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The Directors of Terra Catalyst Fund (the “**Company**”), whose names appear on page 6 of this document, accept responsibility both individually and collectively for the information contained in this document including responsibility for compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect its import. This document, which constitutes an AIM admission document, has been drawn up in accordance with the AIM Rules for Companies. This document does not contain an offer of transferable securities to the public in the United Kingdom within the meaning of section 102B of FSMA and is not required to be issued as a prospectus pursuant to section 85 of FSMA.

Application has been made for the admission of the entire issued and to be issued share capital of the Company to trading on AIM, a market operated by London Stock Exchange plc (the “**London Stock Exchange**”). It is expected that admission will become effective and dealings in the Ordinary Shares will commence on AIM on 25 February 2008.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. Neither the United Kingdom Listing Authority nor the London Stock Exchange has examined or approved the contents of this document.

The rules of AIM are less demanding than those of the Official List of the United Kingdom Listing Authority.

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

TERRA CATALYST FUND

(an exempted company incorporated in the Cayman Islands with registration number HL-201883)

Placing of 116,300,000 new Ordinary Shares of £0.01 each at £1.00 per Ordinary Share

Admission to Trading on AIM

Nominated Adviser and Broker

Fairfax I.S. PLC

Fairfax I.S. PLC (“**Fairfax**”) which is authorised and regulated by the Financial Services Authority, is acting as nominated adviser to the Company for the purposes of the AIM Rules for Companies in connection with the Placing and admission to trading on AIM and as such, its responsibilities are owed solely to the London Stock Exchange and are not owed to the Company, to any Director or to any other person or entity. Fairfax will not be responsible to any person other than the Company for providing the protections afforded to clients of Fairfax or for providing advice to any other person in connection with the Placing and admission to trading on AIM.

No representation or warranty, express or implied, is made by Fairfax as to the contents of this document (without limiting the statutory rights of any person to whom this document is issued), and Fairfax has not authorised the contents of any part of this document nor are they responsible for the accuracy of any information or opinion contained in this document or for any omission of information.

The distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe such restrictions. Any failure to comply with any such restriction may constitute a violation of the securities laws of such jurisdictions. Your attention is drawn to the information contained on pages 2 to 4 of this document under the heading “Important Information.”

IMPORTANT INFORMATION

The information below is for general guidance only and it is the responsibility of any person or persons in possession of this admission document and wishing to subscribe for any Ordinary Shares to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. No person has been authorised by the Company to issue any advertisement or to give any information or to make any representation in connection with the contents of this document and, if issued, given or made, such advertisement, information or representation must not be relied upon as having been authorised by the Company. This document does not constitute, and may not be used for the purposes of, an offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. In particular, this document does not constitute an offer to sell or the solicitation of an offer to buy any of the Ordinary Shares in Canada, Australia, the Republic of South Africa or Japan (collectively, the “Prohibited Territories”) and this document should not be forwarded or transmitted to or into the Prohibited Territories or to any resident, national, citizen or corporation, partnership or other entity created or organised under the laws thereof or in any other country outside the United Kingdom where such distribution may lead to a breach of any legal or regulatory requirement. The distribution of this document may be restricted and accordingly persons into whose possession this document comes are required to inform themselves about and to observe such restrictions. Prospective investors should inform themselves as to: (a) the legal requirements of their own countries for the purchase, holding, transfer or other disposal of the Ordinary Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of the Ordinary Shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of the Ordinary Shares. Prospective investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein. Statements made in this document are based on the law and practice currently in force in the Cayman Islands and England and Wales and are subject to change. This document should be read in its entirety. All Shareholders are entitled to the benefit of, and are bound by and are deemed to have notice of, the provisions of the Articles.

For the attention of Cayman Islands residents

No invitation or offer, whether direct or indirect, may be or has been made to the public in the Cayman Islands to subscribe for the Ordinary Shares. Neither the Cayman Islands Monetary Authority nor any other governmental authority in the Cayman Islands has passed judgment upon or approved the terms or merits of this document. There is no investment compensation scheme available to investors in the Cayman Islands.

For the attention of United Kingdom residents

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

For the attention of United States residents

The Ordinary Shares have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any US State or any other jurisdiction of the United States and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, “US persons” (as defined in Regulation S). In addition, the Company is exempt from

registration under the US Investment Company Act of 1940, as amended (the “Investment Company Act”), in reliance of section 3(c)(7) thereunder, and, accordingly investors will not be entitled to the benefits of the Investment Company Act. The Ordinary Shares have not been approved or disapproved by the US Securities and Exchange Commission, any State securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Ordinary Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States and re-offer or resale of any of the Ordinary Shares in the United States or to US persons may constitute a violation of US law or regulation.

For the attention of residents of the Republic of Ireland

In respect of Ireland, this document is exempt from the requirement to publish a prospectus in respect of offers of securities to the public set out under Regulation 12 of the Prospectus (Directive 2003/71/EC) Regulations 2005 (the “Regulations”) on the grounds that it is addressed solely to qualified investors (as specified in the Regulation 2(1) of the Regulations) and therefore may not contain all the information required where a document is prepared pursuant to the Regulations. Reliance on this document for the purpose of engaging in any investment activity may expose the individual or entity concerned to a significant risk of losing all of the property invested or of incurring additional liability.

It is therefore a condition of subscription to Ordinary Shares by recipients of this document who are resident in Ireland that (i) they qualify as qualified investors as specified in Regulation 2(1) of the Regulations (ii) that they have read, agree to and will comply with the contents of this notice and (iii) that they will conduct their own analyses or other verification of the data set out in this document and will bear the responsibility for all or any costs incurred in doing so.

A recipient may qualify as a qualified investor if:

- (a) it is authorised or regulated to operate in the financial markets;
- (b) its corporate purpose is solely to invest in securities;
- (c) it is entered on the register of qualified investors maintained by the Central Bank and Financial Services Authority of Ireland; or
- (d) it fails to satisfy at least two of the following conditions according to its last annual or consolidated accounts:
 - (i) it has an average number of employees during the financial year of less than 250;
 - (ii) it has a total balance sheet not exceeding €43,000,000; and
 - (iii) it has an annual net turnover not exceeding €50,000,000.

If any recipient of this document in Ireland is not a qualified investor they should not take any action upon this document, but should return it immediately to the Company.

For the attention of residents of Switzerland

Under the Collective Investment Schemes Act of 23 June 2006 (the “CISA”), the offering, sale and distribution of interests in foreign collective investment schemes in or from Switzerland are subject to authorisation by the Swiss Federal Banking Commission. The concept of “foreign collective investment schemes” covers *inter alia* foreign companies and similar schemes (including those created on the basis of a collective investment contract or a contract of another type with similar effects) created for the purpose of collective investment, whether such companies or schemes are closed-ended or open-ended. Interests in a foreign investment scheme which has not been authorised by the Swiss Federal Banking Commission may only be promoted in or from Switzerland provided that no public solicitation, offering or advertising is carried out by persons operating in or from Switzerland. There are reasonable grounds to believe that the Company would be characterised as a foreign collective investment scheme from a Swiss legal point of view. As the Ordinary Shares have not been and cannot be registered or authorised for distribution under the CISA, any offering of the Ordinary Shares, and any other form of solicitation

of investors in relation to the Ordinary Shares (including by way of circulation of information or offering materials), must be made by way of private placement, e.g. by limiting the offer to investors considered as “qualified investors”, as defined in the CISA and in Circular 03/1 Public Offering of the Swiss Federal Banking Commission dated 28 May 2003, as amended (for the last time on 29 August 2007). Failure to comply with the above-mentioned requirements may constitute a breach of the CISA.

For the attention of residents of the Netherlands

The Ordinary Shares will not be offered or sold, directly or indirectly in the Netherlands, other than (i) for a minimum consideration of €150,000 (or currency equivalent) per investor, (ii) to fewer than 100 individuals or legal entities other than qualified investors; or (iii) solely to qualified investors, all within the meaning of Article 4 of the Financial Supervision Act Exemption Regulations (*Vrijstellingsregeling Wet op het financieel toezicht*). In respect of the Placing, the Company is not required to obtain a licence as a collective investment scheme pursuant to the Netherlands Financial Supervision Act (*Wet op het financiële toezicht – “WFT”*) and is not subject to supervision by the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*).

Forward-looking statements

This document contains forward-looking statements. These relate to the Company’s future prospects, developments and strategies. Forward-looking statements are identified by their use of terms and phrases such as “believe”, “could”, “envisage”, “estimate”, “intend”, “may”, “plan”, “will” or the negative of those, variations or comparable expressions, including references to assumptions. These statements are primarily contained in Parts 1, 2 and 3 of this document. The forward looking statements in this document are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements.

CONTENTS

	<i>Page</i>
Important Information	2
Directors, Investment Manager and Advisers	6
Definitions	7
Placing Statistics	11
Expected Timetable	11
Exchange Rate	11
Summary Information	12
Part 1 The Company	16
Part 2 Directors, Investment Manager and Advisers	22
Part 3 Risk Factors	27
Part 4 Other Information	34
Part 5 Financial Information on the Company	38
Part 6 Taxation	41
Part 7 Additional Information	44

DIRECTORS, INVESTMENT MANAGER AND ADVISERS

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Richard Ian Watson
Nicholas Paul James
Martin Michael Adams
Aled Rhys Jones
Andrew Morrison Shepherd
Michael Andrew Haxby

all non-executive and of registered office

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Investment Manager

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Depositary
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IM1 1JD

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www.terracatalystfund.com

DEFINITIONS

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

“Administration Agreement”	the agreement entered into between the Company, the Administrator and the Investment Manager dated 19 February 2008, further details of which are set out in paragraph 7.4 of Part 7 of this document;
“Administrator”	HSBC Securities Services (Isle of Man) Limited;
“Admission”	admission of the Ordinary Shares to trading on AIM;
“AIC”	the Association of Investment Companies (formally the Association of Investment Trust Companies);
“AIC Code”	the AIC Code of Corporate Governance;
“AIM”	AIM, a market operated by the London Stock Exchange;
“AIM Rules”	the rules governing the operation of AIM comprising the AIM Rules for Companies and the AIM Rules for Nominated Advisers;
“AIM Rules for Companies”	the rules and guidance for companies whose shares are admitted to trading on AIM entitled ‘AIM Rules for Companies’ published by the London Stock Exchange, as amended from time to time;
“AIM Rules for Nominated Advisers”	the rules and guidance for nominated advisers entitled ‘AIM Rules for Nominated Advisers’ published by the London Stock Exchange, as amended from time to time;
“Articles”	the Company’s articles of association;
“Benefit Plan Investor”	means “benefit plan investors” (as defined in Section 3(42) of ERISA and any regulations promulgated thereunder), including without limitation any “employee benefit plan” that is subject to the provisions of Title I of ERISA, a “plan” that is subject to the prohibited transaction provisions of Section 4975 of the Code, and entities the assets of which are treated as “plan assets” under Section 3(42) of ERISA by reason of investment therein by Benefit Plan Investors;
“Board” or “Directors”	the directors of the Company as appointed from time to time;
“Business Day”	a day (excluding Saturdays, Sundays and public holidays) on which banks are open for business in the City of London and the Isle of Man;
“Buyback Programme”	a programme to effect buybacks of Ordinary Shares by means of a tender offer by the Company;
“City Code”	the UK City Code on Takeovers and Mergers;
“COB Rules”	the Conduct of Business Rules of the FSA;
“Code”	the United States Internal Revenue Code of 1986;
“Co-Investment Agreement”	the agreement entered into between the Company, the Investment Manager and the Limited Partnership dated 19 February 2008, further details of which are set out in paragraph 7.7 of Part 7 of this document;

“Companies Law”	the Companies Law (2007 Revision) (as amended) of the Cayman Islands;
“Company” or “Terra Catalyst”	Terra Catalyst Fund, an exempted company incorporated in the Cayman Islands with limited liability;
“Consideration Shares”	the 56,546,735 Ordinary Shares conditionally allotted pursuant to the terms of the Stock Swap Agreements;
“CREST”	the United Kingdom paperless share settlement system and system for the holding of shares in uncertificated form in respect of which CRESTCo is the operator (as defined in the CREST Regulations);
“CRESTCo”	Euroclear UK & Ireland Limited;
“CREST Regulations”	the UK Uncertificated Securities Regulations 2001 (<i>SI 2001/3755</i>);
“CREST Rules”	the rules, regulations and practices of CRESTCo;
“Deed Poll”	the deed poll dated 14 February 2008 entered into by the Depositary and which will constitute the Depositary Interests, further details of which are set out in paragraph 11 of Part 7 of this document;
“Depositary”	Capita IRG Trustees Limited;
“Depositary Interests”	independent securities to be issued by the Depositary representing Ordinary Shares which may be held and transferred through CREST;
“Disclosure and Transparency Rules”	the Disclosure and Transparency Rules made by the FSA pursuant to Part VI of FSMA;
“Enlarged Share Capital”	the entire issued Ordinary Share capital of the Company immediately following Admission consisting of the Placing Shares;
“ERISA”	the U.S. Employee Retirement Income Security Act of 1974, as amended, and rules and regulations promulgated thereunder;
“Euroclear”	the system of paperless settlement of trades and the holding of shares without share certificates administered by Euroclear Bank SA/NV;
“Fairfax”	Fairfax I.S. PLC;
“FSA”	the UK Financial Services Authority;
“FSMA”	the UK Financial Services and Markets Act 2000 (as amended);
“GDP”	gross domestic product;
“Gross Asset Value”	the value of the Company’s assets, as determined in accordance with guidelines laid down by the Board from time to time, further details of which are set out in paragraph 5 of Part 4 of this document;
“IAS 39”	International Accounting Standard 39;
“IFRS”	International Financial Reporting Standards;

“Investment Management Agreement”	the agreement entered into between the Investment Manager and the Company dated 19 February 2008, further details of which are set out in paragraph 7.3 of Part 7 of this document;
“Investment Manager” or “Laxey” or “Laxey Partners”	Laxey Partners Ltd, a limited liability company incorporated in the Isle of Man and acting as the investment manager to the Company pursuant to the Investment Management Agreement;
“LIBOR”	London Interbank Offer Rate;
“Limited Partnership”	Terra Catalyst, LP a limited partnership established in the State of Delaware, United States;
“London Stock Exchange”	London Stock Exchange plc;
“Net Asset Value”	the value of the Company’s assets less its liabilities, as determined in accordance with guidelines laid down by the Board from time to time, further details of which are set out in paragraph 5 of Part 4 of this document;
“Net Asset Value per Ordinary Share”	the Net Asset Value divided by the number of the Ordinary Shares in issue from time to time;
“Official List”	the Official List of the UK Listing Authority;
“Ordinary Shares”	ordinary shares of the Company having a par value of £0.01;
“Places”	the places procured by Fairfax pursuant to the Placing Agreement;
“Placing”	the placing by Fairfax of the Placing Shares pursuant to the Placing Agreement;
“Placing Agreement”	the placing agreement dated 19 February 2008 entered into between the Company (1), the Investment Manager (2) and Fairfax (3), further details of which are set out in paragraph 7.2 of Part 7 of this document;
“Placing Price”	£1.00 per Placing Share, the price at which each Placing Share is to be sold or issued pursuant to the Placing;
“Placing Shares”	the 116,300,000 Ordinary Shares which are the subject of the Placing (and including the Consideration Shares);
“Prime Broker”	Credit Suisse Securities (Europe) Limited;
“Prime Broker Agreement”	the agreement entered into between the Company and the Prime Broker dated 19 February 2008, further details of which are set out in paragraph 7.5 of Part 7 of this document;
“Registrar”	Capita Registrars (Isle of Man) Limited;
“Registrar Agreement”	the agreement entered into between the Company and the Registrar dated 14 February 2008, further details of which are set out in paragraph 7.10 of Part 7 of this document;
“Regulation S”	Regulation S promulgated under the Securities Act;
“Regulatory Information Service” or “RIS”	any channel recognised as a channel for the dissemination of information as defined in the glossary of terms in the AIM Rules for Companies;
“SEC”	the US Securities and Exchange Commission;

“Securities Act”	the US Securities Act of 1933, as amended;
“Shareholder”	a holder of Ordinary Shares;
“Stock Swap Agreements”	the agreements entered into between the Company and various vendors each dated 19 February 2008, further details of which are set out in paragraph 7 of Part 1 and paragraph 7.6 of Part 7 of this document;
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland;
“UK Listing Authority” or “UKLA”	the FSA acting in its capacity as the competent authority for the purposes of Part VI of the FSMA;
“United States of America”, “US” or “United States”	the United States of America, its possessions and territories, all areas subject to its jurisdiction or any subdivision thereof, any State of the United States and the District of Columbia;
“Valuation Day”	means the Friday of each week, by reference to which the date of the Net Asset Value and the Net Asset Value per Ordinary Share are calculated by the Administrator, together with such other day or days as the Directors may determine provided that there is not less than one Valuation Day per week;
“VAT”	value added tax; and
“VCF”	The Value Catalyst Fund Limited, a Cayman Islands incorporated investment company quoted on AIM of which Laxey Partners is the investment manager.

Unless otherwise indicated, all references in this document to “pounds sterling”, “Sterling”, “£”, “pence” or “p” are to the lawful currency of the United Kingdom and all references to “\$”, “US\$” or “US dollars” are to the lawful currency of the United States

PLACING STATISTICS

Placing Price	£1.00
Market capitalisation at the Placing Price on Admission	£116.3 million
Number of Ordinary Shares in issue on Admission	116,300,000
Estimated initial Net Asset Value per Ordinary Share on Admission*	97.5p
ISIN Code**	KYG8761F1019
SEDOL**	9394334

* values the assets acquired by the Company under the terms of the Stock Swap Agreements at the closing prices on the relevant exchanges on 8 February 2008.

** The Depositary Interests will be created by the Depositary pursuant to the Deed Poll and have been assigned the same ISIN and SEDOL numbers as the Ordinary Shares.

EXPECTED TIMETABLE

Publication of Admission Document	19 February 2008
Admission and commencement of dealings in the Ordinary Shares on AIM at 8.00 a.m. (London time)	25 February 2008
Delivery of Depositary Interests into CREST	25 February 2008
Share certificates (where relevant) dispatched by	10 March 2008

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

EXCHANGE RATE

Exchange rate on 18 February 2008 (being the last practicable date prior to the publication of this document)	US\$1.95 = £1.00
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SUMMARY INFORMATION

The attention of potential investors is drawn to the risk factors set out in Part 3 of this document. The Ordinary Shares are only suitable for investors who understand the potential risk of capital loss, and that there may be limited liquidity in the underlying investments of the Company, for whom an investment in the Ordinary Shares constitutes part of a diversified investment portfolio and who fully understand and are willing to assume the risks involved in investing in the Company. The following information should be read as an introduction to the full text of this document and any decision to invest in the Ordinary Shares should be based on consideration of the full text of this document and not solely on the information in this “Summary Information” section or any other information summarised in this document.

1. The Company

Terra Catalyst Fund is a newly incorporated, closed-ended Cayman Islands registered, exempted company established to invest in listed property companies and funds in Europe, with the objective of seeking to identify undervalued securities and actively seeking to close the valuation gap between the value at which the security is trading and its intrinsic value.

The Company has appointed Laxey Partners Ltd as its investment manager. A catalyst for corporate change and development, Laxey Partners places great emphasis on proactive ownership and shareholders’ rights.

Application has been made for the Ordinary Shares to be admitted to trading on AIM.

2. Investment objective

The Company has been established to achieve an absolute return for its Shareholders (in Sterling) primarily through capital growth by investment in property-related securities. The Directors intend, but are not obliged, to provide Shareholders with returns by way of annual dividends in accordance with the distribution policy.

The Company intends to be substantially fully invested within six months of Admission.

