

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek advice from your stockbroker, solicitor, accountant, bank manager or other appropriately authorised independent financial adviser authorised under the Financial Services & Markets Act 2000 (as amended) if you are in the United Kingdom or from another appropriately authorised independent financial adviser if you are in a territory outside the United Kingdom.**

If you have sold or otherwise transferred all of your Ordinary Shares, please immediately forward this document and the accompanying form of proxy (but not the personalised Tender Form) to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. However, this document should not be mailed, distributed, sent, forwarded to or transmitted in or into any Restricted Jurisdiction. If you have sold only part of your holding of your Ordinary Shares, please contact your stockbroker, bank or other agent through whom the sale or transfer was effected immediately.

The Tender Offer is not being made, directly or indirectly, in any Restricted Jurisdiction and neither this document nor the accompanying documents may be distributed or sent in or into or from any Restricted Jurisdiction and doing so may render invalid any purported tender. Any person (including, without limitation, custodians, nominees and trustees) who may have a contractual or legal obligation to forward this document and/or the accompanying documents should read the paragraph headed "Overseas shareholders" in Part 5 of this document before taking any action.

Matrix is authorised and regulated by the FSA in the United Kingdom and is acting exclusively for the Company and no one else in connection with the Proposals. Matrix will not regard any other person as its customer or be responsible to any other person for providing the protections afforded to customers of Matrix nor for providing advice in relation to the Proposals. Matrix is not making any representation or warranty, express or implied, as to the contents of this document. The responsibilities of Matrix as the Company's nominated adviser are owed solely to the London Stock Exchange.

Before making any decision in connection with the Tender Offer you are strongly advised to read the whole of this document and, in particular, the Risk Factors set out in Part 3 of this document.

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# **SPEYMILL MACAU PROPERTY COMPANY PLC**

*(incorporated and registered in the Isle of Man under the Isle of Man Companies Acts 1931 to 2004 with registered number 118202C)*

## **Tender Offer**

**to purchase Ordinary Shares at the Tender Price**

and

## **Restructuring**

and

## **Amendment to the Directors' Incentive Plan**

and

## **Change of name to Terra Capital PLC**

and

## **Notice of Extraordinary General Meeting**

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Notice of an Extraordinary General Meeting of the Company to be held at the offices of Galileo Fund Services Limited, Millennium House, 46 Athol Street, Douglas, Isle of Man, IM1 1JB on 24 May 2012 at 1.00 p.m. accompanies this document, together with a form of proxy for use at the meeting. Whether or not you propose to attend the Extraordinary General Meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it, duly signed, together with any power of attorney under which it is executed to the Company's registrars, Galileo Fund Services Limited, Millennium House, 46 Athol Street, Douglas, Isle of Man, IM1 1JB, as soon as possible but in any event, to be valid, it must be completed and returned so as to arrive not later than 1.00 p.m. on 22 May 2012.

The Tender Offer will close at 1.00 p.m. on 28 May 2012. The Record Date for participation in the Tender Offer is 5.30 p.m. on 28 May 2012 and the Tender Offer will only be available to Shareholders on the Register at that time and date.

If you wish to tender Ordinary Shares for purchase by the Company pursuant to the Tender Offer and you hold your Ordinary Shares in certificated form, the Tender Form must be completed, signed and returned as soon as possible and, in any event, so as to be received by post or by hand (during normal business hours only) at the offices of the Company's receiving agent, Computershare, Corporate Actions Projects, Bristol BS99 6AH, not later than 1.00 p.m. on 28 May 2012.

If you wish to tender Ordinary Shares for purchase by the Company pursuant to this Tender Offer and you hold your Ordinary Shares in uncertificated form (that is, in CREST), you must make your tender electronically through CREST so that the relevant TTE instruction(s) settle(s) no later than 1.00 p.m. on 28 May 2012.

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## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Announcement of the Extraordinary General Meeting, publication of this document and Tender Offer opens	30 April 2012
Latest time and date for receipt of forms of proxy	1.00 p.m. on 22 May 2012
Extraordinary General Meeting	1.00 p.m. on 24 May 2012
Announcement of results of Extraordinary General Meeting	24 May 2012
Latest time and date for receipt of Tender Forms and TTE instructions	1.00 p.m. on 28 May 2012
Record Date for the Tender Offer	5.30 p.m. on 28 May 2012
Announcement of results of Tender Offer	29 May 2012
Creation of assured payment obligations for Tender Offer proceeds for uncertificated Ordinary Shares by	31 May 2012
Despatch of cheques for Tender Offer proceeds and balance share certificates for certificated Ordinary Shares	week commencing 4 June 2012

The dates and times specified are subject to change and will be notified by the Company through a Regulatory Information Service.

All reference to time are to UK time.

## POST RESTRUCTURING NAME AND DEALING CODES\*

Name	Terra Capital Plc
ISIN	IM00B1GJR404
SEDOL	B1GJR40
Ticker	TCA

\*The implementation of the Restructuring is conditional upon the passing of the Resolutions at the Extraordinary General Meeting.

## PART 1

### LETTER FROM THE INDEPENDENT DIRECTOR OF SPEYMILL MACAU PROPERTY COMPANY PLC

*Existing Directors:*

Howard I. Golden (*Non-executive Chairman*)  
Filip Montfort (*Non-executive Director*)  
Yarden Mariuma (*Non-executive Director*)  
Harald G. Wengust (*Independent Non-executive Director*)

*Registered Office:*

Millennium House  
46 Athol Street  
Douglas  
Isle of Man  
IM1 1JB

30 April 2012

*To the holders of Ordinary Shares*

Dear Shareholder

**Proposed Tender Offer to purchase Ordinary Shares at the Tender Price**  
**Restructuring**  
**Amendment to the Directors' Incentive Plan**  
**Change of Name**  
**Notice of Extraordinary General Meeting**

#### **1. Introduction**

Further to the Company's announcement earlier today, the Company is pleased to provide Shareholders with details of:

- a proposed Restructuring of the Company pursuant to which, *inter alia*, the Company will vary its investment objective and investing policy and will appoint Terra Partners Asset Management as its external investment manager;
- a proposed Tender Offer, which is conditional upon the passing of the Resolutions at the Extraordinary General Meeting, pursuant to which the Company will purchase Ordinary Shares in issue at the Tender Price;
- a proposed amendment to the previously approved Directors' Incentive Plan; and
- a proposed change of the Company's name to Terra Capital Plc.

