

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

This document, which comprises an admission document required by the AIM Rules, does not constitute a Prospectus pursuant to the Public Offer of Securities Regulations 1995 (as amended) (the "POS Regulations") but has been drawn up in accordance with the requirements of the POS Regulations as required by the AIM Rules. A copy of this document has been delivered to the London Stock Exchange as an admission document in respect of the Ordinary Shares.

The Directors of North American Banks Fund Limited (the "Company"), whose names appear on page 6 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of 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 does not omit anything likely to affect the import of such information.

Application has been made for all of the Ordinary Shares of the Company, in issue and to be issued pursuant to the Placing, to be admitted to trading on the AIM market of the London Stock Exchange ("AIM"). It is expected that admission will become effective and that dealings will commence on AIM on 10 June 2005.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority (the "Official List"). A prospective investor should be aware of the risks in investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. The rules of AIM are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the Ordinary Shares to the Official List. Further, neither the UKLA nor the London Stock Exchange has examined or approved the contents of this document. The Ordinary Shares are not traded on any other recognised investment exchange and no other such applications have been made. The whole text of this document should be read. The attention of investors is drawn in particular to the risk factors set out in Part II of this document.

The Placing Shares are being issued partly paid. The attention of investors is drawn to pages 16 and 17 of this document which summarise the obligation to pay the Second Instalment and the consequences of not doing so.

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## **NORTH AMERICAN BANKS FUND LIMITED**

*(A closed-ended investment company incorporated in Guernsey with registration number 43130)*

### **Admission to trading on AIM**

**Placing of 3,800,000 Ordinary Shares of \$0.01 each at \$10 per share payable in two instalments\* of \$5 per share**

by

**Arbuthnot Securities Limited  
Nominated Adviser and Broker**

**Investment Manager  
North Atlantic Value LLP**

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#### **ORDINARY SHARE CAPITAL IMMEDIATELY FOLLOWING ADMISSION**

<b>Authorised Number</b>	<b>Authorised Amount</b>		<b>Issued and partly paid* Number</b>	<b>Amount</b>
100,000,000	\$1,000,000	<b>ORDINARY SHARES OF \$0.01 EACH</b>	3,800,000	\$38,000

\* *The Placing Price is payable in two instalments, \$5 on subscription and the balance of \$5, subject to the terms set out in this document, being payable on or before 31 December 2006.*

Arbuthnot Securities Limited, which is regulated by the Financial Services Authority, is acting as Nominated Adviser and Broker to the Company in relation to the Placing and will not be responsible to any person other than the Company for providing the protections afforded to its customers or for advising any other person on the contents of this document or any transaction or arrangement referred to herein. Arbuthnot Securities Limited has not authorised the contents of any part of this document for the purposes of Regulation 13(1)(g) of the POS Regulations. The responsibilities of Arbuthnot Securities Limited as the Company's Nominated Adviser and Broker under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or any Director or Shareholder or any other person in respect of a decision to subscribe for shares in the Company. Arbuthnot Securities Limited is not making any representation or warranty, express or implied, as to the contents of this document.

Application has been made for consent under the Control of Borrowing (Bailiwick of Guernsey) Ordinances 1959 to 1989 for the circulation of this document in so far as it relates to the issue of the Placing Shares and to the raising of money by the issue of Placing Shares. Neither the Guernsey Financial Services Commission nor the States of Guernsey Policy Council accept any responsibility for the financial soundness of the Company or for the correctness of any of the statements made or opinions expressed with regard thereto.

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

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

**This document contains forward looking statements, including, without limitation, statements containing the words "believe", "anticipated", "expect" and similar expressions. Such forward looking statements involve unknown risk, uncertainties and other factors which may cause the actual results, financial condition, performance or achievement of the Company, or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in "Risk Factors" set out in Part II of this document. Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward looking statements. The Company is under no obligation to update any such forward looking statements in this document to reflect future events or developments.**

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## DEFINITIONS

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

“Administration and Custody Agreement”	the agreement between the Company and RBSI, a summary of which is set out in paragraph 6.4 of Part IV of this document
“Admission”	the admission of the entire issued share capital of the Company (to include the Placing Shares) to trading on AIM becoming effective in accordance with the AIM Rules
“AIM”	the market of that name regulated by the London Stock Exchange
“AIM Rules”	the rules applicable to AIM as published by the London Stock Exchange from time to time
“Arbuthnot Securities”	Arbuthnot Securities Limited, the Company’s Nominated Adviser and Broker
“Articles” or “Articles of Association”	the articles of association of the Company
“Bank Holding Company”	a bank holding company, as defined by the US Bank Holding Company Act 1956
“Board”	the board of directors of the Company
“Committed Capital”	prior to the date on which the Second Instalment becomes due (as set out in the Second Instalment Notice), an amount equal to the aggregate proceeds of the First Instalment and the Second Instalment combined, after deduction of the formation and initial expenses. After the date on which the Second Instalment becomes due, Committed Capital will be equal to the Net Asset Value, as calculated by RBSI, from time to time
“Company”	North American Banks Fund Limited
“Companies Laws”	The Companies (Guernsey) Laws 1994 to 1996, as amended
“CREST”	the computerised settlement system (as defined in the CREST Regulations) operated by CRESTCo which facilitates the transfer of title to shares in uncertificated form
“CRESTCo”	CRESTCo Limited
“CREST Guernsey Requirements”	rule 8 and such other rules and requirements of CRESTCo as may be applicable to issues as 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 and comprising the CREST Reference Manual, the CREST Central Counterparty Service Manual, the CREST International Manual, CREST Rules, CCSS Operations Manual and the CREST Glossary of Terms
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755)
“Directors”	the directors of the Company, whose names are set out on page 6 of this document
“FDIC”	Federal Deposit Insurance Corporation, an independent agency of the federal government of the USA which seeks to preserve and promote public confidence in the US financial system by

	insuring deposits in banks and thrift institutions for up to US\$100,000
“First Instalment”	the sum of \$5 per Placing Share payable on subscription
“FSA”	Financial Services Authority
“FSMA”	Financial Services and Markets Act 2000
“Instalments”	the First Instalment and the Second Instalment
“Investment Manager” or “North Atlantic”	North Atlantic Value LLP, a UK limited liability partnership, having legal personality regulated by the Financial Services Authority under the laws of England (registered number OC304213) and having its principal place of business at Ground Floor, 14 Ryder Court, London SW1Y 6QB
“Investment Management Agreement”	the agreement dated 3 June 2005 between the Company and the Investment Manager, a summary of which is set out in paragraph 6.3 of Part IV of this document
“Laws” or “Companies Laws”	the Companies (Guernsey) Laws, 1994 to 1996, as amended
“London Stock Exchange”	London Stock Exchange plc
“NAV Calculation Date”	the last business day of each calendar month (or if such date is a public holiday in the United States, the immediately preceding business day)
“Net Asset Value” or “NAV”	the total assets of the Company less its total liabilities (including accrued but unpaid fees) valued in accordance with the Company’s accounting policies and expressed in US Dollars
“Net Asset Value Per Share”	the Net Asset Value divided by the number of Ordinary Shares in issue and expressed in US Dollars
“Official List”	the Official List of the UKLA
“Ordinary Shares” or “Shares”	ordinary shares of \$0.01 each in the capital of the Company
“Placees”	the subscribers of the Placing Shares pursuant to the Placing
“Placing”	the conditional placing by Arbuthnot Securities on behalf of the Company of the Placing Shares, pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement dated 3 June 2005 between the Company, the Directors, Kelton, North Atlantic and Arbuthnot Securities, relating to the Placing, details of which are set out in paragraph 6.1 of Part IV of this document
“Placing Price”	\$10 per Placing Share
“Placing Shares”	the 3,800,000 Ordinary Shares to be issued by the Company, partly paid, and placed with subscribers pursuant to the Placing
“RBSI”	RBSI Fund Services (Guernsey) Limited, the administrator, custodian and secretary to the Company
“Registrar”	Capita IRG (CI) Limited
“Registrar Agreement”	the agreement dated 3 June 2005 between the Company and the Registrar, a summary of which is set out in paragraph 6.5 of Part IV of this document

“Second Instalment”	the sum of \$5 per Placing Share which will, in accordance with the terms set out in this document, become payable on or before 31 December 2006
“Second Instalment Notice”	the notice to be posted to Shareholders not earlier than 5 February 2006 and not later than 8 December 2006 notifying them of the date upon which the Second Instalment becomes due and payable being not earlier than 28 February 2006 and not later than 31 December 2006
“Shareholders”	holders of Ordinary Shares
“Transaction Agent” or “Kelton”	Kelton International Limited
“UK” or “United Kingdom”	United Kingdom of Great Britain and Northern Ireland
“UKLA”	the FSA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
“United States”, “USA” or “US”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
“US Dollar” or “US\$” or “\$”	the lawful currency of the United States

## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors</b>	Anthony Robin Dominic Monro-Davies ( <i>Chairman</i> ) Stuart James Baxter Rupert Arthur Rees Evans George Leonard Hacker Jean-François Edouard Maitre  <i>all non-executive and all of:</i>
<b>Registered Office</b>	St. Andrew's House Le Bordage St. Peter Port Guernsey GY1 1BR
<b>Investment Manager</b>	North Atlantic Value LLP Ground Floor Ryder Court 14 Ryder Street London SW1Y 6QB
<b>Transaction Agent to the Investment Manager</b>	Kelton International Limited 8 Hanover Street London W1S 1YE
<b>Administrator, Custodian and Secretary</b>	RBSI Fund Services (Guernsey) Limited St. Andrew's House Le Bordage St. Peter Port Guernsey GY1 1BR
<b>Nominated Adviser and Broker</b>	Arbuthnot Securities Limited Arbuthnot House 20 Ropemaker Street London EC2Y 9AR
<b>Solicitors to the Company</b> <i>as to UK law</i>	Lawrence Graham LLP 190 Strand London WC2R 1JN
<b>Advocates to the Company</b> <i>as to Guernsey law</i>	Ozannes PO Box 186 1 Le Marchant Street St. Peter Port Guernsey GY1 4HP
<b>Solicitors to the Placing</b>	Faegre & Benson LLP 7 Pilgrim Street London EC4V 6LB
<b>Registered Auditors</b>	RSM Robson Rhodes PO Box 313 Anson Court La Route des Camp St. Martins Guernsey GY1 3TF
<b>Reporting Accountants</b>	RSM Robson Rhodes LLP 186 City Road London EC1V 2NU
<b>Registrars</b>	Capita IRG (CI) Limited No 1, Le Truchot St. Peter Port Guernsey GY1 4AE

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Admission and dealings commence in the Ordinary Shares on AIM	8.00 a.m. 10 June 2005
Despatch of interim share certificates in respect of the Placing Shares	20 June 2005
Definitive share certificates will be despatched and CREST accounts will be credited within 14 days after the date on which the Second Instalment becomes payable, to those Shareholders who have by such date paid the Second Instalment	

## PLACING STATISTICS

Placing Price (payable in two instalments of \$5.00 each)	\$10
Number of Ordinary Shares in issue following the Placing	3,800,000
*Market capitalisation at the Placing Price	\$38.0 million
*Gross proceeds of the Placing	\$38.0 million
*Net proceeds of the Placing to be received by the Company	\$36.9 million
*Initial Net Asset Value Per Share	\$9.71

\* *In each case assuming the Second Instalment is paid in full*

## KEY INFORMATION

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

### **The Company**

The Company is a new closed-ended investment company registered and incorporated in Guernsey. The Company has been established to invest predominantly in start-up banks based in the US. Its capital is denominated in US\$ and will initially consist of a single class of Ordinary Shares.