3. The case for Terra Catalyst Fund

The listed property market

As at 31 December 2007 there were over 300 listed property companies in Western Europe with an individual market capitalisation in excess of £50 million and a collective market capitalisation of in excess of £187 billion. In addition, direct property derivatives, the majority of which are priced off commercial property, accounted for a further £14 billion of market capitalisation as at 31 December 2007. These property companies are listed on 19 different exchanges and only the larger capitalisation stocks are comprehensively researched. In contrast, some of the smaller capitalisation stocks receive comparatively little analytical coverage.

The current situation

The latter half of 2007 saw a substantial re-rating in the value of listed property companies after a four year bull run. With the onset of the US sub-prime crisis and the re-pricing of funding rates for commercial property, substantial discounts to net asset value have opened up in listed property stocks – and in some cases shares of such companies now trade at discounts in excess of 50 per cent.

The opportunity

Current sentiment indicates that the market expects a negative capital return from direct UK property assets, as reflected in the Morgan Stanley European Property Derivatives priced off the IPD All UK Property Capital Growth Index, until 2009. The Investment Manager believes, however, that the case for investment in listed property stocks is compelling. As a result of the negative sentiment, current analysis

suggests that the market is already discounting the expected falls in the underlying assets (and in some cases over-discounting) and that the potential return from investing in such stocks is higher than the expected return from investing in property directly – on the assumption that discounts narrow.

The Investment Manager believes that a combination of the factors set out above allied to an activist investment approach, has the potential to extract significant value for shareholders.

4. Investment strategy and process

The Investment Manager's primary strategy is to take positions in undervalued securities and actively seek to close the valuation gap between the value at which the security is trading and its intrinsic value.

In implementing this strategy, the Investment Manager will conduct a detailed analytical process which will include the following:

- *Identify target* – identify undervalued securities and analyse the shareholder base.
- *Identify solutions* – determine what the Investment Manager believes are the most appropriate solutions to improve the market rating of the investee company. These may include: corporate activity, liquidation, share buy-backs, change of management, tender offers or takeover offers.
- *Identify barriers* – consider whether there are any potential barriers to the implementation of the chosen solution.
- *Manage timescale* – evaluate the best time to become active and stake build the desired position.
- *Manage risk* – manage the risk, where appropriate, on a portfolio and stock specific basis.
- *Implementation* – seek to make a compelling case that other shareholders and the market will support.
- *Maximise return* – seek to capture, maintain and realise the value of the position.

5. Investment policies

The Investment Manager will adhere to the following investment policies:

- **Geographical Focus** – Investments will be made in companies which are either resident or active in Europe. The Company will not invest in US resident companies. In addition, the Company will only invest in jurisdictions whose legal framework allows the Company and the Investment Manager to pursue an activist shareholder strategy.
- **Borrowings** – Under the Articles the Company's borrowings shall be restricted from time to time to an amount equal to 200 per cent. of the Net Asset Value (calculated on the basis of the last published Net Asset Value at the time of drawdown).

In implementing its investment strategy the Company may hold large positions in a concentrated number of portfolio companies. Although the Board and the Investment Manager will have regard to the need for risk diversification there is no limit on the amount of the Company's assets which may be invested in any one investment and there is no assurance that diversification will be achieved at all times (or at all).

The Company's investment strategy may also involve it making takeover offers for portfolio companies and taking management control of such companies.

The Company may also engage in short selling where this is considered appropriate by the Investment Manager.

6. Investment management arrangements

The Company and Laxey have entered into the Investment Management Agreement under which the Investment Manager has been given responsibility for the day-to-day management of the Company's portfolio of assets, including the day-to-day acquisition and disposal of investments in accordance with the Company's investment objectives, policies and restrictions.

The Investment Manager is entitled to receive a monthly management fee instalment equal to one twelfth of 0.5 per cent. of the Net Asset Value. The monthly management fee shall accrue on a day-to-day basis and be payable in Sterling monthly in arrears on the first Business Day of each month based on the Net Asset Value of the previous month. The management fee shall be determined based on the Net Asset Value before any deduction is made for accrued performance fees. Subject to the closing Net Asset Value per Ordinary Share for the relevant financial year (adjusted to add back (i) the value of any dividends or other distribution paid and (ii) the aggregate value of the management fee paid, during the relevant financial year) being greater than the opening Net Asset Value per Ordinary Share for that financial year (adjusted to add back the value of any dividends or other distribution paid during the relevant financial year), the Investment Manager is entitled to receive a further payment equal to the amount needed to put the Investment Manager in the position it would have been in had the periodic management fee instalments been paid on the basis of one twelfth of 2 per cent. of the Net Asset Value for each month on which the Net Asset Value was calculated in that financial year.

The Investment Manager is also entitled to receive a performance fee provided that, on the last valuation day in each financial year, B is greater than A where (i) A equals the higher of (a) the Net Asset Value on Admission increased by a non-compounding rate of 8 per cent. per annum for the period from Admission to the last valuation day in the financial year for which the performance fee is being calculated (the "Relevant Day"); and (b) the Adjusted Net Asset Value (being the Net Asset Value adjusted to add back the value of any dividends or other distributions paid during the financial year for which the performance fee is being calculated) on the last valuation day of the last financial year in relation to which a performance fee became payable (the "High Watermark Date") increased by a non-compounding rate of 8 per cent. per annum for the period from the High Watermark Date to the Relevant Day (together the "Hurdle"); and (ii) B equals the Adjusted Net Asset Value on the Relevant Day. The performance fee shall be an amount equal to 20 per cent. of the excess of Adjusted Net Asset Value on the Relevant Day of the financial year of reference over the Hurdle.

In the event that on the date of payment of the performance fee the Ordinary Shares are trading at a price which is (i) equal to or greater than the last announced Net Asset Value per Ordinary Share, then 50 per cent. of the relevant performance fee shall be satisfied by the allotment to the Investment Manager of such number of Ordinary Shares as when multiplied by the last announced Net Asset Value per Ordinary Share most closely equals 50 per cent. of the relevant performance fee; or (ii) less than the last announced Net Asset Value per Ordinary Share, then the Investment Manager undertakes to use 50 per cent. of the relevant performance fee received to make market purchases of Ordinary Shares. However, in no event is the Investment Manager obliged to receive or purchase Ordinary Shares in lieu of, or using, performance fee (as the case may be) where to do so would result in the Investment Manager (i) holding more than 29.9 per cent. of the Ordinary Shares or (ii) would otherwise place it in breach of any relevant laws or regulatory requirements applicable to the Company or the Investment Manager.

The Investment Management Agreement may be terminated by either party giving to the other not less than twelve months' notice or immediately in certain circumstances. Further details of the Investment Management Agreement are set out in paragraph 7.3 of Part 7 of this document.

7. The Placing and Stock Swap Agreements

The Placing will consist of 116,300,000 Ordinary Shares. This includes 56.5 million Ordinary Shares which the Company will issue credited as fully paid up to the Placing Price pursuant to the terms of the Stock Swap Agreements, in consideration for the transfer to the Company of a portfolio of investments with an aggregate value of £56.5 million. These investments have been valued on the basis of their closing prices on 8 February 2008.

8. Distribution policy

The Directors will determine the Company's dividend policy. In the absence of unforeseen circumstances, and assuming sufficient reserves, the Directors currently intend, but are not obliged, to pay an annual dividend on the Ordinary Shares such that the annual dividend yield is equal to LIBOR

plus 1 per cent. Dividends will be satisfied by the issue of further Ordinary Shares, however Shareholders will be given the option to elect for a cash dividend. When paid in cash, the dividend is intended to be paid in Sterling.

There can be no assurance that the Company will be able to pay dividends at the projected level or at all.

9. Hedging and foreign exchange policy

The Investment Manager intends to mitigate risk on a country, currency and individual company basis. Country exposures may be hedged with futures, swaps or individual stock shorts depending on the long/short correlation, liquidity and cost. However, there is no guarantee that such arrangements will be available on favourable economic terms or at all or that they will be completely effective.

It is the Company's policy to determine the value of all of its investments in Sterling. Consequently, the value of its investments may fluctuate with changes in the rate of exchange of Sterling against any other currency in which an investment is denominated.

10. Discount control

As the Company is a closed-ended investment company and the Ordinary Shares will be admitted to trading on AIM, there is always a risk that the applicable quoted price of the Ordinary Shares may fall to a discount to the prevailing Net Asset Value per Ordinary Share.

Subject to the provisions of the Companies Law and the Articles, where the Ordinary Shares are trading at a discount to the Net Asset Value per Ordinary Share greater than 15 per cent., as determined by the Investment Manager for a period of twenty consecutive Business Days, the Company (or a nominee appointed by the Company) will endeavour to make market purchases of Ordinary Shares in such amount as determined by the Directors in their absolute discretion up to an aggregate maximum amount of 50 per cent. of the Company's issued Ordinary Share capital in any twelve month period. Any Ordinary Shares purchased by the Company will be cancelled in accordance with the provisions of the Companies Law. The Directors will not, however, utilise the powers of the Company to purchase Ordinary Shares for cancellation where to do so would, after such cancellation, result in 25 per cent. or more of the issued Ordinary Shares being beneficially held by Benefit Plan Investors.

11. Fees and expenses

Formation and initial expenses

The formation and initial expenses of the Company are those that are necessary for the incorporation and organisation of the Company and in order to effect the Placing. Such expenses will include fees payable to Fairfax or other promoters in connection with the Placing and Admission fees, printing, advertising and distribution costs, legal and accounting fees and any other related expenses. These expenses will be met by the Company out of the proceeds of the Placing and will be paid on or after Admission. The Directors do not anticipate that these formation and initial expenses will exceed 2.5 per cent. of the gross proceeds of the Placing.

Ongoing and annual expenses

The Company will also incur ongoing and annual expenses. These expenses will include, among others, the fees payable to the Investment Manager and the Directors. It is estimated that the total expenses of the Company for the period ending 31 March 2009 (excluding the initial expenses of the Company, performance fees payable and costs associated with investments) are not expected to exceed 3 per cent. per annum of the Net Asset Value, annualised over this period.

PART 1

THE COMPANY

1. Introduction

Terra Catalyst Fund is a newly incorporated, closed-ended Cayman Islands registered, exempted company established to invest in listed property companies and funds in Europe, with the objective of seeking to close the valuation gap between the value at which the security is trading and its intrinsic value.

The Placing will consist of 116,300,000 Ordinary Shares. This includes 56.5 million Ordinary Shares which the Company will issue credited as fully paid up to the Placing Price pursuant to the terms of the Stock Swap Agreements, in consideration for the transfer to the Company of a portfolio of investments with an aggregate value of £56.5 million. These investments have been valued on the basis of their closing prices on 8 February 2008.

Application has been made for the Ordinary Shares to be admitted to trading on AIM.

2. Investment objective

The Company has been established to achieve an absolute return for its Shareholders (in Sterling) primarily through capital growth by investment in property-related securities. The Directors intend, but are not obliged, to provide Shareholders with returns by way of annual dividends in accordance with the distribution policy.

The Company intends to be substantially fully invested within six months of Admission.

3. Investment Manager

The Company has appointed Laxey Partners Ltd as its investment manager. Laxey Partners was founded in 1999 by Colin Kingsnorth and Andrew Pegge and is a global active value investment management company that pursues a single strategy: it actively promotes shareholder engagement and sound corporate governance to close the valuation gap between the value at which a security trades and its intrinsic value.

The Laxey Partners team has extensive experience in investment management, corporate finance, trading and shareholder rights. A catalyst for corporate change and development, Laxey Partners places great emphasis on proactive ownership and shareholders' rights. Taking a long term investment view and seeking to advocate dialogue between shareholders, management, board members and other stakeholders to create value for all shareholders Laxey Partners undertakes a disciplined investment process similar to private equity investors.

4. The case for Terra Catalyst Fund

The listed property market

As at 31 December 2007 there were over 300 listed property companies in Western Europe with an individual market capitalisation in excess of £50 million and a collective market capitalisation of in excess of £187 billion. In addition, direct property derivatives, the majority of which are priced off commercial property, accounted for a further £14 billion of market capitalisation as at 31 December 2007. These property companies are listed on 19 different exchanges and only the larger capitalisation stocks are comprehensively researched. In contrast, some of the smaller capitalisation stocks receive comparatively little analytical coverage.

The current situation

The latter half of 2007 saw a substantial re-rating in the value of listed property companies after a four year bull run. With the onset of the US sub-prime crisis and the re-pricing of funding rates for commercial property, substantial discounts to net asset value have opened up in listed property stocks – and in some cases shares of such companies now trade at discounts in excess of 50 per cent.

The opportunity

Current sentiment indicates that the market expects a negative capital return from direct UK property assets, as reflected in the Morgan Stanley European Property Derivatives priced off the IPD All UK Property Capital Growth Index, until 2009. The Investment Manager believes, however, that the case for investment in listed property stocks is compelling. As a result of the negative sentiment, current analysis suggests that the market is already discounting the expected falls in the underlying assets (and in some cases over-discounting) and that the potential return from investing in such stocks is higher than the expected return from investing in property directly – on the assumption that discounts narrow.

The Investment Manager believes that a combination of the factors set out above allied to an activist investment approach, has the potential to extract significant value for shareholders.

5. Investment strategy and process

The Investment Manager's primary strategy is to take positions in undervalued securities and actively seek to close the valuation gap between the value at which the security is trading and its intrinsic value.

In implementing this strategy, the Investment Manager will conduct a detailed analytical process which will include the following:

- *Identify target* – identify undervalued securities and analyse the shareholder base;
- *Identify solutions* – determine what the Investment Manager believes are the most appropriate solutions to improve the market rating of the investee company. These may include: corporate activity, liquidation, share buy-backs, change of management, tender offers or takeover offers;
- *Identify barriers* – consider whether there are any potential barriers to the implementation of the chosen solution;
- *Manage timescale* – evaluate the best time to become active and stake-build the desired position;
- *Manage risk* – manage the risk, where appropriate, on a portfolio and stock specific basis;
- *Implementation* – seek to make a compelling case that other shareholders and the market will support; and
- *Maximise return* – seek to capture, maintain and realise the value of the position.

6. Investment policies

The Investment Manager will adhere to the following investment policies:

- *Geographical Focus* – Investments will be made in companies which are either resident or active in Europe. The Company will not invest in US resident companies. In addition, the Company will only invest in jurisdictions whose legal framework allows the Company and the Investment Manager to pursue an activist shareholder strategy; and
- *Borrowings* – Under the Articles the Company's borrowings shall be restricted from time to time to an amount equal to 200 per cent. of the Net Asset Value (calculated on the basis of the last published Net Asset Value at the time of drawdown).

In implementing its investment strategy the Company may hold large positions in a concentrated number of portfolio companies. Although the Board and the Investment Manager will have regard to the need for risk diversification there is no limit on the amount of the Company's assets which may be invested in any one investment and there is no assurance that diversification will be achieved at all times (or at all).

The Company's investment strategy may also involve it making takeover offers for portfolio companies and taking management control of such companies.

The Company may also engage in short selling where this is considered appropriate by the Investment Manager.

7. Stock Swap Agreements

The Company has agreed with a number of potential investors that, in return for the issue of Ordinary Shares credited as fully paid at the Placing Price, such investors will sell to the Company a number of shareholdings in companies which the Investment Manager has identified as being potential portfolio investments in line with the Company's investment policy.

Under the terms of the Stock Swap Agreements, the Company has agreed to acquire, conditionally upon Admission, a portfolio of investments with an aggregate value of £56.5 million, in return for the issue, credited as fully paid, of, in aggregate, 56.5 million Ordinary Shares. These investments have been valued on the basis of their closing prices on 8 February 2008. Those investors who have agreed with the Company to transfer shares representing 7.5 per cent. or more of an underlying investee company in return for Consideration Shares may be entitled to a commission payment from the Company of up to 4 per cent.

At Admission, the Company will become the beneficial owner of these investments. Neither the Company nor the Investment Manager has any agreements or understandings with the stock swap vendors in relation to these investments and the Company may hold or dispose of these shareholdings in its complete discretion.

8. Limited Partnership

Terra Catalyst, LP has been established as a vehicle designed to allow taxable US investors to benefit from the investment policy being pursued by the Company through a tax efficient vehicle. The investment policy of the Limited Partnership is substantially similar to that of the Company and its assets are also managed by Laxey Partners.

In addition, tax-exempt US investors are being offered restricted Ordinary Shares, at the Placing Price, in accordance with Regulation D promulgated under the U.S. Securities Act of 1933, as amended.

Under the terms of the Co-Investment Agreement entered into between the Company, the Limited Partnership and Laxey Partners, the parties have agreed that the Company and the Limited Partnership will, after Admission, each invest in every investment opportunity identified by Laxey Partners in *pro-rata* proportions that reflect the respective net asset values of the Company and the Limited Partnership, except where the Investment Manager deems non-participation by the Limited Partnership (or the Company) appropriate for tax, regulatory or operational reasons. The Limited Partnership will not, however, hold any interest in any shares acquired by the Company pursuant to the Stock Swap Agreements.

In addition to the Limited Partnership, Laxey Partners expects that one or more investment vehicles managed by it may invest in Company investment opportunities as one component of a wider investment strategy.

9. Track record

Laxey Partners launched its first investment company in July 2000. The Value Catalyst Fund Limited ("VCF") is an AIM quoted Cayman Islands registered, closed-ended investment company (ticker: VCF LN). With a risk profile of 50 per cent. net long (in terms of exposure to the market), VCF has produced a total return of over 178 per cent. from inception to 31 December 2007 and has an average annualised return of almost 15 per cent. As at 31 December 2007, Laxey Partners had net assets under management of approximately US\$1.7 billion. As Laxey's flagship public vehicle, VCF has led numerous corporate actions which have included bidding for companies, the use of proxy battles, tabling resolutions to replace board members, introducing buy-backs or tender offers, liquidating funds or proposing the partial sale of assets and converting funds from closed-ended to open-ended status.

VCF is an investment company managed by the Investment Manager. Like the Company, VCF seeks to achieve an absolute return for its shareholders primarily through capital growth by investing in "active value" investments. Such investments are made with the aim of profiting from the reduction in the discount at which the target entities trade to their underlying intrinsic value. However, VCF's investment strategies focus on a much wider universe of investment opportunities, while the Company focuses solely on property-related securities. It should not be assumed that the Company would or could invest in any specific securities in which VCF has

invested or will invest, nor should it be understood to mean that there is a correlation between VCF's return and that of the Company. The investment performance of VCF assumes an investment made by an investor since the beginning of the referenced period, is shown net of expenses, including management fees and any accrued performance fees, and includes reinvestment of interest and dividends, as applicable.

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

10. Conflicts management

The Investment Manager currently manages VCF and other funds and investment vehicles and may from time to time act for other clients that have investment policies that overlap with the investment policy of the Company. There may be circumstances where investment opportunities sourced by the Investment Manager are suitable for VCF or other funds managed by the Investment Manager.

The Investment Manager and its 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 funds which may have similar investment policies to that of the Company or funds in which the Company invests.

Under the Investment Management Agreement, the Investment Manager has undertaken to the Company that it shall not provide any of the services, duties or obligations specified thereunder to any other property fund of funds until such time as 85 per cent. of the net proceeds of the Placing are invested, without the prior written consent of the Company (which consent the Company may withhold in its absolute discretion) and thereafter, the Investment Manager shall be free to render similar services to other property funds of funds, so long as its services, duties and obligations to the Company hereunder are not impaired.

The Investment Manager will have regard to its obligations under the Investment Management Agreement to act in the best interests of the Company, so far as is practicable having regard to its obligations to other clients, when potential conflicts of interest arise. Notwithstanding the fact that it is not bound by the COB Rules, in the event of a conflict of interest arising, the Investment Manager will ensure that it is resolved fairly and in accordance with the COB Rules (to the extent that the COB Rules are not inconsistent with any Isle of Man law or regulatory requirement applicable to the Investment Manager). The COB Rules require the Investment Manager to ensure fair treatment of all its clients. The COB Rules also require that when an investment is made it should be allocated fairly amongst all of its clients for whom the investment is appropriate. In particular, the Investment Manager will use its reasonable efforts to ensure that the Company has the opportunity to participate in potential investments identified by the Investment Manager which fall within the Company's investment objective and policy on the best terms reasonably obtainable at the relevant time with the aim of ensuring that the principle of best execution is attained in accordance with the COB Rules. Conflict of interest situations between the Investment Manager and the Company will also be subject to review by the management engagement committee of the Board on behalf of the Company.