The reasons for, and details of, the Restructuring are set out at paragraphs 2 and 4 of this Part 1 and Part 2 of this document. The reasons for, and details of, the proposed Tender Offer are set out at paragraphs 2 and 5 of this Part 1 and Part 5 of this document. Details of the proposed amendments to the previously approved Directors' Incentive Plan are set out at paragraph 3 of this Part 1.

The implementation of each element of the Proposals is subject to the approval of Shareholders. Such approval will be sought at the Extraordinary General Meeting which has been convened for 1.00 p.m. on 24 May 2012 at the offices of Galileo Fund Services Limited, Millennium House, 46 Athol Street, Douglas, Isle of Man, IM1 1JB (notice of which is set out at the end of this document).

The purpose of this document is to explain the details of the Proposals and recommend that Shareholders vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting.

## **2. Background to and reasons for the Tender Offer and Restructuring**

### *The proposed Tender Offer*

Following the completion of the sale of the Company's last real estate asset in Macau, the AIA Tower, the Company now has cash available to fund a cash exit for those Shareholders who so elect, on the terms of the Tender Offer described below.

The Directors have determined that the most efficient manner to return cash to Shareholders is by way of the conditional Tender Offer now being proposed to Shareholders. Under the terms of the proposed Tender Offer, which is conditional, *inter alia*, upon the passing of the Resolutions to be proposed at the Extraordinary General Meeting, Shareholders will have the opportunity to tender all their Ordinary Shares (or any lesser number of Ordinary Shares) for repurchase by the Company. The price payable in cash by the Company for Ordinary Shares validly tendered under the Tender Offer will be US\$0.835 per Share, which represents a discount of 2 per cent. to the sum of the audited Net Asset Value per Share as at 31 December 2011 once the US\$0.30 already distributed to Shareholders is taken into account. It should be noted that the audited Net Asset Value as so stated, and following discussion with the Company's auditors, reflects provisions for certain contingent liabilities which have been provided for on a prudent basis. These provisions amount, in aggregate, to approximately US\$450,000 or US\$0.004 per Share. In so far as the contingent liabilities reflected by these provisions do not crystallise, any incremental impact upon the Net Asset Value will accrue to the benefit of the Shareholders at the relevant time and no further consideration will be paid under the Tender Offer.

The Tender Offer is conditional, *inter alia*, on the passing of the Resolutions at the EGM. Further details of the Tender Offer, including its terms and conditions, are set out at paragraph 5 of this Part 1 and Part 5 of this document.

In the event that the Tender Offer proceeds, in deciding whether or not to tender all or a lesser number of Ordinary Shares under the Tender Offer, Shareholders should read all of this document, paying particular attention to the Risk Factors set out at Part 3 of this document.

### *The Restructuring*

Following discussions with a number of Shareholders it has become apparent to the Directors that a majority of Shareholders by value would like to maintain their investment in the Company and would favour the continuation of the life of the Company following the adoption of the proposed new investment objective and investing policy. This restructuring of the Company would be undertaken in conjunction with the appointment of an external investment manager, being Terra Partners Asset Management, a company owned by Howard Golden, Phillip Montfort and Yarden Mariuma, three of the four Existing Directors.

**All elements of the proposed Restructuring will be subject to Shareholder approval at the Extraordinary General Meeting and any Shareholders who do not wish to retain their investment in the Company post the Restructuring (if implemented) will, subject to the passing of the Resolutions at the Extraordinary General Meeting, be able to realise their investment in the Company completely through the Tender Offer.**

Details of the proposed Restructuring, including details of the proposed new investment objective and investing policy, are set out at Part 2 of this document. The Company has received indications from Shareholders in respect of more than 92 million Ordinary Shares (representing more than 85 per cent. of the issued share capital of the Company) that they currently intend to vote in favour of all the Resolutions to be proposed at the Extraordinary General Meeting. The Company has also received indications from Shareholders in respect of, in aggregate, approximately 68.3 million Ordinary Shares (representing more than 63 per cent. of the issued share capital of the Company) that they currently do not intend to participate in the Tender Offer.

**The Tender Offer and Restructuring are conditional upon, *inter alia*, the Company receiving tenders in respect of no more than 60 per cent. of the issued Ordinary Share capital of the Company. If the Company receives tenders exceeding 60 per cent. of the issued Ordinary Share capital of the Company, neither the Tender Offer nor the Restructuring shall proceed and the Company shall put proposals for the winding up of the Company to Shareholders for their approval.**

### **3. Amendment to the Directors' Incentive Plan**

At the extraordinary general meeting of the Company held on 19 November 2010, Shareholders approved the adoption of the Directors' Incentive Plan. Under the Directors' Incentive Plan the Directors are entitled to receive a fee equal to 0.6 per cent. of any future "Distributions" made by the Company during its life, payable at the time of such Distribution (the "**Incentive Fee**"). "Distribution" was defined widely to include share buy backs, all forms of return of capital and distributions *in specie*. The fee in respect of the US\$0.30 previously distributed to Shareholders has already been paid.

The intention of the Directors' Incentive Plan was to incentivise the Board to realise the Company's assets remaining at that time, of which the largest was the AIA Tower, thus aligning the Board's interests with the interests of Shareholders. At the time it was adopted, it was envisaged that the Company would be wound up once the last assets were sold, and accordingly the entitlement to fees under the Directors' Incentive Plan was to be triggered by the distribution to Shareholders of the net realisation proceeds. If the proposal to extend the Company's life and adopt a new investing policy is approved by Shareholders at the Extraordinary General Meeting, it is therefore proposed that the fees payable to the Directors under the Directors' Incentive Plan will be paid by reference to the total amount of cash being made available to Shareholders under the Tender Offer, being US\$89.5 million, regardless of the extent to which Shareholders elect to receive that cash.

