experience. Until October 2006, he was an investment manager at the Co-operative Insurance Society, where he started his career in 1976. Richard has wide experience of equity investment in both the UK and overseas and also of the externally managed funds industry, including investment trust and other closed-ended funds, offshore funds and hedge funds.

2. THE INVESTMENT MANAGER

Under the terms of the Investment Management Agreement, the Company has appointed PDML to manage its assets. PDML was incorporated in 1996 and is authorised and regulated by the FSA.

PDML has managed specialist Emerging Market fund of fund portfolios since 1998. The assets under its management are predominantly managed on behalf of an institutional client base, both UK and overseas, including pension funds, insurance companies, family offices, charities and private client investment managers.

The individuals at the Investment Manager who will, initially, be involved with the management of the Company's assets are as follows:

Nigel Wilson, *Executive Chairman*, is co-head of PDML's Emerging Markets team. He has been responsible for the management of ADMT since its inception in June 1998. Between 1992 and 1997, he was the Chief Investment Officer and Head of the Investment Unit at the Bank Of England with responsibility for £5.25 billion assets under management. In that capacity he was responsible for asset allocation, portfolio strategy and management of funds, including staff pension funds. He has over 35 years experience in investment management, 18 of those in emerging markets. Nigel has a BA in History from Oxford University.

Dr. Slim Feriani, *Managing Director*, is co-head of PDML's Emerging Markets team. He joined PDML in February 2005 from Martin Currie Investment Management Limited, where he was a Director and Senior Portfolio Manager for the long only global Emerging Markets portfolios and hedge fund products in Asia and global Emerging Markets. Before that he worked as a senior investment analyst on the Middle East and North Africa region at Nomura International in London. Slim completed an MBA in Finance & Investments in 1989 and a PhD on the same subject in 1995, both at The George Washington University where, between 1989 and 1996 he taught as Professor of Finance and International Finance. He is fluent in French and Arabic.

Christopher Brader, *Director*, has 35 years of investment experience in Emerging Markets with 15 of those spent working in investment funds. He joined PDML in 2002 and is responsible for Asian investments and macro coverage. He previously held positions at CrossBorder Capital Limited, SG Securities Limited and ING Barings Securities Limited. At ING Barings he ran the Emerging Markets closed-ended fund team, encompassing research, sales, trading and corporate finance functions. Prior to that he spent ten years at Cazenove & Co. in Hong Kong and Japan.

Bernard Moody, *Investment Director*, joined PDML in August 2006. Prior to this he was at Sarasin Investment Management, where he managed Asian and Emerging Market portfolios worth over \$1billion; two of the funds for which he was responsible carried 'A' ratings from S&P Fund Research. Between 1997 and 1999 he worked in the Investment Management Research Unit at the actuarial consultants Bacon & Woodrow. Bernard graduated from University College Dublin with a BComm specialising in Banking and Finance before gaining an MSc in Finance from the Queen's University of Belfast.

Andrew Lister, *Investment Manager*, joined PDML in 2000 as an Investment Assistant with responsibility for fund analysis and performance attribution. He moved into a fund management role in October 2003 and is now responsible for South Africa and the Latin American region. He completed the Investment Management Certificate in February 2001 and qualified as a technical analyst in 2005. Andrew graduated from the University of Exeter with a BA in Geography.

Viktor Broczko, *Investment Analyst*, joined PDML as a Research Assistant early in 2002 and completed the Investment Management Certificate in July 2003. In October 2006, he became an Investment Analyst. He speaks fluent Hungarian, German and Russian. Viktor is responsible for monitoring Middle East and Eastern European markets and investments. He holds a BA in Economics from Greenwich University and a MSc in Information Systems from the London School of Economics.

Under the Investment Management Agreement, the Company has appointed the Investment Manager as the sole investment manager, responsible for the day-to-day management of the Company's investment portfolio. The Investment Manager's mandate includes the acquisition and disposal of investments in accordance with the Company's investment strategy and policies, subject to the investment restrictions described in Part 1 of this document.

The Investment Manager is also, amongst other things, responsible for the following:

- identifying, sourcing and evaluating investment opportunities;
- executing investments on behalf of the Company;
- monitoring investee funds and the performance of Investee Managers;

- advising on other matters relevant to the investment focus of the Company which the Investment Manager considers material; and
- maintaining investor relations and other investor communications.

The Investment Management Agreement is for an initial term of 12 months from Admission and may thereafter be terminated by either the Company or the Investment Manager giving 12 months written notice to the other.

Further details of the Investment Management Agreement are set out in paragraph 7.4 of Part 7 of this document.

3. ADMINISTRATOR AND SECRETARY

Legis Corporate Services Limited has been appointed Administrator and Secretary to the Company pursuant to the Administration and Secretarial Agreement. In such capacity the Administrator will be responsible for the day-to-day administration for the Company including the calculation of the Company's NAV and general secretarial functions as required by the Companies Laws.

Under the terms of the Administration and Secretarial Agreement, the Administrator is able to delegate duties to third parties approved by the Company. In this regard the Administrator has, with the approval of the Company, delegated certain of its administrative duties to Cavendish Administration Limited, a subsidiary of PAML which provides administration and secretarial services to investment trusts and other investment funds.

The Administration and Secretarial Agreement is capable of being terminated by either the Administrator or the Company giving to the other six months written notice. Further details of the Administration and Secretarial Agreement are set out in paragraph 7.6 of Part 7 of this document.

4. REGISTRAR

Capita Registrars (Guernsey) Limited has been appointed as registrar and transfer agent to the Company pursuant to the Registrar Agreement. In such capacity, the Registrar will maintain the register of Shareholders and Warranholders, process all Share and Warrant transfers and Warrant exercises and calculate and effect payment of dividends to Shareholders. With the consent of the Company, the Registrar has retained Capita IRG Plc as the Company's UK transfer agent to receive notices and documents of transfer from Shareholders and Warranholders in the United Kingdom for onward transmission to the Registrar.

The Registrar Agreement is capable of being terminated by either the Registrar or the Company giving to the other three months written notice. Further details of the Registrar Agreement are set out in paragraph 7.7 of Part 7 of this document.

5. CUSTODIAN

The Northern Trust Company has been appointed as custodian to the Company. In such capacity the Custodian is responsible for providing custodial services to the Company.

The Custodian Agreement is capable of being terminated by either the Custodian or the Company giving to the other 30 days written notice. Further details of the Custodian Agreement are set out in paragraph 7.5 of Part 7 of this document.

6. CISX LISTING SPONSOR

Ozannes Securities Limited has been appointed as CISX listing sponsor to the Company. Details of the CISX Sponsorship Agreement are set out in paragraph 7.9 of Part 7 of this document

PART 3

RISK FACTORS

Investment in the Shares and Warrants involves a high degree of risk and prospective purchasers of the Shares and Warrants should carefully evaluate the factors set out below. The Company's investment activities will entail certain special risks not typically associated with investments in Western Europe and the United States including, but not limited to, political, social, legal and economic uncertainty, high inflation, price volatility, limited liquidity, less transparent and rigorous regulatory, disclosure and financial reporting requirements, restrictions on foreign investment and repatriation of capital and income, fluctuations of currency exchange rates, currency devaluations and the possibility that the exchange of a foreign currency may be blocked. In addition, there are certain risks when making investments in Frontier Markets in terms of valuation, risk of economic downturn, expansion risks, access to financing, management risks, uninsured losses and a lack of marketability, among others. An investment in the Company should be considered speculative and long-term in nature and is suitable only for sophisticated investors who understand the risks involved.

The following factors are not exhaustive and do not purport to be a complete explanation of all the risks and significant considerations involved in investing in the Shares. Accordingly, and as noted above, additional risks and uncertainties not presently known to the Directors, or that the Directors currently deem immaterial, may also have an adverse effect on the Company's business.

RISKS RELATING TO THE COMPANY'S BUSINESS AND STRUCTURE

Lack of operating history

The Company is recently incorporated and has no operating history upon which to evaluate its likely performance.

Dependence on the Investment Manager and the Investment Team

The Company's ability to provide returns to Shareholders and achieve its investment objective is substantially dependent on the performance of the Investment Manager in the identification, acquisition and disposal of investments and the management of such investments and on its ability to retain the current members of the Investment Team. The Board will monitor the performance of the Investment Manager but the Investment Manager's effective performance cannot be guaranteed. Failure by the Investment Manager to identify, acquire and manage investments effectively and the loss of key members of the Investment Team could have a material adverse effect on the Company's financial results. In addition, the Company has no employees and no separate facilities and is reliant on the Investment Manager, which has significant discretion as to the implementation of the Company's operating policies and strategies. The Company is subject to the risk that, if the Investment Manager terminated the Investment Management Agreement, no suitable replacement could be found or would exist.

Life of the Company

In 2014, the Directors will convene an annual general meeting where a resolution will be proposed that the Company continues in existence. If the resolution is not passed, the Directors will be required to formulate proposals to be put to Shareholders to reorganise, reconstruct or wind up the Company. If the resolution is passed, the Company will continue its operations and a similar resolution will be put to Shareholders in 2017 and every three years thereafter. Shareholders otherwise have no right to redeem their Shares and will only be able to realise their investments by selling their Shares in the market or by participating in any share buyback programme undertaken by the Company.

RISKS RELATING TO THE INVESTMENT MANAGER

Past operating history

The past performance of assets or funds managed by the Investment Manager is not necessarily indicative of the future performance of the Investment Manager and there is no assurance that the Investment Manager will achieve comparable results.

Conflicts of interest

The Investment Manager may be subject to conflicts of interests, including in relation to the allocation of investment opportunities. Please refer to paragraph 9 of Part 4 of this document for further details on potential conflicts of interests, and how they will be managed.

INVESTMENT RISKS

Investor returns

Investors contemplating an investment in the Shares and Warrants should recognise that their market value can fluctuate and may not always reflect their underlying value. Returns achieved are reliant upon the performance of the funds in which the Company's assets are invested. No guarantee is given, express or implied, that Shareholders will receive back the amount of their investment in the Shares and Warrants.

Due to the overall size, concentration in particular markets and maturities of positions held indirectly by the Company (i.e. through funds selected by the Investment Manager), the value at which its investments can be liquidated may differ, sometimes significantly, from the valuations calculated by the Investment Manager. In addition, the timing of liquidations of investments may also affect the values obtained at liquidation. Securities held indirectly by the Company may routinely trade with bid-offer spreads that may be significant. At times, third-party pricing information may not be available for certain positions held by the Company.

Diversification

Although the Investment Manager seeks to obtain diversification by investing with a number of different funds with different strategies or styles, it is possible that the selected funds may take substantial positions in the same security or group of securities at the same time. This possible lack of diversification may subject the investments of the Company to more rapid change in value than would be the case if the assets of the Company were more widely diversified.

Leverage

The Company may be indirectly exposed to gearing to the extent that investee funds are themselves geared.

Funds selected by the Investment Manager may utilise a substantial degree of leverage. This may result in the underlying investee fund controlling substantially more assets than it has equity. Leverage increases returns to the underlying investee fund if the returns on investments purchased with borrowed funds are greater than the fund's cost of borrowing such funds. However, the use of leverage exposes the underlying investee fund to additional levels of risk, including: (a) greater losses (including the risk of a total loss) from investments than would otherwise have been the case had the fund not borrowed to make the investments; (b) margin calls or interim margin requirements, which may force the premature liquidation of investment positions; and (c) losses (including the risk of a total loss) on investments where the investment fails to earn a return that equals or exceeds the fund's cost of borrowing.

To the extent that options, futures, options on futures, swaps, swaptions and other "synthetic" or derivative financial investments are used, it should be noted that they inherently contain much greater leverage than a non-margined purchase of the underlying security, commodity or instrument. This is due to the fact that generally only a very small portion of the value of the underlying security, commodity or instrument is required to be paid in order to make such investments. In addition, many of these products are subject to variation or other interim margin requirements, which may force premature liquidation of investment positions.

Small cap stocks

The underlying investee funds selected by the Investment Manager may have significant investments in smaller to medium sized companies of a less seasoned nature whose securities are traded in an "over-the-counter" market. These "secondary" securities often involve significantly greater risks than the securities of larger, better-known companies, due to shorter operating histories, potentially lower credit ratings and, if they are not listed companies, a potential lack of liquidity in their securities. As a result of lower liquidity and greater share price volatility of these "secondary" securities, there may be a disproportionate affect on the value of the investee funds and, indirectly, on the value of the Company's portfolio.

Unregulated markets/jurisdictions

Investing in funds domiciled or operating in one or more unregulated environments involves considerations and possible risks not typically involved in investing in securities of companies or funds domiciled or operating in regulated securities markets. Unregulated securities markets are less liquid, more volatile and less subject to governmental supervision than in regulated environments. Investments in securities of companies or funds domiciled or operating in unregulated environments could be affected by factors not present in regulated environments, including lack of uniform accounting, auditing and financial reporting standards and potential difficulties in enforcing contractual obligations.

Frontier Markets

The funds selected by the Investment Manager will invest in Frontier Markets. Investing in Frontier Markets involves certain risks and special considerations not typically associated with investing in other more established economies or securities markets. Such risks may include (a) the risk of nationalisation or expropriation of assets or confiscatory taxation; (b) social, economic and political uncertainty including war and revolution; (c) dependence on exports and the corresponding importance of international trade and commodities prices; (d) less liquidity of securities markets; (e) currency exchange rate fluctuations; (f) potentially higher rates of inflation (including hyper-inflation); (g) controls on foreign investment and limitations on repatriation of invested capital and a fund manager's ability to exchange local currencies for US Dollars; (h) a higher degree of governmental involvement and control over the economies; (i) government decisions to discontinue support for economic reform programmes and imposition of centrally planned economies; (j) differences in auditing and financial reporting standards which may result in the unavailability of material information about economics and issuers; (k) less extensive regulatory oversight of securities markets; (l) longer settlement periods for securities transactions; (m) less stringent laws regarding the fiduciary duties of officers and directors and protection of investors; and (n) certain consequences regarding the maintenance of portfolio securities and cash with sub-custodians and securities depositories in Frontier Markets.