11. Hedging and foreign exchange policy

The Investment Manager intends to mitigate risk on a country, currency and individual company basis. Country exposures may be hedged with futures, swaps or individual stock shorts depending on the long/short correlation, liquidity and cost. However, there is no guarantee that such arrangements will be available on favourable economic terms or at all or that they will be completely effective.

It is the Company's policy to determine the value of all of its investments in Sterling. Consequently, the value of its investments may fluctuate with changes in the rate of exchange of Sterling against any other currency in which an investment is denominated.

12. Distribution policy

The Directors will determine the Company's dividend policy. In the absence of unforeseen circumstances, and assuming sufficient reserves, the Directors currently intend, but are not obliged, to pay an annual dividend on the Ordinary Shares such that the annual dividend yield is equal to LIBOR plus 1 per cent. Dividends will be satisfied by the issue of further Ordinary Shares, however Shareholders will be given the option to elect for a cash dividend. When paid in cash, the dividend is intended to be paid in Sterling.

There can be no assurance that the Company will be able to pay dividends at the projected level or at all.

13. Discount control

As the Company is a closed-ended investment company and the Ordinary Shares will be admitted to trading on AIM, there is always a risk that the applicable quoted price of the Ordinary Shares may fall to a discount to the prevailing Net Asset Value per Ordinary Share.

Subject to the provisions of the Companies Law and the Articles, where the Ordinary Shares are trading at a discount to the Net Asset Value per Ordinary Share greater than 15 per cent., as determined by the Administrator for a period of twenty consecutive Business Days, the Company (or a nominee appointed by the Company) will endeavour to make market purchases of Ordinary Shares in such amount as determined by the Directors in their absolute discretion up to an aggregate maximum amount of 50 per cent. of the Company's issued Ordinary Share capital in any twelve month period. Any Ordinary Shares purchased by the Company will be cancelled in accordance with the provisions of the Companies Law. The Directors will not, however, utilise the powers of the Company to purchase Ordinary Shares for cancellation where to do so would, after such cancellation, result in 25 per cent. or more of the issued Ordinary Shares being beneficially held by Benefit Plan Investors.

Pursuant to the Articles, purchases of Ordinary Shares by the Company will be made for cash at prices below the last announced Net Asset Value per Ordinary Share and the price to be paid per Ordinary Share will be not more than the higher of (i) five per cent. above the volume weighted average price of the Ordinary Shares for the five Business Days before the purchase is made; or (ii) the higher of the price of the last independent trade and the highest current independent bid at the time of purchase.

In addition, the Company may at any time implement a Buyback Programme. The implementation and timing of any Buyback Programme will be at the absolute discretion of the Board and not at the option of Shareholders.

14. Further issues of Ordinary Shares

Under the terms of the Articles, the issue of further Ordinary Shares for cash is subject to pre-emption rights in favour of existing Shareholders which may be disapplied by Shareholders by way of ordinary resolution. Pursuant to a resolution passed by the Company's subscribers the Directors will have authority following Admission to issue further Ordinary Shares for cash on a non-pre-emptive basis up to an amount representing 10 per cent. of the Enlarged Share Capital. The pre-emption rights do not apply to any Ordinary Shares allotted to the Investment Manager as part payment of performance fees (further details relating to the calculation and payment of performance fees to the Investment Manager are set out in paragraph 2 of Part 2 and paragraph 7.3 of Part 7 of this document).

In addition, any authority vested in the Directors to allot further Ordinary Shares shall only be exercised at a subscription price which is not less than the last announced Net Asset Value per Ordinary Share (at the time such price is determined) unless Shareholder approval is first obtained by way of ordinary resolution.

15. Life of the Company

The Company does not have a fixed life but the Board considers it desirable that Shareholders should have the opportunity to review the future of the Company at appropriate intervals. Accordingly, the Board intends to propose at the annual general meeting of the Company to be held in 2013 an ordinary resolution that the Company continue as presently constituted. If the resolution is passed, the Board intends that a

similar resolution will be proposed at each fifth annual general meeting to be held thereafter. If any such resolution is not passed, the Directors will be required to formulate proposals to be put to Shareholders to reorganise, unitise or reconstruct the Company or for the Company to be wound up.

16. Shareholder notification and disclosure requirements

Under the terms of the Articles, Shareholders in the Company are obliged to comply (where necessary) with the notification and disclosure requirements set out in Chapter 5 of the Disclosure and Transparency Rules as if the Company were a UK domestic listed company. The Disclosure and Transparency Rules can be accessed and downloaded from the FSA's website at <http://fsahandbook.info/fsa/html/handbook/DTR/5>. Further details of these notification and disclosure requirements are summarised in paragraph 4.3 of Part 7 of this document. **Shareholders are urged to consider their notification and disclosure obligations carefully because a failure to make a required disclosure to the Company may result in disenfranchisement.**

17. The City Code

The City Code applies, *inter alia*, to offers for all quoted public companies considered by the Panel on Takeovers and Mergers to be resident in the United Kingdom, the Channel Islands or the Isle of Man. The Panel on Takeovers and Mergers will normally consider a company to be resident in the United Kingdom, the Channel Islands or the Isle of Man only if it is incorporated in one of those jurisdictions and has its place of central management in one of those jurisdictions.

As the Company is incorporated in the Cayman Islands the Panel on Takeovers and Mergers will decline to apply the City Code to the Company with the result that Shareholders will not receive the benefit of the takeover offer protections provided by the City Code.

18. The Placing

On 19 February 2008, the Company, the Investment Manager and Fairfax entered into the Placing Agreement pursuant to which Fairfax agreed to use reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price which are allocated pursuant to the Placing. All such subscriptions will be at the Placing Price. Under the Placing, the Placing Shares have been offered to institutional and certain other investors in the UK and certain other jurisdictions. No Placing Shares have been sold or are available in whole or in part to the public in the UK or elsewhere in connection with the Placing. The Ordinary Shares have not been and will not be registered under the Securities Act and may not be offered or sold within, or to persons in, the United States, except pursuant to an exemption from the registration requirement of the Securities Act and applicable US State securities laws. The Placing is subject to the satisfaction of conditions contained in the Placing Agreement, including Admission occurring on or before 25 February 2008 (or such later date as Fairfax and the Company may agree (not being later than 31 March 2008)). Certain conditions are not capable of waiver. The Placing Agreement contains provisions entitling Fairfax to terminate the Placing (and the arrangements associated with it) at any time prior to Admission in certain circumstances. If this right is exercised, the Placing will lapse and any monies received in respect of the Placing will be returned to applicants without interest. Further details of the terms of the Placing Agreement are set out in paragraph 7.2 of Part 7 of this document. The Placing is not being underwritten by Fairfax. The net proceeds of the Placing will be used to fund investments for the Company in accordance with the investment objective, strategy and policies outlined in this document, and to pay the Company's ongoing ancillary costs.

19. Suitability

As an offshore investment company, the Company may only be marketed to, and is only suitable as an investment for, sophisticated and institutional investors with an understanding of the risks inherent in activist investment in property companies and an ability to potentially accept the total loss of all capital invested in the Company.

PART 2

DIRECTORS, INVESTMENT MANAGER AND ADVISERS

1. The Directors of the Company

The Board comprises four independent non-executive Directors and Andrew Shepherd, Rhys Jones and Michael Haxby who are non-independent Directors. The Directors have overall responsibility for the Company's activities including the review of its investment activities and performance. They have primary responsibility for determining the Company's overall investment objectives, strategy and policies and for implementing the Company's investment policies. The Board is also responsible for supervising and reviewing the activities of the Investment Manager. The Board will meet at least four times a year to review the Company's investment strategy and policies. The Directors of the Company are:

Robert Ware (Chairman)

Robert Ware, aged 53, served as a director of Development Securities plc between 1988 and 1994, filling the roles of joint managing director and finance director in the latter stage of his tenure. In 1994 he left to take up the position of managing director of Dunton Group plc where he stayed until November 1996. He joined MEPC plc in June 1997 serving first as corporate development director and then as deputy chief executive between June 1997 and June 2003. He is chief executive of The Conygar Investment Company PLC, and a non-executive director of Tarsus Group plc, Raven Mount plc, Marwyn Value Investors Limited, Marwyn Value Investors II Limited and Gartmore Growth Opportunities plc. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

Martin Adams

Martin Adams, aged 49, is an independent specialist in the management and restructuring of funds and private investments principally in emerging markets. He has over 25 years' investment and banking experience in Asia and Europe. He is the Chairman of Kubera Cross-Border Fund Limited, The First Hungary Fund Limited (in liquidation), Chairman of Mekong Capital Limited, Managing Director of Vietnam Fund Management Company Limited ("VFMC") and a non-executive director of ARC Capital Holdings Limited, Metage Funds Limited, Metage Special Emerging Markets Fund Limited and Armadillo Investments Limited (in liquidation). Prior to establishing VFMC in 1991, Martin worked for the Lloyds Bank group for 10 years where he was based in the United Kingdom, the Netherlands, Portugal and Hong Kong. He has an MA in Economic Science from the University of Aberdeen.

Nicholas James

Nicholas James, aged 40, joined DTZ Debenham Tie Leung in 1991 where he trained as a chartered surveyor and worked until 1995. He then joined Rees Richards and Partners as a surveyor where he was made partner in 1998 and is responsible for Development and Investment. Nicholas currently serves on the board of a number of property development and property management companies in the UK including Westhill Property Holdings Limited. He has an MSc Property Management and Development from the University of Sheffield and is a member of the Royal Institute of Chartered Surveyors.

Richard Watson

Richard Watson, aged 45, MA Hons (Cantab), is a director of MCC Project Partners LLC, a development company, whose projects include a mixed use 9.5 million square foot scheme at the Bahrain International Circuit, creating a motorsports, automotive engineering and alternative energy centre of excellence for the Middle East and providing a business campus including its own specialist engineering university, hotels and a leisure and entertainment complex. Richard worked for King & Co in Central London from 1983 to 1986, before moving to DE&J Levy, Chartered Surveyors, where he was a partner from 1990 to 2007, responsible for its Investment Division advising clients on UK and European real estate. Richard is a Member of the Royal Institute of Chartered Surveyors.

A. Rhys Jones (Non-Independent)

Rhys Jones, aged 38, is currently co-CEO of Celtic Property Developments S.A., a Central European property developer concentrating on office and residential developments in Poland and the Balkans. Following graduation in London in Land Management, Rhys joined Associated British Ports in Cardiff. He subsequently worked for seven years for DTZ Property Consultants in various departments of the Cardiff, Newport, Prague, and the Warsaw offices, being Managing Director for Poland at the latter. In 1999 Rhys set up Celtic Asset Management Sp. Zo.o. with Andrew Shepherd. Part of the company was sold in 2002 to iOG Central Europe Sp. Zo.o., with the remaining portion being partly sold to Laxey in 2005. Celtic Asset Management was consequently amalgamated into Celtic Property Developments S.A. in October 2007. During the last five years, Rhys has also been involved in the setting up, development and in some instances sale of various operating companies including Trinity Corporate Services Sp. Zo.o., Caledonian Project Management Sp. Zo.o. Central Europe Property Management Sp. Zo.o., Savills Central Europe Sp. Zo.o., Celtic Fire Services PTY (Australia), and Gentile Wine Ltd (Bosnia Herzegovina). Rhys is a fellow of the Royal Institute of Chartered Surveyors.

Andrew Shepherd (Non-Independent)

Andrew Shepherd, aged 39, is currently co-CEO of Celtic Property Developments S.A., a Central European property developer concentrating on office and residential developments in Poland and the Balkans. Following graduation from Paisley University with a degree in Land Economics, Andrew joined Ryden Property Consultants in Glasgow. Andrew subsequently worked for three years in Glasgow before transferring to the Ryden Prague office which he managed until 1997. In 1997 Andrew joined DTZ Moscow where he stayed until 1999 before transferring to the Warsaw office of DTZ. In 1999 Andrew set up Celtic Asset Management Sp. Zo.o. with Rhys Jones. Part of the company was sold in 2002 to IOG Central Europe Sp. Zo.o., with the remaining portion being partly sold to Laxey in 2005. Celtic Asset Management was consequently amalgamated into Celtic Property Developments S.A. in October 2007. During the last five years Andrew has also been involved in the setting up, development and in some instances sale of various operating companies including Trinity Corporate Services Sp. Zo.o, Caledonian Project Management Sp. Zo.o. Central Europe Property Management Sp. Zo.o., Savills Central Europe Sp. Zo.o., Celtic Fire Services PTY (Australia), and Gentile Wine Ltd (Bosnia Herzegovina). Andrew is a member of the Royal Institute of Chartered Surveyors.

Michael Haxby (Non-Independent)

Michael Haxby, aged 35, joined Laxey Partners Ltd in February 2001 and became an executive director of Laxey in December 2001. He manages the global risk for Laxey's funds including currency hedging. He is also responsible for the coordination, integration and protection of Laxey's IT systems and the development and maintenance of fund management investment tools. Prior to joining Laxey, he worked, with the principals of Laxey, in various back office, analysis and trading roles at Regent Kingpin Capital Management and Buchanan Partners. Mr Haxby holds an Honours Degree in Accounting and Financial Management Bsc (Econ.) and passed the Investment Management Certificate (IMC) in 1996. Mr Haxby is resident in the Isle of Man.

2. The Investment Manager

The Company and Laxey have entered into the Investment Management Agreement under which the Investment Manager has been given responsibility for the day-to-day management of the Company's portfolio of assets, including the day-to-day acquisition and disposal of investments in accordance with the Company's investment objectives, policies and restrictions.

The Investment Manager is entitled to receive a monthly management fee instalment equal to one twelfth of 0.5 per cent. of the Net Asset Value. The monthly management fee shall accrue on a day-to-day basis and be payable in Sterling monthly in arrears on the first Business Day of each month based on the Net Asset Value of the previous month. The management fee shall be determined based on the Net Asset Value before any deduction is made for accrued performance fees. Subject to the closing Net Asset Value per Ordinary Share for the relevant financial year (adjusted to add back (i) the value of any dividends or other distributions paid and (ii) the aggregate value of the management fee paid, during the relevant financial year) being greater than the opening Net Asset Value per Ordinary Share for that financial year (adjusted to add back the value of any dividends or other distributions paid during the

relevant financial year), the Investment Manager is entitled to receive a further payment equal to the amount needed to put the Investment Manager in the position it would have been in had the periodic management fee instalments been paid on the basis of one twelfth of 2 per cent. of the Net Asset Value for each month on which the Net Asset Value was calculated in that financial year.

The Investment Manager is also entitled to receive a performance fee provided that, on the last valuation day in each financial year, B is greater than A where (i) A equals the higher of (a) the Net Asset Value on Admission increased by a non-compounding rate of 8 per cent. per annum for the period from Admission to the last valuation day in the financial year for which the performance fee is being calculated (the “Relevant Day”); and (b) the Adjusted Net Asset Value (being the Net Asset Value adjusted to add back the value of any dividends or other distributions paid during the financial year for which the performance fee is being calculated) on the last valuation day of the last financial year in relation to which a performance fee became payable (the “High Watermark Date”) increased by a non-compounding rate of 8 per cent. per annum for the period from the High Watermark Date to the Relevant Day (together the “Hurdle”); and (ii) B equals the Adjusted Net Asset Value on the Relevant Day. The performance fee shall be an amount equal to 20 per cent. of the excess of Adjusted Net Asset Value on the Relevant Day of the financial year of reference over the Hurdle.

In the event that on the date of payment of the performance fee the Ordinary Shares are trading at a price which is (i) equal to or greater than the last announced Net Asset Value per Ordinary Share, then 50 per cent. of the relevant performance fee shall be satisfied by the allotment to the Investment Manager of such number of Ordinary Shares as when multiplied by the last announced Net Asset Value per Ordinary Share most closely equals 50 per cent. of the relevant performance fee; or (ii) less than the last announced Net Asset Value per Ordinary Share, then the Investment Manager undertakes to use 50 per cent. of the relevant performance fee received to make market purchases of Ordinary Shares. However, in no event is the Investment Manager obliged to receive or purchase Ordinary Shares in lieu of, or using, performance fee (as the case may be) where to do so would result in the Investment Manager (i) holding more than 29.9 per cent. of the Ordinary Shares or (ii) would otherwise place it in breach of any relevant laws or regulatory requirements applicable to the Company or the Investment Manager.

The Investment Management Agreement may be terminated by either party giving to the other not less than twelve months’ notice or immediately in certain circumstances. Further details of the Investment Management Agreement are set out in paragraph 7.3 of Part 7 of this document.

The key personnel of the Investment Manager who will be responsible for managing the Company’s portfolio of investments are:

Colin Kingsnorth

Colin Kingsnorth, started his investment career in 1986 in London with Robert Fleming Asset Management, where he worked with two investment trusts, the Fleming Enterprise Investment Trust and the Fleming Technology Investment Trust. Mr Kingsnorth then became head of investment trust research at Olliff & Partners in 1988, where he developed an expertise in corporate finance and corporate restructuring and arbitrage. Whilst at Olliff & Partners he was involved in the unitisation of a number of investment trusts on behalf of clients and reorganised the capital of many more into split capital trusts. In 1991, he joined Buchanan Partners Limited where he was involved in managing the Buchanan Emerging Markets Fund. In 1985, Mr Kingsnorth (together with Mr Andrew Pegge) set up Regent Kingpin Capital Management Limited (“Kingpin”) as a joint venture with the Regent Pacific Group. Mr Kingsnorth was Chief Executive and Chief Investment Officer of Kingpin. The minority stake in Kingpin was sold to the majority holder, Regent Pacific Group, in early 1997 leading to the decision to form Laxey Partners Ltd in 1999. Laxey Partners Ltd obtained Isle of Man authorisation in January 2000. Laxey Partners Ltd has continued the activist approach and has been one of the leading activist groups in Europe. Mr Kingsnorth holds a BSc in Economics and is an associate member of the Institute of Investment Management and Research.

Preston Rabl

Preston Rabl, joined Laxey Partners in September 2004 as Chairman. He qualified as a Chartered Accountant in 1973 and joined stockbrokers Hoare Govett in 1974 where he became a limited shareholder and worked on the institutional desk. In 1980 he joined the partnership of stockbrokers of Henderson Crosthwaite where in conjunction with his institutional/corporate work he started their business in the USA. In 1985, he jointly founded WPP with Mr Martin Sorrell from which he resigned in 1987. Since then he has worked on various transactions with investment banks and private equity houses and has invested in, been a director of, or adviser to, a number of public and private companies.

Chris Agar

Chris Agar, Financial Investment Securities Head, has been with Laxey Partners since October 2007. He started his investment career in 1982, joining de Zoete and Bevan Stockbrokers as a research analyst in closed-ended funds. Moving into institutional sales in 1985, he became a Director in 1988 and was heavily involved in various corporate deals (such as Globe Investment Trust). In 1992, he moved to SG Warburg where he joined the closed-ended fund team. He held a number of roles including Head of Sales, Head of Research, Member of the Managing Committee and Chair of New Business Development. Since leaving in 2005, he has been a non-executive director of Ocean Resources Capital Holdings Plc and Chairman of Close Finsbury EuroTech Trust Plc and is currently a non-executive director of Africa Opportunity Fund Limited.

Ian Wright

Ian Wright, joined Laxey Partners in May 2004. Previously he was a manager at Deloitte where he worked for 5 years from 1999 to 2004 and qualified as a chartered accountant in 2002. His experience at Deloitte includes consulting, audit and corporate finance advisory work. From 2001 to 2004 he worked in the Deloitte Financial Markets Consultancy group on projects for the fixed income and derivatives businesses of several leading European Investment banks. Ian holds an MA from Oxford University where he was awarded a First class honours degree in Mathematics.