It is the intention of Messrs Golden, Mariuma and Montfort to invest an amount equal to the money they receive under the Directors' Incentive Plan, as amended, to acquire further Ordinary Shares.

This consequential amendment is being made subject to the approval of Shareholders in a separate resolution, Resolution 5 to be proposed at the Extraordinary General Meeting.

All the Directors are interested in the Directors' Incentive Plan and the proposed amendment thereto. Under the AIM Rules, the proposed amendment of the Directors' Incentive Plan is categorised as a "related party transaction". Consequently, the Board has consulted Matrix, the Company's nominated adviser, who has confirmed that they consider that the terms of the proposed amendment to the Directors' Incentive Plan are fair and reasonable so far as Shareholders are concerned.

### **4. Background to and reasons for the Restructuring**

After discussions with the majority of Shareholders (by value), it has become apparent that they are pleased with the performance of the Existing Directors and would favour the continuation of the life of the Company with a new investment objective, investing policy and an external investment manager which is owned and controlled by the majority of the Existing Directors. Accordingly, subject to the passing of the Resolutions at the Extraordinary General Meeting, the Company will be restructured as follows:

#### **4.1 Adoption of new Investment Objective and Investing Policy**

The Company will adopt a new investment objective and investing policy which will be to achieve capital appreciation while attempting to reduce risk primarily by applying a disciplined and diversified value investing philosophy. The Company intends to invest a large percentage of its assets in a variety of smaller and overlooked markets that lack significant foreign institutional analysis.

Further details relating to the Company's proposed new investment objective and investing policy are set out at paragraphs 1 and 2 of Part 2 of this document.

#### **4.2 Appointment of the Proposed Directors and resignation of the Existing Directors**

The Existing Directors currently comprise Howard Golden, Filip Montfort, Yarden Mariuma and myself. Upon completion of the Restructuring Howard Golden, Yarden Mariuma and I will resign from the Board and Dirk Van den Broeck and Ian Dungate will be appointed as the new non-executive Chairman and a non-executive Director respectively.

Biographical details for Filip Montfort and the Proposed Directors are set out in paragraph 5 of Part 2 of this document.

### **4.3 Appointment of Terra Partners Asset Management**

Conditionally upon the passing of the Resolutions to be proposed at the Extraordinary General Meeting and the completion of the Tender Offer, Terra Partners Asset Management will be appointed as the Company's external investment manager pursuant to the terms of the Investment Management Agreement.

Details of the Investment Management Agreement including fees payable thereunder are set out in paragraph 6.3 of Part 2 of this document.

Terra Partners Asset Management is owned and controlled by Howard Golden, Filip Montfort and Yarden Mariuma (the "**Conflicted Directors**"). Under the AIM Rules, the entering into of the Investment Management Agreement is categorised as a "related party transaction". Consequently, the Conflicted Directors have abstained from the Board's decision to enter into the Investment Management Agreement. Accordingly, I, in my capacity as the independent director on the Board, having consulted with Matrix, the Company's nominated adviser, consider the appointment of Terra Partners Asset Management as the Company's investment manager is fair and reasonable insofar as Shareholders are concerned.

### **4.4 Change of name to Terra Capital Plc**

As part of the Restructuring, it is proposed that the Company's name be changed to "Terra Capital Plc" and this change of name is proposed as Resolution 6 at the Extraordinary General Meeting.

## **5. Details of the proposed Tender Offer**

### **5.1 General**

The Directors propose that the Tender Offer be made, pursuant to which the Company will offer to purchase Ordinary Shares at the Tender Price.

The Ordinary Shares purchased by the Company under the Tender Offer will be held in treasury (to the extent permissible under Isle of Man law) or cancelled at the discretion of the Directors. The Tender Offer, if implemented, will be open to Shareholders on the Register at 5.30 p.m. on 28 May 2012.

Under the Tender Offer, if implemented, Shareholders will be entitled to sell any amount up to 100 per cent. of their shareholdings. They may tender to sell less than this number. If a Shareholder tenders all or part of his or her Shareholding, such tender will, subject to the terms and conditions of the Tender Offer, be satisfied in full.

### **5.2 Overseas Shareholders**

The proposed Tender Offer will not be available to Shareholders with a registered address in a Restricted Jurisdiction. Overseas Shareholders should note that they should satisfy themselves that they have fully observed any applicable legal requirements under the laws of their relevant jurisdiction if they tender Ordinary Shares in the proposed Tender Offer. The attention of Shareholders with registered addresses outside the United Kingdom is drawn to the paragraph headed "Overseas Shareholders" in Part 5 of this document.

## **6. Extraordinary General Meeting**

The authorisation of the implementation of the Tender Offer and the Restructuring, requires, *inter alia*, the passing of the Resolutions which will be proposed at the Extraordinary General Meeting pursuant to which Shareholders shall be asked to approve:

- 6.1 an ordinary resolution to seek authority to make market purchases of Ordinary Shares pursuant to the Tender Offer;
- 6.2 an ordinary resolution to confer a general authority for the market purchase by the Company of up to 15 per cent. of the Ordinary Shares in issue following the implementation of the Tender Offer. This

general authority will be used by the Board as required to implement the Company's proposed discount control policy from time to time;

- 6.3 an ordinary resolution to adopt the proposed new investing policy;
- 6.4 an ordinary resolution to approve the appointment of Terra Partners Asset Management as the Company's external investment manager;
- 6.5 an ordinary resolution to approve the proposed amendment to the Directors' Incentive Plan; and
- 6.6 a special resolution to change the name of the Company to "Terra Capital Plc".

A notice convening the Extraordinary General Meeting to be held at the offices of Galileo Fund Services Limited, Millennium House, 46 Athol Street, Douglas, Isle of Man, IM1 1JB on 24 May 2012 at 1.00 p.m. is set out at the end of this document.