Frontier Market debt securities

The funds selected by the Investment Manager may invest in Frontier Market debt securities, including short-term and long-term securities denominated in various currencies. These securities may be unrated or rated in the lower rating categories by the various credit rating agencies. These securities are subject to greater risk of loss or principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally subject to greater risk than securities with higher credit ratings in the case of deterioration of general economic conditions. Additionally, evaluating credit risk for Frontier Market debt securities involves great uncertainty because credit rating agencies throughout the world have different standards, making comparisons across countries difficult. Because investors generally perceive that there are greater risks associated with lower-rated securities, the yields or prices of such securities may tend to fluctuate more than those for higher-rated securities. The market for Frontier Market debt securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which securities are sold. In addition, adverse publicity and investor perceptions about emerging market debt securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such securities.

RISKS RELATING TO THE UNDERLYING INVESTMENTS

Lack of operating history

The Investment Manager may invest a portion of the assets of the Company with newly established managers with a limited performance history in operating their own management companies. These newly established management companies are typically small and not part of large financial services organisations and, therefore, such management companies will not have the financial resources and infrastructure normally associated with fund managers who are part of large established financial services organisations. Therefore, such investments may involve greater risks than investment with more established managers.

Activities of fund managers

Although the Investment Manager will seek to invest the Company's assets in underlying funds whose managers exercise a high level of integrity, the Investment Manager will have no control over the day-to-

day operations of any of the underlying fund managers. As a result, there can be no assurance that every underlying fund manager will conform their conduct to these standards.

Illiquidity

The fact that the Company may invest in funds that are not traded on investment exchanges do not permit frequent redemptions including funds that may have “lock-up” periods or “gateways” or otherwise do not permit redemptions for significant periods of time, an investment in the Company may be a relatively illiquid investment.

As a result of liquidation or redemption of a holding in a fund, limited partnership or other investment vehicle, or due to the creation of an illiquid investment or receipt of an illiquid asset in lieu of an existing holding, the Company’s portfolio may contain shares of assets which are illiquid.

Changes in taxation

Any change in the Company’s tax status, or in taxation legislation in either Guernsey, the United Kingdom or elsewhere, could affect the value of the investments held by the Company or the Company’s ability to achieve its investment objective or alter the post tax returns to Shareholders. Statement in this document concerning the taxation of UK Shareholders are based upon current UK tax law and practice, that in principle is subject to change which could adversely affect the ability of the Company to meet its investment objective and could adversely affect the taxation of UK Shareholders. The Directors have been advised that the Company should not be an offshore fund for the purposes of the United Kingdom taxation, but should the Company become an offshore fund for the purposes of United Kingdom taxation as a result of changes in current UK tax law and/or practice, this will, compared to current UK tax law and practice, have adverse tax consequences for UK Shareholders.

Underlying portfolio management fees and other charges

The performance of the Company will, in part, be affected by charges relating to the investments of the Company and the managed accounts through which it invests. To the extent that the assets of the Company are invested in funds or via managed accounts, there may be multiple layers of fees and transaction costs borne by the Company. In addition, the Company may be required to pay performance fees in respect of some of its investments, even if the Company itself as a whole has not realised any gains during the same period.

Performance fee

The annual performance fee payable to the Investment Manager may result in substantially higher payments to the Investment Manager than alternative arrangements in other types of investment vehicles. The existence of the performance fee may create an incentive for the Investment Manager to make riskier or more speculative investments than it would otherwise make in the absence of such fee. In addition, since the performance fee is calculated on a basis that includes unrealised appreciation of the Company’s assets, it may be greater than if such fee was based solely on realised gains.

Management fees applied to third party investee funds typically range from one to two per cent. per annum and performance fees range from 10 to 20 per cent. of the growth in assets, sometimes subject to a hurdle rate. Performance figures issued by the Company will be net of these fees.

ERISA

If 26 per cent. or more of any class of equity ownership in the Company is owned, directly or indirectly, by pension or other employee-benefit plans (including both US and non-US plans but provided that there is at least one ERISA plan (collectively, “Plans”)), the assets of the Company will be deemed to be “plan assets”, subject to the constraints of the US Employee Retirement Security Act of 1974 (“ERISA”) and Section 4975 of the US Internal Revenue Code (the “Code”). If this happens, transactions involving the assets of the Company could be subject to the fiduciary responsibilities of ERISA and to the prohibited transaction provisions of Section 4975 of the Code and, in certain circumstances, the fiduciary of an ERISA Plan that is responsible for the Plan’s investment in the Shares and Warrants could be liable for any ERISA violations by the Company’s Directors or investment managers. However, as the Shares and Warrants are not being offered or sold in the United States it is not expected that the provisions of the ERISA will apply to the Company.

Regulatory supervision

The funds and other investment vehicles into which the Company may invest, including managed accounts, may not be subject to any form of authorisation or regulatory supervision. They may not be required to have an independent custodian or any custodian at all. Therefore, investment in such vehicles carries a higher potential risk and this should be taken into account in any investment decision.

RISKS RELATING TO THE SHARES AND WARRANTS

Trading on AIM

An investment in shares traded on AIM is generally perceived to involve a higher degree of risk and be less liquid than an investment in shares listed on the Official List. AIM has been in existence since June 1995 but its future success and liquidity in the market for the Company's securities cannot be guaranteed. Consequently, it may be more difficult for an investor to sell Shares and Warrants than it would be if the Shares and Warrants were listed on the Official List, and they may receive less than the amount paid. It is also possible that an active trading market may not develop and continue upon completion of the Placing. Even if an active trading market develops, the market price for the Shares and Warrants may (in the case of the Shares) fall below the Placing Price. If an active trading market is not developed or maintained, the liquidity and trading price of the Shares and Warrants could be adversely affected.

Pricing risks

The market price of the Shares and Warrants may not reflect the underlying value of the Company's Net Assets. The price at which the Shares are quoted and the price which investors may realise for their Shares and Warrants will be influenced by a large number of factors, some specific to the Company and its operations and some which may affect the quoted investment sector or investment or quoted companies generally and which are outside the Company's control. These factors could include the performance of the Company, large purchases or sales of the Shares or Warrants, legislative changes, general economic, political or regulatory conditions, or changes in market sentiment towards the Shares or Warrants. Any of these events could result in a material decline in the market price of the Shares or Warrants.

Limited regulatory control

Shareholders and Warrantholders will not enjoy protections or rights other than those reflected in the Articles and the Warrant Instrument and those rights conferred by the Laws. Although the Directors recognise the importance of good corporate governance, neither the Listing Rules of the United Kingdom Listing Authority nor the United Kingdom Principles of Good Governance and Code of Best Practice will apply to the Company.

Future issues of Shares could dilute the interest of existing Shareholders and lower the price of the Shares

The Company may, subject to its Articles (which also include pre-emption rights details of which are set out in paragraph 7 of Part 4 of this document) and applicable law, issue additional Shares without limitation and it is not required under Companies Laws or the AIM Rules for Companies to offer any such Shares to existing Shareholders on a pre-emptive basis. As such, it may not be possible for existing Shareholders to participate in any future issue of Shares, which would dilute the existing Shareholders' interests in the Company. The issue of additional Shares (pursuant to the exercise of the Warrants or otherwise), or the possibility of such an issue, may cause the market price of the Shares to decline. However, the Directors have undertaken that the authority to allot the authorised but unissued Share capital of the Company (otherwise than pursuant to the exercise of the Warrants) shall only be exercised at an allotment price per Share of not less than the prevailing Net Asset Value per Share, unless the Shareholders consent to a lower allotment price by or special resolution.

Warrants

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

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

PART 4

OTHER INFORMATION

1. FEES AND EXPENSES

Formation and Initial Expenses

The formation and initial expenses of the Company are those which are necessary for the incorporation of the Company, Admission and the Placing. These expenses will be met by the Company and paid on or around Admission. Such expenses will be written off upon Admission and will include registration fees, Admission fees, printing costs, legal fees, any other applicable expenses and fees payable under the Placing Agreement, whereby Fairfax as Placing Agent will receive a fee equivalent to two per cent. of gross funds raised. In aggregate, the costs and expenses of the Placing and Admission are expected to amount to approximately 3 per cent. of the gross funds raised by the Placing.

Ongoing and Annual Expenses

Investment Manager

Under the Investment Management Agreement, the Investment Manager shall receive a basic management fee payable by the Company monthly in arrears equal to one twelfth of 1.25 per cent. of the lower of Market Capitalisation and Net Asset Value.

The Investment Manager may receive, in addition to the basic fee, a performance fee. Any such fee will be paid annually in arrears out of the assets of the Company.

The performance fee in respect of a particular Performance Period will be an amount equal to 12 per cent. of the amount (if any) by which the Net Asset Value per Share at the end of that Performance Period, before the deduction of any performance fee, exceeds the Target Net Asset Value per Share (subject to a high watermark) multiplied by the weighted average number of Shares in issue during the relevant Performance Period. In the event of a liquidation of the Company, the calculation of the performance fee (if any) will be based on the Company's Net Asset Value on the final day of trading of the Shares on AIM.

It is intended that two thirds of the basic fee and the entirety of the Performance Fee will be charged to capital.

Further details of the Investment Management Agreement are set out in paragraph 7.4 of Part 7 of this document.

Administrator and Secretary

Under the terms of the Administration and Secretarial Agreement, Legis Corporate Services Limited is entitled to receive a fee of £30,000 per annum, plus an amount equal to the fees payable to the UK Administration Agent as described below.

From these fees, the Administrator will pay any amounts due to the UK Administration Agent to whom it has delegated certain of its duties.

UK Administration Agent

Under an agreement dated 7 June 2007 between the Administrator and the UK Administration Agent, the UK Administration Agent has agreed, subject to Admission, to provide administration services in the United Kingdom including the calculation of Net Asset Value per Share and (if different) Diluted Net Asset Value per Share. The UK Administration Agent will receive from the Administrator a monthly fee equal to one twelfth of 0.1 per cent. of Net Asset Value, subject to a maximum administration fee of £100,000 per annum. On each anniversary of Admission, the maximum fee will be increased by the change in the UK Retail Price Index (all items) over the preceding 12 months. The UK Administration Agent and the Investment Manager are related through common directors and are both subsidiaries of PAML.

Registrar

Under the terms of the Registrar Agreement, the Registrar will provide registrar services, including arranging the settlement of transactions in the securities of the Company and maintaining the registers of Shareholders

and Warrantheolders. The Registrar is entitled to a fee of £2.00 per Shareholder per annum subject to a minimum annual fee of £4,000 together with other agreed transaction fees.

Custodian

Under the Custodian Agreement, the Custodian is entitled to annual fees comprising a standing charge of £3,750 and an asset based fee equal to between 0.01 and 0.4 per cent. of NAV depending on the country in which the assets within the portfolio are held. Transaction based fees are also payable of between £10 and £125 per transaction.

Directors

Each of the Directors is entitled to receive a fee from the Company at such rate as may be determined in accordance with the Articles. The initial fees will be at the rate of \$30,000 for each Director per annum and will be payable from Admission, giving an aggregate of \$120,000. The Directors will also be entitled to be paid all reasonable expenses properly incurred by them in attending general meetings, board or committee meetings or otherwise in connection with the performance of their duties.

Nominated Adviser and Broker

Under the terms of their engagement with the Company, Grant Thornton will, in its ongoing capacity as nominated adviser, be entitled to receive an annual retainer of £25,000.

Under the terms of their engagement with the Company, Fairfax will, in its ongoing capacity as broker, be entitled to receive an annual retainer of £20,000.

CISX Listing Sponsor

Under the CISX Sponsorship Agreement, the CISX Sponsor is entitled to an initial fee of £2,000 and an annual retainer of £2,000.

Auditor

RSM Robson Rhodes (Guernsey) Limited, will perform an annual audit of the Company's financial statements at an initial cost of approximately £15,000 per annum.

2. ACCOUNTING POLICY

The financial statements of the Company will be prepared under IFRS.

3. REPORTS AND ACCOUNTS

The Company has only recently been incorporated and, consequently, it has not published any financial information. The Company's annual report and accounts will be prepared up to 30 June in each year commencing 30 June 2008. Copies of the report and accounts will be published and sent to Shareholders and Warrantheolders within the following four months. Shareholders and Warrantheolders will also receive an unaudited interim report covering the six month period to the end of 31 December in each year, the first such report covering the period from incorporation to 31 December 2007 which will be published within two months of such date. Subsequent interim reports will be published within three months of the interim period end. Shareholders and Warrantheolders will be sent updates on the Company's activities as and when appropriate.

4. VALUATION POLICY AND REPORTING

The Net Asset Value per Share and, if different, Diluted Net Asset Value per Share, expressed in US Dollars, will be calculated by the UK Administration Agent and will be published weekly through a Regulatory Information Service Provider. The Net Asset Value per Share will be calculated by dividing the Net Asset Value on the relevant date by the total number of Shares in issue on that date (other than Shares held in treasury). The Diluted Net Asset Value per Share will be calculated by dividing the Net Asset Value on the relevant date by the total number of Shares in issue on that date (other than Shares held in treasury) adjusted to take account of the dilution (if any) which would arise from the exercise of all the Warrants then in issue.

The gross asset value of the Company shall be calculated by aggregating the value of the investments owned or unconditionally and irrevocably contracted for by the Company with the value of all of the other assets of the Company. The Net Asset Value shall be calculated by deducting from the gross asset value, the liabilities of the Company.

The Net Asset Value will be calculated in accordance with the following policies:

- investments quoted or dealt on recognised stock exchanges will be valued by reference to their market bid prices (as derived from Bloomberg or, if no such price is available from Bloomberg, from a comparable system);
- investments which are not quoted or dealt on a recognised stock exchange or which are normally quoted or dealt on a recognised stock exchange but in respect of which no price is currently available shall be valued at the probable realisation value thereof. Where appropriate, the average of the latest broker mid-price quotations sourced via contributor pages (as derived from Bloomberg or, if not such price is available from Bloomberg, from a comparable system) or cost price will be used;
- investments in open ended funds will be valued at the latest net asset value provided by the open ended fund for single priced funds or the latest bid price for those funds with a bid-offer spread;
- investments which are in liquidation will be valued at the estimate of their remaining realisable value;
- all derivatives, forwards or other option contracts on quoted securities will be valued at estimated realisable value;
- the value of all other assets of the Company and all the liabilities of the Company will be calculated as being their fair value as determined by the Directors in their reasonable discretion;
- provision will be made for any performance fees which would have become payable to the Investment Manager had all the Company's net assets been distributed to Shareholders at the date of the Net Asset Value calculation;
- values expressed in a currency other than the US Dollar will be translated into US Dollars at the average of the last available buying and selling price quoted on the New York market (as derived from Bloomberg or, if no such price is available from Bloomberg, from a comparable system) for such currency; and
- at the reasonable discretion of the Directors, if the methods above are not available or an alternate method is considered to be a more accurate reflection of the fair value of any asset or liability, the Directors of the Company may in their reasonable discretion permit such an alternative method of valuation to be used to calculate Net Asset Value.