Rob Turner

Rob Turner, joined Laxey Partners in December 2007. Previously he was an associate director in the European Real Estate Investment Banking team at UBS, where his responsibilities included advising on equity raising and M&A in the UK and Eastern Europe. Prior to this, Rob qualified as a chartered accountant at Ernst & Young where he gained experience in corporate finance advisory and auditing within the Real Estate, Hospitality and Construction team. Rob holds an MA from Oxford University where he was awarded a 2.1 in Politics, Philosophy and Economics.

3. Corporate governance

The Company intends to comply with the corporate governance regime for listed investment companies in the UK, currently the AIC Code of corporate governance, to the extent appropriate for a Cayman Islands incorporated investment company quoted on AIM.

In accordance with the AIC Code, the Board has established an audit committee, a nomination committee, a remuneration committee and a management engagement committee, in each case with formally delegated duties and responsibilities within written terms of reference. The audit committee is chaired by Martin Adams. The committee will meet at least twice a year and will, *inter alia*, review the financial reporting process and the system of internal control and management of financial risks (including understanding the current areas of greatest financial risk and how these are managed by the Investment Manager, reviewing annual financial statements, assessing the fairness of preliminary and interim statements and disclosures and reviewing the external audit process). The committee will be responsible for overseeing the Company's relationship with the external auditors, including making recommendations to the Board on the appointment of the external auditors and their remuneration. The committee will consider the nature, scope and results of the auditors' work and reviews, and develop and implement policy on the supply of any non-audit services that are to be provided by the external auditors. It will receive and review reports from the Investment Manager and the Company's external auditors relating to the Company's annual report and accounts. The committee will focus particularly on

compliance with legal requirements, accounting standards and the AIM Rules and ensuring that an effective system of internal financial and non-financial controls is maintained. The ultimate responsibility for reviewing and approving the annual report and accounts will remain with the Board.

The nomination committee is chaired by the Chairman (as appointed from time to time) and each of the other Board members are members. The committee will meet not less than once a year and will have responsibility for considering the size, structure and composition of the Board and retirements and appointments of additional and replacement Board members and will make appropriate recommendations to the Board.

The remuneration committee is chaired by the Chairman (as appointed from time to time) and each of the other Board members are members. The committee will meet not less than once a year and will have responsibility for considering the remuneration of the other Board members. The committee will review the remuneration of the Chairman and Directors against the fees paid to directors of other specialist investment companies and investment companies of a comparable size, as well as taking account of any data published by the AIC.

A management engagement committee has also been appointed. The management engagement committee is a committee of the members of the Board who are independent of Laxey. It comprises Robert Ware, Richard Watson, Nicholas James and Martin Adams. The management engagement committee will meet once a year to supervise Laxey and its performance under the Investment Management Agreement. It will also meet on an ad hoc basis to consider investment decisions where there is a potential conflict between the Company's interests and those of Laxey or other funds it manages.

Each of the Directors has signed a letter of appointment to formalise in writing the terms of his appointment. Under the Articles one third of the Board is subject to retirement by rotation each year, such that all Directors are required to submit themselves for re-election at least every three years. Directors who have served for nine years or more will be subject to annual re-election.

The Company has adopted a code of share dealings in compliance with Rule 21 of the AIM Rules for Companies relating to Directors' dealings in the Ordinary Shares and to dealings by employees of the Investment Manager.

4. The Administrator, Prime Broker and Registrar

The Company has appointed HSBC Securities Services (Isle of Man) Limited to act, subject to the overall supervision of the Directors, as its administrator pursuant to the Administration Agreement. Further details of the Administration Agreement are set out in paragraph 7.4 of Part 7 of this document.

The Company has appointed Credit Suisse Securities (Europe) Limited to act as its prime broker and custodian pursuant to the Prime Broker Agreement. Further details of this agreement with the Prime Broker are set out in paragraph 7.5 of Part 7 of this document.

The Company has appointed Capita Registrars (Isle of Man) Limited to act as its registrar pursuant to the Registrar Agreement. Further details of this agreement with the Registrar are set out in paragraph 7.10 of Part 7 of this document.

PART 3

RISK FACTORS

Investment in the Ordinary Shares involves a high degree of risk and prospective purchasers of Ordinary Shares should carefully evaluate the factors set out below. An investment in the Company should be considered speculative and long term in nature and is suitable only for sophisticated and institutional investors who understand the risks involved including the risk of a total loss of capital.

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

1. Risks relating to the Company's business and structure

The Company is a new company with no operating history

The Company is recently incorporated and has no operating history upon which to evaluate its likely performance. The past performance of assets, investment funds or other investment companies managed by the Investment Manager or the Directors is not necessarily a guide to the future performance of the Company.

Dependence on Investment Manager and Board of the Company

The Company's ability to provide returns to Shareholders and achieve its investment objective is substantially dependent on the performance of the Investment Manager in the identification, acquisition and disposal of investments, the management of such investments and the determination of financing arrangements. The Board will have broad discretion to monitor the performance of the Investment Manager but the Investment Manager's performance cannot be guaranteed. Failure by the Investment Manager to manage investments effectively could have a material adverse effect on the Company's business, financial condition and results of operations. In addition, the Company has neither employees nor separate facilities and, as such, is reliant on the Investment Manager, which has significant discretion as to the implementation of the Company's operating policies and strategies. If the Investment Manager or the Company terminated the Investment Management Agreement there is a risk that no suitable replacement could be found or would exist.

The success of the investment programme of the Company is significantly dependent upon the ability of the Investment Manager to attract and retain suitable staff.

Life of the Company

The Company does not have a fixed life but the Board considers it desirable that Shareholders should have the opportunity to review the future of the Company at appropriate intervals. Accordingly, the Board intends at the annual general meeting of the Company in to be held in 2013 and at every fifth annual general meeting thereafter to propose an ordinary resolution that the Company continue as presently constituted. Unless Shareholders vote against this resolution, Shareholders will only be able to realise their investment by selling their Ordinary Shares or accepting any Buyback Programme proposals that may or may not be made by the Company from time to time.

Conflicts of interest

The Company may, from time to time, enter into transactions with its affiliates, but only after approval of the Board and subject to compliance with the AIM Rules for Companies. The Company may invest in opportunities at the same time as other entities that are affiliated with or managed by the Investment Manager or its affiliates are investing in those opportunities.

Subject to the Investment Management Agreement, the Investment Manager may from time to time act for other clients that have investment policies that overlap with the investment policy of the Company. There may be circumstances where investment opportunities sourced by the Investment Manager are suitable for one or more of entities advised by Laxey Partners. When such conflicts arise, it will be dealt

with in accordance with the provisions of the COB Rules, however, as the Investment Manager is not subject to the jurisdiction of the FSA and is therefore not legally obliged to comply with the COB Rules, a breach of this obligation will not result in any regulatory sanctions on the Investment Manager.

Performance fees

Part of the compensation of the Investment Manager is calculated by reference to the performance of the investments of the Company. Such compensation arrangements may create an incentive to make investments that are riskier or more speculative than would be the case if such arrangements were not in effect. Resulting losses could have a material adverse effect on the performance of the Company and returns to Shareholders. In addition, because performance-based compensation is calculated on a basis that includes unrealised appreciation on the Company's assets, such performance-based compensation may be greater than if such compensation were based solely on realised gains.

Availability of profits for distribution

Although the Company has indicated that it intends to pay an annual dividend (subject to having sufficient cash resources for that purpose), there is no guarantee that distributable profits of the Company will be sufficient to allow the payment of dividends or any share buyback under a Buyback Programme or otherwise or that, at the relevant time, the Directors will consider the payment in the best interests of the Company. The expenses and other outgoings of the Company are likely, at least in the short term, to exceed its income resulting in a reduction of the assets of the Company to the extent of that excess.

A change to Cayman Islands or Isle of Man laws could affect the Company's ability to make distributions or the Company's tax exempt status

Representations in this document concerning the taxation of investors in Ordinary Shares are based upon current tax law and practice which is subject to change. Any change to the basis on which profits could be distributed by Cayman Islands companies could have a negative impact on the Company's ability to pay dividends. Any change in the Company's tax status or in taxation legislation in the Cayman Islands or the Isle of Man could have a negative effect on the value of the investments held by and the performance of the Company.

2. Risks relating to the Company's investment policies

Activist investment strategy

The Company intends to adopt an activist approach to its investment in portfolio companies which may involve it in such activities as convening shareholder meetings, the requisition of shareholder resolutions and takeovers (including "take privates"). In implementing its investment strategy the Company will seek to only invest in portfolio companies domiciled in jurisdictions whose legal framework provides for such shareholder activities, however, subsequent changes in the law in such jurisdictions may adversely affect the Company's ability to implement such active investment strategies and its ability to generate value from its investments. There can be no assurance that the active investment strategy to be employed by the Company will be successful under all or any market conditions.

In addition, in furtherance of its investment strategy the Company may be required to hold securities for a substantial period of time before realising their anticipated value. During this period, a portion of the Company's capital would be committed to the securities purchased, thus possibly preventing the Company from investing in other opportunities. In addition, the Company may finance purchases with borrowed funds and will have to pay interest on such funds during such waiting period.

Investment in undervalued assets

The Company's investment strategy will be to invest in securities of primarily European property companies, whose security prices trade at a discount to the net asset value of their respective underlying property assets, and to enhance the value of such holdings through an activist shareholder strategy. The success of this investment strategy could be adversely affected by a general upturn in the market price of listed European property companies.

Investment in property companies

An investment in Ordinary Shares will be subject to the general and specific risks connected with investment in property companies. In particular, as all property acquisitions will be made in Europe, an investment in Ordinary Shares will be subject to the risks of owning, developing, refurbishing, managing, financing, leasing and selling real estate assets in Europe.

Any future property market recession (whether global or specific to one or more European countries or any other geographic location) could materially adversely affect the value of companies in which the Company invests and therefore the results of the Company.

Returns from property companies depend largely upon the amount of rental income generated from their underlying property assets and the expenses incurred in the construction, redevelopment, refurbishment and management of such property assets, as well as upon changes in its market value. Rental income and the market value of properties are generally affected by overall conditions in the local economy, such as growth in GDP, employment trends, inflation and changes in interest rates. Changes in GDP may also impact employment levels, which in turn may impact the demand for premises, especially for office space for commercial enterprises in the service sector. Furthermore, movements in interest rates may also affect the cost of financing for real estate companies. Both rental income and property values may also be affected by other factors specific to the real estate market, such as competition from other property owners, the perceptions of prospective tenants of the attractiveness, convenience and safety of properties, the inability to collect rents because of the bankruptcy or insolvency of tenants or otherwise, the periodic need to renovate, repair and release space and the costs thereof, the costs of maintenance and insurance, and increased operating costs.

Concentration of investments

In implementing its investment strategy the Company may hold large positions in a concentrated number of portfolio companies in which it invests. Although the Board and the Investment Manager will have regard to the need for risk diversification there is no limit on the amount of the Company's assets which may be invested in any one investment and there is no assurance that diversification will be achieved at all times and investors could potentially be exposed to a heavy concentration of investment in one or a few portfolio companies. Due to the potential concentration of the Company's portfolio a deterioration in the value of a single investment may result in the Company suffering significant losses which will have an adverse effect on the value and performance of the Company and the Ordinary Shares.

The use of leverage may increase the Company's investment risk and other risks

The Company has no leverage calculated at the date of this document, however the Company might employ a high level of structural leverage in its investment strategy. Under the terms of the Investment Management Agreement, the Investment Manager is entitled to arrange recourse borrowings on behalf of the Company up to an aggregate level of 200 per cent. of the Net Asset Value (calculated as at the time of drawdown based on the last published Net Asset Value) without further Board approval to partly finance investments or to satisfy working capital requirements.

The use of leverage creates special risks and will increase the Company's exposure to capital risk and interest costs. Any investment income and gains earned on investments made through the use of leverage that are in excess of the interest costs associated with such investments may cause the Net Asset Value and the Net Asset Value per Ordinary Share to increase more rapidly than would otherwise be the case. Conversely, where the associated interest costs are greater than such income and gains, the Net Asset Value per Ordinary Share may decrease more rapidly than would otherwise be the case. Lenders will require security to be taken over the Company's assets. Failure by the Company to meet its payment obligations under credit agreements could result in enforcement by lenders of their security interest over the Company's assets, which could have a material adverse effect on the Net Asset Value and returns to Shareholders.

The Company may take management control of investee companies

As part of the implementation of its investment strategy the Company may make takeover offers for, and therefore obtain management control of, investee companies. By taking management control of an investee company and therefore obtaining a subsidiary which is an operating company the Company will be exposed to all of the risks involved in owning and managing real estate assets including risks

associated with both the domestic and international general economic climates; local real estate conditions; risks due to dependence on cash flow; risks and operating problems arising out of the absence of certain construction materials; changes in supply of, or demand for, competing properties in an area (as a result, for instance, of over-building); the financial condition of tenants, buyers and sellers of properties; changes in availability of debt financing; energy and supply shortages; changes in the tax, real estate, environmental and zoning laws and regulations; various uninsured or uninsurable risks; natural disasters; and the ability of the Company or third-party borrowers to manage the real properties.

In this situation the Company would also incur the burdens of ownership of real property, which include the paying of expenses and taxes, maintaining such property and any improvements thereon, and ultimately disposing of such property.

Use of derivatives

The Company may utilise both exchange-traded and over-the-counter derivatives, including, but not limited to, futures, forwards, swaps, options and contracts for differences, as part of its investment strategy and for hedging purposes. These instruments can be highly volatile and expose investors to a high risk of loss. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in unquantifiable further loss exceeding any margin deposited. In addition, daily limits on price fluctuations and speculative position limits on exchanges may prevent prompt liquidation of positions resulting in potentially greater losses. Further, when used for hedging purposes there may be an imperfect correlation between these instruments and the investments or market sectors being hedged. Whilst minimising the risk of a decline in value of a hedging position, hedging positions may also limit any potential gains from an increase in value of such positions. Transactions in over-the-counter contracts may involve additional risk as there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of a position or to assess the exposure to risk. Contractual asymmetries and inefficiencies can also increase risk, such as break clauses, whereby a counterparty can terminate a transaction on the basis of a certain reduction in Net Asset Value, incorrect collateral calls or delays in collateral recovery. The Company may also sell covered and uncovered options on securities and other assets. To the extent that such options are uncovered, the Company could incur an unlimited loss. The Company will have regard to diversifying its risk across counterparties in relation to the use of such derivative products but cannot provide any assurance that such diversification will be achieved. The Company will be subject to the risk of bankruptcy of, or non-performance by, counterparties with which it enters into derivatives.

Forward foreign exchange contracts

The Company may enter into forward foreign exchange contracts. A forward foreign exchange contract is a contractually binding obligation to purchase or sell a particular currency at a specified date in the future. Forward foreign exchange contracts are not uniform as to the quantity or time at which a currency is to be delivered and are not traded on exchanges. Rather, they are individually negotiated transactions. Forward foreign exchange contracts are effected through a trading system known as the interbank market. It is not a market with a specific location but rather a network of participants electronically linked. Documentation of transactions generally consists of an exchange of telex or facsimile messages. There is no limitation as to daily price movements on this market and in exceptional circumstances there have been periods during which certain banks have refused to quote prices for forward foreign exchange contracts or have quoted prices with an unusually wide spread between the price at which the bank is prepared to buy and that at which it is prepared to sell. Transactions in forward foreign exchange contracts are not regulated by any regulatory authority nor are they guaranteed by an exchange or clearing house. The Company will be subject to the risk of the inability or refusal of the counterparties to perform with respect to such contracts. Any such default would eliminate any profit potential and compel the Company to cover its commitments for resale or repurchase, if any, at the then current market price. These events could result in significant losses to the Company.

Short sales

The Company may engage in short selling. Short selling involves selling securities which are not owned by the Company and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from declines in the value of securities. A short sale creates the risk of significant losses for the Company because the price of the underlying securities could increase without limit, thus increasing the cost of buying those securities to cover the short position. There can be no assurance that the security necessary to cover a short position will be available for purchase. Purchasing securities to close out a short position can itself cause the price of the relevant securities to rise further, thereby exacerbating the loss. Such losses could have a material adverse effect on the Company's performance and returns to Shareholders.

There is a risk that securities borrowed in connection with a short sale must be returned to the lender of such securities on short notice. If a request for the return of borrowed securities occurs at a time when other short sellers of the securities are receiving similar requests, a short squeeze can occur, and it may be necessary to replace borrowed securities previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received from originally selling the securities short.

3. General investment risks

Inability to find suitable investments

There can be no guarantee the Investment Manager will be successful in identifying and obtaining suitable investments on financially attractive terms or that the Company's investment objectives will be achieved.

The Company competes with other hedge funds and market participants (such as public or private investment funds and the proprietary desks of investment banks) for value arbitrage investment opportunities in the European property company sector. The number of such hedge funds and market participants and the scale of the assets managed by such entities is increasing. Such competitors may be substantially larger and have considerably greater financial, technical and marketing resources than is available to the Company or they may also have a lower cost of capital and access to funding sources that are not available to the Company, which may create competitive disadvantages with respect to investment opportunities.

Shareholders may be adversely affected by currency movement

The Ordinary Shares are denominated in Sterling and will be issued in Sterling. Certain of the assets may, however, be invested in securities and other investments which are denominated in currencies other than Sterling. The Company will normally enter into arrangements to hedge the value of its investments. However there is no guarantee that such arrangements will be available on favourable economic terms or at all that they will be completely effective.

General economic and market conditions

The success of the Company's activities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, trade barriers, currency exchange controls and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of the Company's investments. Volatility or illiquidity could impair the value and profitability of the Company's investments and result in losses.

Prime Broker

Under the arrangements between the Company and the Prime Broker, the Prime Broker will have rights to identify as collateral, to rehypothecate or to otherwise use for its own purposes assets held by the Company from time to time. Legal and beneficial title to such assets will therefore be transferred to the Prime Broker. The Company will have only a contractual right to the return of assets equivalent to those of the relevant assets. The Company will rank as one of the unsecured creditors of the Prime Broker. In the event of the insolvency of the Prime Broker or a breach by the Prime Broker of its obligations, the Company might not be able to recover such equivalent assets in full.

Interest rate fluctuations

The prices of securities tend to be sensitive to interest rate fluctuations. Unexpected fluctuations in interest rates could cause the corresponding prices of long positions and short positions adopted to move in directions which were not originally anticipated. In addition, interest rate increases generally increase the interest or carrying costs of investments.

Any suspension of trading on the relevant securities exchanges may expose the Company to losses

Securities' exchanges typically have the right to suspend or limit trading in any instrument traded on that exchange. Any suspension of any security of a company in which the Company invests that is listed on a securities exchange could render it impossible for the Company to liquidate positions and thereby expose the Company to losses.

4. Risk factors relating to the Ordinary Shares

AIM

Application will be made for the Ordinary Shares to be admitted to AIM, 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. An investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List of the UKLA. AIM has been in existence since June 1995 but the future success of the market, and liquidity in the market for the Company's securities, cannot be guaranteed.

Lack of liquidity of the Ordinary Shares

Although the Company has applied for the Ordinary Shares to be admitted to trading on AIM, no assurance can be given that at any time after Admission a liquid market for the Ordinary Shares will develop. Shareholders who need to dispose of their Ordinary Shares may be forced to do so at prices that do not fully reflect the Net Asset Value per Ordinary Share.