## **7. Action to be taken**

### **7.1 Extraordinary General Meeting**

Notice of the Extraordinary General Meeting of the Company to be held at the offices of Galileo Fund Services Limited, Millennium House, 46 Athol Street, Douglas, Isle of Man, IM1 1JB on 24 May 2012 at 1.00 p.m. is set out at the end of this document, together with a form of proxy for use at the meeting. Whether or not you propose to attend the Extraordinary General Meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it, duly signed, together with any power of attorney under which it is executed to, as soon as possible but in any event, to be valid, it must be completed and returned so as to arrive not later than 1.00 p.m. on 22 May 2012.

### **7.2 Tender Offer**

**It is emphasised that implementation of the Tender Offer is conditional on the passing of the Resolutions to be proposed at the Extraordinary General Meeting. The Tender Offer will close at 1.00 p.m. on 28 May 2012.**

Shareholders who hold Ordinary Shares in certificated form will also find accompanying this document a personalised Tender Form for use in connection with the Tender Offer. Such Shareholders who wish to tender some or all of the Ordinary Shares registered in their name on the Record Date should complete the Tender Form in accordance with the instructions printed thereon and in Part 5 of this document and return it by post or by hand (during normal business hours) to Computershare, Corporate Actions Projects, Bristol BS99 6AH by no later than 1.00 p.m. on 28 May 2012. Shareholders who hold Ordinary Shares in certificated form should also return their share certificate(s) in respect of the Ordinary Shares tendered with the Tender Form.

Shareholders whose Ordinary Shares are held in uncertificated form who wish to participate in the Tender Offer should send the TTE instruction through CREST so as to settle by no later than 1.00 p.m. on 28 May 2012. Such Shareholders should comply with those procedures set out in Part 5 of this document in respect of transferring uncertificated Shares to escrow through CREST.

**The Tender Offer and Restructuring are conditional upon, *inter alia*, the Company receiving tenders in respect of no more than 60 per cent. of the issued Ordinary Share capital of the Company. If the Company receives tenders in excess of 60 per cent. of the issued Ordinary Share capital of the Company, neither the Tender Offer nor the Restructuring shall proceed and the Company shall put proposals for the winding up of the Company to Shareholders for their approval. In any event, under the AIM Rules, the Ordinary Shares would be suspended from trading on AIM if the Company does not implement a new investing policy by 1 February 2013.**



## **8. Taxation**

A summary of certain tax considerations for Shareholders under English law and the law of the Isle of Man in relation to the Proposals is set out in Part 4 of this document.

Shareholders are strongly advised to obtain their own tax advice. If a Shareholder is in any doubt as to their tax position they should consult an appropriate financial, investment or taxation adviser.

## **9. Further information**

Your attention is drawn to the information contained in the rest of this document, including, in particular, the Risk Factors set out in Part 3 of this document.

## **10. Recommendation and Director participation in the Tender Offer**

The Board, which has been advised by Matrix, considers that the Proposals described in this document are in the best interests of Shareholders as a whole. Accordingly, the Board recommends that Shareholders vote in favour of the Resolutions, as they intend to do in respect of their own holdings of Shares and Shares under their control representing, in aggregate, approximately 28 per cent. of the issued share capital of the Company. In providing its advice to the Board, Matrix has relied on the Board's own commercial assessment.

The Board is making no recommendation to Shareholders in relation to participation in the proposed Tender Offer. Whether or not Shareholders decide to tender their Ordinary Shares will depend, amongst other things, on their own individual circumstances, including their own tax position. Shareholders are recommended to consult an appropriately authorised independent adviser in determining whether or not to participate in the Tender Offer and to the extent of such participation.

Yours faithfully

**Harald G. Wengust**

*Independent Non-executive Director*

## PART 2

### THE COMPANY – POST RESTRUCTURING

#### 1. INVESTMENT OBJECTIVE

Following the implementation of the Restructuring, the Company's investment objective will be to achieve capital appreciation while attempting to reduce risk primarily by applying a disciplined and diversified value investing philosophy.

#### 2. INVESTING POLICY

##### *General*

The Company will implement its investment objective primarily by investing through one or more of the following investment strategies:

**Corporate activism.** The Company intends to make investments in funds or companies which have a potential to turnaround or otherwise achieve recovery as a result of input from, or actions taken by, shareholders. This may require the Company to take an activist role, participate in a financial restructuring or even to take control of a fund or company if the Investment Manager's past experience in re-structuring and re-organising corporate activities can materially assist in bringing about a profitable result. The Investment Manager would require any target to have a strong discount to tangible, and normally, realisable and fungible assets. Closed-ended funds, REITs and/or holding companies are the most likely companies to meet this criterion. Companies with low levels of leverage or, preferably, net cash balances will also be sought out. Since the Investment Manager's standards for activist investments are rather strict, there may, at any given time, be few if any activist opportunities available. If so, the Company may not be invested in such opportunities; however, the Investment Manager intends to constantly monitor the market for such opportunities and take advantage of them as and when they arise.

**Diversified portfolio of value stocks.** Alongside its activist activities, or whilst awaiting such opportunities, the Company will create a portfolio of value stocks diversified by sector and country. This strategy will concentrate on small and mid-cap companies with strong cash flows and positive dividends trading in developed, emerging, and frontier markets. Close attention will be paid to long term cash flow trends and their synchronisation with reported profit. Companies which achieve reasonable returns on equity without the use of excessive leverage will be favoured. Further preference will be given to companies with strong, sustainable current dividend yields. Finding such companies in structurally complex or in emerging or frontier markets and sectors is a main tenet of the Company's targeted value investing strategy. To try and limit overall portfolio volatility, the Company will seek to create a portfolio of relatively internally uncorrelated investments, both by country, region and sector diversification. The Investment Manager intends to manage the Company on a total return basis with a goal of maximising the Company's Sharpe ratio.