No person shall be under any liability by reason of the fact that a valuation believed to be the appropriate valuation for any investment may be found subsequently not to be such.

Any suspensions of the publication of the weekly Net Asset Value per Share and Diluted Net Asset Value per Share (if different) will be communicated, together with the reasons for such suspension, to investors via a Regulatory Information Service Provider.

The Net Asset Value per Share and, if different, Diluted Net Asset Value per Share will be notified weekly to the CISX and will be published via the Reuters network at <CISX.com> and on the CISX website.

5. ADMISSION AND DEALINGS

Application has been made to the London Stock Exchange for the issued and to be issued Shares and Warrants to be admitted to trading on AIM. Application has also been made to the CISX for the to be issued Shares and Warrants to be admitted to listing and trading on CISX. It is expected that Admission will become effective and that dealings will commence on AIM and on CISX on 15 June 2007. The Registrar will be responsible for the maintenance of the registers of Shareholders and Warranholders.

The Shares will be eligible for settlement through CREST following commencement of dealings. **Investors should note that it will not be possible to hold or transfer the Warrants through CREST and accordingly the Warrants will only be capable of being held or transferred in certificated form.**

6. FURTHER SHARE ISSUES

The Company's authorised share capital is such that either further issues of new Shares or reissues of Shares held in treasury could be made. Subject to prevailing market conditions, the Board may decide to make one or more further such issues or re-issues of Shares for cash from time to time. Any further issues of new Shares or re-issues of Shares held in treasury will rank *pari passu* with Shares in issue. Under the terms of the Articles, the issue of further Shares for cash (otherwise than pursuant to the exercise of the

Warrants) is subject to pre-emption rights in favour of existing Shareholders which may be disapplied by Shareholders by way of ordinary resolution. Under the Articles, the Directors have authority following Admission to issue further Shares for cash on a non-pre-emptive basis up to an amount representing 20 per cent. of the entire issued share capital of the Company on Admission. Unless authorised by Shareholders, the Company will not issue further Shares (otherwise than pursuant to the exercise of the Warrants) or re-issue Shares out of treasury for cash at a price below the prevailing Net Asset Value per Share unless they are first offered *pro rata* to existing Shareholders.

7. CORPORATE GOVERNANCE

The Company is not required to comply with the provisions of the Combined Code or any Guernsey corporate governance regime. However, the Directors recognise the value of the Combined Code and will take appropriate measures to ensure that the Company complies, as far as practicable and to the extent appropriate given the Company's assets, liabilities and other relevant information.

Since all Directors are non-executive, the Company is not required to comply with the principles of the Combined Code in respect of executive directors' remuneration and, accordingly, the Board will not appoint a remuneration committee as it is satisfied that any relevant issues can be properly considered by the Board as a whole.

The Company has established a management engagement committee which will meet formally at least on an annual basis to consider the appointment and remuneration of the Investment Manager. The management engagement committee will also consider the appointment and remuneration of other suppliers of services to the Company. The management engagement committee will be composed of all the members of the Board. Richard Hotchkis has been appointed the Chairman of this committee.

The Company has established an audit committee, which comprises all the members of the Board other than the Chairman. The audit committee's main functions include, *inter alia*, reviewing and monitoring internal financial control systems and risk management systems on which the Company is reliant, considering annual and interim accounts and audit reports, making recommendations to the Board in relation to the appointment and remuneration of the Company's auditors and monitoring and reviewing annually their independence, objectivity, effectiveness and qualifications. Helen Green has been appointed the Chairman of this committee.

Finally, the Company has established a nominations committee which comprises all the members of the Board. The nominations committee's main function is to identify and put forward candidates for the office of director of the Company. Grant Wilson has been appointed the Chairman of this committee.

8. CONFLICTS OF INTEREST

The Investment Manager and their officers and employees may be involved in other financial, investment or professional activities, that may on occasion give rise to conflicts of interest with the Company. In particular, the Investment Manager may provide investment management, investment advice or other services in relation to a number of funds that may have similar investment policies to that of the Company or funds in which the Company invests.

When potential conflicts of interest arise, the Investment Manager will ensure that any transactions undertaken for the Company are effected on terms which are not materially less favourable to the Company than if the potential conflict had not existed. The Investment Manager's services are governed by the Conduct of Business Rules contained in the FSA Handbook (the "COB Rules") and in the event of a conflict of interest arising, the Investment Manager will ensure that it is resolved fairly and in accordance with the COB Rules, including those rules as to suitability and best execution. The COB Rules, *inter alia*, require the Investment Manager to ensure fair treatment for all its clients. The COB Rules require that when an investment is made, it should be allocated fairly amongst all of its clients for whom the investment is appropriate.

Prospective investors are referred to the risk factor headed "Conflicts of interest" in Part 3 of this document.

9. SHAREHOLDER NOTIFICATION AND DISCLOSURE REQUIREMENTS

Under the terms of the Articles, Shareholders in the Company are obliged to comply (where necessary) with the notification and disclosure requirements set out in Chapter 5 of the Disclosure and Transparency Rules Sourcebook (the "DTR") of the FSA Handbook as if the Company were a UK domestic company. The DTR can

be accessed and downloaded from the FSA's website at <http://fsahandbook.info/FSA/html/handbook/DTR/5>. Further details of these notification and disclosure requirements are summarised in paragraph 4.3 of Part 7 of this document. Shareholders are urged to consider their notification and disclosure obligations carefully as a failure to make a required disclosure to the Company may result in disenfranchisement.

PART 5

TAXATION

The comments below are of a general nature based on the Company's understanding of the current law and practice of the revenue authorities in Guernsey and the United Kingdom and relate only to investors who are the beneficial owners of Ordinary Shares or Warrants. In particular, they do not address the position of certain classes of investors, such as dealers. These comments are not exhaustive and do not constitute legal or tax advice.

Potential investors should consult their own professional advisers as to the tax consequences of acquiring, holding and disposing of Ordinary Shares or Warrants.

GUERNSEY TAXATION

The Company will apply to the Administrator of Income Tax in Guernsey for exemption from Guernsey Income Tax, subject to the payment of an annual exemption fee (currently £600 per annum). On 25 November 2002, the Advisory and Finance Committee (now the Policy Council) of the States of Guernsey announced a proposed framework for a structure of corporate tax reform within an indicative timescale. In September 2005, the Fiscal and Economic Policy Steering Group published detailed proposals on Guernsey's future economic and taxation strategy. In March 2006 an independent Working Group set up at the request of the Treasury and Resources Department confirmed the earlier recommendation that the general rate of income tax to be paid by all Guernsey companies (other than certain regulated banking entities) would be reduced to zero (0) per cent. in respect of tax year 2008 and subsequent years. The changes are not expected to have any material impact on the Company.

The Company itself will not suffer any tax in Guernsey on capital gains.

Shareholders and Warrantholders who are not resident (for tax purposes) in Guernsey will not suffer any capital gains tax in Guernsey on the sale, transfer, redemption or disposal of their Shares or Warrants.

The Company will be required to report to the Administrator of Income Tax in Guernsey details of dividends paid to Guernsey residents. Shareholders who are not tax resident in Guernsey will receive dividends without deduction of Guernsey income tax.

No Guernsey stamp duty will be payable upon the issue of the Shares or the Warrants. In the event of the death of a sole holder of Shares or Warrants a Guernsey grant of probate or administration may be required in respect of which certain fees will be payable to the Ecclesiastical Registrar in Guernsey.

UNITED KINGDOM

The Company

The Company intends to conduct its affairs so that, for United Kingdom corporation tax purposes, it will not be regarded as resident in the United Kingdom or as carrying on a trade through a permanent establishment located in the United Kingdom. On that basis and on the assumption that it has no United Kingdom source income the Company will have no liability in respect of United Kingdom corporation tax on its income or capital gains.

The Company and the Investment Manager affairs will be conducted so that the Investment Manager will not constitute a permanent establishment of the Company in the United Kingdom. The Company and the Investment Manager intend, but cannot guarantee, that the Company's affairs will be conducted so that all of the requirements necessary to prevent any such permanent establishment existing will be satisfied at all times.

Dividends paid by companies resident in the United Kingdom to the Company will not be subject to any withholding tax at source, but the Company will not be able to claim any tax credit attaching to such dividends.

Interest and other income received by the Company which has a United Kingdom source may be subject to withholding taxes in the United Kingdom.

United Kingdom Resident Investors

Shareholders who are resident in the United Kingdom may be liable to United Kingdom income tax or corporation tax in respect of dividend income received from the Company and to United Kingdom capital

gains tax or corporation tax on chargeable gains in respect of capital gains realised on a disposal of Ordinary Shares or Warrants.

Taxation of dividends

A distribution by the Company with respect to the Ordinary Shares in the form of a dividend may give rise to income chargeable in the United Kingdom to either income tax or corporation tax on income. Under current law, dividends received by individuals domiciled and ordinarily resident for tax purposes in the United Kingdom who are liable to income tax at the starting or basic rate will be taxed at the ordinary rate (10 per cent.). An individual who is a higher rate tax payer will be chargeable to tax at the upper rate (32.5 per cent.).

Under the current corporate debt tax regime in the United Kingdom, any corporate shareholder which is within the charge to United Kingdom corporation tax will be taxed on the increase in value of its holding in the Company on a mark to market basis (rather than on disposal) or will obtain tax relief on any equivalent decrease in value, if the investments of the Company consist of more than 60 per cent. (by value), at any time, of "qualifying investments". Qualifying investments are broadly those which yield a return directly or indirectly in the form of interest. On the basis that the company's assets will not consist of more than 60 per cent. of qualifying investments, corporate shareholders that are resident in the United Kingdom for tax purposes will normally be liable to corporation tax on any dividends paid by the Company as a foreign source dividend and corporation tax on chargeable gains at the applicable rate (30 per cent.).

Finance Bill 2007 proposes an extension of the notional tax credit of 10 per cent. which is currently available only for United Kingdom individual shareholders who receive United Kingdom dividends to United Kingdom resident individuals who receive dividends from overseas. The proposed changes extend the 10 per cent. non refundable tax credit for investors who hold at least a 10 per cent. interest in the overseas company and receive less than £5,000 of dividends a year from that overseas company. These changes result in an effective tax rate of 0% for basic rate tax payers and 25 per cent. for higher rate tax payers on the overseas dividends received. These changes are proposed to have effect from 6 April 2008 onwards.

Taxation of capital gains

On the basis that the company is not an open ended investment company, the Company will not be a collective investment scheme under section 236 of FSMA nor an offshore fund for the purposes of the offshore funds legislation in Chapter V of Part XVII of the Income and Corporation Taxes Act 1988 (the "UK Taxes Act"). On that basis any gain arising on a disposal of Ordinary Shares or Warrants should be treated for United Kingdom tax purposes as a capital gain.

The amount of the gain, in general terms, will be the difference between the acquisition cost of the Ordinary Shares and the disposal proceeds. On a disposal of Ordinary Shares by an individual investor who is resident or ordinarily resident in the United Kingdom for tax purposes, the Ordinary Shares may attract taper relief which reduces the amount of chargeable gain depending on the length of ownership of the Ordinary Shares. It is unlikely that the Ordinary Shares will qualify for business assets taper relief under normal circumstances. Ordinary Shares in non trading companies (or holding companies of nontrading group) will qualify for business assets taper relief only if (i) held by an employee of that company; and (ii) that employee does not have a material interest in the company. Material interest means a holding of more than 10 per cent. of the issued shares, of the voting rights or of the assets of that company in the event of a winding up.

Shareholders who are not resident or ordinarily resident in the United Kingdom will not normally be chargeable to United Kingdom taxation on capital gains realised on a disposal of their Ordinary Shares. However, they may be subject to taxation in their country of residence, domicile or nationality and should consult their own tax advisers concerning any such taxation.

An investor which is a body corporate resident in the United Kingdom, and subject to tax in the United Kingdom, will generally be liable to corporation tax on chargeable gains arising on the disposal of their Ordinary Shares. Corporate investors benefit from indexation allowance which, in general terms, increases the capital gains tax base cost of an asset in accordance with the rise in the Retail Prices Index.

Exercise of Warrants

The exercise of 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 amount paid on exercise will form the base cost in computing any gain or loss arising on a subsequent disposal of the Ordinary Shares acquired.

Transactions in securities

The attention of investors is drawn to the provisions of sections 703 to 709 of the Taxes Act which give powers to HM Revenue and Customs to cancel tax advantages derived from certain transactions in securities.

Section 739 Taxes Act 1988

Individual investors ordinarily resident in the United Kingdom for tax purposes should note that Chapter III (Sections 739 and 740) of Part XVII of the UK Taxes Act may render them liable to income tax in respect of undistributed income or profits of the Company. These provisions are aimed at preventing the avoidance of income tax by individuals through a transaction resulting in the transfer of assets or income to persons (including companies) resident or domiciled abroad.

Controlled Foreign Companies Legislation

The attention of companies resident in the United Kingdom is drawn to the fact that the controlled foreign companies" provisions contained in Sections 747 to 756 of the UK Taxes Act. If the Company is controlled by companies or other persons who are resident in the United Kingdom for taxation purposes, these provisions might apply to any company so resident that has an interest in the Company such that 25 per cent. or more of the Company's profits for an accounting period could, under these provisions, be apportioned to it and persons associated with it. The effect of these provisions could be to render such companies liable to United Kingdom corporation tax in respect of their share of the undistributed income and profits of the Company on an annual basis, unless the company pursues an "acceptable distribution policy", which broadly requires the Company to distribute annually 90 per cent. of its net chargeable profits as calculated for United Kingdom tax purposes. Given its current policy not to pay dividends, the Company will not satisfy the "acceptable distribution test". United Kingdom residents companies holding 25 per cent. or more of the Ordinary Shares of the Company (directly or indirectly) should take their own professional advice.