### **Investment Rationale**

The Directors believe that there are favourable economic, demographic and market factors that will contribute to the growth of banks offering banking services to small and medium-sized enterprises in certain US regions. In particular, they believe that strong market consolidation has left an exploitable gap in the market between the large interstate banks and the small local banks and that, as a result, there is an opportunity to provide loans to small and medium-sized enterprises in the \$1–10 million range. In addition the Directors believe that in certain regions of the US there will continue to be strong population growth and that this growth will create strong demand for loans, deposit facilities and other banking services. They believe that these factors will be favourable to start up banks offering banking services to small and medium-sized enterprises.

### **Investment Policy and Objective**

The Company's investment objective is to achieve long-term capital growth, principally through investment in unquoted start-up banks based in certain regions of the US. Such regions are likely to include areas in the states of Georgia, Florida, Texas, California and the South Carolina coast, where the Directors believe that there will continue to be strong population growth. The Company will invest in start-up banks, which intend to offer banking services to small and medium-sized enterprises.

The Directors intend that the Company's investment in a typical start-up bank would be made in two phases. In the first phase, the Company's investment would be in the region of \$1–2 million of seed capital in order to facilitate the process of acquiring banking charters and setting up the new bank, whilst in the second phase the Company's investment would be in the region of \$3–6 million in order to complete the process of acquiring banking charters and provide the regulatory capital required to commence business. During the first phase, the Company would anticipate being the major or sole provider of seed money for the new bank, whilst at the second phase co-investors would be sought and the Company would not own more than 9.9 per cent. of the equity of the newly established bank once the second phase financing has been completed.

### **Investment Manager**

North Atlantic will act as investment manager to the Company and have overall responsibility for the Company's day-to-day activities. It will manage the Company's portfolio and provide various other services to the Company, subject to the overriding supervision of the Directors. The parent of the Investment Manager is J. O. Hambro Capital Management Limited, a London-based investment group with funds under management in excess of £2 billion across a range of investment products.

The Investment Manager will be entitled to a management fee equivalent to 1.25 per cent. of Committed Capital per annum and will also be entitled to a performance fee, details of which can be found on page 14 of this document.

### **Transaction Agent**

Kelton will act as transaction agent to the Investment Manager and will source opportunities in the start-up bank sector. Kelton will be remunerated by the Investment Manager, out of the management and performance fees paid to it by the Company.

### **The Placing**

The Company is proposing to raise approximately \$38.0 million (before expenses) through a conditional placing, to be undertaken by Arbutnot Securities, of 3,800,000 Placing Shares at \$10 per share, payable in

two instalments of \$5 per share. The aggregate proceeds of the First Instalment, payable upon subscription for the Placing Shares, will be approximately \$17.9 million, after deduction of expenses. The aggregate proceeds of the Second Instalment are estimated to be approximately \$19.0 million.

### **Partly Paid Ordinary Shares**

The Ordinary Shares of the Company will, pending payment of the Second Instalment, be partly paid. Pending payment of the Second Instalment it will not be possible to hold or transfer the Ordinary Shares through CREST. The Second Instalment will become payable, at a date to be determined by the Board, in any event no earlier than 28 February 2006 and no later than 31 December 2006. Holders of Ordinary Shares on the Second Instalment Date are required to pay the Second Instalment. Any Ordinary Shares in respect of which payment of the Second Instalment, or any part thereof, is not validly made shall be liable to be forfeited together with the First Instalment thereon, without prejudice to any other rights of the Company. Once fully paid, the Ordinary Shares will be eligible to be held and transferred through CREST.

### **Risk Factors**

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

**PART I**  
**INFORMATION ON THE COMPANY**

**1. INTRODUCTION**

North American Banks Fund Limited is a closed-ended investment company registered and incorporated in Guernsey. The Company has been established to invest in banks, predominantly start-up banks based in the US, in accordance with the Company's investment objective and policy as set out in this document. The Company's assets will be managed by North Atlantic. Kelton will act as transaction agent to North Atlantic.

**2. INVESTMENT RATIONALE**

The Directors believe that there are a number of favourable economic, demographic and market factors that will contribute to the growth of banks offering banking services to small and medium-sized enterprises, in certain US regions. The Directors believe that these factors will continue to result in the availability of profitable opportunities to invest in start-up banks in those regions.

*Opportunities arising from market consolidation*

The US banking sector has experienced strong consolidation in recent years, with approximately 5,000 US banks having been acquired over the last 15 years. The Directors believe that the disruption caused by consolidation has created the opportunity to acquire experienced bank lending officers as well as customers. The lending officers often bring with them strong client relationships. The Directors believe that consolidation has left an exploitable gap in the market between the large interstate banks and the small local banks (with correspondingly low legal lending limits) and that as a result there is an opportunity to provide loans to small and medium-sized enterprises in the \$1–10 million range. Customers would be able to benefit from the advantages of using a local bank whilst also benefiting from FDIC insurance on deposits of up to \$100,000. In addition, consolidation has resulted in high exit values for growth banking franchises and thus identifiable exits for the Company.

*Opportunities arising from changing demographics*

The Directors believe that in certain regions of the US, such as areas in the states of Georgia, Florida, Texas, California and the South Carolina coast, there will continue to be strong population growth due to favourable social and economic factors and that there is evidence that this growth will create strong demand for loans, deposit facilities and other banking services.

The Directors further believe that the market drivers outlined above will be favourable to investors in start-up banks that principally provide banking services to small and medium-sized enterprises in the states of Georgia, Florida, Texas, California and the South Carolina coast and other regions of the US where there has recently been active consolidation in the banking sector or where significant population growth is anticipated.

**3. INVESTMENT POLICY AND OBJECTIVE**

The investment policy of the Company is to invest substantially all its assets in small banks, predominantly unquoted start-up banks, offering banking services to small and medium-sized enterprises. Such banks will typically be able to offer loans of \$1m–\$10m and provide retail banking and, in some cases, wealth management services. These banks will be located in US regions where the Directors believe that:

- the demand for services is growing rapidly. Such regions are expected to include the states of Georgia, Florida, Texas, California and the South Carolina coast; and/or
- the market for banking services within the region has recently undergone, or is undergoing, significant consolidation.

The investment objective of the Company is to invest in such a way as to achieve a superior capital appreciation over the long term to that available in markets as a whole. Dividend income will be a secondary consideration in making investments.

The Company intends to develop a long-term portfolio, with the expectation that a substantial portion of the investments will be held for between five to eight years. The policy will be to invest in start-up banks

where, in the opinion of the Investment Manager, there is potential for strong asset and deposit growth and the opportunities to create a banking franchise and generate earnings growth over the longer term are superior to those available in markets as a whole.

Up to 100 per cent. of the Net Asset Value of the Company may be invested in securities which are not quoted on a recognised stock exchange. These investments are expected to include the provision of start-up capital and secondary financing.

The Directors intend that the Company's investment in a typical start-up bank would be made in two phases. In the first phase, the Company would invest in the region of \$1–2 million of seed capital in order to facilitate the process of acquiring banking charters, attract senior management and pay other consulting and organisational expenses. In the second phase the Company would invest further capital in the region of \$3–6 million in order to complete the process of acquiring banking charters and provide it with the regulatory capital required to commence business. During the first phase, the Company would anticipate being a major or sole provider of seed money for the new bank, whilst the fund will invest further monies in the second phase, so that once the second phase financing has been completed, the Company would not own more than 9.9 per cent. of the equity of the newly established bank. This would ensure that the Company does not become a Bank Holding Company, which would have adverse regulatory consequences for the Company. The Directors intend that the Company will invest approximately four times as much capital in the second phase investment as in the first phase investment.

The Directors intend that the Company will make up to nine investments in total over its lifetime. It is the intention of the Company to be substantially fully invested within 24 months following Admission and thereafter at all times, although the Investment Manager may use its discretion to hold cash or cash equivalent investments from time to time. Pending full investment, the net proceeds of the Placing will be invested in short-term money market instruments (including gilts) and cash with institutions (or wholly owned subsidiaries of institutions), which are rated A1 (or above) by Standard & Poor's or an equivalent rating agency.

The Company may, from time to time, use borrowings for short-term liquidity purposes and, if the Directors deem prudent, for longer term purposes. The Directors intend to restrict borrowing on a longer term basis to an amount equal to 20 per cent. of the issued share capital of the Company from time to time.

There will be one investment cycle and the Directors intend to return realised capital from investments to Shareholders, with returns denominated in US\$, shortly after the Company has exited its investments. The Company is likely to return this capital through share buy-backs, special dividends or liquidation.

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

#### **4. INVESTMENT PROCESS**

Kelton will act as transaction agent to the Investment Manager and will principally be involved in the sourcing of start-up bank investment opportunities. In relation to this, Kelton will be assisted by its partner in the US, T. Stephen Johnson & Associates, Incorporated, with whom it has a strategic alliance. Further information on the Transaction Agent is set out in paragraph 8 below. Kelton's investment sourcing process will be divided into a number of activities, including company due diligence and selection.

#### **5. INVESTMENT RESTRICTIONS**

The Company will not:

- invest in securities carrying unlimited liability; or
- deal short in securities or deal on margin (except as may be necessary for clearance transactions); or
- buy or sell commodities or commodity contracts or real estate or interests in real estate although it may purchase and sell securities which are secured by real estate or commodities and securities of companies which invest in or deal in real estate or commodities; or
- invest more than 5 per cent. of its assets in units of unit trusts or shares or other forms of participation in managed open-ended investment vehicles; or

- own more than 9.9 per cent. of the equity in any one US registered bank to ensure that the Company does not become classified as a Bank Holding Company.

Subject to the need to comply with regulatory requirements, none of these restrictions will, however, require the realisation of any assets of the Company where any restriction is breached as a result of an event outside of the control of the Investment Manager which occurs after the investment is made, but, in such a case, no further relevant assets may be acquired by the Company until the relevant restriction can again be complied with.

While overall control of investment policy is to be retained by the Directors, day-to-day investment management is the responsibility of the Investment Manager, as described in paragraph 7 below.

## 6. DIRECTORS

The Directors, all of whom are non-executive, are as follows:

**Robin Monro-Davies**, *Chairman*, aged 64, has worked in the city for over 25 years and is a director of HSBC Bank plc and Axa UK plc. He was co-managing director of Fox-Pitt, Kelton Limited from 1976 to 1992 and chief executive of Fitch Ratings Limited from 1992 to 2002. He is currently also a director of Assured Guaranty (UK) Limited and Mergermarket Limited.

**James Baxter**, *Director*, aged 62, worked as a senior manager at Dow Banking Corporation in Zurich from 1974 to 1983 before leaving to form a private investment management company. He currently holds a number of non-executive directorships, including Close Finsbury Global Investment Funds plc, Hiscox Financial Funds plc and Fox-Pitt Kelton NV.

**Rupert Evans**, *Director*, aged 66, has practised as a lawyer for over 40 years. He was in practice as a member of the English Bar in Lincoln's Inn from 1962–1976 and subsequently as an Advocate in Guernsey as a partner of Ozannes from 1982–2003. He is now a consultant to Ozannes. He was president of the States of Guernsey Legislation Committee from 2000–2004 and is a director of a number of quoted investment companies.

**George Hacker**, *Director*, aged 69, established the London office of Bear Stearns & Co. Incorporated in 1980 and was a senior bank analyst with Bear Stearns International Limited in London until 1996.

**Jean-François Maitre**, *Director*, aged 47, founded his own consultancy (Institut Français d'Etudes Financières Indépendent) in 1993 which advises institutional investors on investing in quoted and unquoted French companies and also acts as a consultant to small and medium-sized industrial companies, providing corporate finance advice. His consultancy work has included advising on restructurings, rights issues and acquisitions. Prior to this he worked as a strategist at Banque Colbert, part of Groupe Crédit Lyonnais, and has held a number of other positions related to finance and economics.