Market value of Ordinary Shares

The market value of, and the income derived from, the Ordinary Shares can fluctuate. Investors may not get back the full value of their investment. The market value of the Ordinary Shares, as well as being affected by the Net Asset Value per Ordinary Share, also takes into account the relevant dividend yield and prevailing interest rates. As such, the market value of an Ordinary Share may vary considerably from the underlying Net Asset Value per Ordinary Share. The Company does not have a fixed winding up date and therefore, unless Shareholders vote against the continued existence of the Company, Shareholders will only be able to realise their investment through the market. There can be no guarantee that the investment objective of the Company will be met.

Limited regulatory control

The holders of the Ordinary Shares will not enjoy any protections or rights other than those reflected in the Articles and those rights conferred by law and by the AIM Rules for Companies.

Shareholders will not be entitled to the takeover offer protections provided by the City Code

The City Code applies, *inter alia*, to offers for all listed public companies considered by the Panel on Takeovers and Mergers to be resident in the United Kingdom, the Channel Islands or the Isle of Man. However, the Panel on Takeovers and Mergers will normally consider a company resident in the United Kingdom, the Channel Islands or the Isle of Man only if it is incorporated in one of those jurisdictions and has its place of central management in one of those jurisdictions. As the Company is incorporated in the Cayman Islands the Panel on Takeovers and Mergers would decline to apply the City Code to the Company with the result that Shareholders will not receive the benefit of the takeover offer protections provided by the City Code.

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

The Company may issue additional Ordinary Shares. The Company is not required under Cayman Islands law to offer any such Ordinary Shares to existing Shareholders on a pre-emptive basis, however, the Articles contain provisions granting pre-emption rights to existing Shareholders in relation to the

issue of new Ordinary Shares subject to certain disapplications including a general power granted to the Board to issue new Ordinary Shares for cash consideration otherwise than on a pre-emptive basis up to an amount equal to 10 per cent. of the Enlarged Share Capital (further details of the Articles and these disapplications are set out in paragraph 4 of Part 7 of this document).

Therefore, it may not always be possible for existing Shareholders to participate in future issues of Ordinary Shares, which would dilute the existing Shareholders' interests in the Company. The issue of additional Ordinary Shares by the Company, or the possibility of such issue, may cause the market price of the Ordinary Shares to decline. However, the Directors have undertaken that they will not exercise their authority to issue further Ordinary Shares at a subscription price that is less than the last announced Net Asset Value per Ordinary Share (on the date such subscription price is determined) without Shareholder approval.

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

PART 4

OTHER INFORMATION

1. Annual expenses

Formation and initial expenses

The formation and initial expenses of the Company are those that are necessary for the incorporation and organisation of the Company and in order to effect the Placing. Such expenses will include fees payable to Fairfax or other promoters in connection with the Placing and Admission fees, printing, advertising and distribution costs, legal and accounting fees and any other related expenses. These expenses will be met by the Company out of the proceeds of the Placing and will be paid on or after Admission. The Directors do not anticipate that these formation and initial expenses will exceed 2.5 per cent. of the gross proceeds of the Placing.

Ongoing and annual expenses

The Company will also incur ongoing and annual expenses. These expenses will include, among others, the fees payable to the Investment Manager and the Directors. Each Director will initially be paid a fee of £35,000 per annum (with the exception of the Chairman who shall receive £65,000 per annum) and certain other fees in connection with their membership on the Company's committees plus re-imbusement for out-of-pocket expenses. Michael Haxby has agreed to waive his Directors' fees for so long as he is associated with the Investment Manager. Other ongoing operational expenses of the Company include, among others, interest payments, bank fees, regulatory fees, legal fees, acquisition and disposal fees (where the service is provided by someone other than the Investment Manager) insurance costs, audit fees and other applicable expenses. It is estimated that the total expenses of the Company for the period ending 31 March 2009 (excluding the initial expenses of the Company, performance fees payable and costs associated with investments) are not expected to exceed 3 per cent. per annum of the Net Asset Value, annualised over this period.

2. Accounting policy

The unaudited and audited accounts of the Company will be prepared under IFRS.

3. Reports and accounts

The Company's annual report and accounts will be prepared up to 31 March each year with the first accounting period of the Company ending on 31 March 2009. The first annual report and accounts will be despatched to Shareholders by 30 September 2009. Thereafter, the report and accounts covering the period ended 31 March each year, will be despatched within six months of that date. The first unaudited interim report covering the 6 month period ended 30 September 2008 will be despatched to Shareholders by 30 November. Thereafter, Shareholders will receive an unaudited interim report covering the six month period ended 30 September each year, which will be despatched within 4 months of that date.

4. Meetings

It is intended that general meetings of the Company may be held in locations situated outside of the United Kingdom. The Company will hold an annual general meeting each year.

5. Valuation policy and reporting

The Net Asset Value per Ordinary Share, expressed in Sterling, will be determined by the Administrator and will be published weekly. In all cases, the Net Asset Value per Ordinary Share will be determined by dividing the Net Asset Value on the Valuation Date by the total number of Ordinary Shares outstanding at that date.

The Gross Asset Value shall be calculated by aggregating the value of the securities owned or unconditionally and irrevocably contracted for by the Company with the value of the other assets of the Company. The Net Asset Value shall be calculated by deducting from the Gross Asset Value the liabilities of the Company (which shall, where appropriate, be deemed to accrue from day to day).

In the event the Company acquires a controlling shareholding in an investment, it will continue to value this investment at fair market value for the purposes of calculating the Net Asset Value on each Valuation Day. For the purposes of preparing audited financial statements under IFRS the holding will be consolidated into the Company's results.

The assets of the Company will be valued in accordance with IAS 39 as follows:

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

In calculating the Net Asset Value and Net Asset Value per Ordinary Share, the Administrator may rely upon such automatic pricing services as it shall determine or, if so instructed by the Company it may use information provided by particular pricing services, brokers, market makers or other intermediaries. In such circumstances, the Administrator shall not, in the absence of fraud, negligence or wilful default on the part of the Administrator (or an affiliate), be liable for any loss suffered by the Company or any Shareholder by reason of any error in the calculation of the Net Asset Value and Net Asset Value per Ordinary Share resulting from any inaccuracy in the information provided by any such pricing service, broker, market maker or other intermediary. Furthermore, in calculating the Net Asset Value and Net Asset Value per Ordinary Share, the Administrator shall use reasonable endeavours to verify pricing information supplied by the Investment Manager or any connected person, but investors should note that in certain circumstances it may not be possible or practicable for the Administrator to verify such information. In such circumstances, the Administrator shall not be liable for any loss suffered by the Company or any Shareholder by reason of any error in the calculation of the Net Asset Value and Net Asset Value per Ordinary Share resulting from any inaccuracy in the information provided by any such person.

Pursuant to the terms of the Administration Agreement, the Administrator will not, in the absence of fraud, negligence or wilful default, be liable to the Company or to any Shareholder for any act or omission in the course of or in connection with the discharge by the Administrator of its duties. The Company has agreed to indemnify the Administrator or any persons appointed by it from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever (other than those resulting from the fraud, negligence or wilful default on the part of the Administrator or an affiliate) which may be imposed on, incurred by or asserted against the Administrator in performing its obligations or duties under the Administration Agreement.

To the extent feasible, investment income including interest receivable and dividend income, interest payable, fees and other liabilities (including taxes and management fees) will be accrued monthly.

The Net Asset Value per Ordinary Share will be published weekly through a Regulatory Information Service to the London Stock Exchange. It is expected that the first Net Asset Value per Ordinary Share following Admission will be calculated as at 29 February 2008. Valuations will be suspended in circumstances where the underlying data necessary to value an investment cannot readily, or without undue expenditure, be obtained. Such suspensions will be communicated to investors via a Regulatory Information Service.

6. Taxation

Information concerning the tax status of the Company in the UK, the Isle of Man and as a Cayman Islands incorporated exempted company and the taxation of certain Shareholders is contained in Part 6 of this document. If any potential investor is in any doubt about the tax consequences of acquiring, holding or disposing of Ordinary Shares, he or she should seek advice from his or her own independent professional adviser.

7. Lock-in arrangements

Each of the Directors (and related parties) has agreed not to dispose of any interest in Ordinary Shares for a period of one year following Admission except in certain restricted circumstances in accordance with Rule 7 of the AIM Rules for Companies. Details of these lock-in arrangements are set out in paragraph 7.8 of Part 7 of this document.

8. Admission, settlement and dealings

Application has been made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings will commence on AIM on 25 February 2008. The Ordinary Shares will be in registered form and the Registrar will be responsible for the maintenance of the Shareholders register.

CREST is a paperless settlement system procedure enabling securities (including depositary interests) to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. Shares of certain non-UK companies, such as the Company, cannot be held and transferred directly into the CREST system. Shareholders who wish to hold and transfer Ordinary Shares in uncertificated form may do so pursuant to a Depositary Interest arrangement to be established by the Company.

The Ordinary Shares will not themselves be admitted to CREST. Instead the Depositary will issue Depositary Interests in respect of the Ordinary Shares. The Depositary Interests will be independent securities constituted under English law that may be held and transferred through the CREST system.

The Depositary Interests will have the same security code (ISIN) as the underlying Ordinary Shares. The Depositary Interests will be created and issued pursuant to a deed poll entered into by the Depositary on 14 February 2008, which will govern the relationship between the Depositary and the holders of the Depositary Interests. Ordinary Shares represented by Depositary Interests will be held on bare trust for the holders of the Depositary Interests.

To the fullest extent permitted by Cayman Islands law, each Depositary Interest will be treated as one Ordinary Share for the purposes of determining eligibility for dividends, issues of bonus stock and voting entitlements. In respect of dividends, the Company will put the Depositary in funds for the payment and the Depositary will transfer the money to the holders of the Depositary Interests. In respect of any bonus stock, the Company will allot any bonus stock to the Depositary and will issue such bonus stock to the holder of the Depositary Interest (or as such holder may have directed) in registered form. In respect of voting, the Depositary will cast votes in respect of the Ordinary Shares as directed by the holders of the Depositary Interests which the relevant Ordinary Shares represent. Application has been made for the Depositary Interests in respect of the underlying Ordinary Shares to be admitted to CREST with effect from Admission.

Further information regarding the depositary arrangement and the holding of Ordinary Shares in the form of Depositary Interests is set out in paragraph 11 of Part 7 of this document and is available from the Depositary. The Depositary may be contacted at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

The Company has also arranged for the Ordinary Shares to be admitted to Euroclear with effect from Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the Euroclear system if the relevant Shareholder so wishes. Euroclear is a paperless settlement procedure that allows securities to be evidenced without a certificate and transferred otherwise than by written instrument. A Shareholder who wishes to hold and settle their Ordinary Shares through the Euroclear system should contact the Registrar.

CREST is a voluntary system and holders of Ordinary Shares wishing to retain their holdings in certificated form or in uncertificated form in Euroclear will be able to do so.

Shareholders intending to use the Euroclear system should be aware that Euroclear as a general policy no longer offers a proxy service for company meetings of investment companies (except those registered in Ireland or Luxembourg) that are held with them as custodian (although they may agree to do so on a case by case basis) and this would include the Company. A failure by Euroclear to offer a proxy service in relation to Ordinary Shares deposited within the system could restrict or prohibit a Shareholder's ability to exercise the votes attaching to such Ordinary Shares and to receive Shareholder notifications and correspondence from the Company.

Investors intending to utilise the Depositary Interest facility should be aware that transfers of Depositary Interests within CREST will be subject to UK stamp duty reserve tax at the rate of 0.5 per cent. of the amount or value of the consideration paid. No such tax is payable on transfers made via the Euroclear system.

Shareholders should note that under the terms of the Articles upon transfer of an Ordinary Share held in uncertificated form the transferee of such Ordinary Share shall be deemed to have represented and warranted to the Company that such transferee is not a Benefit Plan Investor and no portion of the assets used by such transferee to acquire or hold an interest in such Share constitutes or will constitute "plan assets".

PART 5

FINANCIAL INFORMATION ON THE COMPANY

SECTION A: HISTORICAL FINANCIAL INFORMATION ON THE COMPANY

1. Accounting Policy

The financial information has been prepared under the historical cost convention and in accordance with International Financial Reporting Standards.

2. Balance Sheet as at 31 January 2008

	<i>Notes</i>	<i>As at 31 January 2008 £</i>
<i>Current Assets</i>		
Due from shareholders		0.01
Net current assets		<u>0.01</u>
<i>Capital and reserves</i>		
Called up share capital	3.2	<u>0.01</u>
Equity shareholders funds		<u>0.01</u>

3. Notes

3.1 The Company was incorporated with limited liability and registered in the Cayman Islands as an exempted company under the Companies Laws on 21 December 2007. The Company has not traded since incorporation, no audited financial statements have been made up and no dividends have been declared or paid since the date of incorporation.

3.2 Called up share capital

	<i>Number</i>	<i>£</i>
<i>Authorised</i>		
Ordinary shares of £0.01 each	1,000,000,000	10,000,000
<i>Allotted and called up</i>		
Ordinary shares of £0.01 each	1	0.01

The Company was incorporated with an authorised share capital of US\$50,000 divided into 5,000,000 Ordinary Shares of US\$0.01 each, of which one subscriber share was issued to the subscriber to the Company's Memorandum of Association. On 22 January 2008 the authorised and issued share capital was converted into pounds sterling and the authorised share capital increased to £10,000,000 divided into 1,000,000,000 Ordinary Shares of £0.01 each. Subject to Admission, the issued subscriber share will be repurchased by the Company at par value and cancelled.

SECTION B: ACCOUNTANTS' REPORT ON THE COMPANY

The Directors
Terra Catalyst Fund
Clifton House
75 Ford Street
PO Box 1350
Grand Cayman, KY1-1108
Cayman Islands

19 February 2008

Dear Sirs

Terra Catalyst Fund (the 'Company')

We report on the financial information set out in Part 5 Section A. This financial information has been prepared for inclusion in the AIM Admission Document dated 19 February 2008 of Terra Catalyst Fund on the basis of the accounting policies set out in paragraph 1. This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in paragraph 1 to the financial information and in accordance with International Financial Reporting Standards.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies.

Basis of opinion

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

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

Opinion

In our opinion, the financial information gives, for the purposes of the AIM Admission Document dated 19 February 2008, a true and fair view of the state of affairs of Terra Catalyst Fund as at the dates stated in accordance with the basis of preparation set out in paragraph 1 and in accordance with International Financial Reporting Standards as described in paragraph 1.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the AIM Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

KPMG Audit LLC

PART 6

TAXATION

The information below, which is not exhaustive and which relates only to Cayman Islands, Isle of Man and United Kingdom 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. The information does not deal with certain classes of persons, such as dealers in securities. 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 require more detailed information than the general outline below, you should consult your own professional adviser without delay.

1. Cayman Islands

The government of the Cayman Islands will not, under existing legislation, impose any income, corporate or capital gains tax, estate duty, inheritance tax, gift tax or withholding tax upon the Company or the Shareholders. The Cayman Islands are not party to any double taxation treaties. The Company has applied for and can expect to receive an undertaking from the Governor-in-Cabinet of the Cayman Islands that, in accordance with section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, for a period of 20 years from the date of the undertaking, no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable (i) on the shares, debentures or other obligations of the Company or (ii) by way of the withholding in whole or in part of a payment of dividend or other distribution of income or capital by the Company to its members or a payment of principal or interest or other sums due under a debenture or other obligation of the Company. Currently no stamp duty will be levied in the Cayman Islands on the issue or transfer of the Ordinary Shares. The only government charge payable by the Company in the Cayman Islands is an annual charge to be calculated on the nominal value of the authorised share capital of the Company. At current rates, this will not exceed \$2,400 in any one year.

2. Isle of Man

It is intended that the affairs of the Company will be managed in such a way that the place of central management of the Company will be the Isle of Man. Consequently, it is likely that the Company will be resident in the Isle of Man for taxation purposes.

On the basis that the Company is regarded as resident in the Isle of Man, it will be liable to Manx income tax at the standard rate for companies of zero per cent. (A higher 10 per cent. corporate tax rate applies to certain income sources, principally income from Isle of Man land and property and certain banking income, but the Company is not expected to be in receipt of income from such sources).

The Isle of Man also introduced, with effect from 6 April 2006, a Distributable Profits Charge regime (the "DPC"). The effect of this regime, where it applies, is to impose a charge (at 18 per cent.) based on that proportion of a company's profits that are attributable to Isle of Man resident shareholders. However, as the Company's shares will be admitted to trading on AIM, it will fall outside the scope of the DPC. The Isle of Man has recently announced that the DPC regime is to be repealed and replaced with the Attribution Regime for Individuals ("ARI"). The ARI will not apply to shareholders in the Company as the Company will be quoted on AIM.

The Company will not be required to withhold tax from the payment of dividends to Shareholders (wherever resident).

Shareholders resident in the Isle of Man will, depending upon their particular circumstances, be liable to Manx income tax on dividends received from the Company.

Shareholders resident outside the Isle of Man will have no liability to Manx income tax on dividends received from the Company.

There is no capital gains tax, inheritance tax, stamp duty or SDRT in the Isle of Man. A probate fee may be payable in respect of the estate of a deceased Shareholder, up to a current maximum of £576.

3. United Kingdom

3.1 *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 tax on its income or capital gains.

3.2 *United Kingdom Resident Shareholders*

(a) *Taxation of dividends*

Shareholders who are resident in the United Kingdom will, depending upon their circumstances, be liable to UK income tax or corporation tax on dividends paid by the Company.

(b) *Taxation of capital gains*

The Company is not at the date of this document an offshore fund for the purposes of Sections 756A to 764 Income and Corporation Taxes Act 1988. Consequently, depending upon their circumstances, Shareholders who are resident (or in the case of individuals, ordinarily resident) in the United Kingdom for taxation purposes may be subject to capital gains tax (or in the case of a corporate shareholder, corporation tax on capital gains) in respect of any gain arising on a disposal of their Ordinary Shares.

In the Chancellor's 2007 Pre Budget Report a reform of the United Kingdom's capital gains tax regime was announced. If these reforms are implemented as announced, then from 6 April 2008 onwards any disposal of Ordinary Shares by investors who are individuals will be subject to a flat rate of capital gains tax of 18 per cent.

Investors should note that in October 2007 the UK Government issued proposals for a reform of the tax regime for offshore funds. It is not expected that the Company will be regarded as an offshore fund under the new regime. However, it should be noted that the legislation implementing these proposed changes has not yet been published.

(c) *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 executed outside of the United Kingdom. Transfers of Depositary Interests within CREST will be subject to stamp duty reserve tax at the rate of 0.5 per cent. of the amount or value of the consideration paid.

(d) *Transfer of Assets Abroad*

The attention of individuals ordinarily resident in the UK is drawn to the provisions of Chapter 2 of Part 13 of the Income Tax Act 2007 which may render such individuals liable to tax in respect of the undistributed profits of the Company.

(e) *Controlled Foreign Companies Legislation*

A UK resident corporate shareholder who, together with connected or associated persons, is entitled to at least 25 per cent of the share capital of the Company should note the provisions of the controlled foreign companies legislation contained in sections 747 to 756 of the Income and Corporation Taxes Act 1988.

(f) *Section 13 Taxation of Chargeable Gains Act 1992 (“TCGA”)*

The attention of investors resident or ordinarily resident 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.

4. Other jurisdictions

Prospective purchasers of Ordinary Shares that are resident in jurisdictions other than the Cayman Islands, the Isle of Man and the United Kingdom 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 should consult his professional advisers.**

PART 7

ADDITIONAL INFORMATION

1. Responsibility

The Directors, whose names appear on page 6 of this document, accept responsibility for all the information contained in this document including individual and collective responsibility for compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Company

- 2.1 The Company was incorporated with limited liability and registered in the Cayman Islands as an exempted company under the Companies Law on 21 December 2007 with registered number HL-201883 under the name Terra Catalyst Fund.
- 2.2 The Company operates under the Companies Law.
- 2.3 The Company's main activity is that of an investment company. As a closed-ended investment company, the Company is not regulated as a mutual fund in the Cayman Islands and is not otherwise subject to regulatory review in its place of incorporation. As a company whose Ordinary Shares will be admitted to trading on AIM, the Company will be subject to the AIM Rules for Companies from Admission.
- 2.4 The registered office of the Company is at Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman, Cayman Islands (telephone number +1 345 949 4900). The statutory books of the Company are kept at its registered office.
- 2.5 The liability of the Shareholders of the Company is limited.
- 2.6 Save for its entry into the material contracts summarised in paragraph 7 of this Part 7 since its incorporation, the Company has not carried on business and, other than the financial information set out in this document, no accounts of the Company have been made up.