Section 13 Taxation of Chargeable Gains Act 1992 ("TCGA")

The attention of United Kingdom investors resident or ordinarily resident and, if an individual, domiciled in the United Kingdom is drawn to the provisions of Section 13 of the TCGA under which, in certain circumstances, a portion of capital gains realised by the Company can be attributed to an investor who holds, alone or together with associated persons, more than 10 per cent. of the Ordinary Shares.

Section 13 applies to a "participator" in the Company for United Kingdom taxation purposes (which terms include Shareholder). If at any time when a gain accrues to the Company (such as on a disposal of any of its investments), which constitutes a chargeable gain for those purposes, and the Company is itself controlled by a sufficiently small number of persons so as to render the Company a body corporate that would, if it were resident in the United Kingdom for taxation purposes, be a "close company" for those purposes, the provisions of Section 13 could result in such a Shareholder in the Company being treated for the purposes of United Kingdom taxation of chargeable gains as if a part of any chargeable gain accruing to the Company had accrued to that Shareholder's proportionate interest in the Company as a "participator". No liability under Section 13 should arise unless a Shareholder is entitled to more than one tenth of the gain.

Stamp Duty and Stamp Duty Reserve Tax ("SDRT")

No United Kingdom stamp duty or SDRT will arise on the issue of Ordinary Shares or Warrants. Generally, no United Kingdom stamp duty or SDRT is payable on a transfer of or agreement to transfer Ordinary Shares or Warrants executed outside of the United Kingdom, provided the share register and Warrant register are maintained outside the United Kingdom.

The above statements regarding United Kingdom stamp duty and SDRT are general in nature and do not apply to certain persons such as market makers, intermediaries or persons connected with depositary or clearance services, to whom special rules may apply.

UK PEPs and ISAs

The Shares, subject to applicable subscription limits, will be eligible for inclusion in the stocks and shares component of a UK ISA provided that the ISA manager has acquired such Shares by purchase in the market. This does not include any Shares acquired in the Placing.

The Directors intend to manage the affairs of the Company so as to maintain the eligibility of the Shares for inclusion in an ISA. Investors are reminded that they cannot subscribe for both a maxi-ISA and a mini-ISA in the same tax year. Maxi-ISAs may consist of a stocks and shares component and a cash component

whereas mini-ISAs may only be invested in one of these components (although one mini-ISA of each component may be subscribed for in each tax year).

Although no new UK PEPs may be opened and no further subscriptions made to existing PEPs, the Shares will be qualifying investments for existing PEPs provided that the PEP manager has acquired such Shares by purchase in the market. This does not include any Shares acquired in the Placing.

UK SSAS and SIPPS

The Directors have been advised that the Shares and Warrants will be eligible for inclusion in a UK SSAS or a UK SIPPS, subject to the discretion of the trustees of the UK SSAS or the UK SIPPS as the case may be.

PART 6

TERMS AND CONDITIONS OF THE WARRANTS

The Warrants are constituted by, and will be issued subject to and with the benefit of the Warrant Instrument. Warrantholders will be bound by all the terms and conditions set out in the Warrant Instrument. The terms and conditions attached to the Warrants are set out below.

1. DEFINITIONS AND INTERPRETATION

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

“Articles”	the articles of association of the Company as altered from time to time
“Auditors”	the auditors for the time being of the Company
“Directors”	the directors for the time being of the Company
“extraordinary resolution”	a resolution passed at a meeting of the Warrantholders 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
“Shares”	shares of no par value in the Company
“Registrar”	the registrar appointed from time to time by the Company to maintain the register of Warrantholders
“subscription date”	15 June (or, if such day is not a business day, the next following business day) in any of 2008, 2009 and 2010
“subscription price”	the price of US\$1.00 per 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 Shares specified in paragraph 2.1 below
“Warrantholder”	a holder of Warrants

2. SUBSCRIPTION RIGHTS

- 2.1 A Warrantholder shall have rights (“subscription rights”) to subscribe in cash on each subscription date for all or any of the Shares for which he is entitled to subscribe under such Warrants of which he is the holder at the subscription price payable in full on subscription, subject to adjustment as provided in paragraph 3 below. The number of Shares to which each Warrant relates is (prior to any adjustment as provided in paragraph 3 below) one Share. The subscription price, the number of Warrants outstanding and the number of the Shares to be subscribed upon exercise of the Warrants shall be subject to adjustment as provided in paragraph 3 below. The Warrants registered in a Warrantholder’s name will be evidenced by a Warrant certificate issued by the Company.
- 2.2 In order to exercise the subscription rights, in whole or in part, a Warrantholder must, unless the Directors may in their absolute discretion determine otherwise, lodge the relevant Warrant certificate(s) (or such other document(s) as the Company may, in its absolute discretion, accept) at the office of the Registrar during the period of 28 days ending at 3.30 p.m. on the relevant subscription date, having completed the notice of exercise of subscription rights thereon (or by giving such other notice of exercise of subscription rights as the Company may, in its absolute discretion, accept), accompanied by a remittance for the aggregate subscription price for the 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.

- 2.3 Not earlier than 56 days and not later than 28 days before each subscription date, the Company shall give notice in writing to the holders of the outstanding Warrants reminding them of their subscription rights. Failure by any holder to receive such notice shall not prejudice his rights, nor those of any other holder, to subscribe for Shares pursuant to their Warrants.
- 2.4 Unless the Directors otherwise determine, the Shares arising on exercise of the Warrants shall be issued in certificated form. 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. Certificates in respect of Shares will be issued free of charge and despatched (at the risk of the person(s) entitled thereto) not later than 28 days after the relevant subscription date to the person(s) in whose name(s) the Warrants are registered at the date of such exercise (and, if more than one, to the first named, which shall be sufficient despatch for all) or (subject as provided by law and to payment of stamp duty, stamp duty reserve tax or any like tax as may be applicable) to such other person(s) as may be named in the form of nomination available from the Registrar (and, if more than one, to the first named, which shall be sufficient despatch for all). In the event of a partial exercise of the subscription rights evidenced by a Warrant certificate, the Company shall at the same time issue a fresh Warrant certificate in the name of the Warrantheader for any balance of Warrants with subscription rights remaining exercisable.
- 2.5 No fractions of a Share will be issued on the exercise of any Warrant, provided that if more than one Warrant is exercised at the same time by the same holder then, for the purposes of determining the number of Shares to be issued upon the exercise of such Warrants and whether (and, if so, what) fraction of a Share arises, the number of Shares arising on the exercise of each Warrant (including for this purpose fractions) shall first be aggregated. Any fractions of Shares arising on the exercise of Warrants on any subscription date shall be aggregated and, if practicable, sold in the market. The net proceeds of such sale will be paid to the Warrantheaders entitled thereto in proportion to the fractions arising on exercise of their Warrants, save that amounts of less than \$5.00 will be retained for the benefit of the Company.
- 2.6 Shares allotted pursuant to the exercise of subscription rights will not rank for any dividends or other distributions declared, paid or made on the 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 Shares and otherwise will rank *pari passu* in all other respects with Shares in issue at the subscription date.
- 2.7 For so long as the Company's ordinary share capital is admitted to trading on AIM and admitted to listing and trading on the CISX, it is the intention of the Company to apply to AIM and the CISX for the Shares allotted pursuant to any exercise of subscription rights to be admitted to AIM and admitted to listing and trading on the CISX and the Company will use all reasonable endeavours to obtain such admission as soon as practicable and, in any event, not later than 14 days after the allotment thereof.
- 2.8 If, immediately after any subscription date (other than the final subscription date) and after giving effect to any subscription rights exercised on that date, subscription rights shall have been exercised or Warrants otherwise lapsed in respect of 75 per cent. or more of the Shares to which the Warrants issued subject to and with the benefit of the Warrant Instrument relate, the Company shall be entitled within 14 days thereafter to serve notice in writing on the holders of the Warrants then outstanding of its intention to appoint a trustee for the purposes set out below upon the expiry of 21 days from the date of such notice (the "Notice Period") and for this purpose the Notice Period shall expire at 3.30 p.m. (London time) on the twenty-first day from the date of such notice. However, such notice shall in its terms give the holders of the Warrants so outstanding a final opportunity to exercise their subscription rights by completing the notice of exercise of subscription rights on their Warrant certificates (or by giving such other notice of exercise of subscription rights as the Company may, in its absolute discretion, accept) and lodging the same at the office of the Registrar before the expiry of the Notice Period, accompanied by a remittance for the aggregate subscription price for the 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 3.1 to 3.4 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 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 \$5.00 shall be retained for the benefit of the Company. Following the expiry of the Notice Period, if the trustee does not exercise the subscription rights within the period of 14 days following such expiry as aforesaid (and so that his decision in respect thereof shall be final and binding on all holders of outstanding Warrants), all rights attaching to such Warrants shall lapse on the expiry of such period of 14 days.

- 2.9 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 3.1 to 3.4 below) on which the same could have been exercised on the final subscription date and sell in the market the 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 \$5.00 shall be retained for the benefit of the Company. If the trustee shall not exercise the subscription rights within the period of 14 days following the final subscription date (and so that his decision in respect thereof shall be final and binding on all holders of outstanding Warrants), any outstanding Warrants shall lapse at the expiry of the period of 14 days following the final subscription date.
- 2.10 The trustee referred to in paragraphs 2.8 and 2.9 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.
- 2.11 The Warrants and the Shares issuable on exercise of the Warrants have not been and will not be registered under the US Securities Act of 1933 (as amended) (the "Securities Act") or with any securities regulatory authority of any state or other jurisdiction in the United States and the Company has not been and will not be registered under the US Investment Company Act of 1940. Each Warrant certificate will bear a legend to the effect that the Warrants and the Shares to be issued upon their exercise have not been and will not be so registered, and that the Warrants may not be exercised for cash in the US unless registered under the Securities Act or an exemption from such registration requirements is available. Accordingly, if a Warrant is exercised for cash the exercise notice is required to contain, among other things, a representation and warranty by the person exercising the subscription rights that it is (i) outside the United States in an "offshore transaction" within the meaning of Regulation S under the Securities Act or (ii) a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act that is also a "qualified purchaser" within the meaning of Section 3(c)(7) of the US Investment Company Act of 1940 that is acquiring the Shares to be issued upon exercise of the Warrant for investment purposes only and not with a view to, or for resale in connection with, any public distribution thereof within the United States within the meaning of the Securities Act, failing which the Company may refuse to authorise the issue of Shares to such person, except in certain limited circumstances.

3. ADJUSTMENTS OF SUBSCRIPTION RIGHTS

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

- 3.1 If and whenever the Company shall allot to holders of Shares any Shares by way of capitalisation of reserves or profits (other than 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 number of issued Shares immediately before such alteration and the denominator shall be the aggregate number of issued and

allotted Shares immediately after such allotment, and such adjustment shall become effective as at the date of allotment of such Shares.

- 3.2 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 Shares (whether by way of rights issue or otherwise but not being an offer to which paragraph 4.5 below applies or an offer made in connection with scrip dividend arrangements), or any offer or invitation (not being an offer to which paragraph 4.5 below applies) is made to such holders otherwise than by the Company, then the Company shall not be required to procure that the same offer or invitation is made to the then holders of the Warrants but the subscription price shall be adjusted: (i) in the case of an offer of new 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 Shares in issue on the date of such announcement plus the number of Shares which the aggregate amount payable for the total number of new Shares comprised in such rights issue would purchase at such market price and the denominator is the number of Shares in issue on the date of such announcement plus the aggregate number of 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 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 Share for the five consecutive dealing days ending on the dealing day immediately preceding the day on which the market price is to be ascertained, making an appropriate adjustment if the 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 Shares in issue on those days.
- 3.3 No adjustment shall be made to the subscription price pursuant to paragraphs 3.1 or 3.2 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 3.3) 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 1 cent. 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.
- 3.4 Whenever the subscription price is adjusted in accordance with paragraphs 3.1 to 3.3 above the Company shall, subject as provided below, issue, for no payment, additional Warrants to each Warrantholder at the same time as such adjustment takes effect. The number of additional Warrants to which a Warrantholder will be entitled shall be the number of existing Warrants held by him multiplied by the following fraction:

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

where:

X = the subscription price immediately before the adjustment; and

Y = the subscription price immediately after the adjustment.

Fractions of Warrants will not be allotted to Warrantholders but all such fractions will be aggregated and, if practicable, sold in the market. The net proceeds will be paid to the holders of Warrants entitled thereto at the risk of such persons, save that amounts of less than \$5.00 will be retained for the benefit of the Company.

The Company may, following such an adjustment to the subscription price, elect to adjust the subscription terms of existing Warrants (as opposed to issuing additional Warrants) so that the number of Shares to be subscribed on any subsequent exercise of the Warrants will be increased or, as the case may be, reduced in due proportion (fractions being ignored on an aggregated basis) so as to maintain the same cost of exercising the subscription rights of each Warrantholders. Such adjustment shall be determined by the Directors and the Auditors shall confirm that, in their opinion,

the adjustments have been determined in all material respects in accordance with the provisions of the Warrant Instrument.

- 3.5 The Company shall give notice to Warrant holders within 28 days of any adjustment made pursuant to paragraphs 3.1 to 3.4 above and, if appropriate, within such period despatch Warrant certificates (at the risk of the persons entitled thereto) to the Warranholders in respect of any additional Warrants.
- 3.6 If a Warranholder shall become entitled to exercise his subscription pursuant to paragraph 4.5 below, the subscription price payable on such exercise (but not otherwise) shall be reduced by an amount determined by the Auditors in accordance with the following formula:

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

where:

A = the reduction in the subscription price;

B = the subscription price which would, but for the provisions of this paragraph 3.6, be applicable (subject to any adjustments previously made pursuant to paragraphs 3.1 to 3.4 above) if the subscription rights were exercisable on the date on which the Company shall become aware as provided in paragraph 4.5 below;

C = the average of the middle market quotations for one Warrant for the 10 consecutive dealing days ending on the dealing day immediately preceding the date of the announcement of the offer referred to in paragraph 4.5 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 Share for the 10 consecutive dealing days referred to in the definition of C above,

provided that:

- (i) the subscription price shall not be reduced where the value of D exceeds the aggregate value of B and C in the above formula;
- (ii) notwithstanding (i) above, the subscription price shall be further adjusted to take account, to the extent that it is not already reflected in the market value of the Warrants, of the time value of money in such manner as the Directors shall determine, subject to the Auditors having reported that in their opinion, in all the circumstances, such adjustment is fair and reasonable.