**Investing in emerging and frontier markets.** The founders of the Investment Manager have experience sourcing and performing fundamental due diligence in a variety of emerging and frontier markets that have little, or no, quality sell-side research available. In addition, either for structural reasons, information cost reasons, or market sentiment, there is usually a lack of sufficient capital in such stock markets to properly value the securities efficiently. This situation creates natural inefficiencies that reward stock-picking efforts and thorough fundamental analysis. Examples include sectors which are currently out of favour because of assumed macroeconomic trends; countries in which accounting standards differ from IFRS or information is available only in less common regional languages; or markets in which opening accounts and clearing and settling trades is procedurally more difficult. Such markets often present unusual opportunities due to various barriers to entry.

**Provide cash flow to investors.** The Investment Manager believes that a consistent dividend stream is an important indication of a company's strength and while searching for activist transactions it will attempt to make investments in companies exhibiting high levels of corporate governance with regular dividend streams to enable the Company to declare dividends to Shareholders.

### *Geographical diversification*

The targeted markets will likely include many emerging and frontier markets, an area where some countries have experienced high volatility; however the Investment Manager intends to limit risk by investing in a wide geographic range of markets which have, in the past, been relatively uncorrelated to global indexes, even in situations of global financial crises.

There is no guarantee such lack of correlation will continue in the future or that it will be able to limit risk and Shareholders should read the Risk Factors set out at Part 3 of this document.

Another aspect of the Company's investment philosophy is that the Company expects to concentrate investments in markets where it believes that it can obtain a competitive advantage by becoming a relatively important investor through performing its own intensive, on the ground buy-side research. This policy includes, but is not limited to, seeking out markets with little research offered by Western brokerage firms and most often with no research published by the market participants.

### *Diversification and asset allocation*

No more than 20 per cent. of the gross asset value of the Company will, at the time of investment, be invested in, or exposed to the creditworthiness of, any single underlying investee company (or group) or collective investment undertaking.

No more than 5 per cent. of the gross asset value of the Company will, at the time of investment, be invested in unlisted or unquoted securities. This limitation may be increased to 10 per cent. of the gross asset value of the Company with the prior approval of the Board.

While it is expected that the Company's assets will normally be predominantly invested, there are no limits to the Company's cash position.

### *Derivatives and short selling*

The Company will be entitled to use derivatives, such as currency hedging, in an attempt to protect the assets of the Company but will not invest in derivatives as a means of investing. As a general policy the Company will not sell short but may, if an appropriate opportunity arises, sell short up to 15 per cent. of the Net Asset Value of the Company at the time of putting on such short sale.

### *Borrowings*

The Company intends to use leverage sparingly and will restrict borrowings to an aggregate amount not exceeding 25 per cent. of the Net Asset Value of the Company at the time of drawdown.

### *Currency hedging*

The Company may engage in currency hedging for efficient portfolio management purposes. The Company will only hedge up to a maximum of 25 per cent. of the Net Asset Value of the Company in derivatives for currency hedging purposes at the time such derivative contract is entered into.

## **3. DISTRIBUTION POLICY**

The Company's investment objective is focused primarily on capital appreciation. The Company intends to reinvest realised returns from investments into new investments which adhere to the investing policy described above. The Directors currently intend, but are not required, to provide returns to Shareholders by making distributions of 80 per cent. of the regular dividends received from its investments.

## **4. 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 convene an extraordinary general meeting of the Company in 2017 where an ordinary resolution will be proposed that the Company continue as presently constituted. If the resolution is passed, the Board intends that a similar resolution will be proposed at an extraordinary general meeting to be convened each fifth subsequent year 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.

## **5. THE DIRECTORS**

Following the implementation of the Restructuring, the Board will comprise two independent non-executive Directors and Filip Montfort who is a non-independent Director.

The Directors will have overall responsibility for the Company's activities including the review of its investment activities and performance. They will have primary responsibility for determining the Company's overall investment objectives, strategy and policies and for implementing the Company's investing policy. 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 Continuing Directors are:

### ***Dirk Ernestus Jozef Van den Broeck, Independent Non-executive Chairman (Aged 54)***

Dirk Van den Broeck was an executive director of Petercam S.A., a Belgian investment bank, until the end of 2010. He had been a director of Petercam since 1988 and managing director since 1994 and was latterly responsible for its real estate and private equity activities. Dirk started his career at Petercam in 1982 and was registered as an *Agent de Change* in 1989. Holding dual degrees in law and economics from the University of Louvain, Dirk is a board member of several Belgian and international companies of which two are listed in Belgium (WDP and Service Flats Invest) and one is listed on AIM (Reconstruction Capital II).

### ***Ian John Dungate BA (Hons) ACA, Independent Non-executive Director (Aged 48)***

Ian Dungate is a qualified chartered accountant and a graduate of the University of the West of England. Ian is a director of Galileo Fund Services Limited, the Company's Administrator, and has worked in the fund administration industry for over 20 years, at CIBC and Bank of America in the Cayman Islands and Abacus Financial Services Limited and Anglo Irish Fund Services Limited in the Isle of Man. Ian was instrumental in the development of the fund business at Abacus before joining Anglo Irish Fund Services Limited as Fund Administration Manager in April 2005. In May 2007 Ian formed a part of the management team which undertook a management buyout of Anglo Irish Fund Services Limited, now renamed Galileo Fund Services Limited.

### ***Filip Montfort, Non-Independent Non-executive Director (Aged 38)***

Filip Montfort is a Czech citizen and a partner of investment management company Terra Partners Group. He has been involved in business and investing since 1998 and prior to joining Terra Partners Group in 2003 he was the chief legal and economic advisor of the Euro-Czech Forum, a joint institution of the Chambers of Commerce of Britain, France, Germany, Netherlands and Sweden. From 1999 to 2001, he served as the legal and political advisor to the Delegation of the European Commission to the Czech Republic.

Mr. Montfort currently serves as a director of Worldwide Opportunity Fund (Cayman) Ltd. and chairman of Victoria Falls Fund. Mr. Montfort previously served as a director of Beta Vietnam Fund, Kazakhstan Investment Fund, AGNI Systems Ltd., the largest Bangladesh internet service provider listed on the Dhaka Stock Exchange, Beograd Electro, the largest Serbian electricity trading company listed on Beograd stock exchange and as an alternate director of Rainbow Tourism Group, the largest hotel group in Zimbabwe listed on Zimbabwe stock exchange.