3. Share capital

- 3.1 The Company's capital structure comprises a single class of Ordinary Shares which will be admitted to trading on AIM. The authorised share capital and issued share capital of the Company (i) as at the date of this document and (ii) as it will be immediately following Admission (all of which will be fully paid-up) is set out below:

	<i>Authorised number of Ordinary Shares</i>	<i>Nominal Value</i>	<i>Issued number of Ordinary Shares</i>	<i>Nominal Value</i>
(i)	1,000,000,000	£10,000,000	1	£0.01
(ii)	1,000,000,000	£10,000,000	116,300,000	£1,163,000

- 3.2 The Ordinary Shares have been created pursuant to the Companies Law. The Company was incorporated with an authorised share capital of US\$50,000 divided into 5,000,000 ordinary shares of US\$0.01 each, of which one subscriber share was issued to the subscriber to the Company's Memorandum of Association. On 22 January 2008 the authorised and issued share capital was converted into pounds sterling and the authorised share capital increased to £10,000,000 divided into 1,000,000,000 Ordinary Shares of £0.01 each. Subject to Admission, the issued subscriber share will be repurchased by the Company at par value and cancelled.
- 3.3 On 19 February 2008, the Placing Shares were allotted by resolution of a duly convened committee of the Board conditionally upon Admission.

- 3.4 By way of a written resolution of the subscriber Shareholder dated 22 January 2008, the pre-emption rights contained in article 3 of the Articles were disapplied in respect of the allotment, following Admission, of such number of Ordinary Shares as represents 10 per cent. of the Enlarged Share Capital.
- 3.5 Save as referred to in paragraph 12 of Part 1 and paragraphs 3.2, 3.3 and 7.3 of this Part 7 and, 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.
- 3.6 No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 3.7 Any unallotted Ordinary Shares will remain authorised but unissued.

4. Constitution of the Company

4.1 Memorandum of association

The Memorandum of Association of the Company provides that the objects of the Company are unrestricted and the Company shall have full power to carry out any object not prohibited by the Companies Law. The Companies Law does not prohibit the Company from acting as an investment company.

4.2 Articles of association

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

4.2.1 Voting rights

Subject to any rights or restrictions attached to any shares on a poll every Shareholder who (being an individual) is present in person or by proxy or, if a corporation or other non-natural person is present by its duly authorised representative, shall have one vote for every Share of which he is the holder.

4.2.2 Dividends

- (i) Subject to the Companies Law and this paragraph 4.2.2, the Directors may declare dividends and distributions on shares in issue and authorise payment of the dividends or distributions out of the funds of the Company lawfully available therefor. No dividend or distribution shall be paid except out of the realised or unrealised profits of the Company, or out of the share premium account or as otherwise permitted by the Companies Law. There is no fixed dates on which the entitlement to dividends arises. All dividend payments shall be non-cumulative.
- (ii) Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the par value of the shares that a Shareholder holds. If any Share is issued on terms providing that it shall rank for dividend as from a particular date, that Share shall rank for dividend accordingly.
- (iii) The Directors may deduct from any dividend or distribution payable to any Shareholder all sums of money (if any) then payable by him to the Company on account of calls or otherwise.
- (iv) The Directors may declare that any dividend or distribution be paid wholly or partly by the distribution of specific assets and in particular of shares, debentures, or securities of any other company or in any one or more of such ways and where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient and may determine that cash payments shall be made to any Shareholders upon the basis of the value so fixed in order to adjust the rights of all Shareholders and may vest any such specific assets in trustees as may seem expedient to the Directors.
- (v) Any dividend, distribution, interest or other monies payable in cash in respect of shares may be paid by wire transfer to the holder or by cheque or warrant sent through by post directed to the registered address of the holder or, in the case of joint holders, to the registered

address of the holder who is first named on the Register of Shareholders or to such person and to such address as such holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any dividends, bonuses, or other monies payable in respect of the share held by them as joint holders.

- (vi) No dividend or distribution shall bear interest against the Company.
- (vii) Any dividend which cannot be paid to a Shareholder and/or which remains unclaimed after six months from the date of declaration of such dividend may, in the discretion of the Directors, be paid into a separate account in the Company's name, provided that the Company shall not be constituted as a trustee in respect of that account and the dividend shall remain as a debt due to the Shareholder. Any dividend which remains unclaimed after a period of six years from the date of declaration of such dividend shall be forfeited and shall revert to the Company.

4.2.3 *Winding-up*

- (i) If the Company shall be wound up, and the assets available for distribution amongst the Shareholders shall be insufficient to repay the whole of the share capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the Shareholders in proportion to the par value of the shares held by them. If in a winding up the assets available for distribution amongst the Shareholders shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed amongst the Shareholders in proportion to the par value of the shares held by them at the commencement of the winding up subject to a deduction from those shares in respect of which there are monies due, of all monies payable to the Company for unpaid calls or otherwise. This paragraph (i) is without prejudice to the rights of the holders of shares issued upon special terms and conditions.
- (ii) If the Company shall be wound up the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the Shareholders in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may for that purpose value any assets and determine how the division shall be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the Shareholders as the liquidator, with the like sanction, shall think fit, but so that no Shareholder shall be compelled to accept any asset upon which there is a liability.

4.2.4 *Transfers*

- (i) Shares are freely transferable subject as hereinafter provided. The Directors may, in their absolute discretion, decline to register any transfer of a share (not being a fully-paid share), provided that such discretion may not be exercised in such a way as to prevent dealings in the shares from taking place on an open and proper basis and subject to the AIM Rules for Companies. The Directors may also decline to register the transfer of any shares in respect of which the Company has a lien. Shares are not transferable to natural persons under the age of 18. The Directors shall not exercise such discretion if to do so would cause a contravention of any applicable Euroclear or CREST rule or regulation.
- (ii) In relation to a certificated transfer of Shares by a United States Person (a "Certificated US Share") the Directors may make such transfers subject to such purchaser certification requirements as the Directors in their absolute discretion deem appropriate or necessary to ensure compliance by the Company with any United States acts and regulations as may be applicable to the Company or its Shareholders from time to time. Where the purchaser of a Certificated US Share is unable, or fails to, comply with any such purchaser certification requirements the Directors may, in their absolute discretion, decline to register the transfer of such Certificated US Share.

- (iii) If at any time the holding or beneficial ownership of any shares in the Company by any person (whether on its own or taken with other shares), in the opinion of the Directors (a) would cause the assets of the Company to be treated as “plan assets” of any Benefit Plan Investor under Section 3(42) of ERISA; (b) may give rise to a breach of any applicable law or requirement in any jurisdiction; (c) would or might result in the Company and/or its shares being required to register or qualify under the United States Investment Company Act 1940 and/or the Securities Act and/or the United States Securities Exchange Act 1934 and/or the local “Blue Sky Laws” of any State of the United States; or (d) contravene the criteria for eligibility for investing in the Company determined by the Directors from time to time, then any shares which the Directors decide are shares which are so held or beneficially owned (“Prohibited Shares”) must be dealt with in accordance with paragraph (iv) 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.
- (iv) 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 for such a transfer or a transfer arranged by the Directors as referred to below, the share will not confer any right on the holder to receive notice of or to attend and vote at a general meetings of the Company and of any class of shareholders) and those rights will vest in the Chairman of any such meeting, who may exercise or refrain from exercising them entirely at his discretion). If the notice is not complied with within 21 days to the satisfaction of the Directors, the Directors shall arrange for the Company to sell the share at the best price reasonably obtainable to any other person so that the share will cease to be a Prohibited Share. The net proceeds of sale (with interest at such rate as the Directors consider appropriate) shall be paid over by the Company to the former holder upon surrender by him of the relevant share certificate (if applicable).
- (v) Upon transfer of a share held in uncertificated form the transferee of such share shall be deemed to have represented and warranted to the Company that such transferee is not a Benefit Plan Investor and no portion of the assets used by such transferee to acquire or hold an interest in such Share constitutes or will be treated as “plan assets” of any Benefit Plan Investor under Section 3(42) of ERISA.
- (vi) The instrument of transfer of any share held in certificated form shall be in any usual or common form for use in the Cayman Islands or in any other form approved by the Directors and shall be executed by or on behalf of the transferor (and, in the case of a transfer of any share that is nil-paid or partly-paid, signed by the transferee). The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the Register of Shareholders.

4.2.5 ERISA ownership limitations

- (i) General

At no time shall 25 per cent. or more of the value of any class of shares of the Company be held by Benefit Plan Investors (the “ERISA Ownership Limitation”). If as a result of any acquisition of shares of the Company by any Benefit Plan Investors the ERISA Ownership Limitation would be breached, (a) the shares of the Company acquired by such Benefit Plan Investors which would cause the ERISA Ownership Limitation to be breached shall be deemed to be “Shares-in-Trust” to prevent the assets of the Company from being treated as “plan assets” of a Benefit Plan Investor under Section 3(42) of ERISA; (b) such shares of the Company shall be transferred automatically to a Trust (as described below); and (iii) the Benefit Plan Investors purportedly owning such Shares-in-Trust shall submit such shares of the Company for registration in the name of the Trust. Such transfer to a Trust and the designation of shares of the Company as

Shares-in-Trust shall be effective as of the time of purported registration of the transfer that would otherwise have caused the assets of the Company to be treated as “plan assets” of a Benefit Plan Investor under Section 3(42) of ERISA.

(ii) Transfers to Persons that are not Benefit Plan Investors

During the period prior to the discovery of the existence of the Trust, any transfer of shares of the Company by a Benefit Plan Investor to a person that is not a Benefit Plan Investor shall reduce the number of Shares-in-Trust on a one-for-one basis, and to that extent such shares of the Company shall cease to be designated as Shares-in-Trust. After the discovery of the existence of the Trust, but prior to the transfer of all discovered Shares-in-Trust and/or the submission of all discovered Shares-in-Trust for registration in the name of the Trust, any transfer of shares of the Company by a Benefit Plan Investor to a person that is not a Benefit Plan Investor shall reduce the number of Shares-in-Trust on a one-for-one basis, and to that extent such shares of the Company shall cease to be designated as Shares-in-Trust.

(iii) Transfer of Shares-in-Trust

(a) *Ownership in Trust* – Upon any purported transfer or other event that would result in a transfer of shares of the Company to a Trust, such shares of the Company shall be deemed to have been transferred (for a liquidated outstanding consideration (the “Liquidated Consideration” defined and calculated in accordance with paragraph (b) below)) to a Trustee as trustee of such Trust for the exclusive benefit of one or more Charitable Beneficiaries. Such transfer to the Trustee shall be deemed to be effective as of the time of purported registration of the transfer or other event that results in the transfer to the Trust. The Trustee shall be appointed by the Directors and shall be a person unaffiliated with the Company. Each Charitable Beneficiary shall be designated by the Company as provided below.

(b) *Status of shares of the Company held by the Trustee* – shares of the Company held by the Trustee shall be issued and outstanding shares of the Company. The prohibited owner shall have no rights in the shares of the Company held by the Trustee but shall be entitled to receive from the Trustee payment of the Liquidated Consideration (as defined below). The prohibited owner shall not benefit economically from ownership of any shares of the Company held in trust by the Trustee, shall have no rights to any distributions and shall not possess any rights to vote or other rights attributable to the shares of the Company held in the Trust.

(c) *Distributions and voting rights* – The Trustee shall have all voting rights and rights to distributions with respect to shares of the Company held in the Trust, which rights shall be exercised for the exclusive benefit of the Charitable Beneficiary. Any distribution paid prior to the discovery by the Directors that the shares of the Company have been transferred to the Trustee shall be paid by the recipient of such distribution to the Trustee upon demand and any distribution authorized but unpaid shall be paid when due to the Trustee. Any distribution so paid to the Trustee shall be held in trust for the Charitable Beneficiary. The prohibited owner shall have no consent rights with respect to shares of the Company held in the Trust and, effective as of the date that the shares of the Company have been transferred to the Trustee, the Trustee shall have the authority (at the Trustee’s sole discretion) (i) to rescind as void any vote cast by a prohibited owner prior to the discovery by the Directors that the shares of the Company have been transferred to the Trustee and (ii) to recast such vote in accordance with the desires of the Trustee acting for the benefit of the Charitable Beneficiary, provided that if the Company has already taken irreversible action, then the Trustee shall not have the authority to rescind and recast such vote. Notwithstanding the foregoing, until the Directors have received notification that shares of the Company have been transferred into a Trust, the Directors shall be

entitled to rely on its register of members and other Company records for purposes of preparing lists of members of the Company entitled to vote at general meetings and determining the validity and authority of proxies.

- (d) *Sale of shares of the Company by Trustee* – Within 20 days of receiving notice from the Directors that shares of the Company have been transferred to the Trust, the Trustee of the Trust shall sell the shares of the Company held in the Trust to a person, designated by the Trustee, whose ownership of the shares of the Company will not violate the ownership limitations set forth herein. In the event that the Trustee cannot, for whatsoever reason, sell the shares of the Company within such time period the Trustee shall use reasonable endeavours to sell such shares of the Company as soon as reasonably practicable. Upon such sale, the interest of the Charitable Beneficiary in the shares of the Company sold shall terminate and the Trustee shall distribute the net proceeds of the sale to the prohibited owner and to the Charitable Beneficiary as provided herein. The prohibited owner shall receive the lesser of (1) the price paid by the prohibited owner for the shares of the Company or, if the prohibited owner did not give value for the shares of the Company in connection with the event causing the shares of the Company to be held in the Trust (e.g., in the case of a gift, devise or other such transaction), the closing mid-market price of the shares of the Company as quoted in the AIM appendix to the Daily Official List of the London Stock Exchange on the day of the event causing the shares of the Company to be held in the Trust and (2) the price per share received by the Trustee from the sale or other disposition of the shares of the Company held in the Trust (the “Liquidated Consideration”). Any net sales proceeds in excess of the Liquidated Consideration amount payable to the prohibited owner shall be immediately paid to the Charitable Beneficiary. If, prior to the discovery by the Directors that shares of the Company have been transferred to the Trustee, such shares of the Company are sold by a prohibited owner, then (i) such shares of the Company shall be deemed to have been sold on behalf of the Trust and (ii) to the extent that the prohibited owner received an amount for such shares of the Company that exceeds the Liquidated Consideration amount that such prohibited owner was entitled to receive hereunder, such excess shall be paid to the Trustee upon demand.
- (e) *Designation of charitable beneficiaries* – By written notice to the Trustee, the Directors shall designate one or more non-profit organisations to be the Charitable Beneficiary of the interest in the Trust such that (1) the shares of the Company held in the Trust would not violate the restrictions set forth herein in the hands of such Charitable Beneficiary and (2) each such organisation must be described in Section 501(c)(3) of the Code and contributions to each such organisation must be eligible for deduction under each of Sections 170(b)(1)(A), 2055 and 2522 of the Code .
- (f) *Termination* – The provision of this paragraph 4.2.5 shall cease to apply and any Shares-in-Trust will cease to be designated as Shares-in-Trust and will be returned, automatically, to their purported owners, if at any time as those shares of the Company qualify as a class of “publicly-offered securities” within the meaning of ERISA.

4.2.6 *Variation of share capital*

The Company may by Ordinary Resolution:

- (i) increase the share capital by such sum as the resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as the Company in general meeting may determine;
- (ii) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

- (iii) by subdivision of its existing shares or any of them divide the whole or any part of its share capital into shares of smaller amount than is fixed by the Memorandum of Association or into shares without par value; and
- (iv) cancel any shares that at the date of the passing of the resolution have not been taken or agreed to be taken by any person.

4.2.7 *Variation of rights*

If at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound-up, be varied with the consent in writing of the holders of at least three-quarters in par value of the issued shares of that class, or with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class.

4.2.8 *General meetings*

- (i) The Company shall, in each year hold an annual general meeting within six months beginning with the day following its accounting reference date, and shall specify the meeting as such in the notice calling it.
- (ii) The Directors may call extraordinary general meetings, and they shall on a Shareholders requisition forthwith proceed to convene an extraordinary general meeting of the Company.
- (iii) A Shareholders requisition is a requisition of Shareholders of the Company holding at the date of deposit of the requisition not less than 10 per cent. in par value of the capital of the Company as at that date carries the right of voting at general meetings of the Company.
- (iv) At least fourteen days' notice shall be given of any extraordinary general meeting and at least 20 business days notice shall be given of any annual general meeting. Every notice shall be exclusive of the day on which it is given or deemed to be given and of the day for which it is given and shall specify the place, the day and the hour of the meeting and the general nature of the business and shall be given in manner hereinafter mentioned or in such other manner if any as may be prescribed by the Company, provided that a general meeting of the Company shall, whether or not the notice specified in this regulation has been given and whether or not the provisions of the Articles regarding general meetings have been complied with, be deemed to have been duly convened if it is so agreed:
 - (a) in the case of an annual general meeting, by all the Shareholders (or their proxies) entitled to attend and vote thereat; and
 - (b) in the case of an extraordinary general meeting, by a majority in number of the Shareholders (or their proxies) having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in par value of the shares giving that right.
- (v) No business shall be transacted at any general meeting unless a quorum is present. Two Shareholders being individuals present in person or by proxy or if a corporation or other non-natural person by its duly authorised representative shall be a quorum unless the Company has only one Shareholder entitled to vote at such general meeting in which case the quorum shall be that one Shareholder present in person or by proxy or (in the case of a corporation or other non-natural person) by a duly authorised representative.
- (vi) A resolution (including a special resolution) in writing (in one or more counterparts) signed by all Shareholders for the time being entitled to receive notice of and to attend and vote at general meetings (or, being corporations, signed by their duly authorised representatives) shall be as valid and effective as if the resolution had been passed at a general meeting of the Company duly convened and held.

- (vii) If a quorum is not present within half an hour from the time appointed for the meeting or if during such a meeting a quorum ceases to be present, the meeting, if convened upon the requisition of Shareholders, shall be dissolved and in any other case it shall stand adjourned to the same day in the next week at the same time and place or to such other day, time or such other place as the Directors may determine, and if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting the Shareholders present shall be a quorum.
- (viii) The chairman may, with the consent of a meeting at which a quorum is present, (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a general meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Otherwise it shall not be necessary to give any such notice.
- (ix) All resolutions put to the vote of the meeting shall be decided on a poll.

4.2.9 Directors

- (i) The Company may by ordinary resolution appoint any person to be a Director or may by ordinary resolution remove any Director provided that the appointment does not cause the number of Directors to exceed any number fixed by or in accordance with the Articles as the maximum number of Directors.
- (ii) At the first annual general meeting all the Directors shall retire from office and at the annual general meeting in every subsequent year one-third of the Directors for the time being shall retire from office by rotation. Any Director who has been in office for a period of nine years or more shall be subject to annual re-election at every annual general meeting.
- (iii) Subject to the provisions of the Companies Law, the Memorandum and the Articles and to any directions given by special resolution, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company.
- (iv) The quorum for the transaction of the business of the Directors may be fixed by the Directors, and unless so fixed shall be two if there are two or more Directors, and shall be one if there is only one Director.
- (v) Subject to the provisions of the Articles, the Directors may regulate their proceedings as they think fit. Questions arising at any meeting shall be decided by a majority of votes. In the case of an equality of votes, the chairman shall have a second or casting vote. A Director who is also an alternate Director shall be entitled in the absence of his appointor to a separate vote on behalf of his appointor in addition to his own vote.
- (vi) A resolution in writing (in one or more counterparts) signed by all the Directors or all the members of a committee of Directors (an alternate Director being entitled to sign such a resolution on behalf of his appointor) shall be as valid and effectual as if it had been passed at a meeting of the Directors, or committee of Directors as the case may be, duly convened and held.