The notice required to be given by the Company under paragraph 4.5 below shall give details of any reduction in the subscription price pursuant to this paragraph 3.6.

- 3.7 For the purpose of determining whether paragraph 4.7 below shall apply and, accordingly, whether each holder of a Warrant is to be treated as if his subscription rights had been exercisable and had been exercised as therein provided, the subscription price which would have been payable on such exercise shall be reduced by an amount determined by the Auditors in accordance with the following formula:

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

where:

A = the reduction in the subscription price;

B = the subscription price which would but for the provisions of this paragraph 3.7, be applicable (subject to any adjustments previously made pursuant to paragraphs 3.1 to 3.4 above) if the subscription rights were exercisable immediately before the date on which the order referred to in paragraph 4.7 below shall be made or on which the effective resolution referred to in that paragraph shall be passed (as the case may be);

C = the average of the middle market quotations for one Warrant for the 10 consecutive dealing days ending on the dealing day immediately preceding the date of the presentation of the petition for such order or of the notice convening the meeting at which such resolution shall be passed (as the case may be) or, if applicable and earlier, the date of the first announcement

of the presentation of such petition or the convening of such meeting (as the case may be) or that the same is proposed; and

D = the amount (as determined by the Auditors) of the surplus available for distribution in respect of each Share, taking into account for this purpose the 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 3.1 to 3.4 above but ignoring any adjustment to be made pursuant to this paragraph 3.7).

The provisos set out in paragraph 3.6 above shall apply *mutatis mutandis* to any adjustment made in accordance with this paragraph 3.7.

3.8 Notwithstanding the provisions of sub-paragraphs 3.1 to 3.7 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:

- 4.1 the Company shall not (except with the sanction of an extraordinary resolution):
- (i) make any distribution of capital profits or capital reserves except by means of a capitalisation issue in the form of Shares issued to the holders of its Shares or except on the winding up of the Company;
 - (ii) issue securities by way of capitalisation of profits or reserves except pursuant to the provisions of the Articles; 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 3.1 above or any such offer or invitation as is referred to in paragraph 3.2 above (except by extending to the Warranholders any such offer or invitation as may be made by a third party);
- 4.2 the Company shall not (except with the sanction of an extraordinary resolution) in any way modify the rights attached to its existing 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 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 Shares which carry, as compared with the rights attached to the existing Shares, rights which are not more advantageous as regards voting, dividend or return of capital;
- 4.3 the Company shall maintain all corporate authorities necessary to satisfy in full all subscription rights remaining exercisable;
- 4.4 except in circumstances where paragraph 3.2 above applies or except with the sanction of an extraordinary resolution, the Company shall not grant (or offer or agree to grant) any option in respect of, or create any rights of subscription for, or issue any loan capital carrying rights of conversion into, Shares if the price per 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;
- 4.5 subject as provided in paragraph 4.7 below, if at any time an offer is made to all holders of 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 Warrantheolders of such vesting within 14 days of its becoming so aware, and each such Warrantheolder 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 term (subject to any adjustments previously made pursuant to paragraphs 3.1 to 3.4 and subject to paragraph 3.6 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 15 June 2008, the Warrants shall nevertheless be deemed to be exercisable during all of that period for the purposes of this paragraph 4.5 and if any part of such period falls after 15 June 2010 the final subscription date shall be deemed to be the last business day of such 30 day period;

- 4.6 if under any offer as referred to in paragraph 4.5 above the consideration shall consist solely of the issue of ordinary shares of the offeror and the offeror shall make available an offer of warrants to subscribe for ordinary shares in the offeror in exchange for the Warrants, which offer the financial advisers to the Company (acting as experts and not as arbitrators) shall consider to be fair and reasonable (having regard to the terms of the offer and to the terms of paragraph 3.6 and any other circumstances which may appear to such financial advisers to be relevant), then a holder of Warrants shall not have the right to exercise his subscription rights on the basis referred to in paragraph 4.5 above and, subject to the offer as referred to in paragraph 4.5 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 Warrantheolders who have not accepted the offer of warrants to subscribe for ordinary shares in the offeror in exchange for the Warrants:
- (i) to execute a transfer thereof in favour of the offeror in consideration of the issue of warrants to subscribe for ordinary shares in the offeror as aforesaid, whereupon all the Warrants shall lapse; and
 - (ii) to do all such acts and things as may be necessary or appropriate in connection therewith; and
- 4.7 if an order is made or an effective resolution is passed for winding up the Company (except for the purpose of reconstruction, amalgamation or unitisation on terms sanctioned by an extraordinary resolution) each Warrantheolder shall (if in such winding up, on the basis that all subscription rights then unexercised had been exercised in full and the subscription price therefore had been received in full by the Company, there shall be a surplus available for distribution amongst the holders of the Shares, including for this purpose the Shares which would arise on exercise of all the subscription rights taking into account any adjustments previously made pursuant to paragraphs 3.1 to 3.4, which surplus would, on such basis, exceed in respect of each 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 3.1 to 3.4) 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 Shares, such a sum as he would have received had he been the holder of the Shares to which he would have become entitled by virtue of such subscription after deducting a sum per Share equal to the subscription price (subject to any adjustments previously made pursuant to paragraphs 3.1 to 3.4 and subject to paragraph 3.6 above). Subject to the foregoing, all subscription rights shall lapse on winding up of the Company.
- 4.8 Notwithstanding the above provisions of this paragraph 4, a qualifying "C" share issue (as defined below) shall not constitute an alteration or abrogation of the rights attached to the Warrants (and shall not require the sanction of an extraordinary resolution) even though it may involve modification of the rights attached to the existing 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 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 Shares ranking *pari passu* in all respects with the Shares then in issue (other than, if the case requires, as regards dividends or other distributions declared, paid or made in respect of the financial year in which the conversion takes place) and may include the issue in connection therewith of warrants (whether on the same terms and conditions as the Warrants or otherwise) and any matters reasonably incidental to the process by which such shares are converted into Shares or, as the case may require, into income and/or capital shares, including but not limited to the creation, issue, sub-division, consolidation, redesignation, purchase or cancellation of any share capital of the Company, including share capital with preferred or deferred rights.

5. MODIFICATION OF RIGHTS

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

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

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

6. PURCHASE

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

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

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

7. TRANSFER

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

8. GENERAL

- 8.1 The Company will, concurrently with the issue of the same to the holders of the Shares, send to each Warrantheholder (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 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 Shares.

- 8.2 Subject as otherwise provided in the Warrant Instrument, the provisions of the Articles for the time being of the Company relating to notice of meetings, untraced members, lost certificates and the registration, transfer and transmission of Shares shall apply *mutatis mutandis* to the Warrants as if they were Shares.
- 8.3 Any determination or adjustment made pursuant to these terms and conditions by the Auditors shall be made by them as experts and not as arbitrators and any such determination or adjustment made by them shall be final and binding on the Company, its shareholders and each Warrantholders.
- 8.4 Any reference in the Warrant Instrument to a statutory provision shall include that provision as from time to time modified or re-enacted.

PART 7

ADDITIONAL INFORMATION

1. THE COMPANY

- 1.1 The Company was incorporated and registered in Guernsey on 25 April 2007 under the Companies Laws, as amended, with registered number 46809 with limited liability as a closed-ended investment company. The Company is domiciled in Guernsey.
- 1.2 The Company operates under the Companies Laws and the ordinances and regulations made thereunder.
- 1.3 Consent under the Control of Borrowing (Bailiwick of Guernsey) Ordinance, 1959, as amended, has been obtained to the Placing. To receive such consent, application was made under the GFSC's framework relating to Registered Closed-ended Investment Funds. Under this framework, neither the GFSC nor the States of Guernsey Policy Council has reviewed this document but instead, has relied on specific warranties provided by the Guernsey licensed administrator of the Company. Neither the GFSC nor the States of Guernsey Policy Council takes any responsibility for the financial soundness of the Company or for the correctness of any of the statements made or opinions expressed with regard to it.
- 1.4 The Company's main activity is that of an investment company. The Company is not regulated in its place of incorporation. When the Shares and Warrants are admitted to trading on AIM and CISX the Company will be subject to the AIM Rules for Companies and the CISX Rules.
- 1.5 The registered office of the Company is located at 1 Le Marchant Street, St. Peter Port, Guernsey (telephone no. +44 1481 723466). Its statutory records will be maintained here.
- 1.6 The liability of the Shareholders is limited.
- 1.7 Save for its entry into the material contracts summarised in paragraph 7 of this Part 7, since its incorporation, the Company has not carried on significant business and no accounts of the Company have been made up. An application has been made on behalf of the Company for a certificate of registration from H.M Greffier in Guernsey, entitling it to commence business and exercise borrowing powers.

2. SHARE CAPITAL

- 2.1 The Shares have been created pursuant to the Companies Laws. The authorised share capital of the Company is represented by an unlimited number of Shares with no par value which upon issue the Directors may categorise as ordinary shares or otherwise. On incorporation, two Shares were issued to the subscribers to the Company's Memorandum of Association. These Shares will be transferred to investors under the Placing.
- 2.2 By way of a special resolution passed by written resolution dated 1 June 2007, it was resolved that, conditional upon Admission and the approval of the Court in Guernsey, the amount standing to the credit of the share premium account of the Company following completion of the Placing (less any issue expenses set off against the share premium account) be cancelled and the amount of the share premium account so cancelled be credited as a distributable reserve to be established in the Company's books of account which shall be capable of being applied in any manner in which the Company's profits available for distribution (as determined in accordance with the Companies Laws) are able to be applied, including the purchase of the Company's own shares and the payment of dividends. In deciding whether to give its confirmation, the Court will be concerned to protect the interests of any creditors to have been paid or to have consented to the reduction. The Company is recently incorporated and its creditors will principally consist of its advisers. Until the Court has confirmed the reduction of the share premium account (and the terms of any undertaking regarding creditors required by the Court have been complied with) the Company will only be able to distribute dividends out of existing distributable profits and, to the extent permitted by The Companies (Purchase of Own Shares) Ordinance, 1998, to repurchase Shares out of existing distributable profits, the proceeds of a fresh issue of shares or capital reserves.

2.3 By way of a special resolution passed by written resolution dated 1 June 2007, it was resolved that, conditional on Admission, the Company acting through the Board be generally and unconditionally authorised in accordance with The Companies (Purchase of Own Shares) Ordinance, 1998 as amended from time to time to make market purchases of up to 14.99 per cent. of its own issued Shares immediately following Admission. This authority will expire at the earlier of 30 November 2008 and the conclusion of the first annual general meeting of the Company. A renewal of authority to make purchases of 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. Any shares bought back by the Company will either be held in treasury (for future reissue and resale) or cancelled.

Purchases will only be made, pursuant to this authority, if:

- (i) the minimum price (exclusive of expenses) which may be paid for a Share is \$0.01; and
- (ii) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share shall be the lower of (a) 5 per cent. above the average of the middle market quotation for a Share as derived from the AIM Appendix to the Official List for the 5 business days immediately preceding the day on which that Ordinary Share is purchased and (b) the last published Diluted Net Asset Value per Share.

The Company may make a contract to purchase Shares under this authority prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract.

- 2.4 It is expected that the Shares subscribed in the Placing will be issued pursuant to a resolution of the Board (or a duly authorised committee thereof) passed on 11 June 2007.
- 2.5 On Admission, the authorised share capital of the Company will consist of an unlimited number of Shares of no par value and the issued share capital will consist of 85 million Shares.
- 2.6 The Shares have been assigned ISIN GG00B1W59J17. The Warrants have been assigned ISIN GG00B1W89L25.
- 2.7 Save as referred to in paragraph 2.1 and 2.4 above and pursuant to the Warrant Instrument, since the date of its incorporation no share or loan capital of the Company has been issued or agreed to be issued, or is now proposed to be issued, for cash or any other consideration and, save as referred to in paragraph 7.3 below, no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue of any such capital.
- 2.8 Save pursuant to the terms of the Warrant Instrument no share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 2.9 Any unallotted Shares will remain authorised but unissued and subject to the provision of the Articles, the Directors are entitled to allot Shares immediately following Admission for cash or otherwise and classify such shares as ordinary shares or such other class or classes of shares or as shares with special or other rights as the Directors may determine. Save as may be required by the Articles the allotment of Shares will not be made on a pre-emptive basis. There are no provisions of Companies Laws equivalent to sections 89 to 96 of the Companies Act 1985 of England and Wales which confer pre-emption rights on existing shareholders in connection with the allotment of equity securities for cash.

4. CONSTITUTIONAL DOCUMENTS

4.1 Memorandum of Association

The Memorandum of Association of the Company provides that the objects of the Company include carrying on business as an investment company. The objects of the Company are set out in full in clause 3 of the Memorandum of Association.

4.2 Articles of Association

The Articles contain provisions, *inter alia*, to the following effect:

4.2.1 Shares

- (i) The share capital of the Company is represented by an unlimited number of Shares of no par value having the rights hereinafter described.

- (ii) Shareholders shall have the following rights:

Dividends

Shareholders are entitled to receive and participate in, any dividends or other distributions out of the profit of the Company available for dividend and resolved to be distributed in respect of any accounting period or other income or right to participate therein.

Winding up

On a winding up, the Shareholders shall be entitled to the surplus assets remaining after payment of all the creditors of the Company.

Voting

Shareholders shall have the right to receive notice of and to attend and vote at general meetings of the Company and each Shareholder being present in person or by proxy or by a duly authorised representative (if a corporation) at a meeting shall upon a show of hands have one vote and upon a poll each such Shareholder present in person or by proxy or by a duly authorised representative (if a corporation) shall have one vote in respect of each Ordinary Share held by him.