Mr Montfort has a Master in Business Administration, with distinction from DePaul University in Chicago, a Master's degree in Law from Charles University in Prague and a Bachelor of Arts from the Faculty of International Relations of the University of Economics, Prague.

## 6. MANAGEMENT OF THE COMPANY

### 6.1 The Investment Manager

Following the Restructuring, the Company will appoint Terra Partners Asset Management (“**TPAM**”) as its investment manager. TPAM is a newly formed company domiciled in the Cayman Islands. The founders of TPAM are also the founders of Terra Partners Group (“**TPG**”) the manager of Worldwide Opportunity Fund (Cayman) Ltd. (an investment fund investing in frontier markets with approximately US\$78 million in assets), Victoria Falls Investment Fund (an investment fund which mainly invests in Zimbabwe) and is a co-manager of Discovery Fund (which invests in Europe and Asian markets). The total assets under management of TPAM and TPG (collectively referred to as the “**Terra Partners**”) exceeds US\$131 million.

The Terra Partners team has extensive experience in investment management in general, and in particular in investing in emerging and frontier markets. The three principals of Terra Partners have, on average, 16 years of frontier markets experience each and Terra Partners’ five analysts have, on average seven years of frontier markets experience.

The founders of the Investment Manager are currently in the process of establishing a new EU regulated investment management company in Malta. Following the completion of the authorisation process in Malta, the Investment Management Agreement will be novated to this new company.

### 6.2 Founders

The founders of the Investment Manager who together will manage the Company’s portfolio of investments following the Restructuring are:

#### **Howard I. Golden**

Howard Golden is a U.S. Citizen and founded the predecessor of the Investment Manager in New York in 1989. He has been investing in stock markets since 1977 and has specialised in global investing since 1991. Mr. Golden has a B.A. in Economics, an M.B.A. in International Marketing and a Juris Doctorate, all from the University of Wisconsin, Madison. Mr. Golden began practicing law in 1972, and has been actively investing in stock markets since 1977. Mr. Golden has lectured on closed-ended funds in London and Prague and at various business schools, including Harvard and University of Chicago. He has been quoted as an expert in Transition Capital Markets and corporate governance in *The Economist*, *The Financial Times*, *The New York Times*, *The International Herald Tribune*, *Newsweek*, *Prague Business Journal* and *Business Central Europe*, among other publications.

In addition to his responsibilities in regard to the Investment Manager, Mr. Golden currently serves as the non-executive chairman of the board of directors of Reconstruction Capital II, an AIM quoted investment company focused on investing in Romania and Bulgaria and The Romanian Investment Fund which delisted from AIM as part of its realisation process. He also serves on the boards of Vietnam Equity Holding and Vietnam Property Holding, two closed-ended funds trading on the Frankfurt Stock Exchange. He was previously chairman of the board of The Kazakhstan Investment Fund, and the Romanian Growth Fund, both Cayman Islands domiciled investment funds listed on the Dublin Stock Exchange and AGNI Systems Ltd., a Bangladesh internet service provider listed on the Dhaka Stock Exchange. He previously served on the board of directors of Framlington Bulgarian Fund until the fund’s voluntary dissolution. He further served as chairman of the supervisory board of the largest Slovak closed-ended fund, the Slovak Restitution Investment Fund, and was on the supervisory board of the Czech Restitution Investment Fund, the largest closed-ended fund in Central Europe. His tenure on these boards was as a result of his activist investment policy, which involves close and direct supervision of large investments.

#### **Filip Montfort**

A summary of Filip Montfort’s experience is set out at paragraph 5 of this Part 2.

## **Yarden Mariuma**

Yarden Mariuma is a US citizen, a shareholder of the Company, and a Director of Worldwide Opportunity Fund (Cayman) Ltd. and Victoria Falls Investment Fund, two investment funds that will be managed by Terra Partners Group. He is a CFA registered charter-holder, has a degree in Literature from Yeshiva University, and is currently enrolled in a Doctorate program at Columbia University (on a part time basis), preparing his thesis on Performativity and other socio-economic aspects of certain Frontier-Markets.

He has been working in the investment world since 1995, first as a stockbroker and compliance officer at Kern Suslow, a small New York brokerage firm, and then as an independent analyst and investor in Romania as the time the Romanian capital markets began to open up to foreign investment. He became one of the two managers of the Quadrant Asset Management group's Romanian office, which made significant investments in Romania throughout the late 90s. He was directly involved in two factory turnarounds in Romania where he acted as Chairman of the Board and implemented the turnaround policy and was crucial in the development of Romania's most important business newspaper, Bursa, for which he has also written a series of articles about the Romanian economy.

Mr. Mariuma joined Terra Partners in 2003 and as part of his duties he served as a board member of Rainbow Tourism Group, the largest Zimbabwean hotel manager/owner, AGNI Systems, the largest Bangladeshi ISP and Beograd Electro, a Serbian distributor of electrical equipment.

He is fluent in Romanian, English and Hebrew, and is able to communicate in Serbo-Croat, German, French, and basic conversational Arabic and Chinese.

### **6.3 The Investment Management Agreement**

#### *General*

Under the terms of the Investment Management Agreement dated 30 April 2012 between the Company and the Investment Manager, the Investment Manager shall be appointed with effect from the completion of the Tender Offer to manage the Company's investments in accordance with the investing policy from time to time approved by the Directors. Under the terms of the agreement, subject to the overall supervision and authorisation of the Directors, the Investment Manager has authority to manage the assets of the Company.

Further details of the Investment Management Agreement are contained in paragraph 3 of Part 6 of this document.

#### *Term and termination*

The Investment Management Agreement may be terminated by either party giving to the other not less than 12 months' notice expiring on or at any time after the third anniversary of the commencement date of the agreement or otherwise, in circumstances, *inter alia*, where one of the parties has a receiver appointed over its assets or if an order is made or an effective resolution passed for the winding-up of one of the parties.