## 7. INVESTMENT MANAGER

The Directors are responsible for the determination of the Company's investment policy and have overall responsibility for the Company's day-to-day activities. The Company has, however, entered into the Investment Management Agreement with North Atlantic under which North Atlantic has been appointed as investment manager to manage the Company's portfolio and to provide various management services to the Company, subject to the overriding supervision of the Directors.

The ultimate parent of the Investment Manager is J. O. Hambro Capital Management Group Limited, a privately owned London-based investment management group. The ultimate parent and its affiliates have funds under management in excess of £2 billion across a range of investment products including hedge funds, OEICs and quoted investment trusts. These include the American Opportunity Trust plc and the North Atlantic Smaller Companies Investment Trust plc. North Atlantic provides investment management and advisory services in the active value and private equity sectors to hedge funds, investment trusts, collective investment schemes and private clients. North Atlantic has two designated members, J. O. Hambro Capital Management Group Limited and JO Hambro Capital Management Limited and seven individual members. North Atlantic is a subsidiary of JO Hambro Capital Management Limited. North Atlantic, at the date of this document manages assets totalling £543 million. North Atlantic is authorised and regulated by the FSA. Further details of the Investment Management Agreement are set out in paragraph 6.3 of Part IV of this document.

The Investment Manager has delegated some of its duties, including those of carrying out due diligence and sourcing potential investments, to the Transaction Agent, as referred to in paragraph 8 below.

## **8. TRANSACTION AGENT**

Kelton has been appointed as transaction agent to the Investment Manager to source opportunities within the US start-up bank sector and to carry out due diligence for the Investment Manager pursuant to a transaction agent agreement dated 3 June 2005. As part of this process it will be using its strategic relationship with T. Stephen Johnson & Associates, Incorporated, which was established in 1986 and has since been involved in the foundation of over 70 banks. The fees payable to Kelton under this agreement will be paid by the Investment Manager from the management and performance fees received by the Investment Manager from the Company. The agreement is terminable by either party on 12 months' notice in writing or immediately in certain specific circumstances.

Kelton was founded by Robin Kelton in 1995. It has a track record of sourcing opportunities in the US banking sector and has advised on a number of transactions including the start-up of Florida Banks Incorporated in 1998, which was acquired by South Financial Group Inc. in 2004 for approximately three times its book value. Most recently it advised on the raising of seed capital for Seaside Bank & Trust.

## **9. ADMINISTRATOR, CUSTODIAN AND SECRETARY**

RBSI Fund Services (Guernsey) Limited has been appointed as administrator, custodian and secretary pursuant to the Administration and Custody Agreement, a summary of which is set out in paragraph 6.4 of Part IV of this document. In such capacity, RBSI will be responsible for the day-to-day administration of the Company and general secretarial functions required by the Companies Laws, and will also act as custodian of the Company's assets.

## **10. REGISTRAR**

Capita IRG (CI) Limited has been appointed as registrar to the Company pursuant to the Registrar Agreement, a summary of which is set out in paragraph 6.5 of Part IV of this document. In such capacity, the Registrar will maintain the register of Shareholders and will act as CREST agent and as UK transfer agent for the transfer and settlement of Ordinary Shares held in uncertificated form, dematerialisation of Ordinary Shares being possible following payment of the Second Instalment.

## **11. CONFLICTS OF INTEREST**

The Investment Manager may from time to time act for other clients which have a similar or different investment objective and policy to that of the Company. Circumstances may arise where investment opportunities will be available to the Company which are also suitable for one or more such clients of the Investment Manager. Where a conflict arises in respect of an investment opportunity, the Investment Manager will allocate the opportunity on a fair basis. In such event, the allocations will normally be made on a pro rata basis between the Company and such client(s) based on the amounts available for investment at the time the investment opportunity arises. However, the Investment Manager will be entitled to recommend to the Board the allocation of investment opportunities on a basis otherwise than as set out above if it deems it appropriate. In those circumstances the Board will determine what level of investment the Investment Manager may make on behalf of the Company. Under the arrangements between the Investment Manager and Kelton, Kelton has agreed that where a conflict arises in respect of an investment opportunity, it will allocate the opportunity on a fair basis.

## **12. FEES AND EXPENSES**

### **FORMATION AND INITIAL EXPENSES**

The formation and initial expenses of the Company are those which are necessary for the incorporation of the Company, Admission and the Placing. These expenses will be met by the Company and paid on or around Admission. Such expenses will be written off in the first year of incorporation and will include registration, admission fees, printing costs, legal fees, any other applicable expenses and fees payable under the Placing Agreement, whereby Arbuthnot Securities as Placing agent will receive a fee equivalent to 1.5 per cent. of gross funds raised. In aggregate, the costs and expenses of the issue are expected to amount to approximately 3 per cent. of the gross funds raised.

## **ONGOING ANNUAL EXPENSES**

### **Investment Manager**

#### *Management fee*

Under the terms of the Investment Management Agreement, the Investment Manager is entitled to receive a management fee from the Company of 1.25 per cent. per annum of Committed Capital, calculated and payable monthly in arrears.

#### *Performance fee*

The Investment Manager is also entitled to receive a performance fee. This performance fee will become payable on a liquidation or winding up of the Company (or other event triggering a return of capital to Shareholders) in the event that the NAV (after provision for any performance fee) as at the date of commencement of such liquidation or winding up of the Company ("Liquidation NAV") is greater than the applicable hurdle. The applicable hurdle shall be the NAV on the date of Admission (but assuming payment of the Second Instalment) as increased at an annualised rate of 10 per cent. compounded for each year or fraction of a year (in terms of complete calendar months) during the life of the Company (the "Hurdle").

In the event that the Liquidation NAV is greater than the Hurdle the Investment Manager will be entitled to a proportion of the surplus over and above the Hurdle (the "Distributable Surplus"). The Manager is also entitled to an enhanced performance fee where the Liquidation NAV is equal to, or greater than, the NAV on the date of Admission (but assuming payment of the Second Instalment) as increased at an annualised rate of 20 per cent. compounded for each year or fraction of a year (in terms of complete calendar months) during the life of the Company (the "Super Hurdle").

Where the Liquidation NAV:

- (i) is greater than the Hurdle but less than the Super Hurdle the Investment Manager is entitled to a performance fee of 10 per cent. of the Distributable Surplus; or
- (ii) is equal to, or greater than, the Super Hurdle the Investment Manager is entitled to a performance fee of 20 per cent. of the Distributable Surplus.

### **Administrator, Custodian and Secretary**

Under the terms of the Administration and Custody Agreement, RBSI is entitled to the following fees:

- (i) for administration services, a fee equivalent to 0.125 per cent. of the Net Asset Value per annum (payable monthly in arrears) subject to a minimum fee of £60,000; and
- (ii) for custody services, a fee equivalent to 0.03 per cent. of Net Asset Value per annum (payable monthly in arrears).

RBSI and any of its delegates will also be entitled to reimbursement of certain expenses incurred by it in connection with its duties.

### **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 register of Shareholders. The Registrar is entitled to an agreed fee of £25,000 per annum whilst the shares remain partly paid. In addition, the Registrar is entitled to a fee of £2.00 per Shareholder per annum subject to a minimum annual fee of £5,000 together with other agreed transaction fees. In addition the Registrar is entitled to a one-off set-up fee of £5,000 once the Ordinary Shares become fully paid.

### **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 £12,000 for each Director per annum, with the Chairman's initial fee being at the rate of £15,000 per annum. 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 the nominated adviser and broker agreement appointing Arbuthnot Securities to act as nominated adviser and broker to the Company for the purposes of AIM. Arbuthnot Securities will be paid a fee of £15,000 per annum.

### **13. DISCOUNT MANAGEMENT PROVISIONS AND REPURCHASE OF SHARES**

As the Company will be a closed-ended fund whose Ordinary Shares are traded on AIM, there is always the possibility of the Ordinary Shares trading at a discount to their Net Asset Value Per Share on occasion. However, in structuring the Company, the Directors have given detailed consideration to the discount risk and how this may be managed.

Conditionally upon Admission, the Directors have been granted authority to buy back up to 14.99 per cent. of the Shares in issue following Admission. The Company's authority to make purchases of its own issued Ordinary Shares will expire at the conclusion of the annual general meeting of the Company to be held in 2006 or, if earlier, eighteen months from the date of passing of the relevant shareholders' resolution, namely 18 November 2006. A renewal of the authority to make purchases of Ordinary Shares will be sought from Shareholders at each annual general meeting of the Company. The timing of any purchases will be decided by the Board. The Company will only exercise the power to make market purchases in respect of fully paid Ordinary Shares, that is Ordinary Shares in respect of which the Second Instalment has been paid.

The Directors intend that purchases will only be made, pursuant to this authority, through the market, for cash, at prices below the prevailing Net Asset Value Per Share where the Directors believe such purchases will result in an increase in the Net Asset Value Per Share of the remaining Ordinary Shares and to assist in narrowing any discount to Net Asset Value Per Share at which such Ordinary Shares may trade. The maximum price to be paid will be not more than 5 per cent. above the average of the mid-market values of the Ordinary Shares of the relevant class for the 5 business days before the purchase is made, and any purchases made will be in accordance with the Companies Laws and the Guernsey Companies (Purchase of Own Shares) Ordinance, 1998.

Conditional upon the Placing becoming unconditional and the 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 and subsequent payment of the Second Instalment (less any issue expenses set off against the share premium account). The amount released on cancellation will be credited as a distributable reserve to be established in the books of account and may be used by the Company for the purpose of funding purchases of its Ordinary Shares as described above and the payment of dividends. Further information relating to this cancellation is set out in paragraph 2.3 of Part IV of this document.

### **14. FURTHER SHARE ISSUES**

The Company's authorised share capital is such that further issues of Ordinary Shares could be made. Subject to market conditions then prevailing and to all necessary consents and approvals being obtained, the Board may decide to make one or more further issues of Ordinary Shares for cash from time to time. There are no provisions of Guernsey law or the Articles of Association of the Company providing pre-emption rights for existing Shareholders on the allotment of equity securities for cash. Unless authorised by Shareholders, the Company will not issue further Ordinary Shares for cash at a price below the prevailing Net Asset Value Per Share unless they are first offered *pro rata* to existing Shareholders.

### **15. NET ASSET VALUE**

The Net Asset Value and the Net Asset Value Per Share will be calculated (and rounded to two decimal places) in US\$ by RBSI (or such other person as the Directors may appoint for such purpose from time to time) on the NAV Calculation Date based upon information supplied by the Investment Manager. It will be announced through the London Stock Exchange approximately one month following the NAV Calculation Date.

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

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

- the value of any cash in hand or on deposit, bills and demand notes and accounts receivable, cash dividends and interest declared or accrued as aforesaid and not yet received shall be deemed to be the full amount thereof, unless in any case the Directors will have determined that the same is unlikely to be paid or received in full, in which case the value thereof will be arrived at after making such discount as the Directors may consider appropriate in such case to reflect the true value thereof;
- the value of securities which are quoted or dealt in on any stock exchange (including any securities traded on an “over the counter market”) will be based on their bid prices (where a bid price is available) or otherwise at fair value based on published price quotations on such stock exchange, or if there is more than one stock exchange on which the securities are traded or admitted for trading, that which is normally the principal stock exchange for such security, provided that any such securities which are not freely transferable, or which are not regularly traded, or which for any other reason are subject to limited marketability, will be valued at a discount (the amount of such discount being determined by the Directors in their absolute discretion or in a manner so approved by the Directors);
- unquoted securities will be valued at their fair value and where their fair value cannot be reliably measured such securities will be valued at cost;
- all other assets (including prepayments) and liabilities to creditors will be valued at their respective fair values as determined in good faith by the Directors and in accordance with generally accepted valuation principles and procedures; and
- any value other than in US\$ will be translated at any officially set exchange rate or appropriate spot market rate as the Directors deem appropriate in the circumstances having regard, *inter alia*, to any premium or discount which may be relevant and to costs of exchange.