The remuneration to be paid to the Directors, if any, shall be such remuneration as the Directors shall determine provided that the aggregate remuneration paid to all Directors shall not exceed £400,000 (or such higher amount as may be approved by the Company in general meeting) in respect of any 12-month period. The Directors shall also be entitled to be paid all travelling, hotel and other expense properly incurred by them in connection with their attendance at meetings of Directors or committees of Directors, or general meetings of the Company, or separate meetings of the holders of any class of Shares or debentures of the Company, or otherwise in connection with the business of the Company, or to receive a fixed allowance in respect thereof as may be determined by the Directors, or a combination partly of one such method and partly the other.

The Directors on behalf of the Company may pay a gratuity or pension or allowance on retirement to any Director who has held any other salaried office or place of profit with the Company or to his widow or dependents and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance.

- (vii) A Director of the Company who is present at a meeting of the board of Directors at which action on any Company matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent from such action with the person acting as the chairman or secretary of the meeting before the adjournment thereof or shall forward such dissent by registered post to such person immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favour of such action.
- (viii) A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director for such period and on such terms as to remuneration and otherwise as the Directors may determine.
- (ix) A Director may act by himself or his firm in a professional capacity for the Company and he or his firm shall be entitled to remuneration for professional services as if he were not a Director or alternate Director.
- (x) A Director or alternate Director of the Company may be or become a director or other officer of or otherwise interested in any company promoted by the Company or in which the Company may be interested as shareholder or otherwise, and no such Director or alternate Director shall be accountable to the Company for any remuneration or other benefits received by him as a director or officer of, or from his interest in, such other company.
- (xi) No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director shall be in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or transaction by reason of such Director holding office or of the fiduciary relation thereby established. A Director (or his alternate Director in his absence) shall be at liberty to vote in respect of any contract or transaction in which he is interested provided that the nature of the interest of any Director or alternate Director in any such contract or transaction shall be disclosed by him at or prior to its consideration and any vote thereon.

A general notice that a Director or alternate Director is a shareholder, director, officer or employee of any specified firm or company and is to be regarded as interested in any transaction with such firm or company shall be sufficient disclosure for the purposes of voting on a resolution in respect of a contract or transaction in which he has an interest, and after such general notice it shall not be necessary to give special notice relating to any particular transaction.

4.2.10 *Borrowing powers*

- (i) Subject to paragraph (ii) below, the Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof and to issue debentures, debenture stock, mortgages, bonds and other such securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.
- (ii) Unless the Shareholders shall by ordinary resolution otherwise direct, the Company's borrowings shall be restricted from time to time to an amount equal to 200 per cent. of the Net Asset Value (calculated at the time of drawdown).

4.2.11 *Issue of shares*

- (i) Subject to paragraph (ii) below and the provisions, if any, in the Memorandum of Association (and to any direction that may be given by the Company in general meeting) and without prejudice to any rights attached to any existing shares, the Directors may allot, issue, grant options over or otherwise dispose of shares with or without preferred, deferred or other rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise and to such persons, at such times and on such other terms as they think proper.
- (ii) In certain circumstances Shareholders may have pre-emption rights under the Articles in respect of the allotment of new shares in the Company. these pre-emption rights require the Company to offer new shares for allotment to existing Shareholders on a *pro rata* basis before allotting them to other persons. The pre-emption rights do not apply to the issue of Ordinary Shares to the Investment Manager in part payment of performance fees. These provisions are more stringent than any requirement of Cayman Islands law. These pre-emption rights have been disapplied, in certain circumstances, pursuant to a written resolution of the sole Shareholder dated 22 January 2008. See paragraph 3.4 of this Part 7 for further details.

4.2.12 *Change in control*

There are no provisions in the Articles which would have the effect of delaying, deferring or preventing a change of control of the Company except as may arise under paragraph 4.2.4 above.

4.2.13 *Untraced members*

The Company shall be entitled to sell (in such a manner and for such a price as the Directors think fit) the Ordinary Shares of a member or the Ordinary Shares to which a person is entitled by virtue of transmission on death or bankruptcy if and provided that the following conditions are satisfied:

- (i) for a period of twelve years, being a period during which at least three dividends in respect of the Ordinary Shares in question have become payable, no cheque or warrant sent by the Company through the post in a pre-paid letter addressed to the member or to the person entitled by transmission to the Ordinary Share, stock or debenture or loan stock at his address on the Register of Shareholders or the last known address given by the member or the person entitled by transmission to which cheques and warrants are to be sent has been cashed and no communication has been received by the Company from the member or the person entitled by transmission;
- (ii) the Company has at the expiration of the said period of twelve years given notice by advertisement in both a United Kingdom national newspaper and in a newspaper circulating in the area in which the address referred to above is located of its intention to sell such Ordinary Share, stock or debenture or loan stock;
- (iii) the advertisements, if not published on the same day, shall have been published within 30 days of each other;
- (iv) the Company has not during the further period of three months following the publication of the said advertisements or following the later publication if the two advertisements are published on different dates and prior to the exercise of the power of sale received any communication from the member or person entitled by transmission; and
- (v) if so required by the rules of the London Stock Exchange, the Company has given notice in writing to the London Stock Exchange of its intention to sell such Ordinary Share, stock, or debenture or loan stock.

To give effect to any such sale the Company may appoint any person to execute as transferor an instrument of transfer of such Shares or any of them and such instrument of transfer shall be as effective as it has been executed by the registered holder or any person entitled by transmission to such Ordinary Shares and the title of the transferee shall not be affected by any irregularity or invalidity in the proceedings relating thereto. The Company shall be obliged to account to the former member or such other person previously entitled for the net proceeds of sale by carrying

such proceeds in a separate account which shall be a permanent debt of the Company and the Company shall be deemed to be a debtor for such amount and not a trustee in respect to the debt for such former member or person and shall enter the name of such former member or other person in the books of the Company as a creditor for such amount. No trust shall be created in respect of the debt, no interest shall be payable in respect of the same and the Company shall not be required to account for any money earned on the net proceeds, which may be employed in the business of the Company or invested in such investments (other than Ordinary Shares of the Company or its holding company if any) as the Directors may from time to time think fit.

4.3 *The Disclosure and Transparency Rules*

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

Under the Disclosure and Transparency Rules, a Shareholder is required to notify the Company of the percentage of its voting rights if the percentage of voting rights which he holds (directly or indirectly) reaches, exceeds or falls below 3 per cent., 4 per cent., 5 per cent., 6 per cent., 7 per cent., 8 per cent., 9 per cent., 10 per cent. and each 1 per cent. threshold thereafter up to 100 per cent. The notification must be made within four trading days of the Shareholder learning of the acquisition or disposal leading to the increase or decrease in his shareholding.

Shareholders are urged to consider their notification and disclosure obligations carefully as a failure to make the required disclosure to the Company may result in disenfranchisement.

4.4 *Other relevant laws and regulations*

Minority purchase rights

The Ordinary Shares are subject to the compulsory acquisition provisions set out in section 88 of the Companies Law. Under these provisions where an offeror makes a takeover offer and within four months of making the offer it has been approved by the holders of not less than 90 per cent. in value of the shares to which the offer relates, that offeror is entitled to acquire compulsorily from dissenting shareholders those shares which have not been acquired or contracted to be acquired on the same terms as under the offer.

5. **Directors’ and other interests**

5.1 The interests of each Director (all of which are beneficial, except as shown below) in Ordinary Shares, as at Admission, will be as follows:-

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>% of Enlarged Ordinary Share Capital</i>
Robert Ware	—	—
Richard Watson	7,500	0.01
Nicholas James	50,000	0.04
Martin Adams	—	—
A. Rhys Jones	50,000	0.04
Andrew Shepherd	50,000	0.04
Michael Haxby	—	—

5.2 Save as set out 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.

5.3 In addition to their directorships in the Company and its subsidiaries, the Directors have been directors of the following companies and/or been partners in the following partnerships within the five years prior to the date of this document:-

<i>Director</i>	<i>Current directorships/partnerships</i>	<i>Past directorships/partnerships</i>
Robert Ware	Almura Building Products Limited The Conygar Investment Company PLC Conygar Bedford Square Limited Conygar Developments Limited Conygar Hanover Square Limited Conygar Holdings Limited Conygar Properties Limited Conygar Stena Line Limited Conygar Strand Limited Conygar Wales PLC Gartmore GO Dealing Limited Gartmore Growth Opportunities plc Ingleby (1740) Limited Martello Quays Limited Marwyn Value Investors Limited Marwyn Value Investors II Limited Raven Mount PLC Tarsus Group PLC Woodley Lodge Investments Limited	Berkeley Investments Limited Bratton Ball Investments Cable Plaza Limited Carlton Healthcare Limited Carlton Healthcare Properties Limited Castle & Pedmore Houses Limited Chartwell Land (Crawley) Limited City & Commercial Property Investments Limited City Link (Cardiff) Holdings Limited City Link (Cardiff) Limited City Link (St Athan) Limited Crestly Limited Crusabridge Investments Limited Denham Park (Uxbridge) Limited Drivetruck Limited Dunestown Limited Egginton House Limited English Property Corporation Limited Fibbings Limited Grants Park Limited I ² S PLC ICENI Estates Limited Ilmahoc Investments Limited Ilmahoc Trading Properties Limited Intercity (PFI) Limited Intercity PFI (Liverpool) Limited Intercity PFI (Speke) Limited Intercity PFI (Wirral) Limited Intermediate Investment Strategies Limited Kifaru (Hartlepool) Limited Louisville Investments Limited MEPC Brunel LP Limited MEPC Cardiff Investments Limited MEPC Cardiff Limited MEPC Castlecourt LP Limited MEPC Eagle LP Limited MEPC Friary LP Limited MEPC Investments Limited

<i>Director</i>	<i>Current directorships/partnerships</i>	<i>Past directorships/partnerships</i>
Robert Ware (cont.)		MEPC Kensington LP Limited MEPC Limited MEPC Millgate LP Limited MEPC Moorgate Limited MEPC Projects Limited MEPC RVP LP Limited MEPC Two Rivers LP Limited MEPC UK Holdings MEPC UK Limited MEPC Yate LP Limited Metropolitan & Capital Properties Limited Middlesex Limited No 1 Great Cumberland Place Limited PCV Aston No 1 Limited PCV Aston No 2 Limited PCV Battersea No 1 Limited PCV Birkenhead Limited PCV Bracknell Limited PCV Bracknell No 1 Limited PCV Brighton No 1 Limited PCV Caerphilly No 1 Limited PCV HP Limited PCV HP No 1 Limited PCV HP Nominee Limited PCV Hulme No 1 Limited PCV Kilmarnock No 1 Limited PCV Llanelli No Limited PCV Plymouth No 1 Limited PCV Sheffield No Limited Planned Properties Limited Prestbury Capital Ventures Limited Property Security Limited Property Security Overseas Limited PSIT Enterprises Limited PSIT Limited PSIT Properties Limited Rolling Stock Shopping Centres Limited Samuel Properties (Services) Limited Shopping Arcades Limited Silver Oak (Aston 1) Limited Silver Oak (Aston 2) Limited Star Properties (Wood Green) Limited Talarius plc The London County Freehold and Leasehold Properties Limited The Metropolitan Railway Surplus Lands Company Limited The Oldham Estate Company plc Topland Middlewich Limited Triad (Bootle) Limited Trostre Retail No 1 Limited Tyne Tunnel Trading Estate Limited Wyevale Garden Centres plc

<i>Director</i>	<i>Current directorships/partnerships</i>	<i>Past directorships/partnerships</i>
Richard Watson	ID Watson Farmers (<i>partnership</i>) MCC Project Partners LLC	DE&J Levy (<i>partnership</i>)
Nicholas James	Wasteproof Limited Rees Richards IT Services Limited Westhill Developments Limited Rees Richards and Partners (<i>partnership</i>) Linestamp Limited (<i>in members voluntary liquidation</i>) Westhill Developments Holdings Limited Westhill Property Investments Holdings Limited Myrtle Hill Limited Castle Pill Limited	None
Martin Adams	ARC Capital Holdings Limited Armadillo Investments Limited (<i>in members voluntary liquidation</i>) BRX Research and Development Company Limited (<i>in members voluntary liquidation</i>) The First Hungary Fund Limited (<i>in members voluntary liquidation</i>) Kubera Cross-Border Fund Limited Kubera Cross-Border Fund (GP) Limited Kubera Cross-Border Fund (Mauritius) Limited Mekong Capital Limited Metage Funds Limited Metage Special Emerging Markets Fund Limited Vietnam Fund Management Co. Limited Vietnam Investment Advisers Limited	Anglo Vietnam Sugar Investments Limited Asia Commercial Bank Beta Viet Nam Fund Limited (<i>in members voluntary liquidation</i>) Bio Asia Limited Creative Leisure Asia Limited Equator Exploration Limited Heritage (Vietnam) Investments Pte. Limited Indotel Limited International School of Ho Chi Minh City Limited International Schools Limited Mekong Leisure Limited NABI Bus Industries Rt. Nghe An Tate & Lyle Limited Pagasus Leisure Limited Saigon Water Park Limited SEM Thong Nhat Hotel Metropole Siam Investment Fund Inc. Societe De Development Du Metropole (SDM) BV The Vietnam Fund Limited VF Capital Limited VFMC Limited
A. Rhys Jones	Celtic Property Developments S.A. LPC Jersey Ltd Netta Investments Sp. Zo.o.	IOG Central Europe Sp. Zo.o. Laxey Property Consultants Ltd Celtic Asset Management Sp. Zo.o. New Europe Land Fund Ltd
Andrew Shepherd	Celtic Property Developments S.A. Netta Investments Sp. Zo.o.	IOG Central Europe Sp. Zo.o. Laxey Property Consultants Ltd Celtic Asset Management Sp. Zo.o.
Michael Haxby	Laxey Partners Ltd Laxey Partners (GP) Limited (<i>Isle of Man</i>) Laxey Partners (GP) Ltd (<i>BVI</i>) Laxey Partners GP (2) Ltd Laxey Partners GP (3) Ltd Laxey Partners GP (4) Ltd Laxey Investors Limited Leaf Ltd LP Value Limited	None

<i>Director</i>	<i>Current directorships/partnerships</i>	<i>Past directorships/partnerships</i>
Michael Haxby (cont.)	LIL Investments No.1 Limited LIL Investments No.2 Limited LIL Investments No.3 Limited LIL Investments No.4 Limited RDIR (IOM) Limited Vampire Holding Ltd Value Catalyst Fund Ltd	

5.4 None of the Directors:

- (i) has any unspent convictions in relation to indictable offences; or
- (ii) has been bankrupt or entered into an individual voluntary arrangement; or
- (iii) was a director of any company at the time of or within 12 months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors; or
- (iv) has been a partner in a partnership at the time of or within 12 months preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership; or
- (v) has had his assets the subject of any receivership or has been a partner of a partnership at the time of or within 12 months preceding any assets thereof being the subject of a receivership; or
- (vi) has been subject to any public criticism by any statutory or regulatory authority (including any recognised professional body) or has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

5.5 Michael Haxby will have an interest in arrangements between the Company and the Investment Manager by virtue of being a Director of the Investment Manager. Save as set out in this paragraph 5 and as otherwise set out in this document, none of the Directors has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company or which has been effected by the Company since its incorporation.

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

5.7 The services of each of the Directors as non-executive directors of the Company are provided under the terms of letters of appointment between each of them and the Company dated 19 February 2008 subject to termination upon at least three months' notice at an initial fee of £35,000 per annum other than Robert Ware who, as Chairman, will receive £65,000 per annum. Michael Haxby has agreed to waive his Directors' fees for so long as he is associated with the Investment Manager.

5.8 Save as set out in paragraph 5.7 above, there are no service agreements in existence between any of the Directors and the Company or any of its subsidiaries providing for benefits upon termination of employment.

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

<i>Name</i>	<i>Commencement of period of office</i>	<i>Date of expiration of term of office</i>
Robert Ware	22 January 2008	The Company's 2009 annual general meeting
Richard Watson	22 January 2008	The Company's 2009 annual general meeting
A. Rhys Jones	22 January 2008	The Company's 2009 annual general meeting
Andrew Shepherd	22 January 2008	The Company's 2009 annual general meeting
Michael Haxby	22 January 2008	The Company's 2009 annual general meeting
Nicholas James	7 February 2008	The Company's 2009 annual general meeting
Martin Adams	7 February 2008	The Company's 2009 annual general meeting

6. Share interests

As at 18 February 2008 (the latest practicable date prior to publication of this document), the Company was not aware of any persons who, immediately following Admission, could, directly or indirectly, jointly or severally, exercise control over the Company. None of the Company's major Shareholders have different voting rights.

7. Material contracts

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

- 7.1 A Nomad and Broker Agreement dated 19 February 2008 between the Company and Fairfax under which Fairfax is appointed as the Company's nominated adviser and broker in connection with Admission and undertakes to continue to provide ongoing nominated adviser and broker services. The Nomad and Broker Agreement further provides that Fairfax will be paid a retainer of £35,000 per annum (plus VAT) in respect of its ongoing services as the Company's nominated adviser and broker commencing on Admission. The Company has agreed to consult and discuss with Fairfax all of its announcements and statements and to provide Fairfax with any information which Fairfax reasonably requires to enable it to carry out its obligations as a nominated adviser and broker. The Company provides an indemnity to Fairfax subject, to certain limited exceptions, in respect of the services Fairfax provides under the Nomad and Broker Agreement. The Nomad and Broker Agreement is terminable by either party on three months' notice and in certain other circumstances.
- 7.2 A Placing Agreement dated 19 February 2008 between the Company, Fairfax and the Investment Manager pursuant to which Fairfax has been appointed as the agent of the Company for the purpose of managing the Placing and has agreed to use reasonable endeavours to procure placees to subscribe for the Placing Shares at the Placing Price. Under the Placing Agreement Fairfax will receive (exclusive of VAT) a commission of 2 per cent. of the "gross proceeds" (being equal to the number of Placing Shares multiplied by the Placing Price) to be paid by the Company. Fairfax will pay other introducers or placing agents' or sub-agents' commissions or fees out of its commission. Pursuant to the Placing Agreement the Company and the Investment Manager have given certain warranties to Fairfax concerning, *inter alia*, the accuracy of the information in this document. In addition, the Company and the Investment Manager have given indemnities to Fairfax. The Placing Agreement is conditional, *inter alia*, on Admission occurring not later than 8:00 a.m. on 25 February 2008 or such later date as Fairfax and the Company may agree (not being later than 31 March 2008) and the Company complying with certain obligations under the Placing Agreement. The Placing Agreement may be terminated by Fairfax prior to Admission in certain circumstances, including if there has been a material breach of any of the warranties or if, before Admission, there shall have occurred certain force majeure events which, will or may be materially prejudicial to the Company or to Admission. The agreement is governed by English law.
- 7.3 The Investment Management Agreement dated 19 February 2008 between the Company and the Investment Manager pursuant to which the Investment Manager was appointed to manage the Company's investments in accordance with the Articles, this document, all laws and regulations applicable to the Company and the investment policies from time to time approved by the Directors. Under the terms of the agreement, subject to the overall supervision and control of the Directors, the Investment Manager has authority to manage the assets of the Company. The Investment Manager will take such investment decisions as appear to the Investment Manager to be appropriate in order to achieve the current investment objectives of the Company as from time to time laid down by the Directors.