#### *Management fee*

The Investment Manager shall be entitled to receive a management fee equal to 2 per cent. per annum of the aggregate Net Asset Value of the Company during the relevant fee payment period, calculated on the first day of each month, accrued on a monthly basis and payable monthly in arrears (or pro rata for lesser periods).

#### *Performance fee*

The Investment Manager is also entitled to receive a performance fee equal to 20 per cent. of the increase (if any) in the Net Asset Value per Share (with dividends and other distributions added back and ignoring any accrued performance fee) multiplied by the weighted average number of Shares as at each semi-annual performance fee calculation period above the Net Asset Value as at the commencement of each such semi-annual performance fee calculation period, provided that any performance fee shall be payable only to the extent that the Net Asset Value of the Share exceeds the Net Asset Value immediately following

the settlement of the Tender Offer or, if a performance fee has been paid, the Net Asset Value per Share when a performance fee was last paid. The performance fee shall be calculated on 30 June and 31 December in each year and paid following such calculation.

#### *Expenses*

In addition, the Company shall be responsible for the payment of all out-of-pocket expenses reasonably incurred by the Investment Manager in the proper performance of the Investment Management Agreement up to a maximum of US\$75,000 per annum.

#### *Indemnification*

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 negligence, wilful default or fraud of the Investment Manager or any party to whom the Investment Manager has delegated any of its functions. In addition, the Company has given certain warranties to the Investment Manager. Such indemnities and warranties are conventional for an agreement of this kind.

### **7. OTHER SERVICE PROVIDERS**

It is currently the intention of the Continuing Directors that, following implementation of the Restructuring, the Company will continue to engage its other existing key service providers, including Galileo Fund Services Ltd. as administrator, which is expected to provide accounting and company secretarial services to the Company, Computershare as registrar and KPMG Audit LLC as auditors. The Board reserves the right to engage other service providers, including accounting, audit etc. as it may deem necessary or appropriate for the efficient management of the Company.

### **8. CONFLICTS OF INTEREST**

The Investment Manager may, from time to time, act for other clients that have investing policies that overlap with the investing policy of the Company. There may be circumstances where investment opportunities sourced by the Investment Manager are suitable for one or more of its clients. When such conflicts arise, the investment will be allocated, subject to each client having adequate cash available, on a pro-rata basis with other investment entities managed by the Investment Manager which share similar investment strategies at the time the investment opportunity arises.

### **9. VALUATION POLICY AND REPORTING**

Since the Company will likely invest in illiquid securities in accordance with its investment mandate, if the Directors, based on information provided by the Investment Manager, determine in good faith that using the last quoted price of such an illiquid security does not appropriately or accurately reflect the correct price of that security, the Directors have the authority to price such securities at their cost price until the earlier of, (i) impairment, which determination will be made in the sole discretion of the Directors, in which case the valuation will be reduced to the price determined in good faith by the Directors, or (ii) divestment of the position. Further, in order to avoid mispricing a holding of the Company, if the Company, (a) takes a long term position in a particular security either to attempt a take-over or for purposes of corporate activism, and (b) the Directors determine that a majority, or controlling position of the securities of such company are held by the Company and other long term or institutional investors who will not be selling such shares in the near term which substantially decreases the "float" of such company and subjects those securities to large price variations due to relatively small sales or purchases of the security, the Directors have the right, but not the obligation, to value the securities at the Company's average acquisition cost of that security in US Dollars until the earlier of, (i) impairment, which determination will be made in the sole discretion of the Directors, in which case the valuation will be reduced to the price determined on good faith by the Directors, or (ii) divestment of the position. In either situation, the Directors shall not exercise their authority to make such adjustment in pricing if, absent such adjustment, the position in question would be valued at more than 20 per cent. of the Net Asset Value of the Company.

The Net Asset Value per Share expressed in U.S. Dollars will be determined by the Administrator and will be published monthly.

The Gross Asset Value will be calculated by aggregating the value of the assets of the Company. The Net Asset Value will be calculated by deducting from the Gross Asset Value the liabilities (including provisions for such liabilities) of the Company determined in accordance with applicable accounting standards.

With respect to the calculation of the Net Asset Value, the Administrator will rely upon valuations provided to it by third parties. The Administrator shall not be liable for any errors in Net Asset Value calculations where such errors are the result of incorrect information provided by such third parties.

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

The Net Asset Value per Share will be published monthly through a RIS announcement as soon as practicable after the end of the relevant month. Valuations may 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 RIS announcement. The Net Asset Value per Share may be published on a more frequent basis if deemed appropriate from time to time by the Directors.

## **10. DISCOUNT CONTROL**

The Directors believe that the Company's best protection against the Ordinary Shares trading at a discount to the then prevailing Net Asset Value per Share for an extended period of time will be the Company's stable Shareholder base on the basis that: (i) immediately following completion of the Tender Offer, the majority of Shareholders will have elected to remain in the Company; and (ii) the Directors believe that any new Shareholders who acquire Ordinary Shares in the market following the completion of the Tender Offer will be long term in nature.

However, the Directors acknowledge that closed-end investment companies, such as the Company, have had a tendency to trade at a discount to their prevailing Net Asset Value per Share more often than at a premium. Therefore, following the Restructuring the Board will adopt a new discount control policy (the "**Discount Control Policy**"). Under the terms of the Discount Control Policy if, as at 31 December 2013, or as at any 31 December in any subsequent calendar year, the Ordinary Shares have, on average over the last nine calendar months (the "**Discount Calculation Period**"), traded at a discount in excess of 15 per cent. of the Net Asset Value per Share (calculated by reference to the published Net Asset Value per Share and to the middle market quotation of the Ordinary Shares on the Daily Official List of the London Stock Exchange on the trading day immediately following the date of each publication of the Net Asset Value per Share in the relevant Discount Calculation Period), the Directors will, subject to any legal or regulatory requirements, implement a tender offer (the "**Tender Offer**") pursuant to which each Long Term Shareholder shall be offered the opportunity to tender up to 10 per cent. of their Ordinary Shares at a price equal to 97 per cent. of the prevailing Net Asset Value per Share. A "**Long Term Shareholder**" is a person who was a Shareholder on 1 April during the Discount Calculation Period in question.