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

## 16. DETAILS OF THE PLACING

The Company is proposing to raise approximately \$38.0 million (before expenses) through a conditional placing, to be undertaken by Arbuthnot Securities of 3,800,000 Placing Shares at \$10 per share, payable in two instalments of \$5 each. The aggregate proceeds of the First Instalment, payable upon subscription for the Placing Shares, will be approximately \$17.9 million, after deduction of expenses. The aggregate proceeds of the Second Instalment are estimated to be approximately \$19.0 million.

Under the Placing Agreement, Arbuthnot Securities has agreed to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. The obligations of Arbuthnot Securities under the Placing Agreement are conditional upon, *inter alia*, Admission taking place by 8.30 a.m. on 10 June 2005 (or such later date, being not later than 8.30 a.m. on 29 July 2005). The Placing Agreement contains provisions entitling Arbuthnot Securities to terminate the Placing Agreement at any time prior to Admission in certain circumstances. If this right is exercised, the Placing will lapse. The Placing has not been underwritten by Arbuthnot Securities.

Following the Placing and Admission, the interests of the Directors, in aggregate will amount to approximately 1.58 per cent. of the issued ordinary share capital of the Company. Details of the Directors’ holding of Ordinary Shares are set out in paragraph 4 of Part IV of this document.

Further details of the Placing Agreement are set out in paragraph 6.1 of Part IV of this document.

## 17. PAYMENT OF THE INSTALMENTS

The First Instalment of \$5 per Placing Share is payable on subscription. Interim certificates in respect of the Placing Shares are expected to be despatched to Shareholders by 20 June 2005 and will be valid until the close of business in London on the day immediately prior to the date on which the Second Instalment becomes payable. **Prospective investors should note that pending payment of the Second Instalment it is not possible to hold or transfer the Ordinary Shares through CREST.**

The Company will, not earlier than 5 February 2006 and not later than 8 December 2006, serve notice on Shareholders specifying the date (the “Second Instalment Date”) upon which the Second Instalment is due to be paid. Such notice will give Shareholders at least 21 days’ notice of the Second Instalment Date which, in any event, will not be earlier than 28 February 2006 and will not be later than 31 December 2006. After the Second Instalment Date, transfers of Ordinary Shares will not be accepted for registration until such time as they are fully paid. Ordinary Shares will not be capable of dematerialisation into CREST unless the Second Instalment has been paid.

**Prospective shareholders should note that holders of Ordinary Shares on the Second Instalment Date are required to pay the Second Instalment. Any Ordinary Shares in respect of which payment of the Second Instalment or any part thereof is not validly made shall be liable to be forfeited, together with the First Instalment paid thereon, without prejudice to any other rights of the Company. Any Ordinary Shares so forfeited shall become the property of the Company and may either be sold, re-allotted or otherwise disposed of or cancelled at the discretion of the Company.**

**Further details of the Company’s remedies for non-payment of the Second Instalment are set out in paragraph 3.6 of Part IV of this document.**

Interim certificates will cease to be valid on the date on which the Second Instalment becomes payable. Definitive share certificates will be despatched within 14 days of the payment of the Second Instalment (together, where relevant, with any sums demanded by the Company as a result of late payment). It is only after payment of the Second Instalment that the Placing Shares will be capable of dematerialisation into CREST.

## **18. MEETINGS, REPORTS AND ACCOUNTS**

All general meetings of the Company will be held in Guernsey. The Company will hold an annual general meeting each year.

The annual reports and accounts of the Company will be made up to 31 December in each year with copies expected to be sent to Shareholders within the following six months. Shareholders will also receive each year an unaudited interim report for the six months to 30 June. These are expected to be sent to Shareholders within the following six months. The first financial period of the Company will cover the period from incorporation to 31 December 2005.

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

The annual accounts of the Company will be published with all financials denominated in US\$.

## **19. DIVIDEND POLICY**

The Directors do not expect income (net of expenses) to be significant and do not currently expect to declare any dividends. In the event that net income is significant, the Directors may consider the distribution of net income in the form of dividends. Dividends are expected to be paid in US\$.

## **20. BORROWINGS**

The Company may, from time to time, use borrowings for short-term liquidity purposes and, if the Directors deem prudent, for longer term purposes. The Directors intend to restrict borrowing on a longer term basis to an amount not exceeding 20 per cent. of the issued share capital of the Company from time to time.

## **21. LOCK-IN ARRANGEMENTS**

Each of the Directors (pursuant to Rule 7 of the AIM Rules) and North Atlantic has, under the terms of the Placing Agreement, entered into lock-in arrangements in respect of any Ordinary Shares held by each of them on Admission or which they may subsequently acquire in the 12 month period following Admission.

Under the terms of the lock-in arrangements, North Atlantic and each of the Directors has agreed not to sell, transfer or otherwise dispose of any Ordinary Shares held by them or their associates (as such term is defined in the AIM Rules), other than in certain limited circumstances, for a period of 12 months following Admission.

After the expiry of such period the Directors have agreed that any sale or disposal of Ordinary Shares, which they may hold from time to time, will only be effected through Arbuthnot Securities for so long as it remains the Company's broker. Lock-in arrangements on similar terms to those contained in the Placing Agreement have been entered into by other Placees who will, on Admission, hold 70,000 Ordinary Shares in aggregate.

The lock-in arrangements outlined above will apply, in aggregate, in respect of 130,000 Ordinary Shares on Admission, representing approximately 3.42 per cent. of the issued share capital of the Company on Admission.

## **22. LIFE OF THE COMPANY**

Although the Company will not have a fixed life, the Directors consider it desirable to give Shareholders the periodic opportunity to review the future of the Company. At the annual general meeting of the Company to consider the Company's accounts for the financial year ending 31 December 2014 and at every two annual general meetings thereafter, an ordinary resolution will be proposed that the Company should continue as presently constituted. If that resolution is not passed, the Directors will be required to formulate proposals to be put to Shareholders to wind up, reorganise or reconstruct the Company.

As outlined in paragraph 3 of Part I of this document, the Directors intend to return realised capital from investments to Shareholders once the Company has exited its investments. The Company is likely to return this capital through share buy-backs, special dividends or liquidation.

## **23. ADMISSION, SETTLEMENT AND CREST**

Application has been made to the London Stock Exchange for all the Ordinary Shares to be admitted to trading on AIM. Admission of the Ordinary Shares is expected to take place on 10 June 2005.

The Articles permit the Company to issue shares in uncertificated form for settlement through CREST. CREST is a computerised paperless share transfer and settlement system which allows shares and other securities, including depository interests, to be held in electronic rather than paper form. While the Ordinary Shares are partly paid (that is pending payment of the Second Instalment) they may not, for technical reasons, be held or transferred through CREST. Application will be made by the Registrar for the fully paid Ordinary Shares (that is in respect of which the Second Instalment has been paid) to be admitted to CREST. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so.

It is expected that interim share certificates for Ordinary Shares will be despatched by the Registrar no later than 20 June 2005.

## **24. TAXATION**

Potential investors are referred to paragraph 5 of Part IV of this document for details of the taxation of the Company and of Shareholders in the UK and Guernsey.

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

## **25. RISK FACTORS**

**The Company's business is dependent on many factors and potential investors are advised to read the whole of this document, and in particular Part II entitled "Risk Factors".**

## **26. FURTHER INFORMATION**

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

## PART II RISK FACTORS

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

**The Company's financial condition or operations could be materially and adversely affected by the occurrence of any of the risks described below. In such case, the market price of the Ordinary Shares could decline due to any of these risks and investors could lose all or part of their investment. Additional risks and uncertainties not presently known to the Directors, or that the Directors currently deem immaterial, may also have an adverse affect on the Company.**

### **Ordinary Shares**

The Ordinary Shares of the Company will, pending payment of the Second Instalment, be partly paid. The Second Instalment will become payable by holders of the Ordinary Shares, at a date to be determined by the Board, which in any event will not be earlier than 28 February 2006 and will not be later than 31 December 2006. Investors should be aware that any Ordinary Shares on which the Second Instalment or any part thereof is not validly paid prior to the date on which the Second Instalment becomes payable shall be liable to be forfeited, together with the First Instalment paid thereon. Any Ordinary Shares so forfeited shall become the property of the Company and may either be sold, re-allotted or otherwise disposed of or cancelled at the discretion of the Company.

### **Settlement**

Whilst the Ordinary Shares are partly paid (that is pending payment of the Second Instalment) they may not be held or transferred through CREST. It is only after payment of the Second Instalment, that is once the shares are fully paid, that the Placing Shares will be capable of dematerialisation into CREST.

### **Liquidity of the Ordinary Shares and the AIM market generally**

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

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

### **Investor returns**

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

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

### **Investment strategy**

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

### **Calculation of Net Asset Value and lack of liquidity in underlying investments**

In calculating the Net Asset Value, and the Net Asset Value Per Share, RBSI, as administrator, will rely on valuations of the Company's assets supplied by the Investment Manager. In valuing the Company's assets, the Investment Manager will adopt a valuation methodology as set out in Part I of this document. In relation to unquoted securities, which will form the majority if not all of the Company's investments, these will be valued at their fair value and where their fair value cannot be reliably measured such securities will be valued at cost. There can be no guarantee that any such investments will ultimately be realised at any such valuation. In addition, the unquoted nature of the Company's investments may mean that they may be difficult to realise in a timely manner or at all.

### **Banking sector**

The Company intends to concentrate its investment in the US start-up banking sector and accordingly should be regarded as representing a different risk than a generalist fund.

US banks in which the Company will invest will, in general, be exposed to a higher level of regulatory and regional and macro-economic risk than other companies in the stock market as a whole. US banking companies are also more exposed to interest and inflationary risks than other companies, in the stock market as a whole, not engaged in the US financial services/banking sector. Recession in the US economy could cause under-performance or non-performance of the investments made by the Company.

### **US Banking Regulation**

In the event that the Company were to hold 10 per cent. or over of any class of voting shares of a US authorised bank the Company may fall to be classified as a Bank Holding Company. The creation of a Bank Holding Company is illegal without the prior approval of the Board of Governors of the Federal Reserve System (the "Board of Governors") unless the Bank Holding Company meets, *inter alia*, the capital and other financial standards prescribed by the Board of Governors by regulation for such a Bank Holding Company. Bank Holding Companies must obtain the Board of Governors' approval before, *inter alia*, they merge or consolidate with another Bank Holding Company; or acquire substantially all the assets of any additional banks; or acquire direct or indirect ownership of any voting shares of any bank that results in total ownership or control, directly or indirectly, of more than 5 per cent. of the voting shares. In general, classification of the Company as a Bank Holding Company would have adverse regulatory and cost implications for the Company in the US.

### **Concentration of investments**

The Company's investment portfolio is expected to be relatively concentrated both in terms of geographical area and in terms of industry sector and accordingly should be regarded as representing a higher risk than a more diversely invested fund. Underperformance or failure of one or more of the investments may have an adverse effect on the value of the Company.

### **Competition**

A large number of private equity houses, institutions and other investors have become active in seeking private equity investments in start-up banks. Competition for a limited number of attractive investment opportunities may lead to a delay in investment of the Company's assets and may increase the price at which investments can be made, thereby reducing the Company's potential profits.

### **Currency risk**

Prospective investors should be aware that the Directors intend that the Company's portfolio will comprise predominantly US Dollar denominated investments and intend that all monies returned to the Shareholders will also be denominated in US Dollars. Investors seeking to convert their US Dollar denominated returns into pounds sterling or any other currency may be subject to currency fluctuations and the volatility of returns that will result from such currency exposure.