- (iii) Without prejudice to any special rights previously conferred on the existing Shareholders, any Share in the Company may be issued with such preferred, deferred or other special rights or restrictions whether as to dividend, voting, return of capital or otherwise as the Company at any time by ordinary resolution may determine and subject to and in default of such determination as the Board may determine.
- (iv) Subject to the provisions of the Companies Laws, the terms and rights attaching to any class of shares, these Articles and any guidelines established from time to time by the Board, the Company may from time to time purchase its own Shares. The making and timing of any buy back will be at the absolute discretion of the Board.

4.2.2 *Variation of Rights*

If at any time the share capital is divided into different classes of shares the rights attached to any class (unless otherwise provided by the terms of issue) may whether or not the Company is being wound up be varied with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of a special resolution of the holders of the shares of that class, in either case, excluding any Shares held as treasury shares. This is not more stringent than required under the Companies Laws.

4.2.3 *Winding up*

If the Company is wound up the surplus assets remaining after payment of the creditors shall, subject to the Laws, be divided amongst the Shareholders.

If the Company shall be wound up the liquidator may with the authority of a special resolution divide among the Shareholders in specie the whole or any part of the assets of the Company and whether or not the assets shall consist of property of a single kind and may for such purposes set such value as he deems fair upon any one or more class or classes of property and may determine how such division shall be carried out as between the Shareholders or different classes of the Company's shareholders. The liquidator may with the like authority vest any part of the assets in trustees upon such trusts for the benefit of Shareholders as the liquidator with the like authority shall think fit and the liquidation of the Company may be closed and the Company dissolved but so that no Shareholder shall be compelled to accept any shares or other assets in respect of which there is any outstanding liability.

Where the Company is proposed to be or is in the course of being wound up and the whole or part of its business or property is proposed to be transferred or sold to another company ("the transferee") the liquidator may, with the sanction of an ordinary resolution, conferring either a general authority on the Liquidator or an authority in respect of any particular arrangement, receive in compensation or part compensation for the transfer or sale, shares,

policies or other like interests in the transferee for distribution among the Shareholders or may enter into any other arrangement whereby the Shareholders may, in lieu of receiving cash, shares, policies or other like interests, or in addition thereto, participate in the profits of or receive any other benefits from the transferee.

4.2.4 *Pre-emption rights*

In certain circumstances, Shareholders may have pre-emption rights under the Articles in respect of the allotment of new shares in the Company. These pre-emption rights require the Company to offer new shares for allotment to existing Shareholders on a pro rata basis before allotting them to other persons. The Directors have authority under the Articles, following Admission, to issue further Shares for cash on a non-pre-emptive basis up to an amount representing 20 per cent. of the entire issued share capital of the Company at Admission. The pre-emption rights do not apply to the issue of Shares on exercise of any Warrants. These provisions are more stringent than any requirement of Companies Laws.

4.2.5 *Notice Requiring Disclosure of Interest in Shares*

- (i) 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 and the nature of such interest.
- (ii) Any such notice shall require any information in response to such notice to be given within the prescribed period set out below or within such reasonable time as the Directors may determine. The Directors may be required to exercise their powers under the relevant Article on a requisition of Shareholders holding not less than 1/10th of the paid up capital of the Company. 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 in value 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 or class 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 Articles) shall be registered until the default is rectified.

4.2.6 *Dividends*

- (i) Dividends shall only be payable out of the distributable profits attributable to the Company.
- (ii) The Directors may if they think fit at any time declare and pay such interim dividends as appear to be justified by the position of the Company.
- (iii) All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee thereof. No dividend shall bear interest against the Company. Any dividend unclaimed after a period of 12 years from the date of declaration of such dividend shall be forfeited and shall revert to the Company.
- (iv) The Directors are 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 by dividend.

4.2.7 *Scrip Dividends*

At the Directors' discretion, shareholders may elect to receive scrip dividends in lieu of cash dividends on their Shares.

- (i) The number of Shares, including any fractional entitlements, to be issued in lieu of dividends (if any) shall be equal to the amount of the capital reserve resolved to be so distributed by the issue of such number of Shares divided by the most recently published NAV per Share.
- (ii) The Shares so issued shall rank *pari passu* in all respects with the Shares in issue at the time save that such Shares shall, unless the Directors are instructed to the contrary by the relevant Shareholders, carry an entitlement to further bonus Shares rather than to receive dividends.
- (iii) The Directors may on any occasion determine that rights of election shall not be made available to any Shareholders with registered addresses in any territory where in the absence of a registration statement or other special formalities the circulation of an offer to such Shares would or might be unlawful.
- (iv) Shareholders who have made an election to receive scrip dividends in lieu of a dividend may change their election by giving written notice to the Registrar at least 14 days prior to the record date for any dividend in respect of which the new election is to take effect. The record date being the date determined by the Board, when a dividend has been or is to be declared, by which a Shareholder must be registered in the register of members as a Shareholder in order to be entitled to a dividend.

4.2.8 *Transfer of Shares*

The Articles provide that the Directors may implement such arrangements as they may think fit in order for any class of shares to be admitted to settlement by means of the CREST system. If the Directors implement any such arrangements no provision of the Articles shall apply or have effect to the extent that it is in any respect inconsistent with:

- (i) the holding of shares of that class in uncertificated form;
- (ii) the transfer of title to shares of that class by means of the CREST UK system; or
- (iii) the CREST Guernsey Requirements.

Where any class of shares is for the time being admitted to settlement by means of the CREST system such securities may be issued in uncertificated form in accordance with and subject as provided in the CREST Guernsey Requirements. Unless the Directors otherwise determine, such securities held by the same holder or joint holder in both certificated form and uncertificated form shall be treated as separate holdings. Such securities may be changed from uncertificated to certificated form and from certificated to uncertificated form in accordance with and subject as provided in the CREST Guernsey Requirements. Title to such of the shares as are recorded on the register as being held in uncertificated form may be transferred only by means of the CREST UK system. Every transfer of Shares from a CREST account of a CREST member to a CREST account of another CREST member shall vest in the transferee a beneficial interest in the Shares transferred, notwithstanding any agreements or arrangements to the contrary, however and whenever arising and however expressed. Subject as provided below, any Shareholder may transfer all or any of his Shares which are in certificated form 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 certificated 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 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.

Subject to the provisions of the CREST Guernsey Requirements, 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.

Shares are not transferable without the specific consent of the Directors, to United States Persons (as such term is defined in Regulation S adopted pursuant to the US Securities Act

1933). If the Directors refuse to register a transfer they shall notify the transferee within two months of such a refusal.

If at any time the holding or beneficial ownership of any Shares in the Company by any person (whether on its own or taken with other Shares), in the opinion of the Directors (a) would cause the assets of the Company to be considered “plan assets” within the meaning of the Plan Assets Regulation (29 C.RR.2510.3-101) adopted by the United States Department of Labor under the Employee Retirement Income Security Act of 1974 (“ERISA”) or Section 4975 of the Internal Revenue Code of 1986, as amended or such similar United States acts and regulations as determined by the Directors from time to time, (b) may give rise to a breach of any applicable law or requirement in any jurisdiction; or (c) would or might result in the Company being required to register or qualify under the United States Investment Company Act 1940; or (d) would or might result in any investment manager engaged by the Company being required to register or qualify under the United States Investment Advisors Act 1940; or (e) contravene the criteria for eligibility for investing in the Company determined by the Directors from time to time, then any shares which the Directors decide are Shares which are so held or beneficially owned (“Prohibited Shares”) must be dealt with in accordance with this paragraph 4.2.8. The Directors may at any time give notice in writing to the holder of a share requiring him to make a declaration as to whether or not the share is a Prohibited Share.

The Directors shall give written notice to the holder of any share which appears to them to be a Prohibited Share requiring him within 21 days (or such extended time as the Directors consider reasonable) to transfer (and/or procure the disposal of interests in) such share to another person so that it will cease to be a Prohibited Share. From the date of such notice until registration of such a transfer or a transfer arranged by the Directors as referred to below, the share will not confer any right on the holder to receive notice of or to attend and vote at general meetings of the Company and of any class of shareholders) and those rights will vest in the Chairman of any such meeting, who may exercise or refrain from exercising them entirely at his discretion). If the notice is not complied with within 21 days to the satisfaction of the Directors, the Directors shall arrange for the Company to sell the share at the best price reasonably obtainable to any other person so that the share will cease to be a Prohibited Share. The net proceeds of sale (with interest at such rate as the Directors consider appropriate) shall be paid over by the Company to the former holder upon surrender by him of the relevant share certificate (if applicable).

4.2.9 *Ownership Threshold for Shareholder Disclosure Return of capital*

From the date of Admission and for so long as the Company has any of its shares admitted to trading on AIM, or any successor market or any other market operated by the London Stock Exchange, every Shareholder shall comply with the notification and disclosure requirements set out in Chapter 5 of the Disclosure and Transparency Rules Sourcebook (as amended and varied from time to time) of the FSA Handbook as if the Company were classified as an “issuer” whose “Home State” is the United Kingdom.

4.2.10 *Untraced Members*

The Company is entitled to sell (in such manner and for such price as the Directors think fit) the shares of a Member or the shares to which a person is entitled by virtue of transmission on death or bankruptcy if and provided that the following conditions are satisfied: (i) for a period of twelve years, being a period during which at least three distributions in respect of the Shares have become payable, no cheque or warrant sent by the Company to the Member has been cashed and no communication has been received by the Company from the Member; (ii) the Company has at the expiration of the said period of twelve years given notice by advertisement in both a United Kingdom national newspaper and in a newspaper circulating in the area the Member is located of its intention to sell the Shares; (iii) the Company has not during the further period of three months following the publication of the said advertisement and prior to the exercise of the power of sale received any communication from the Member or person entitled by transmission; and (iv) if so required by the rules of the London Stock Exchange, the Company has given notice in writing to the London Stock Exchange of its intention to sell such Shares.

4.2.11 *Alteration of Capital*

The Company may by ordinary 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 of the Company; or cancel any Shares which at the date of the resolution have not been taken or agreed to be taken and diminish the amount of its authorised share capital by the amount of Shares so cancelled. The Company may by special resolution reduce its share capital, any redemption reserve fund or any share premium account in any manner and with and subject to any authority and consent required by the Companies Laws.

4.2.12 *Notice for General Meetings*

Notice for any general meeting shall be sent by the secretary or officer of the Company or any other person appointed by the board not less than ten days before the meeting. The notice must specify the time and place of the general meeting and, in the case of any special business, the general nature of the business to be transacted. With the consent in writing of all the Shareholders, a meeting may be convened by a shorter notice or at no notice in any manner they think fit. The accidental omission to give notice of any meeting or the non-receipt of such notice by any Shareholder shall not invalidate any resolution, or any proposed resolution otherwise duly approved, passed or proceeding at any meeting.

4.2.13 *Directors' Qualifications*

A share qualification for a Director may be fixed by the Company in a general meeting and unless and until so fixed no qualification shall be required. The Company currently has no such qualification. A Director need not be a Shareholder.

4.2.14 *Directors' Remuneration*

The Directors shall be paid out of the funds of the Company by way of fees such sums not exceeding in the aggregate \$200,000 per annum as the Directors shall determine or as may otherwise be approved by ordinary resolution of the Company. Directors' fees shall be deemed to accrue from day to day.

The Directors shall also be entitled to be repaid all reasonable out of pocket expenses properly incurred by them in or with a view to the performance of their duties or in attending meetings of the Board or of committees or general meetings.

If any Director having been requested by the Board shall render or perform extra or special services or shall travel or go to or reside in any country not his usual place of residence for any business or purpose of the Company he shall be entitled to receive such sum as the Board may think fit for expenses and also such remuneration as the Board may think fit either as a fixed sum or as a percentage of profits or otherwise and such remuneration may as the Board shall determine be either in addition to or in substitution for any other remuneration which he may be entitled to receive.

4.2.15 *Interests of Directors*

A Director who to his knowledge is in any way interested in a contract or proposed contract with the Company shall disclose the nature of his interest at a meeting of the Board.

- (i) Save as mentioned below, a Director may not vote or be counted in the quorum on a resolution of the Directors or committee of the Directors concerning a contract, arrangement, transaction or proposal to which the Company is or is to be a party and in which he has an interest which (together with any interest of any person connected with him) is, to his knowledge, a material interest (otherwise than by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company).
- (ii) A Director shall be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:

1. the giving of a guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of the Company or any of its subsidiaries;
 2. the giving of a guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part, either alone or jointly with others, under a guarantee or indemnity or by the giving of security;
 3. a contract, arrangement, transaction or proposal concerning an offer of shares, debentures or other securities of the Company or any of its subsidiary undertakings for subscription or purchase, in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
 4. a contract, arrangement, transaction or proposal to which the Company is or is to be a party concerning another company in which he (and any persons connected with him) is interested, directly or indirectly, and whether as an officer, shareholder, creditor or otherwise, if he (and/or any person connected with him) does not to his knowledge hold an interest in shares representing one per cent. or more of either a class of the equity share capital of or the voting rights in the relevant company (or of any other company through which his interest is derived);
 5. a contract, arrangement, transaction or proposal for the benefit of employees of the Company or any of its subsidiary undertakings which only awards him a privilege or benefit generally awarded to the employees to whom it relates; and
 6. a contract, arrangement, transaction or proposal concerning the purchase or maintenance of any insurance policy for the benefit of Directors or for the benefit of persons including Directors.
- (iii) a person shall be treated as being connected with a Director if that person is:
1. a spouse, child (under the age of eighteen) or step child (under the age of eighteen) of the Director; or
 2. an associated body corporate which is a company in which the Director alone, or with connected persons, is directly or indirectly beneficially interested in 20 per cent. or more of the nominal value of the equity share capital or is entitled (alone or with connected persons) to exercise or control the exercise of more than 20 per cent. of the voting power at general meetings; or
 3. a trustee (acting in that capacity) of any trust, the beneficiaries of which include the Director or persons falling within paragraphs 4.2.15(iii)(1) or 4.2.15(iii)(2) above excluding trustees of an employees' share scheme or pension scheme; or
 4. a partner (acting in that capacity) of the Director or persons in categories 4.2.15(iii)(1) or 4.2.15(iii)(3) above.
- (iv) A Director, notwithstanding his interest, may be counted in the quorum present at any meeting whereat he or any other Director is appointed to hold any such office or place of profit under the Company, or whereat the terms of any such appointment are arranged or whereat any contract in which he is interested is considered, and he may vote on any such appointment or arrangement other than his own appointment or the arrangement of the terms thereof. Where proposals are under consideration concerning the appointment (including without limitation fixing or varying the terms of appointment or its termination) of two or more directors to offices or places of profit with the Company or a company in which the Company is interested, such proposals shall be divided and a separate resolution considered in relation to each Director. In such case each of the Directors concerned (if not otherwise debarred from voting

under these provisions) is entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

- (v) A Director may hold any other office or place of profit under the Company (other than Auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Board may determine and no Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as vendor purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested be liable to be avoided nor shall any Director so contracting or being so interested be liable to account to the Company for any profits realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established.
- (vi) Any Director may act by himself or 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.
- (vii) Any Director may continue to be or become a director, managing director, manager or other officer or member of a company promoted by the Company in which the Company may be interested, and any such Director shall not be accountable to the Company for any remuneration or other benefits received by him as a director, managing director, manager or other officer or member of any such company.