The Investment Manager is entitled to receive a monthly management fee instalment equal to one twelfth of 0.5 per cent. of the Net Asset Value. The monthly management fee shall accrue on a day-to-day basis and be payable in Sterling monthly in arrears on the first Business Day of each month based on the Net Asset Value of the previous month. The management fee shall be determined based on the Net Asset Value before any deduction is made for accrued performance fees. Subject to the closing Net Asset Value per Ordinary Share for the relevant financial year

(adjusted to add back (i) the value of any dividends or other distributions paid and (ii) the aggregate value of the management fee paid, during the relevant financial year) being greater than the opening Net Asset Value per Ordinary Share for that financial year (adjusted to add back the value of any dividends or other distributions paid during the relevant financial year), the Investment Manager is entitled to receive a further payment equal to the amount needed to put the Investment Manager in the position it would have been in had the periodic management fee instalments been paid on the basis of one twelfth of 2 per cent. of the Net Asset Value for each month on which the Net Asset Value was calculated in that financial year.

The Investment Manager is also entitled to receive a performance fee provided that, on the last valuation day in each financial year, B is greater than A where (i) A equals the higher of (a) the Net Asset Value on Admission increased by a non-compounding rate of 8 per cent. per annum for the period from Admission to the last valuation day in the financial year for which the performance fee is being calculated (the "Relevant Day"); and (b) the Adjusted Net Asset Value (being the Net Asset Value adjusted to add back the value of any dividends or other distributions paid during the financial year for which the performance fee is being calculated) on the last valuation day of the last financial year in relation to which a performance fee became payable (the "High Watermark Date") increased by a non-compounding rate of 8 per cent. per annum for the period from the High Watermark Date to the Relevant Day (together the "Hurdle"); and (ii) B equals the Adjusted Net Asset Value on the Relevant Day. The performance fee shall be an amount equal to 20 per cent. of the excess of Adjusted Net Asset Value on the Relevant Day of the financial year of reference over the Hurdle.

In the event that on the date of payment of the performance fee the Ordinary Shares are trading at a price which is (i) equal to or greater than the last announced Net Asset Value per Ordinary Share, then 50 per cent. of the relevant performance fee shall be satisfied by the allotment to the Investment Manager of such number of Ordinary Shares as when multiplied by the last announced Net Asset Value per Ordinary Share most closely equals 50 per cent. of the relevant performance fee; or (ii) less than the last announced Net Asset Value per Ordinary Share, then the Investment Manager undertakes to use 50 per cent. of the relevant performance fee received to make market purchases of Ordinary Shares. However, in no event is the Investment Manager obliged to receive or purchase Ordinary Shares in lieu of, or using, performance fee (as the case may be) where to do so would result in the Investment Manager (i) holding more than 29.9 per cent. of the Ordinary Shares or (ii) would otherwise place it in breach of any relevant laws or regulatory requirements applicable to the Company or the Investment Manager.

Under the Investment Management Agreement, the Investment Manager undertakes to the Company that it shall not provide any of the services, duties or obligations specified thereunder to any other property fund of funds until such time as 85 per cent. of the net proceeds of Placing are invested, without the prior written consent of the Company (which consent the Company may withhold in its absolute discretion) and thereafter, the Investment Manager shall be free to render similar services to other property funds of funds, so long as its services, duties and obligations to the Company hereunder are not impaired.

The Investment Management 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 wilful breach of duty or contract, negligence or fraud in the performance or non-performance by the Investment Manager or any person designated by it of its obligations or duties. The Investment Management Agreement may be terminated by either party giving to the other not less than twelve months' notice or otherwise, in circumstances, *inter alia*, where one of the parties goes into liquidation (except voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the other party) or is unable to pay its debts or if a receiver is appointed of all or a material part of the assets of the Company. The agreement is governed by Isle of Man law.

- 7.4 The Administration Agreement dated 19 February 2008 between the Company, the Investment Manager and the Administrator pursuant to the terms of which the Administrator is appointed to act as administrator to the Company. The Administrator will be entitled to receive from the

Company an administration fee, payable monthly in arrears, based on the Net Asset Value of the Company (as of each weekly Valuation Day), subject to a minimum monthly fee of £2,500. In addition to the monthly administration fee, the Administrator will be entitled to receive from the Company certain additional fees including, *inter alia*, secretarial fees based on the time spent on the secretarial and accounting affairs of the Company by the Administrator's personnel, and on the levels of skill and responsibility involved, in accordance with the Administrator's rates (subject to a minimum quarterly fee of £2,000). The Administrator 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 the Administrator, its officers, servants and agents from liability in the absence of fraud, wilful default or negligence on the part of the Administrator or an agent which is an affiliate for any loss or damage arising out of or in connection with the performance of the agreement. Similarly, the Company has agreed to indemnify the Administrator and its officers, servants and agents 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, or negligence on the part of the Administrator or an affiliate. The agreement may be terminated on not less than 90 days' written notice by the Company or the Administrator, provided that termination may be made immediately in certain specified circumstances. The agreement is governed by the law of the Isle of Man.

- 7.5 The Prime Broker Agreement dated 19 February 2008 between the Company and the Prime Broker pursuant to which the Prime Broker is appointed to act as prime broker to the Company. The Prime Broker is entitled to receive fees as agreed between the parties from time to time. Under the Prime Broker Agreement the Prime Broker shall, *inter alia*, purchase or sell on behalf of the Company any security, derivative, currency or financial instrument, carry out clearance and settlement services and the custody of the Company's investments and cash. The Company has given the Prime Broker certain standard representations and warranties together with an indemnity. The agreement contains provisions under which the Company exempts the Prime Broker from liability in the absence of negligence, wilful default or fraud. Either party can terminate the agreement by giving the other party not less than seven written days notice. The Prime Broker may terminate the agreement if there is an occurrence of certain events of default in respect of the Company. The agreement is governed by English law.
- 7.6 Stock Swap Agreements dated 19 February 2008 between various transferors and the Company pursuant to which the Company has agreed to acquire from the transferors, a portfolio of investments with an aggregate value of £56.5 million. Pursuant to the Stock Swap Agreements, the Company will issue the transferors, conditionally upon Admission, in aggregate such number of Consideration Shares as is equal in value to the aggregate pounds sterling value of the share interests (ascertained from the share interests' closing price on the principal stock exchange on which they are traded on 8 February 2008) transferred by the respective transferors. The agreements are governed by English law.
- 7.7 The Co-Investment Agreement dated 19 February 2008 between the Company, the Limited Partnership and the Investment Manager pursuant to which the Investment Manager, in line with the discretionary investment management authority granted to it under the Investment Management Agreement and any investment management agreement entered into between the Investment Manager and the Limited Partnership, will (i) invest the respective assets of the Company and the Limited Partnership in parallel in every investment; and (ii) where the Investment Manager determines that an investment should be disposed of (in whole or in part), manage the parallel disposal of that investment (other than, for the avoidance of doubt, pursuant to the Stock Swap Agreements), in each case in pro-rata proportions that reflect the respective net asset values of the Company and the Limited Partnership except where the Investment Manager deems non-participation by the Limited Partnership (or the Company) appropriate for tax, regulatory or operational reasons. The Co-Investment Agreement will terminate immediately if the Investment Management Agreement and/or any investment management agreement entered into between the Limited Partnership and the Investment Manager is terminated. The agreement is governed by Isle of Man law.

- 7.8 Lock-in undertakings dated 19 February 2008 entered into between the Company and each of the Directors pursuant to which the Directors have covenanted pursuant to Rule 7 of the AIM Rules for Companies not to dispose of any of the Ordinary Shares held by them at Admission or subsequently acquired for a period of 12 months from Admission except in limited circumstances (being a sale pursuant to a court order, death or acceptance of a takeover offer which is open to all Shareholders). The undertakings are governed by English law.
- 7.9 The depositary and custody services agreement dated 14 February 2008 between the Company and the Depositary. CREST does not provide for the direct holding and settlement of foreign securities such as shares in the Company. To enable shares in the Company to be indirectly held and traded through CREST, under the terms of this agreement and a separate deed of trust, the Depositary agrees to hold securities in the Company and issue depositary interests in the ratio of one for one for each such security. These depositary interests, representing securities in the Company, can be held and traded through CREST. The depositary services provided by the Depositary also include maintaining in the United Kingdom a register of holders of the depositary interest, issuing the depositary interests in uncertificated form and other related registry services. The custody services provided by the Depositary also include executing instructions received from CREST members. The agreement may be terminated by either party on 45 days' written notice. Fees payable by the Company include a set up fee of £5,000 an annual fee of £3,500 and set fees for the deposit, transfer or cancellation of depositary interests. The agreement is governed by English law.
- 7.10 The registrar agreement dated 14 February 2008 between the Company and the Registrar whereby the Registrar is appointed to act as registrar to the Company. The Registrar Agreement specifies the various fees which the Registrar will charge for performing its duties as registrar, including a set-up fee of £5,000. The Registrar Agreement may be terminated by either the Company or the Registrar giving not less than three months' notice in writing, with such notice not to expire before the first anniversary of the Registrar Agreement coming into effect, or otherwise in circumstances where the Company or the Registrar goes into liquidation or where either party commits and fails to make good a material breach of the Registrar Agreement. The Registrar Agreement will also terminate if the Registrar ceases to hold a required licence, consent, permit or registration. The Registrar Agreement contains an indemnity in favour of the Registrar against claims by third parties except to the extent that the claim arises from the fraud, negligence, wilful default of the Registrar or a material breach by the Registrar of the Registrar Agreement or various laws or rules as set out in the agreement. The agreement is governed by Isle of Man law.
- 7.11 Save as itemised above, as at the date of this document there are no other contracts (not being contracts entered into in the ordinary course of business) entered into by the Company since its incorporation which are or may be material or which contain any provision under which the Company has any obligation or entitlement which is material to it as at the date hereof.

8. Working capital

The Company is of the opinion that the Company has sufficient working capital for its present requirements, that is for at least for the next 12 months following the date of this document.

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.
- 9.2 The costs and expenses of, and incidental to, Admission will be borne by the Company and will be approximately £2.9 million.
- 9.3 The Investment Manager was incorporated as a private limited liability company in the Isle of Man on 13 November 1998 with registered number 93741C. The Investment Manager operates under the provisions of the Isle of Man Companies Act 1931-2004. The Investment Manager is the holder of a Category 3a and Category 3b investment business licence issued by the Isle of Man Financial Supervision Commission under section 3 of the Investment Business Act 1991 of the

Isle of Man (as amended) and, as such, is licensed by the Isle of Man Financial Supervision Commission to conduct investment business. The registered office of the Investment Manager is at The Old Chapel, Onchan, Isle of Man IM3 1NA (telephone number +44 (0) 1624 690900).

- 9.4 The Administrator was incorporated in the Isle of Man on 16 September 1988 with registered number 40665C as a private company limited by shares under the provisions of the Isle of Man Companies Act 1931-1986 and has a paid-up share capital of £3 million, its ultimate parent company is HSBC Holdings plc, a public company incorporated in England whose shares are listed on the Hong Kong, New York, London, Paris and Bermuda stock exchanges. As at 30 June 2007 HSBC Holdings plc had consolidated gross assets of approximately \$2,150 billion. The Administrator is the holder of a Category 3a and Category 4 investment business licence issued by the Isle of Man Financial Supervision Commission under section 3 of the Investment Business Act 1991 of the Isle of Man (as amended) and is the holder of a Category 1 corporate service provider licence issued by the Isle of Man Financial Supervision Commission under section 3 of the Corporate Service Providers Act 2000 of the Isle of Man (as amended) and, as such, is licensed by the Isle of Man Financial Supervision Commission to conduct investment and corporate service provider business. The registered office of the Administrator is at 12-13 Hill Street, Douglas, Isle of Man IM1 1EF (telephone number +44 (0)1624 637777).
- 9.5 The Administrator will have no decision-making discretion relating to the Company's investments. The Administrator is a service provider to the Company and is not responsible for the preparation of this document or the activities of the Company and therefore accepts no responsibility for the accuracy of any information contained in this Document save for the description of itself, and any other information provided by the Administrator.
- 9.6 The Prime Broker was incorporated in England on 9 November 1966 as a limited company with registered number 00891554. The Prime Broker operates under the provisions of the UK Companies Acts 1985 and 2006. The Prime Broker is a subsidiary of the Credit Suisse Group. The Prime Broker is authorised and regulated by the FSA in the conduct of its investment business. The registered office of the Prime Broker is at One Cabot Square, London E14 4QJ.
- 9.7 Save as 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 other benefits 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.
- 9.8 The Company is not and has not since incorporation been involved in any, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had in the recent past, significant effects on the Company's financial position or profitability.
- 9.9 There has been no significant change in the financial and trading position of the Company since 31 January 2008.
- 9.10 Where information has been sourced from a third party, the Company confirms that this information has been accurately reproduced and as far as the Company is aware and is able to ascertain from the information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading.
- 9.11 Fairfax and the Investment Manager have each given and not withdrawn their written consent to the issue of this document with the references to their respective names in the form and context in which they appear.
- 9.12 KPMG Audit LLC have given and not withdrawn their consent to the inclusion in this document of their Accountants' Report in Part 5B and the references to such report in the form and context in which it appears.

- 9.13 The Company's auditors are KPMG Audit LLC of Heritage Court, 41 Athol Street, Douglas, Isle of Man IM99 1HN. KPMG Audit LLC was appointed as auditors on 15 February 2008 and are chartered accountants, regulated by the Institute of Chartered Accountants in England and Wales.
- 9.14 The Company has not, nor has it had since its incorporation, any employees and does not own any premises.
- 9.15 The Directors undertake to propose a resolution for the winding-up of the Company if no investments have been made within two years of Admission.
- 9.16 All related parties and applicable employees (as these terms are defined in the AIM Rules for Companies) of the Company have agreed pursuant to Rule 7 of the AIM Rules for Companies not to dispose of any interests in any of the Ordinary Shares for a period of 12 months from Admission.

10. Depositary Interests

In summary, the Deed Poll contains, amongst others, provisions to the following effect, which are binding upon holders of Depositary Interests: Holders of Depositary Interests warrant, amongst other matters, that Ordinary Shares transferred or issued to the Depositary or the custodian (on behalf of the Depositary) are free and clear of all liens, charges, encumbrances or third party interests and that such transfers or issues are not in contravention of the Company's constitutional documents or any contractual obligation, law or regulation. Holders of Depositary Interests agree to indemnify the Depositary in respect of any costs or liabilities which it may suffer by reason of any breach of any such warranty.

It should be noted that holders of Depositary Interests may not have the opportunity to exercise all of the rights and entitlements available to holders of Ordinary Shares. In relation to voting, it will be important for holders of Depositary Interests to give prompt instructions to the Depositary or its nominated custodian, in accordance with any voting arrangements made available to them, to vote the underlying Ordinary Shares on their behalf or, to the extent possible, to take advantage of any arrangements enabling holders of Depositary Interests to vote such Ordinary Shares as a proxy of the Depositary or its nominated custodian.

The Depositary will be entitled to cancel Depositary Interests and withdraw the underlying Ordinary Shares in certain circumstances including where a holder of Depositary Interests has failed to perform any obligation under the Deed Poll or any other agreement or instrument with respect to the Depositary Interests.

The Deed Poll contains provisions excluding and limiting the Depositary's liability. For example, the Depositary shall not be liable to any holder of Depositary Interests or any other person for liabilities in connection with the performance or non-performance of obligations under the Deed Poll or otherwise except as may result from its negligence or wilful default or the fraud of any custodian or agent which is not a member of its group unless it has failed to exercise reasonable care in the appointment and continued use and supervision of such custodian or agent. Furthermore, except in the case of personal injury or death, the Depositary's liability to a holder of Depositary Interests will be limited to the lesser of; (a) the value of the Ordinary Shares and other deposited property properly attributable to the Depositary Interests to which the liability relates; or (b) that proportion of £10 million which corresponds to the portion which the amount the Depositary would otherwise be liable to pay to the holder of Depositary Interests bears to the aggregate of the amounts the Depositary would otherwise be liable to pay to all such holders in respect of the same act, omission or event which gave rise to such liability or, if there are no such amounts, £10 million.

The Depositary shall be entitled to charge holders in respect of the provision of its services under the Deed the fees and expenses notified from time to time. The Depositary shall not be liable for any taxes, duties, charges, costs or expenses which may become payable in respect of the Ordinary Shares, whether under any present or future fiscal or other laws or regulations or otherwise, and such part thereof as is proportionate or in the opinion of the Depositary referable to a Depositary Interest shall be payable by the underlying holder thereof to the Depositary at any time on request; or may be deducted from deposited property held for the account of the underlying holder and/or from any amount due or becoming due on such deposited property in respect of any dividend or other distribution. In default thereof, the Depositary may in its sole discretion sell, and for the account of the underlying holder discharge the same out of the proceeds of sale of, any appropriate number of deposited Ordinary Shares, and subsequently pay any surplus to the underlying holder.

The Depositary may terminate the Deed Poll by giving not less than 30 days' prior notice. During such notice period holders may cancel their Depositary Interests and withdraw their deposited property and, if any Depositary Interests remain outstanding after the Deed Poll has terminated, the Depositary must, among other things, deliver the deposited property in respect of the Depositary Interests to the relevant holders of Depositary Interests or, at its discretion, sell all or part of such deposited property. It shall, as soon as reasonably practicable, deliver the net proceeds of any such sale, after deducting any sums due to the Depositary, together with any other cash held by it under the Deed Poll *pro rata* to holders of Depositary Interests in respect of their Depositary Interests.

The Depositary may require from any holder, or former or prospective holder of Depositary Interests, information as to the capacity in which such Depositary Interests are, were, or are to be owned or held and the identity of any other person with any interest of any kind in such Depositary Interests or the underlying Ordinary Shares and holders are bound to provide such information requested. Furthermore, to the extent that, amongst other requirements, the Company's constitutional documents require disclosure to the Company of, or limitations in relation to, beneficial or other ownership of, or interests of any kind whatsoever, in the Ordinary Shares, the holders of Depositary Interests are to comply with such provisions and with the Company's instructions with respect thereto.

11. ERISA transfer restrictions

The Company intends to prohibit Benefit Plan Investors from acquiring any Ordinary Shares in the Company otherwise than pursuant to the Placing and at no time shall 25 per cent. or more of the value of the Ordinary Shares be held by Benefit Plan Investors. Accordingly, Benefit Plan Investors will not be permitted (i) to acquire uncertificated Ordinary Shares in the Placing or (ii) Ordinary Shares in the secondary market following Admission.

Where a Placee which is an Benefit Plan Investor seeks to transfer Ordinary Shares after Admission the proposed transferee of such Ordinary Shares will be required to represent and warrant in writing that it is not an Benefit Plan Investor. Under the Articles the Directors are entitled to refuse to register a proposed transfer if the transfer is unable to give this representation and warranty.

Any purchaser of uncertificated Ordinary Shares in the secondary market after Admission will be deemed to have warranted and represented to the Company that such transferee is not an Benefit Plan Investor and no portion of the assets used by such transferee to acquire or hold an interest in such Ordinary Shares constitutes or will constitute "plan assets" of any Benefit Plan Investors. Any purchaser of certificated Ordinary Shares in the secondary market after Admission will be obliged to make the same representation and warranty.

Prospective investors are also hereby notified that sellers of Ordinary Shares may be relying on the exemptions from registration requirements of the Securities Act.

The Company, its affiliates and others will rely upon the truth and accuracy of the foregoing representation and warranty. If a purchaser is acquiring Ordinary Shares for the account of one or more investors, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing representation and warranty on behalf of each such account.

Where a purported transfer is made in the secondary market to an Benefit Plan Investor in breach of the above restriction the ERISA ownership limitation provisions in the Articles shall apply. Further details of the ERISA ownership limitation provisions in the Articles are set out in paragraph 4 of this Part 7 of this document.

12. Availability of documents

Copies of this document will also be available free of charge during normal business hours on any weekday (excluding Saturdays and public holidays) at the offices of Fairfax, 46 Berkeley Square, Mayfair, London W1J 5AT, United Kingdom from the date of this document until the date which is one month from the date of Admission. Copies are also available on the Company's website at www.terracatalystfund.com.

19 February 2008