### **Performance fees**

The annual performance fees 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 fees 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 fees.

### **Potential conflicts of interest**

Both the Investment Manager and the Transaction Agent and their respective affiliates serve as investment manager or transaction agent respectively to other clients. As a result, they may have conflicts of interest in allocating investment opportunities among the Company and other clients, including ones in which they may have a greater financial interest.

The Investment Manager and/or the Transaction Agent and their respective affiliates may be involved in other financial, investment or professional activities which may, on occasion, give rise to conflicts of interest with the Company. In particular, they may provide investment management, investment advice or other services in relation to a number of potential investors which may have similar investment aims to that of the Company.

The Investment Manager will be providing valuations of the Company's assets to RBSI. The Investment Manager will benefit from high valuations, as its management and performance fees are calculated on the basis of the Net Asset Value of the Company. As a result, a conflict of interest could arise. However, the Investment Manager will adopt a valuation methodology as set out in Part I of this document. Unquoted securities, which will form the majority if not all of the Company's investments, will be valued at their fair value and where their fair value cannot be reliably measured such securities will be valued at cost.

Each of the above parties has confirmed that they will have regard to their obligations under their respective agreements with the Company or otherwise to act in a manner that they consider fair, reasonable and equitable having regard to their respective obligations to other clients, when potential conflicts of interest arise.

### **Key personnel**

The ability of the Company to achieve its investment objective is significantly dependent upon the expertise of the Transaction Agent and the Investment Manager and their ability to attract and retain suitable staff. The Company is also reliant upon the skills of its non-executive Directors and the loss of any of these persons could reduce the Company's ability to achieve its planned investment objectives. The Company, the Transaction Agent and the Investment Manager have endeavoured to ensure that the principal members of their management teams are suitably incentivised, but the retention of such persons cannot be guaranteed.

### **Gearing**

The Company may use gearing. Gearing can be employed in a variety of ways including direct borrowing and the use of futures, warrants, options and other derivative products. Generally, gearing is used to increase the overall level of investment in a portfolio. Higher investment levels may offer the potential for higher returns. Gearing can expose investors to increased risk as it can increase the portfolio's market exposure and volatility.

**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 III**  
**ACCOUNTANTS' REPORT ON THE COMPANY**

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

## RSM Robson Rhodes

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The Directors  
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Arbuthnot House  
20 Ropemaker Street  
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EC2Y 9AR

3 June 2005

Dear Sirs

**North American Banks Fund Limited (the "Company")**

**Introduction**

We report on the financial information of the Company set out below. The financial information has been prepared for inclusion in the Admission Document of the Company dated 3 June 2005 ("the Admission Document").

**Basis of preparation**

The financial information set out below is based on the transactions of the Company from incorporation on 5 May 2005 to 31 May 2005.

**Responsibility**

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

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

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INVESTOR IN PEOPLE

**Basis of opinion**

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

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

**Opinion**

In our opinion, the financial information gives, for the purposes of the Admission Document dated today, a true and fair view of the state of affairs of the Company as at 31 May 2005.

**Financial information**

The Company was incorporated on 5 May 2005. The Company has not completed its first accounting period. No statutory financial statements have been prepared or audited since its incorporation.

The total authorised share capital of the Company on incorporation was US\$1,000,000 comprising 100,000,000 Ordinary Shares of US\$0.01.

The two founder shareholders agreed to take one Ordinary Share each of US\$0.01. These two Ordinary Shares were issued at a price of US\$10 each and on 10 May 2005 the board resolved to make a call for US\$5 per share, with the balance of US\$5 per share to be called at a future date.

Between the date of incorporation and 31 May 2005, the Company has not traded.

As a result, at 31 May 2005, the Company had US\$10 in cash, US\$0.02 of called up share capital and US\$9.98 of share premium.

**Consent**

We consent to the inclusion in the Admission Document of this report and accept responsibility for this report for the purposes of paragraph 45(8)(b) of Schedule 1 to the Public Offers of Securities Regulations 1995.

Yours faithfully

**RSM ROBSON RHODES LLP**

**PART IV**  
**ADDITIONAL INFORMATION**

**1. THE COMPANY**

- 1.1 The Company was incorporated in Guernsey on 5 May 2005 with the name North American Banks Fund Limited with registered number 43130 as a company limited by shares under the Companies Laws. The Company operates under the Companies Laws and ordinances and regulations made thereunder and has no employees. The liability of Shareholders is limited.
- 1.2 Save for its entry into the material contracts summarised in paragraph 6 of this Part IV and certain non-material contracts, since its incorporation, the Company has not carried on business or incurred borrowings and no accounts of the Company have been made up. The Company is expected to receive a certificate from H.M. Greffier in Guernsey, as required by section 16 of the Companies Laws, entitling it to commence business.
- 1.3 The Company does not conduct investment business in the United Kingdom.

**2. SHARE CAPITAL**

- 2.1 The authorised share capital and issued share capital of the Company (i) as at the date of this document and (ii) following Admission (assuming issue of all the Placing Shares) is set out below:

	<b>Authorised No. of Ordinary Shares</b>	<b>\$ nominal</b>	<b>Issued* No. of Ordinary Shares</b>	<b>\$ nominal</b>
(i) . . . . .	100,000,000	1,000,000	2	0.02
(ii) . . . . .	100,000,000	1,000,000	3,800,000	38,000

\* *The issued Ordinary Shares will be issued as partly-paid shares paid up, initially, as to \$5.*

- 2.2 The authorised share capital of the Company on its incorporation was \$1,000,000 divided into 100,000,000 Ordinary Shares of \$0.01 each, of which 2 Ordinary Shares are in issue prior to Admission and are held respectively by First Ovalap Limited and Second Ovalap Limited, nominee companies controlled by the Guernsey legal advisers to the Company, Ozannes. These two Ordinary Shares will be transferred to Placees as part of the Placing.
- 2.3 By way of a special resolution passed in writing on 18 May 2005, it was resolved that, conditional on the Placing becoming unconditional and the approval of the Court in Guernsey, the amount standing to the credit of the share premium account of the Company following Admission and payment of the Second Instalment (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 books of account which shall be able to be 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 of the Company at the date the cancellation takes effect. The Court will require all such creditors to have been paid or to have consented to the cancellation. The Company is recently incorporated and has no creditors other than its professional advisers. Until the Court has confirmed the cancellation of the share premium account (and the terms of any undertaking regarding creditors required by the Court has 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 (in limited circumstances) capital reserves.
- 2.4 Save as referred to in paragraph 2.2 above or Part I of this document, 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 no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue of any such capital.
- 2.5 No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 2.6 Any unallotted Ordinary Shares will remain authorised but unissued.

### 3. MEMORANDUM AND ARTICLES 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.

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

#### 3.1 *Voting Rights*

Subject to any special rights or restrictions for the time being attached to any class of shares, every member (being an individual) present in person or by proxy or (being a corporation) present by a duly authorised representative at a general meeting has, on a show of hands, one vote and, on a poll, one vote for every share held by him.

#### 3.2 *Variation of Rights*

If at any time the capital of the Company is divided into separate classes of share, the special rights attached to any class of shares may (unless otherwise provided by the terms of issue) 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 passed at a separate meeting of the holders of such shares. The necessary quorum shall be two persons holding or representing by proxy at least one third of the issued shares of the class. Every holder of shares of the class concerned shall be entitled at such meeting to one vote for every share held by him on a poll. The special rights conferred upon the holders of any shares or class of shares issued with preferred, deferred or other special rights shall not be deemed to be varied by the creation of or issue of further shares ranking *pari passu* therewith or the exercise of any power under the disclosure provisions requiring members to disclose an interest in the Company's shares as set out in the Articles.

#### 3.3 *Variation of Capital*

The Company may from time to time by ordinary resolution increase its share capital by such sum to be divided into shares of such amount as the resolution may prescribe. The Company may from time to time, subject to the provisions of the Companies Laws, purchase its own shares (including any redeemable shares) in any manner authorised by the Companies Laws. The Company may by ordinary resolution: consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares; subdivide all or any of its shares into shares of a smaller amount than is fixed by the memorandum of association; cancel any shares which at the date of the resolution have not been taken or agreed to be taken and diminish 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 capital redemption reserve fund or any share premium account in any manner and with and subject to any incident authorisation and consent required by the Companies Laws.

#### 3.4 *Transfer of Shares*

3.4.1 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 system; or
- (iii) the CREST Guernsey Requirements.

3.4.2 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

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 member 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 certificated share shall be signed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee. The Directors may refuse to register any transfer of certificated shares unless the instrument of transfer is lodged at the Company's 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 in the case of a listed or publicly traded share that this would not prevent dealings from taking place on an open and proper basis.

3.4.3 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 and shall be communicated to Shareholders, giving reasonable notice of such suspension, by means of a recognised regulatory news service.

3.4.4 If at any time the holding or beneficial ownership of any shares in the Company would (whether on its own or taken with other shares), in the opinion of the Directors, cause the assets of the Company to be considered "plan assets" within the meaning of Regulation S adopted by the United States Department of Labor under the Employee Retirement Income Security Act 1974 then any shares which the Directors decide are shares which are so held or beneficially owned ("Prohibited Share") must be dealt with in accordance with the provisions below. 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 Prohibited 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 Prohibited 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.

### 3.5 *Calls on Shares*

3.5.1 The Board may at any time make calls, upon such terms and conditions as they may determine, upon the Shareholders in respect of any moneys unpaid on their shares (whether on account of the nominal value or by way of premium and not by the conditions of allotment made payable at fixed times) and each Shareholder shall pay to the Company at the time and place appointed, and otherwise on the terms and conditions set out in the call, the amount called. A call may be revoked, postponed or amended on such terms as the Board, in its discretion, may determine.

3.5.2 Joint holders shall be jointly and severally liable to pay calls.

3.5.3 If a sum called in respect of a share is not paid before or on the day appointed the person from whom the sum is due shall, if the Board so resolves, pay interest from the day appointed to the time of actual payment at such rate as the Board may determine.