4.2.16 *Borrowing Powers*

The Board may exercise all the powers of the Company to borrow money and to give guarantees, mortgage, hypothecate, pledge or charge all or part of its undertaking, property or assets and uncalled capital and to issue debentures and other securities whether outright or as collateral security for any liability or obligation of the Company or of any third party provided always that the aggregate principal amount of all borrowings (as defined in the Articles) by the Company shall not at the point of drawdown of any borrowings exceed 10 per cent. of the Net Asset Value of the Company.

4.2.17 *Disqualification and Removal of a Director*

The office of a Director shall be vacated:

- (i) if he resigns his office by written notice;
- (ii) if he shall have absented himself from meetings of the Board without authorisation from the Company for a consecutive period of six months and the Board resolves that his office shall be vacated;
- (iii) if he becomes of unsound mind or incapable;
- (iv) if he becomes insolvent, suspends payment or compounds with his creditors;
- (v) if he is requested to resign by written notice signed by all his co-Directors;
- (vi) if the Company in general meeting by ordinary resolution shall declare that he shall cease to be a Director; or
- (vii) if he becomes resident in the United Kingdom for tax purposes and, as a result thereof, a majority of the Directors are resident in the United Kingdom for tax purposes.

Such removal shall be without prejudice to any claims such Director may have for damages for breach of any contract of service between him and the Company. A Director is not required to retire on account of his or her age.

4.2.18 *Minority Purchase Rights*

There are no provisions of the Articles or the Companies Laws providing for the mandatory purchase of Shares.

4.3 The Disclosure and Transparency Rules

The Articles require that, from Admission and for so long as the Company has any of its share capital admitted to trading on AIM, or any successor market or any other market operated by the London Stock Exchange, every Shareholder must comply with the notification and disclosure requirements set out in Chapter 5 of the Disclosure and Transparency Rules Sourcebook (as amended and varied from time to time) of the FSA Handbook as if the Company were classified as a “UK-issuer”.

Under the Disclosure and Transparency Rules, a Shareholder is required to notify the Company of the percentage of its voting rights if the percentage of voting rights which he or she holds (directly or indirectly) reaches, exceeds or falls below three per cent., four per cent., five per cent., six per cent., seven per cent., eight per cent., nine per cent., ten per cent. and each one per cent. threshold thereafter up to 100 per cent. The notification must be made within four trading days of the Shareholder becoming aware of the acquisition or disposal, or learning of any other reason, leading to the increase or decrease in his or her shareholding.

5. DIRECTORS AND OTHER INTERESTS

- 5.1 The Directors were appointed pursuant to a letter delivered to HM Greffier from the subscribers to the Memorandum of Association of the Company on 25 April 2007 and hold their office in accordance with the Articles.
- 5.2 None of the Directors has any interest, beneficial or otherwise, in the share capital of the Company or the Warrants nor does (so far as is known to, or could with reasonable diligence be ascertained by, the Directors) any person connected with the Directors have any interest in such share capital or the Warrants, in each case whether or not held through another party.
- 5.3 As at the date of this document, neither the Directors nor any member of a Director’s family (which, in relation to this paragraph, means a spouse, civil partner, any child where such child is under the age of 18 years, any trust in which such individuals are trustees or beneficiaries and any company over which they have control or more than 20 per cent. of its equity or voting rights in general meeting, but excluding any employee share or pension scheme where such individuals are beneficiaries rather than trustees) hold any related financial product (as defined in the AIM Rules for Companies) whose value in whole or in part is determined directly or indirectly by reference to the price of Shares or Warrants.
- 5.4 In addition to their directorships of the Company, the Directors held or have held the following directorships, and are or were members of the following partnerships, within the past five years:

Name	Current directorships, partnerships and affiliations	Previous directorships, partnerships and affiliations
Aly El-Tahry	Air Touring Limited Beltone Financial EFG – Hermes Holdings Martin Currie Absolute Return Fund	EFG – Hermes Egypt Fund Limited
Helen Green	Advance AIM Value Realisation Company Acorn Income Fund Limited Albany International Corporation Alicante Services Limited Anna Corporation Astraeus Limited S.A. Auriga Nominees Limited Balaga Limited Barba Family Foundation Company Ltd. S.A. Bovingdon Properties Unlimited Champness Limited Clairwood Limited Corbiere Trust Company Limited DAM Trustees Limited	Bandar Holdings Limited Bluescop Limited Canadian Gold Inc. Carina Nominees Limited Chrysolite Investments Limited Clore/Duffield Foundations Nominees Limited Consolidated Funds Investments Nominees Limited Dove Holdings Inc. Easson Property Investments (Pty) Limited Englefield Trustee Company Limited European Internet Capital Limited Farrago Inc. Fenchurch Enterprises Inc.

Name	Current directorships, partnerships and affiliations	Previous directorships, partnerships and affiliations
Helen Green <i>(continued)</i>	Datchwood Properties Unlimited Davos Trust Company Limited Draco Nominees Limited Edgmond Holdings Limited Euro Petroleum Trading Limited Eythrope Trustee Co. Limited Fizzyberry Limited Fulmer Properties Limited GB Partnership Investment. Associates Inc. Garfield Investments S.A. Gowerton Holdings Limited Henderson Diversified Income Limited HPFM (Guernsey) Limited HPFM (Trinity Lodge) Limited J. Rothschild Group (Guernsey) Limited J. Rothschild Nominees (Guernsey) Limited Jermyn Pte Ltd. Juromant Investments Limited Kenmore European Industrial Fund Limited Landore Resources Limited Les Prairies Investment Trust Limited Lewdown Holdings Limited Marsworth Properties Unlimited Medieval Investments Fund Limited Mensa Nominees Limited MiNC Residential Property Fund Limited Mica Enterprises Limited S.A. Octavian Nominees Limited Palmus Trust Company Limited Paloma Group Limited Paloma Holdings Limited Paloma Limited Paloma Management Limited Paloma Properties Limited Pavo Nominees Limited Pictor Nominees Limited Puma Brandenburg Limited Puma Property Advisors Limited Puma Sphera Puma Sphera Master Fund Puma Theta Puma Theta Management (Cayman) Limited Regeneration (GP) Limited RHK Nominees Limited Rysaffe International Services Limited Rysaffe Limited Rysaffe Nominees (C.I.) Limited	First Arrow Global Currency Fund Trustees Limited First Arrow Global Fund Trustees Limited First Arrow Managed Fund Trustees Limited Georgiana Inc. HN Properties (Overseas) Limited Henry Investment Holdings Limited Ivybrook Limited Katherine Inc. Markton Limited Medsea Limited Nile Holdings Limited Oakhill Limited Ophelia Holdings Inc. Project 407 Limited Proteus Nominees Limited Puma Sphera Management (Cayman) Limited RMS Investments Limited Rockhurst Limited Rushington Investments Limited Saffery Champness Seap Corporation Limited Silver Firs Limited Telematic (Guernsey) Limited Tintoretto Limited Willesden Limited Woodland Holdings Limited Zodiac Trading Limited

Name	Current directorships, partnerships and affiliations	Previous directorships, partnerships and affiliations
Helen Green <i>(continued)</i>	Rysaffe Trustee Company (C.I.) Limited Saffery Champness Fund Services Limited Saffery Champness Holdings Limited Saffery Champness Management International Limited Saffery Champness Societe Avec Responsabilite Saffery Champness Trust Corporation Saffery Champness Trustees Limited Saffery Limited Saffery Trustee Company (C.I.) Limited Saffron Maritime Limited Seahaven Investments (Mauritus) Limited Shalford Limited Shore Epsilon Limited Shore SFK Limited Silverdale Holdings Limited Southern Cross Nominees Limited Stanco International Inc. Thea Investments, Inc. The Family of N&J Rothschild S.A. The St. John Ambulance & Rescue Service Thornhill Premium Fund Limited Tidegrove Holdings Limited Tidegrove Management Limited Topibel S.A. Trio Finance Limited Tucana Nominees Limited Uttrup Investment Management Limited Uttrup Investment Management Fund PCC Limited Westerwald Holdings Inc. Wiggington Properties Unlimited Yardarm Investments Limited Yellowstrand Limited Yillman Limited	Martin Currie Investment Management Limited Martin Currie Inc. Eland Mar Ltd.
Grant Wilson	GMS (Recordings) Limited China Development Capital (GP) Limited Eland Mar LLP Prudent Wealth Management Limited	Martin Currie Investment Management Limited Martin Currie Inc. Eland Mar Ltd.
Richard Hotchkis	FRM Credit Alpha Limited Gottex Market Neutral Limited Jubilee Special Situations PCC Limited Pantheon Asia Fund Limited Pantheon Asia Fund II Limited Pantheon Asia Fund III Limited Pantheon Europe Fund Limited Pantheon Europe Fund II Limited	Dexion Absolute Limited

Name	Current directorships, partnerships and affiliations	Previous directorships, partnerships and affiliations
Richard Hotchkis <i>(continued)</i>	Pantheon Europe Fund III Limited Pantheon Global Secondary Fund Limited Pantheon Global Secondary Fund II Limited F&C Event Driven Limited	

5.6 Save as set out below, as at the date of this document, none of the Directors of the Company:

5.6.1 has any unspent convictions in relation to indictable offences; or

5.6.2 has been bankrupt or entered into an individual voluntary arrangement; or

5.6.3 was a director of any company at the time of or within 12 months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors: or

5.6.4 has been a partner in a partnership at the time of or within 12 months preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership; or

5.6.5 has had his assets the subject of any receivership or has been a partner of a partnership at the time of or within 12 months preceding any assets thereof being the subject of a receivership; or

5.6.6 has been subject to any public criticism by any statutory or regulatory authority (including any recognised professional body) or has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

5.7 Helen Green was a director of European Internet Capital Limited from 30 July 2002 until her resignation on 14 July 2003. European Internet Capital Limited went into liquidation on 16 March 2004.

5.8 Save as set out in this document, none of the Directors has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company or which has been effected by the Company since its incorporation.

5.9 No loan or guarantee has been granted or provided by the Company to any Director.

5.10 The services of each of the Directors are provided under the terms of letters of appointment between each of them and the Company dated 7 June 2007 subject to termination upon at least three months' notice, at an initial fee of \$30,000 per annum (payable with effect from Admission). Aly El-Tahry has been appointed Chairman of the Company.

5.11 Save as set out in paragraph 5.10 above, there are no service or other agreements in existence between any of the Directors and the Company providing for benefits upon termination of employment.

5.12 Details of the length of time in which the Directors who are currently in office and the period of their term of office are set out below:

Names	Commencement of period of office	Date of expiration of term of office
Aly El-Tahry	25 April 2007	Until terminated
Helen Green	25 April 2007	Until terminated
Grant Wilson	25 April 2007	Until terminated
Richard Hotchkis	25 April 2007	Until terminated

6. SHARE INTERESTS

6.1 As at 11 June 2007 (the latest practicable date prior to publication of this document), the Company was not aware of any persons who, immediately following Admission, could, directly or indirectly, jointly or severally, exercise control over the Company.

6.2 Save as set out below, the Directors are not aware of any person, directly or indirectly, jointly or severally, who exercises or could exercise control over the Company or who will be interested in three per cent. or more of the issued share capital of the Company immediately following Admission:

Name	Number of Shares on Admission	Number of Warrants on Admission	Percentage of issued share capital on Admission
GLG Partners LP	10,000,000	2,000,000	11.76
Universities Superannuation Scheme Ltd	8,415,000	1,683,000	9.9
Investec Fund Managers Ltd	7,000,000	1,400,000	8.23
Midas Capital Partners Limited	6,000,000	1,200,000	7.05
British Airways Pension Investment Management Limited	5,315,000	1,063,000	6.25
New Star Asset Management	4,500,000	900,000	5.29
Pension Services Limited	4,000,000	800,000	4.71
South Yorkshire Pensions Authority	4,000,000	800,000	4.71
West Yorkshire Pension Fund	4,000,000	800,000	4.71

6.3 None of the Company's major Shareholders have different voting rights.

7. MATERIAL CONTRACTS

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

- 7.1 An engagement letter dated 6 March 2007 between the Investment Manager and Grant Thornton Corporate Finance, as novated by the deed of novation dated 7 June 2007 between the Investment Manager, Grant Thornton Corporate Finance and the Company, pursuant to which Grant Thornton Corporate Finance has been appointed to act as nominated adviser to the Company. The agreement contains certain undertakings and indemnities from the Company and is terminable on 30 days' notice in writing by either party.
- 7.2 A broker agreement dated 7 June 2007 between the Company, Fairfax and the Investment Manager pursuant to which the Company has conditionally upon Admission, appointed Fairfax as broker to the Company for the purposes of the AIM Rules for Companies. This agreement may be terminated by either party on not less than three months' notice in writing. In the agreement, the Company and the Investment Manager have given certain indemnities to Fairfax. The Company has agreed to pay Fairfax an annual retainer of £20,000, excluding VAT, payable in advance at six monthly intervals commencing on 1 July 2007.
- 7.3 The Placing Agreement dated 12 June 2007 made between the Company, the Investment Manager, Grant Thornton Corporate Finance and Fairfax pursuant to the terms of which Fairfax has conditionally agreed, as agent for the Company, to use its reasonable endeavours to procure placees for 85 million Shares at the Placing Price of \$1.00 per Share. In consideration for its services, Fairfax will be paid a commission equal to two per cent. of the Placing proceeds received from placees introduced by Fairfax and a corporate finance fee of £50,000. Fairfax and Grant Thornton Corporate Finance are also entitled to be reimbursed their reasonable out of pocket expenses incurred by them in the performance of their respective duties under the Placing Agreement. The Company and the Investment Manager have each given certain warranties to Grant Thornton Corporate Finance and Fairfax. The Company and the Investment Manager have also agreed to indemnify Grant Thornton Corporate Finance, Fairfax and their respective directors, officers and employees in respect of, and they shall have no liability to the Company for, any losses incurred by them or the Company in connection with the performance by Fairfax or Grant Thornton Corporate Finance of their duties under the Placing Agreement, except to the extent that such losses arise as a result of the fraud, negligence, wilful default or breach of contract of Grant Thornton Corporate Finance and/or Fairfax or any of their respective directors, officers and employees.