3.5.4 Any sum which by the terms of issue of a share becomes payable on allotment or at any fixed date shall for the purposes of these Articles be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable and in the case of non-payment all the relevant provisions of these Articles as to payment of interest and expenses forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

- 3.5.5 The Directors may, if they think fit, receive from any Shareholder willing to advance the same all or any part of the money uncalled and unpaid upon the shares held by him beyond the sums actually called up thereon as payment in advance of calls, and such payment in advance of calls shall extinguish, so far as the same shall extend, the liability upon the shares in respect of which it is advanced, and upon the money so received or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which it has been received, the Company may (until the same would, but for such advance, become presently payable) pay interest at such rate as the Shareholder paying such sum and the Directors agree upon PROVIDED THAT any amount paid up in advance of calls shall not entitle the holder of the shares upon which such amount is paid to participate in respect thereof in any dividend until the same would but for such advance become presently payable.
- 3.5.6 The Board may on an issue of shares differentiate between holders as to amount of calls and times of payment.
- 3.6 *Forfeiture and surrender of Shares*
- 3.6.1 If a Shareholder fails to pay any call or instalment on the day appointed the Board may at any time during such period as any part remains unpaid serve notice requiring payment of so much of the call or instalment as is unpaid together with any interest which may have accrued and any expenses which may have been incurred by the Company by reason of non-payment.
- 3.6.2 The notice referred to in paragraph 3.6.1 shall state a further day on or before which the payment required by the notice is to be made and the place where the payment is to be made and that in the event of non-payment the shares in respect of which the call was made or instalment is payable will be liable to be forfeited. If the requirements of any such notice are not complied with any share in respect of which the notice has been given may at any time before payment has been made be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited share and not actually paid before the forfeiture.
- 3.6.3 Notice of forfeiture shall forthwith be given to the former holder and an entry of such notice and forfeiture shall forthwith be made and dated in the Register of Members opposite the entry of the share; but no forfeiture shall be in any manner invalidated by any omission or neglect to give notice or to make entry.
- 3.6.4 A forfeited share shall be deemed to be the property of the Company and may be sold re-allotted or otherwise disposed of on such terms as the Board shall think fit with or without all or any part of the amount previously paid on the share being credited as paid and at any time before a sale or disposition the forfeiture may be cancelled.
- 3.6.5 A person whose shares have been forfeited shall cease to be a Shareholder in respect of the forfeited shares, but shall notwithstanding the forfeiture remain liable to pay to the Company all monies which at the date of forfeiture were presently payable by him to the Company in respect of the shares with interest thereon from the date of forfeiture until payment at such rate as the Board may determine and the Board may enforce payment without any allowance for the value of the shares at the time of forfeiture.
- 3.6.6 The Board may accept from any Shareholder on such terms as shall be agreed a surrender of any shares in respect of which there is a liability for calls. Any surrendered share may be disposed of in the same manner as a forfeited share.
- 3.6.7 A declaration in writing by a Director or the Secretary that a share has been duly forfeited or surrendered on the date stated in the declaration shall be conclusive evidence of the facts therein as against all persons claiming to be entitled to the shares.
- 3.6.8 The Company may receive the consideration given for any share on any sale or disposition and may execute a transfer of the share in favour of the person to whom the same is sold or disposed of and he shall thereupon be registered as the holder and shall not be bound to see to the application of the purchase money nor shall his title be affected by any irregularity or invalidity in forfeiture sale re-allotment or disposal.
- 3.6.9 The Board may, save only as may be necessary to comply with the provisions of the Companies Laws, vary or amend the terms of any calls made, to include waiving or forgiving any amounts due

under a call or extending the period by which a call must be satisfied in each case on such terms or conditions as the Board may determine.

### 3.7 *Lien*

- 3.7.1 The Company shall have a first and paramount lien (extending to all dividends payable) on all shares (not being fully paid) for all moneys (to include any interest or costs due) whether presently payable or not called or payable at a fixed time in respect of those shares and that whether the same shall have been incurred before or after notice to the Company of any equitable or other interest of any person (other than such holder) and whether the time for payment or discharge shall have arrived or not and notwithstanding that the same are joint debts or liabilities of such holder and any other person (whether a Shareholder of the Company or not).
- 3.7.2 For the purpose of enforcing such lien the Company may sell, in such manner as the Directors think fit, any shares on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable, nor until notice in writing, stating and demanding payment of the sum presently payable, and giving notice of intention to sell in default, shall have been served on the holder for the time being of the shares or the person entitled by reason of his death or bankruptcy to the shares. For the purpose of giving effect to any such sale the Directors may authorise some person to transfer to the purchaser thereof the shares so sold.
- 3.7.3 The net proceeds of such sale, after payment of the costs of such sale, shall be applied in or towards payment or satisfaction of the debt or liability in respect whereof the lien exists, so far as the same is presently payable and any residue shall (subject to a like lien for debts or liabilities not presently payable as existed upon the shares prior to the sale) be paid to the person entitled to the shares at the time of the sale. The purchaser shall be registered as the holder of the shares so transferred and he shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in relation to the sale.

### 3.8 *Dividends*

- 3.8.1 The Company in general meeting may declare a dividend but no dividend shall exceed the amount recommended by the Directors.
- 3.8.2 No dividend shall be paid other than out of the profits of the Company as recognised by Guernsey law and International Financial Reporting Standards or such other accounting standards as may from time to time be adopted by the Directors provided always that all monies realised on the sale or other realisation of any capital assets in excess of book value and all other monies in the nature of accretion to capital shall not be treated as profits available for dividend, but may be used by the Company for the purchase of its own shares subject to certain restrictions contained in the Articles.
- 3.8.3 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.
- 3.8.4 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.
- 3.8.5 No dividend shall bear interest against the Company.
- 3.8.6 Any dividend remaining unclaimed after a period of five years from the date of declaration of such dividend shall be forfeited and shall revert to the Company.
- 3.8.7 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.
- 3.8.8 There is no fixed date on which an entitlement to receive a dividend arises.

### 3.9 *Interests in Shares and Restrictions on Voting*

- 3.9.1 A member of the Company shall not be entitled in respect of any share held by him to attend or vote (either personally or by representative or by proxy) at any general meeting or separate class

meeting of the Company unless all amounts payable by him in respect of that share have been paid.

- 3.9.2 A member of the Company shall not, if the Directors so determine, be entitled in respect of any share held by him to attend or vote (either personally or by representative or by proxy) at any general meeting or separate class meeting of the Company or to exercise any other right conferred by membership in relation to any such meeting if he or any other person appearing to be interested in such shares has failed to comply with a notice requiring the disclosure of shareholders' interests and given under the Articles within 14 days, in a case where the shares in question represent at least 0.25 per cent. of their class, or within 28 days, in any other case, from the date of such notice. The restrictions will continue until the information required by the notice is supplied to the Company or until the shares in question are transferred or sold in circumstances specified for this purpose in the Articles.
- 3.9.3 The Directors may serve notice on any member requiring that member to disclose to the Company the identity of any person (other than the member) who has an interest in the shares held by the member and the nature of such interest. Any such notice shall require any information in response to such notice to be given within such reasonable time as the Directors may determine.
- 3.9.4 The Directors may be required to exercise their powers under the relevant Article on a requisition of members holding not less than one tenth of the paid up capital of the Company carrying the right to vote at general meetings. If any member is in default in supplying to the Company the information required by the Company within the prescribed period (which is 28 days after service of the notice or 14 days if the shares concerned represent 0.25 per cent. or more of the issued shares of the relevant class), the Directors in their absolute discretion may serve a direction notice on the member.
- 3.9.5 The direction notice may direct that in respect of the shares in respect of which the default has occurred (the "default shares") and any other shares held by the member, the member 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.

### 3.10 *Return of Capital*

- 3.10.1 On a winding-up, the surplus assets remaining after payment of all creditors, including payment of bank borrowings, shall be paid to the holders of shares pro rata to the amount paid up on their shares;
- 3.10.2 On a winding-up the liquidator may, with the authority of a special resolution, divide amongst the members in specie any part of the assets of the Company. The liquidator may with like authority vest any part of the assets in trustees upon such trusts for the benefit of members as he shall think fit but no member shall be compelled to accept any assets in respect of which there is any liability.
- 3.10.3 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 liquidator may, with the sanction of an ordinary resolution, receive in compensation, or part compensation for the transfer or sale, shares, policies or other like interests for distribution among the members or may enter into any other arrangements whereby the members may, in lieu of receiving cash, shares, policies or other like interests, participate in the profits of or receive any other benefit from the transferee.
- 3.11 There is no provision of Guernsey law or the Articles which confer rights of pre-emption upon the issue or sale of Ordinary Shares in the Company.

## 4. **DIRECTORS' AND OTHER INTERESTS**

- 4.1 In so far as is known to the Company, the interests of each Director, including any connected person, the existence of which is known to, or could with reasonable diligence be ascertained by, that Director whether or not held through another party in the share capital of the Company together with any options in respect of such capital immediately following completion of the

Placing are set out below. All such Ordinary Shares allotted and issued will be beneficially held by such Directors:

Directors	Ordinary Shares following Admission		Percentage of issued share capital following Admission
	Beneficial	Non-beneficial	
Robin Monro-Davies . . . . .	50,000	—	1.32
James Baxter . . . . .	10,000	—	0.26
Rupert Evans . . . . .	—	—	—
Jean-François Maitre . . . . .	—	—	—
George Hacker . . . . .	—	—	—

4.2 Save as set out in paragraph 4.1 above, none of the Directors has any interests, beneficial or otherwise, in the share capital of the Company 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 interests in such share capital, in each case whether or not held through another party.

4.3 The services of the Directors are provided under the terms of letters of appointment between the Company and each of them dated 3 June 2005 subject to termination upon at least one month's notice. Each Director, with the exception of the Chairman, will be paid at an initial fee of £12,000 per annum. The Chairman will receive an initial fee of £15,000 per annum. These fees may be waived at the discretion of each Director.

4.4 Save as specified above, there are no service contracts in existence between the Company and any of its Directors, nor are any such contracts proposed.

4.5 In addition to their directorships in the Company, the Directors have held the following directorships and/or been a partner in the following partnerships within the five years prior to the date of this document:

- (i) Robin Monro-Davies . . . . . Current: Assured Guaranty (UK) Ltd  
AXA Asia Pacific Holdings Limited  
AXA UK plc  
Binley Limited  
Biginvest Company Limited  
Blakeney Management Limited  
Forbes CP Limited  
HSBC Bank plc  
Mergermarket Limited  
RMD Forestry Developments Limited  
Thomas Murray Network Management Limited  
Past: Fitch Ratings Ltd
- (ii) George Hacker . . . . . Current: None  
Past: Tamba (Twins & Multiple Births Association)
- (iii) James Baxter . . . . . Current: Close Finsbury Global Investment Funds plc  
Close Finsbury Managed Funds plc  
Fox-Pitt, Kelton NV  
Hiscox Far Eastern Financial Funds Limited  
Hiscox Financial Funds plc  
Kelton Asian Investment Company Limited  
Past: None
- (iv) Rupert Evans . . . . . Current: Assicurazioni Generali (Insurance Managers) Ltd  
Aviva Funds International Limited  
Barb Corporation  
BC Property Securities Limited  
BC Property Holdings Limited  
Caldwell Associates Ltd  
Cassone Limited

Cayzer Continuation PCC Limited  
C & G Channel Islands Ltd  
Challenger Investments Limited  
Consulta Alternative Strategy Fund PCC Ltd  
Consulta (Channel Islands) Ltd  
Consulta Canadian Energy Fund Ltd  
Consulta Capital Fund PCC Ltd  
Consulta Emerging Markets Debt Fund Limited  
Consulta Technology Fund Limited  
Consulta High Yield Fund PCC Limited  
Consulta High Yield Holdings Limited  
Consulta Hedge Funds Limited  
Consulta Hedge (Holding) One Limited  
Consulta Hedge (Holding) Two Limited  
Consulta Hedge (Holding) Three Limited  
Consulta Hedge (Disposal) Limited  
Consulta Trust Company (CI) Limited  
Consulta Collateral Fund PCC Limited  
Consulta Collateral Holdings Limited  
CTC (Guernsey) Limited  
Dawn (Guernsey) Limited  
Dragon (Guernsey) Limited  
Eagle & Dominion EuroAmerican Growth Fund  
Ltd  
FF & P Alternative Strategy Income PCC  
Limited  
FF & P Alternative Strategy Income Subsidiary  
Limited  
FF & P Asset Management (Guernsey) Limited  
FF & P Asset Management (Cayman) Limited  
FF & P Venture Fund PCC Limited  
FF & P Russia Real Estate Limited  
First Apollo Limited  
First Gemini Limited  
Hope Investments Limited  
HSBC Republic Bank (Guernsey) Limited  
HSBC Republic Reinsurance (Guernsey) Limited  
Impkemix Trustee Ltd  
Investec Bank (Channel Islands) Limited  
Invesco International (Guernsey) Limited  
Lapco Limited  
Legis Corporate Services Limited  
Legis Group Limited  
Master Capital Fund Limited  
Maersk Offshore (Guernsey) Limited  
Monitor Fund Ltd  
New Star Hedge Fund Limited  
Nippon Growth Fund Limited  
Norton Waverley (Guernsey) Limited  
Norton Waverley Insurance PCC Limited  
NS Limited  
NS Two Limited  
Number One Limited  
Oryx International Growth Fund Ltd  
Ovaco Limited  
Paragon Asset Management Limited  
Personal Holdings Limited  
Property Income & Growth Fund Limited  
Prospect Asset Management (CI) Ltd

Prospect Japan Fund Limited  
Rocknest (Guernsey) Limited  
Second Apollo Limited  
Second Gemini Limited  
Socwall Holdings Limited  
Southwark Investments Limited  
Strategic Management Limited  
Strategic Evarich Japanese Fund Limited  
Strategic Evarich USD Holdings Limited  
Strategic Multi Hedge Fund Limited  
Strategic Euro Multi Hedge Limited  
Strategic US Opportunities Fund Limited  
Strategic Fixed Income Opportunities Limited  
The 450 Wirefree Systems Fund Limited  
The Global High Yield Bond Trust Limited  
Towers Perrin Eagle Star Share Plan Services  
(Guernsey) Limited  
Whittome Holdings Limited (E)  
WP Holdings Limited  
W2 Limited  
Windward Overseas Limited

Past: Archipelago Fund SICAF  
Asian Land Fund Ltd  
Brock Holdings Limited  
Caledonia Realisation Limited  
Consulta Smaller Companies Fund Limited (IVL)  
Courtil Holdings Ltd  
Doric Limited  
Eagle Star Trust Company (Caribbean) Limited  
Eagle Star Trust Company (Guernsey) Limited  
East European Food Fund Limited  
FF & P (Guernsey) Limited  
FF & P Venture Fund II Limited  
Fifth Ovalap Limited  
Financial Investment Portfolio Co Limited  
First Ovalap Limited  
Fourth Ovalap Limited  
Global Technology Growth Fund Limited  
Guinness Flight Trustees SARL  
Home Investments Limited  
Indochina Asset Management Limited  
Ionic Limited  
Investec Asset Management Guernsey Limited  
(formerly Investec Guinness Flight Fund  
Managers Limited)  
Jomer (Guernsey) Trustees Ltd  
JT Limited  
Land Development Fund Limited  
Lazard Fund Managers (Guernsey) Limited  
Lazard Select Investment Trust Limited  
Legis BVI Limited  
Legis Group BVI Limited  
Legis Insurance Services Limited  
Legis International Management Limited  
Legis Maritime Services Limited  
Legis Nominees Limited  
Legis Trust Limited  
Legis UK Limited

Merrill Lynch Investment Managers (Channel Islands) Limited  
 Minquier FI Limited  
 Morley Investment Alternative Strategy Fund  
 Nomos Trustees Limited  
 Onthebrain.com Limited  
 Oryx Fund Limited  
 Ovalap Nominees Limited  
 Ozannes (Partnership)  
 Ozannes Securities Limited  
 Painewebber Trust Co (Guernsey) Ltd  
 Pharmacia & Upjohn Company Limited  
 Raintree Global Fund Ltd  
 SB Insurance Limited  
 SCM Limited  
 Second Ovalap Limited  
 Sixth Ovalap Limited  
 Stellar Holdings Limited  
 Thame Insurance Company Limited  
 Third Ovalap Limited  
 Thornton Management (Guernsey) Ltd  
 The Slovenian Fund Management Co (Guernsey) Limited  
 Underhill Company Limited

(v) Jean-François Maitre . . . . . Current: None  
 Past: None

4.6 No Director:

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

4.6.2 has been bankrupt or the subject of an individual voluntary arrangement, or has had a receiver appointed to any asset of such director; or

4.6.3 has been a director of any company which, while he was a director or within 12 months after he ceased to be a director, had a receiver appointed or went into compulsory liquidation, creditors voluntary liquidation, administration or company voluntary arrangement, or made any composition or arrangement with its creditors generally or with any class of its creditors; or

4.6.4 has been a partner of any partnership which, while he was a partner or within 12 months after he ceased to be a partner, went into compulsory liquidation, administration or partnership voluntary arrangement, or had a receiver appointed to any partnership asset; or

4.6.5 has had any public criticism by statutory or regulatory authorities (including recognised professional bodies); or

4.6.6 has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

4.7 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 is interested in 3 per cent. or more of the issued share capital of the Company as at the date of the publication of this document and immediately following completion of the Placing:

Name	Ordinary Shares prior to the Placing	%	Ordinary Shares following the Placing	%
First Ovalap Limited . . . . .	1	50	0	0
Second Ovalap Limited . . . . .	1	50	0	0

- 4.8 No loans have been made or guarantees provided by the Company to or for the benefit of any Director.
- 4.9 Save as disclosed in this document, no Director is or has been interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company.

## 5. TAXATION

**The information below, which relates only to United Kingdom and Guernsey taxation, is applicable to the Company and to persons who are resident or ordinarily resident in those jurisdictions (except where indicated) and who hold Ordinary Shares as investments and in the circumstances indicated below to non-residents carrying on a trade in the United Kingdom. It is based on existing law and practice and is subject to subsequent changes therein. If you are in any doubt as to your tax position, or if you may be subject to tax in a jurisdiction other than Guernsey or the United Kingdom, you should consult your own professional adviser without delay.**

### **Guernsey**

The information below, which relates only to Guernsey taxation, summarises the advice received by the Board and is applicable to the Company and to persons who are resident or ordinarily resident in Guernsey for taxation purposes and who hold Ordinary Shares in the Company as an investment. It is based on current Guernsey revenue law and published practice, respectively, which law or practice is, in principle, subject to any subsequent changes therein. The following information does not deal with certain types of person, such as persons holding or acquiring shares in the course of trade, collective investment schemes or insurance companies.

#### *The Company*

The Company has applied to the Administrator of Income Tax for confirmation that the Company will be eligible for exempt status under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989. If and when the exemption is granted, the Company will need to reapply for it annually, incurring a fee of £600 per annum.

The conditions of exemption are:

- that the Company be deemed to be an “investment company”;
- that the Company contracted on an arm’s length basis with a person resident in Guernsey for the provision of managerial and secretarial services and, where appropriate, custodian services in respect of its affairs, unless the States of Guernsey Income Tax Authority is satisfied that in the circumstances of a particular case it would be unreasonable to require that custodian services are contracted with a person resident in Guernsey; and
- that no investment or other property situated in Guernsey, other than a relevant bank deposit or an interest in another body to which an exemption from tax has been granted under the Ordinance, be acquired or held.

If the exemption is granted, the Company will not be resident in Guernsey for the purposes of liability to Guernsey income tax. Under current law and practice in Guernsey, the Company will only be liable to tax in Guernsey in respect of income arising in Guernsey, other than bank deposit interest. The Company will not therefore incur any additional liability to Guernsey tax, providing that the Company is not in receipt of any Guernsey sourced income, other than interest on bank deposits maintained in Guernsey.

In the absence of an exemption, the Company will be treated as resident in Guernsey for tax purposes and will be liable to income tax at a standard rate on its total taxable income.

On 25 November 2002, the Advisory and Finance Committee (now the Policy Council) of the States of Guernsey (the “Government”) announced a proposed framework for a structure of corporate tax reform within an indicative timescale. In the announcement it was stated that any specific recommendations for change would only be placed before the States of Guernsey after

further consultation with local businesses and a review of taxation in other financial centres. The relevant parts of the announcement are as follows:

- The general rate of income tax paid by Guernsey companies will be reduced to 0 per cent in respect of the tax year 2008 and subsequent years. Exempt company status is to be abolished.
- Certain regulated businesses will pay tax at 10 per cent., such as banks. Funds (which term will include the Company) will continue to be taxed at 0 per cent.
- Whilst income tax on Guernsey individuals will remain at 20 per cent., it has been confirmed there will be no VAT, capital gains tax, inheritance or other wealth taxes.

Whilst Guernsey is not part of the European Union (the “EU”), the States of Guernsey Policy Council has agreed with Her Majesty’s Government of the UK that, in the event of the implementation and application of the EU Directive on the Taxation of Savings Income (the “Directive”), which affects income received by individuals (but not companies) resident in the EU, Guernsey will implement equivalent measures to those of the Directive. It has recently been announced that if and when a similar retention tax is adopted by the EU member states of Austria, Belgium and Luxembourg and the named “third countries” of Andorra, Liechtenstein, Monaco, San Marino and Switzerland, Guernsey will apply a retention tax against interest payments (or payments of other similar income) made to individual residents in the member states of the EU. Such residents will, however, have the option to avoid the retention tax by authorising the Guernsey company or other entity or its paying agent to provide to the home tax authority of that resident relevant information.

Guernsey does not levy taxes upon capital inheritances, capital gains (with the exception of a dwellings profit tax), gifts, sales or turnover, nor are there any estate duties, save for an *ad valorem* fee for the grant of probate or letters of administration. Document duty is payable on the creation or increase of authorised share capital at the rate of one half of one per cent., of the authorised share capital of a company incorporated in Guernsey up to a maximum of £5,000 in the lifetime of a company. No stamp duty is chargeable in Guernsey on the issue, transfer, switching or redemption of shares.

#### *Shareholders*

Guernsey does not, at present, levy capital gains tax (with the exception of a dwellings profit tax) and, therefore, neither the Company nor any of its Shareholders will suffer any tax in Guernsey on capital gains. Payments made by the Company to non-Guernsey resident Shareholders, whether made during the life of the Company or by distribution on the liquidation of the Company, will not be subject to Guernsey tax. Whilst the Company is no longer required to deduct Guernsey income tax from dividends on any participating share (if applicable) paid to Guernsey residents, the Company is required to make a return to the Treasury and Resources Department of the States of Guernsey, on an annual basis, when renewing the Company’s exempt tax status, as described above, of the names, addresses and gross amounts of income distributions paid to Guernsey resident Shareholders during the previous year.

Subject to comments set out above, no withholding tax or deduction will be made on interest payments made by the Company in respect of any Ordinary Shares issued by the Company to Shareholders.

### **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 within the United Kingdom nor 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.

#### *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.

(a) 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. In the case of a dividend, 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 (currently 10 per cent.) under chapter 4 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 (the “Income Tax Act”). An individual who is a higher rate taxpayer will be chargeable to tax at the upper rate (currently 32.5 per cent.) under chapter 4 of Part 4 of the Income Tax Act. Non-taxpayers will have no liability to income tax.

United Kingdom resident corporate Shareholders will normally be liable for corporation tax on any dividends paid by the Company.

(b) Taxation of capital gains

The Company will not be a collective investment scheme for the purposes of the United Kingdom offshore funds legislation. Accordingly, any gain realised by a United Kingdom resident and ordinarily resident shareholder or a shareholder who carries on a trade in the United Kingdom through a permanent establishment with which their investment in the Company is connected on a sale or other disposal (including from liquidation or dissolution of the Company) of their Ordinary Shares may, depending on their circumstances and subject as mentioned below, be subject to United Kingdom capital gains tax or corporation tax on chargeable gains. The amount of the gain 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 according to how long, measured in years, the Ordinary Shares have been held. An investor which is a body corporate resident in the United Kingdom for tax purposes will benefit from indexation allowance which, in general terms, increases the capital gains tax base cost of an asset in accordance with the rise in the Retail Prices Index.

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

No United Kingdom stamp duty or SDRT will arise on the issue of Ordinary Shares. Generally, no United Kingdom stamp duty or SDRT is payable on a transfer of or agreement to transfer Ordinary Shares.

*Section 739 UK Taxes Act*

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 Income and Corporation Taxes Act 1988 (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. However, these provisions will not apply if the investor can satisfy the Inland Revenue that either:

- (1) the purpose of avoiding liability to United Kingdom taxation was not the purpose or one of the purposes of his investment in the Company; or
- (2) the investment was a bona fide commercial transaction and was not designed for the purpose of avoiding United Kingdom taxation.