The Placing Agreement may be terminated by Grant Thornton Corporate Finance or Fairfax if any statement contained in this document is discovered to be untrue, incorrect or misleading in any respect, or there has been a material breach of any of the warranties or any other term of the Placing Agreement on the part of the Company or by reason of *force majeure*.

- 7.4 An Investment Management Agreement dated 7 June 2007 between the Company and the Investment Manager whereby the Investment Manager is appointed, with effect from Admission, to manage the assets of the Company in accordance with the investment policies from time to time adopted by the

- 7.4.1 The basic fee shall be payable by the Company monthly in arrears (but shall accrue from day to day and be payable *pro rata* for any part of a month) from (and including) the date of Admission and will be a sum equal to one twelfth of one and one quarter per cent. of the lower of the Company's Market Capitalisation and the Company's Net Asset Value at the end of each month.
- 7.4.2 The Investment Manager may receive, in addition to the basic fee, a performance fee in respect of each Performance Period equal to a percentage (set forth below) of the excess of the Net Asset Value per Share over the Target Net Asset Value per Share. Any such fee will be paid annually in arrears out of the assets of the Company.
- 7.4.3 The performance fee in respect of a particular Performance Period will be an amount equal to 12 per cent. of the amount (if any) by which the Net Asset Value per Share at the end of that Performance Period, before the deduction of any performance fee, exceeds the Target Net Asset Value per Share multiplied by the weighted average number of Shares in issue during the relevant Performance Period. The performance fee in respect of a particular Performance Period will not exceed 3 per cent. of the Company's Net Asset Value, before the deduction of any performance fee, at the end of that Performance Period.
- 7.4.4 The agreement contains an indemnity given by the Company in favour of the Investment Manager and any associate of the Investment Manager against claims by third parties except to the extent that the claim is due to the negligence, wilful default or fraud of the Investment Manager or any associate to whom the Investment Manager has delegated any of its functions. The agreement is for a fixed initial term of one year commencing on Admission and may thereafter be terminated by 12 months' notice.
- 7.5 A Custodian Agreement dated 7 June made between the Company and The Northern Trust Company whereby The Northern Trust Company was appointed as custodian of the assets of the Company. In its capacity as custodian, The Northern Trust Company is obliged to accept responsibility for the safe custody of the property of the Company which is delivered to and accepted by it or any sub-custodian. The Northern Trust Company will receive annual fees comprising a standing charge of £3,750 and an asset based fee equal to between 0.01 and 0.04 per cent. of the value of the assets of the Company. Transaction based fees are also payable of between £10 and £125 per transaction. The variable fees are dependent on the countries in which individual holdings are registered. The Custodian is also entitled to reimbursement of its reasonable out-of-pocket expenses (excluding the fees of any sub-custodian). Fees are payable quarterly in arrears. The agreement contains an indemnity in favour of the Custodian against claims by third parties except to the extent that the claim is due to the bad faith, negligence, wilful default, or fraud of the Custodian. The Agreement may be terminated by either party giving to the other not less than 30 days' notice in writing at any time.
- 7.6 An Administration and Secretarial Agreement dated 7 June 2007 made between the Company and Legis Corporate Services Limited, whereby the Administrator was appointed as administrator and company secretary of the Company. The Administrator shall be entitled to receive a monthly fee of £2,500 payable by the Company within 20 Business Days of the end of each month for which the fee applies. The Agreement contains an indemnity in favour of the Administrator against claims by third parties except to the extent that the claim is due to the recklessness, bad faith, negligence, wilful default or fraud of the Administrator. The agreement may be terminated by either party giving the other party not less than 90 days' notice in writing at any time or otherwise in circumstances where either party goes into liquidation or one party fails to remedy a material breach which is capable of being remedied within 30 days of being notified by the other party.

Under the Administration and Secretarial Agreement, the Company has given its consent to the Administrator appointing the UK Administration Agent as its sub-agent to perform certain of the Administrator's functions. Under that sub-agreement, the Administrator will pay the UK Administration Agent a monthly fee equal to one twelfth of 0.1 per cent. of the Net Asset Value. The fee will be subject to a cap of £100,000 per annum (adjusted each year to reflect any increase in the UK Retail Price Index). The Administrator can recover this expense from the Company under the Administration and Secretarial Agreement.

- 7.7 The Registrar Agreement dated 7 June 2007, between the Company and Capita Registrars (Guernsey) Limited pursuant to the terms of which the Registrar has been appointed as registrar to the Company subject thereafter to termination on three months' written notice given by either party such notice to expire no earlier than the first anniversary of the date of the Registrar Agreement. Under the Registrar Agreement, the Registrar is entitled to receive a fee of £2.00 per Shareholder per annum subject to a minimum annual fee of £4,000 together with other agreed transaction charges.
- 7.8 Lock-in undertakings dated 7 June 2007 entered into between the Company, Grant Thornton Corporate Finance, Fairfax and each of the Directors pursuant to the terms of which each of the Directors have covenanted pursuant to Rule 7 of the AIM Rules for Companies not to dispose of any of the Shares held by them at Admission or subsequently acquired by them for a period of 12 months from Admission except in limited circumstances (i.e. being a sale pursuant to a court order, death or acceptance of a takeover offer which is open to all Shareholders).
- 7.9 The CISX Sponsorship Agreement, dated 7 June 2007, between the Company and Ozannes Securities Limited pursuant to which the Company appoints Ozannes Securities Limited to act as the Company's CISX Listing Sponsor. Ozannes Securities Limited will be entitled to an initial fee of £2,000 for its services in relation to the admission of the Shares and Warrants to the Daily Official List and an annual retainer of £2,000 for providing ongoing advice and guidance as to the Company's compliance with the continuing obligations of the CISX Rules. The agreement may be terminated on not less than 90 days' notice in writing provided that termination will be immediate where: (i) either party breaches the terms of the agreement and such breach is incapable of remedy within 30 days; or (ii) either party commences liquidation proceedings.
- 7.10 Save as itemised above, as at the date of this document there are no other contracts (not being contracts entered into in the course of business) entered into by the Company since its incorporation which are or may be material or which contain any provision under which the Company has any obligation or entitlement which is material to it as at the date hereof.

8. WORKING CAPITAL

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

9. CITY CODE OF TAKEOVER AND MERGERS

The City Code on Takeovers and Mergers applies, *inter alia*, to offers for all public companies (other than open ended investment companies) which have their registered office in the United Kingdom, the Channel Islands or the Isle of Man and which are considered by the Takeover Panel to have their place of central management or control in the United Kingdom, the Channel Islands or the Isle of Man. As a company incorporated in Guernsey, the Company is subject to the provisions of the City Code on Takeovers and Mergers. Should the Company's place of central management alter from Guernsey or be determined by the Takeover Panel to be outside the United Kingdom, the Channel Islands or the Isle of Man, investors would not be afforded the protections of the City Code.

10. GENERAL

- 10.1 There are no patents or other intellectual property rights, licences or particular contracts which are of fundamental importance to the Company's business.
- 10.2 The costs and expenses of, and incidental to, the Placing and Admission will be borne by the Company and will be approximately \$2.6 million. Other than as specified above, the Company has no other borrowings or indebtedness or contingent liabilities and has granted no mortgages or other security interests.
- 10.3 The Investment Manager was incorporated under the UK Companies Act 1985 as Axis Emerging Markets Limited in England and Wales on 31 October 1996 with registered number 3272302. On 10 September 1997, the Company changed its name to Progressive Developing Markets Limited. The registered office of the Investment Manager is at 145-157 St. John Street, London, EC1V 4RU (telephone no. +44 20 7566 5555). The Investment Manager is authorised and regulated by the FSA. The Investment Manager is domiciled in the UK.

- 10.4 The Custodian was established on 7 August 1889 under the laws of the State of Illinois in the United States of America as a banking corporation with bank charter number 2016 and its current office is at 50 South LaSalle Street, Chicago, Illinois 60675, USA (telephone +1 312 630 6000). Its principal place of business in the United Kingdom is at 50 Bank Street, London, E14 5NT (telephone +44 20 7982 2000). It is authorised and regulated by the FSA and operates under the FSMA.
- 10.5 The Administrator was incorporated as a liability limited company in Guernsey on 24 September 1981 with registered number 10202. The Administrator is a licensed fiduciary company under The Regulation of Fiduciaries, Administration Businesses and Company Directors, etc. (Bailiwick of Guernsey) Law, 2000. The Administrator is subject to financial provisions as set out in “The Guidance Notes on the Prevention of Money Laundering and Countering the Financing of Terrorism” issued by the Guernsey Financial Services Commission as referred to in the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Regulations 2002, as amended and the Terrorism and Crime (Bailiwick of Guernsey) Law 2002. The registered office of the Administrator is at 1 Le Marchant Street, St Peter Port, Guernsey GY1 4HP, Tel +44 (0) 1481 726034, Fax +44 (0) 1481 726029. The Administrator is licensed and regulated by the Guernsey Financial Services Commission.
- 10.6 Save as otherwise set out in this document and except for fees payable to the professional advisers whose names are set out on page 5 of this document, no person has received fees, securities in the Company or other benefit to a value of £10,000 (or its currency equivalent) whether directly or indirectly, from the Company within the 12 months preceding the application for Admission, or has entered into any contractual arrangement to receive from the Company, directly or indirectly, any such fees, securities or other benefit on or after Admission.
- 10.7 The Company is not, and has not since incorporation, been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had in the recent past, significant effects on the Company’s financial position or profitability.
- 10.8 There has been no significant change in the financial and trading position of the Company since its incorporation.
- 10.9 Where information has been sourced from a third party, the Company confirms that this information has been accurately reproduced and as far as the Company is aware and is able to ascertain from the information published by that third party, that no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 10.10 Grant Thornton Corporate Finance, Fairfax I.S. PLC and the Investment Manager have given and not withdrawn their written consent to the issue of this document with the references to their names in the form and context in which they appear.
- 10.11 The Company’s auditors are RSM Robson Rhodes LLP. They were appointed as auditors to the Company on 6 June 2007. RSM Robson Rhodes LLP is a member of the of Chartered Accountants in England & Wales.
- 10.12 The Company has not, nor has it had since its incorporation, any employees and does not own any premises. The Company currently has no significant investments in progress.
- 10.13 The Directors undertake to propose a resolution for the winding-up of the Company if no investments have been made within two years of Admission. In addition, as required by the AIM Rules for Companies and until the Company is substantially invested, the Company’s investment strategy will be approved by Shareholders on an annual basis. The Company may not materially change its principal investment objectives and policies for a period three years from Admission without Shareholder consent.
- 10.14 No related parties or applicable employees (as these terms are defined in the AIM Rules for Companies) have any interests in any of the Shares and so there are no Shares subject to any lock-in arrangements.
- 10.15 The Company has not issued any convertible debt securities and, save as specified under the Placing, no person has any right or option to subscribe for Shares or Warrants. The Company has not authorised or issued any debt securities or other loan or debt arrangements.

10.16 The Company has not granted any mortgages or charges, has given no guarantees and has no contingent liabilities (other than per the material contracts referred to herein).

10.17 Any suspension in trading in the Shares or Warrants shall be notified to AIM and the CISX.

10.18 The Directors have applied for the Shares to be admitted to trading on CREST with effect from Admission. Accordingly, it is expected that the Shares will be enabled for settlement in CREST following Admission. The Warrants will only be capable of being held or transferred in certificated form.

10.19 The arrangements for payment for the Shares were set out in placing letters sent by Fairfax, as agent of the Company, to prospective placees on 7 June 2007 (being the date on which the offer constituted by the Placing opened) and in respect of which confirmations were required to be received on or before 11 June 2007 (being the date on which the offer constituted by the Placing closed). All subscription amounts are required, under the terms of the placing letters, to be remitted to an account at Pershing Securities Limited maintained by Fairfax. The obligations of the placees under the placing letters are conditional, *inter alia*, upon Admission occurring on or before 15 July 2007.

11. UNAUDITED BALANCE SHEET

The following table comprises an unaudited opening balance sheet of the Company as at 30 April 2007.

	As at 30 April 2007	
	Number	£
Assets		
Subscription	N/A	2
Liabilities and Shareholders equity		
Authorised		
An unlimited number of no par value	Unlimited	
Allotted and called up:		
Share premium		
Two Shares of no par value	2	2

12. AVAILABILITY OF DOCUMENTS

Copies of this document are available for collection free of charge during normal business hours on any weekday (Saturdays and relevant public holidays excepted) from the offices of Grant Thornton Corporate Finance, Grant Thornton House, Melton Street, Euston Square, London NW1 2EP and at the offices of the CISX Listing Sponsor for a period of one month from the date of Admission. Copies of this document the Memorandum and Articles of Association of the Company, the Warrant Instrument and the material contracts which are summarised at paragraph 7 of this Part 7 will be available for inspection at the offices of the CISX Listing Sponsor during the normal business hours on any week day (Saturdays, Sundays and public holidays excepted) for one month from the date of this document.

12 June 2007