*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 could be material 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 be apportioned to them, if

at the same time the Company is controlled by companies or other persons who are resident in the United Kingdom for taxation purposes. The effect of such 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.

#### *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 TCGA under which, in certain circumstances, a portion of capital gains made 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. The capital gains attributed to the investor may (in certain circumstances) be liable to United Kingdom tax on capital gains in the hands of the investor.

#### *Other Jurisdictions*

Prospective purchasers of Ordinary Shares should consult their own professional tax advisers as to the tax consequences of the purchase, ownership and disposition of Ordinary Shares.

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

## **6. MATERIAL CONTRACTS**

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

- 6.1 The Placing Agreement dated 3 June 2005 between the Company (1), the Directors (2), Kelton (3), North Atlantic (4) and Arbuthnot Securities (5) pursuant to which Arbuthnot Securities has agreed to use its reasonable endeavours to arrange for Placees to subscribe for 38,000,000 Ordinary Shares (the “Placing Shares”) at the Placing Price. The agreement is conditional, *inter alia*, upon Admission taking place on or before 10 June 2005 or such later date as Arbuthnot Securities and the Company may agree but in any event not later than 29 July 2005. The Company will pay to Arbuthnot Securities a corporate finance fee of £125,000 and a commission of 1.5 per cent. on the aggregate value of the Placing Shares at the Placing Price out of which Arbuthnot Securities will pay a commission to North Atlantic and Kelton of 1.5 per cent. on the aggregate value of Ordinary Shares at the Placing Price for which they and/or their clients have agreed to subscribe. The agreement provides for the Company to pay all expenses of and incidental to the Placing and the application for Admission, including the fees and costs of other professional advisers, all costs relating to the Placing, including printing, advertising and distribution charges, the fees of the Registrars and the fees payable to the London Stock Exchange.

The agreement contains, *inter alia*, undertakings and warranties by the Company, Kelton and North Atlantic and the Directors in favour of Arbuthnot Securities as to the accuracy of information contained in this document and other matters relating to the Company and its business and an indemnity from the Company in favour of Arbuthnot Securities.

Arbuthnot Securities may terminate the Placing Agreement in specified circumstances prior to Admission, principally in the event of a material breach of the Placing Agreement or of any of the warranties contained in it which Arbuthnot Securities reasonably considers to be material in the context of the Placing or where any change in market conditions occurs which is, or will be in the reasonable opinion of Arbuthnot Securities, materially prejudicial to the Company or the successful outcome of the Placing. The agreement is governed by English law.

- 6.2 A nominated adviser and broker agreement dated 3 June 2005 between the Company (1) and Arbuthnot Securities (2) pursuant to which the Company has appointed Arbuthnot Securities to act as nominated adviser and broker to the Company for the purposes of AIM for a period of 12 months commencing on the date of the agreement, subject thereafter to termination by either party on not less than 3 months’ written notice. The Company has agreed to pay to Arbuthnot Securities a fee of £15,000 per annum for its services. The agreement is governed by English law.

6.3 The Investment Management Agreement dated 3 June 2005 between the Company (1) and the Investment Manager (2) whereby the Investment Manager has been appointed to manage the investments of the Company in accordance with the investment policy from time to time approved by the Directors. Under the terms of the agreement, subject to the overall supervision of the Directors, the Investment Manager has authority to make investments for the Company and to manage the assets of the Company. The Investment Manager is entitled to receive a management fee from the Company of 1.25 per cent. of the NAV per annum. The management fee is payable monthly in arrears.

The Investment Manager will also be entitled to receive a performance fee. This performance fee will become payable on a liquidation or winding up of the Company (or other event triggering a return of capital to Shareholders) in the event that the NAV (after provision for any performance fee) as at the date of commencement of such liquidation or winding up of the Company (“Liquidation NAV”) is greater than the applicable hurdle. The applicable hurdle shall be the NAV on the date of Admission (but assuming payment of the Second Instalment) as increased at an annualised rate of 10 per cent. compounded for each year or fraction of a year (in terms of complete calendar months) during the life of the Company (the “Hurdle”).

In the event that the Liquidation NAV is greater than the Hurdle the Investment Manager will be entitled to a proportion of the surplus over and above the Hurdle (the “Distributable Surplus”). The Manager is also entitled to an enhanced performance fee where the Liquidation NAV is equal to, or greater than, the NAV on the date of Admission (but assuming payment of the Second Instalment) as increased at an annualised rate of 20 per cent. compounded for each year or fraction of a year (in terms of complete calendar months) during the life of the Company (the “Super Hurdle”).

Where the Liquidation NAV:

- (i) is greater than the Hurdle but less than the Super Hurdle the Investment Manager is entitled to a performance fee of 10 per cent. of the Distributable Surplus; or
- (ii) is equal to, or greater than, the Super Hurdle the Investment Manager is entitled to a performance fee of 20 per cent. of the Distributable Surplus.

The agreement contains an indemnity in favour 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 party to whom the Investment Manager has delegated any of its functions. The agreement may be terminated by either party giving to the other 6 months’ notice such notice not to expire prior to the first anniversary of the commencement date of the agreement or otherwise in certain specified circumstances including, *inter alia*, material breach of the terms of the agreement (which is either not remediable or not remedied within 30 days’ of notice of such breach being given) or where one of the parties has a receiver appointed over its assets or if an order is made or an effective resolution passed for the winding-up of one of the parties. The agreement is governed by English law.

6.4 The Administration and Custody Agreement, dated 3 June 2005, between the Company (1) and RBSI (2) pursuant to the terms of which RBSI is appointed to act as administrator, custodian and secretary to the Company. In its role as custodian, RBSI will act as custodian of the Company’s investments, cash and other assets and accept responsibility for the safe custody of the property of the Company which is delivered to and accepted by the Custodian.

RBSI shall be entitled to receive the following fees:

- for administration services, a fee equivalent to 0.125 per cent. per annum of the Net Asset Value of the Company subject to receipt of a minimum fee per annum of £60,000; and
- for custody services, a fee equivalent to 0.03 per cent. per annum of the Net Asset Value of the Company.

RBSI is also entitled to receive a one off establishment fee of £15,000 upon Admission to cover set up costs. RBSI shall be entitled to receive reimbursement of reasonable out-of-pocket expenses on an ongoing basis.

The agreement contains provisions under which the Company exempts RBSI from liability in the absence of fraud, wilful default, bad faith or gross negligence for any liabilities, obligations, losses,

or damages arising out of or in connection with its performance of its duties under the agreement. Similarly, the Company has agreed to indemnify RBSI in respect of losses it may suffer in connection with the performance of its duties under the agreement save to the extent that such losses are due to fraud, wilful default, bad faith or negligence on the part of RBSI.

The agreement may be terminated on not less than six months' written notice by either party, provided that termination may be made immediately in certain specified circumstances. The agreement is governed by the law of the Island of Guernsey.

- 6.5 The Registrar Agreement, dated 3 June 2005 between the Company (1) and the Registrar (2), pursuant to the terms of which the Registrar has been appointed as registrar to the Company for a period of 12 months commencing on the date of the agreement subject thereafter to termination on 3 months' written notice given by either party, such notice to expire no earlier than the first anniversary of the date of the Agreement. Under this agreement the Registrar is entitled to receive an agreed fee of £25,000 per annum whilst the Ordinary Shares remain partly paid. In addition, the Registrar is entitled to receive a fee of £2.00 per Shareholder per annum subject to a minimum annual fee of £5,000 together with other agreed transaction charges. The agreement is governed by the law of the Island of Guernsey.

## **7. WORKING CAPITAL**

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

## **8. LITIGATION**

No legal or arbitration proceedings are active, pending or threatened against, or being brought by, the Company.

## **9. GENERAL**

- 9.1 There are no patents or other intellectual property rights, licences or particular contracts which are of fundamental importance to the Company's business, except as set out in Part I.
- 9.2 The costs and expenses of, and incidental to, Admission and the Placing will be borne by the Company and will be approximately \$1.1 million. The gross assets of the Company following Admission will be approximately \$38 million (assuming that the Second Instalment payable on each of the Placing Shares is paid in full) and the estimated assets net of expenses of the Company will be \$36.9 million which will be applied in accordance with the Company's investment policy.
- 9.3 The minimum amount which, in the opinion of the Directors, must be raised under the Placing to provide the sums required in respect of the matters specified in paragraph 21 of Schedule 1 of the POS Regulations is \$17.9 million, divided as follows:
- 9.3.1 the purchase price of any property: Nil
  - 9.3.2 preliminary expenses and expenses of the Placing: \$1.1 million (being £600,000 converted into US\$ at an exchange rate of US\$1.83:£1)
  - 9.3.3 repayment of money borrowed in respect of 9.3.1 and 9.3.2 above: Nil
  - 9.3.4 working capital: \$16.8 million
- 9.4 Under the arrangements in force at the date of this document, the total amount of fees which it is estimated will be payable to the Directors in respect of the current and future financial periods of the Company will not exceed in aggregate £63,000 per annum.
- 9.5 Save as otherwise set out in this document and except for fees payable to the professional advisers whose names are set out on page 6 of this document, no person has received fees, securities in the Company or any 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.

- 9.6 There has been no significant change in the financial or trading position of the Company since the date of its incorporation. The principal activity of the Company is to act as an investment Company.
- 9.7 The Company has not, nor has it had since its incorporation, any employees and it does not own any premises.
- 9.8 The Investment Manager, the Transaction Agent and Arbuthnot Securities are or may be promoters of the Company and save as disclosed in paragraph 6.1 above, no amount or benefit has been paid, or given to the promoters or any of their subsidiaries in relation to the Placing and Admission since the incorporation of the Company and none is intended to be paid, or given.
- 9.9 It is the intention of the Directors to implement the investing strategy of the Company as set out in Part I of this document. If, however, the Company has not made any investments by the end of the two year period following Admission, the Board will propose a resolution for the winding up of the Company.
- 9.10 The arrangements for paying for the Ordinary Shares are set out in the placing letters to be signed by Placees. Monies received from applicants will be held by Arbuthnot Securities Limited prior to issue of the Placing Shares. If any application is unsuccessful or scaled down, any monies returned will be sent by cheque crossed "A/C Payee" in favour of the first named applicant. Any monies returned will be sent by first class post at the risk of the addressee within three days of the completion of the Placing. Share certificates will, where relevant, be sent to successful Placees by first class post at the risk of the applicant within ten days of the completion of the Placing. The offer constituted by the Placing will open on 26 May 2005 and may be closed at any time thereafter. Interim share certificates representing the Placing Shares are expected to be despatched to shareholders by post and at their own risk by no later than 20 June 2005. Temporary documents of title will not be issued. Pending the despatch of interim share certificates, instruments of transfers will be certified against the register of members of the Company. Whilst the Placing Shares are partly paid (that is pending payment of the Second Instalment) they may not be held or transferred through CREST. Application will be made by the Company for the fully paid Placing Shares (that is Placing Shares in respect of which the Second Instalment has been paid) to be admitted to CREST.
- 9.11 RSM Robson Rhodes LLP has given and has not withdrawn its written consent to the issue of this document with the inclusion of its Accountants' Report in Part III above and the references to such report and to its name in the form and context in which they appear.
- 9.12 Arbuthnot Securities, the Investment Manager and the Transaction Agent have each given and not withdrawn their written consent to the issue of this document with their names and the references to them in the form and context in which such references are included.

## **10. AVAILABILITY OF DOCUMENTS**

Copies of this document will be available free of charge to the public at the registered office of Arbuthnot Securities, Arbuthnot House, 20 Ropemaker Street, London EC2Y 9AR during normal business hours on any weekday (Saturdays and public holidays excepted) until the date falling one month after the date of Admission.

Dated: 3 June 2005



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