In addition, following implementation of the Restructuring, the Directors will have been granted general authority to purchase in the market up to 14.99 per cent. of the Ordinary Shares in issue immediately following completion of the Tender Offer at a price not exceeding the last reported Net Asset Value per Share as at the time of purchase. The Directors intend to seek annual renewal of this authority from the Shareholders at the Company's annual general meeting. Pursuant to this authority, and subject to the 1931 Act and the discretion of the Directors, the Company may purchase Ordinary Shares in the market on an ongoing basis with a view to addressing any imbalance between the supply of and demand for Ordinary Shares, thereby assisting in controlling the discount to Net Asset Value per Share in relation to the price at which the Ordinary Shares may be trading. In the event that the Board decides to repurchase Ordinary Shares, purchases will only be made through the market for cash at prices not exceeding the last reported Net Asset Value per Share where the Directors believe such purchases will result in a strengthening of the share price. Such purchases will only be made in accordance with (a) the AIM Rules; and (b) the 1931 Act. Shares purchased by the Company will, at the discretion of the Directors, be either held in treasury (to the extent permitted by Isle of Man law) or cancelled.



## **11. FURTHER ISSUE OF SHARES**

The Directors will have authority to allot further Ordinary Shares following the completion of the Tender Offer. Further issues of Ordinary Shares would only be made if the Directors determine such issues to be in the best interests of Shareholders and the Company as a whole. Relevant factors in making such determination include Net Asset Value performance, share price and perceived investor demand.

In addition, the Company may re-sell Ordinary Shares held as treasury shares from time to time following one or more acquisitions in accordance with the Company's discount control policies set out at paragraph 10 of this Part 2.

Ordinary Shares may be issued (or resold from treasury) at prices below the prevailing Net Asset Value per Share at the time such Ordinary Shares are issued or sold. No Ordinary Shares will be issued or resold by the Company at a discount in excess of 10 per cent. below the prevailing Net Asset Value per Share at the time of such issue and/or resale without Shareholder approval. No more than 15 per cent. of the prevailing issued Ordinary Share capital shall be issued and/or resold at a discount of greater than 10 per cent. of the prevailing Net Asset Value per Share during any twelve month period. Although there are no provisions of Isle of Man law which confer pre-emption rights on Shareholders in respect of the allotment of Ordinary Shares, it is the intention of the Directors to give existing Shareholders preference in the allocation of Ordinary Shares where any substantial number of such Ordinary Shares are being issued or resold at a price which is below the prevailing Net Asset Value per Share at the time of issuance or resale. Any such allocation preference may, however, be structured in such manner as is required to ensure that the Company is not obliged to produce a prospectus pursuant to the EU Prospectus Directive.

## **12. FOREIGN EXCHANGE POLICY**

It is the Company's policy to prepare financial statements and to determine the valuations of all its investments in US dollars. Consequently, the value of its investments may fluctuate with changes in the rate of exchange of the US dollar against any other currency in which an investment is made. The Company may enter into currency arrangements in accordance with the Investing Policy to hedge currency risks if such arrangements are desirable and practicable in the future, but there is no assurance that such arrangements will be available on favourable terms or at all.

## **13. REPORTS AND FINANCIAL STATEMENTS**

Audited annual financial statements will be made up to 31 December in each year and unaudited interim financial statements will be made up to 30 June in each year. An annual report and the audited financial statements of the Company will be sent to Shareholders as soon as practicable and in any event within six months of the financial year end, and the unaudited interim financial statements of the Company will be sent to Shareholders as soon as practicable and in any event within three months of the half-year end.

The Company's audited annual financial statements will be prepared in accordance with IFRS, with the unaudited interim financial statements will be presented and prepared in a form consistent with that which will be adopted in the audited annual financial statements.

## **14. UK TAKEOVER CODE**

The UK Takeover Code applies, *inter alia*, to offers for all public companies (other than open ended investment companies) which have their registered office in the United Kingdom, the Channel Islands or the Isle of Man and which are considered by the UK Takeover Panel to have their place of central management and control in the United Kingdom, the Channel Islands or the Isle of Man. Due to the composition of the Board, both before and after the Restructuring, the Company, having consulted with the UK Takeover Panel, will not be subject to the provisions of the UK Takeover Code, as it will not be deemed to have its place of central management and control in the United Kingdom, the Channel Islands or the Isle of Man for this purpose. This means that investors will not be afforded the protections of the UK Takeover Code.

## **15. CORPORATE GOVERNANCE**

There is no applicable regime of corporate governance to which directors of an Isle of Man company must adhere over and above the general fiduciary duties and duties of care, diligence and skill imposed on such directors under Isle of Man law. However, the Directors recognise the value of the UK Code on Corporate Governance and will take appropriate measures to ensure that the Company complies, as far as practicable and to the extent appropriate given the Company's board composition and size, assets, liabilities and other relevant information. In particular, due to the current size of the Board, the Board has not established a separate audit committee. The role of the audit committee will be undertaken by the Board as a whole.

Since all Directors are non-executive, the Company is not required to comply with the principles of the UK Code on Corporate Governance in respect of executive directors' remuneration and, accordingly, the Board will not appoint a remuneration committee as it is satisfied that any relevant issues can be properly considered by the Board as a whole. Filip Montfort also agreed to waive his directors' fees for so long as he is associated with the Company's investment manager.

The Company has established a management engagement committee which will meet formally at least on an annual basis to consider the performance and remuneration of the Investment Manager. 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 the Investment Manager or other funds it manages. The management engagement committee will be composed of all the members of the Board other than Filip Montfort or any replacement or subsequent member that is affiliated with the Investment Manager.

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.

## PART 3

### RISK FACTORS

Shareholders considering whether or not to tender their Ordinary Shares should read this document and in particular the risk factors carefully. The risks set out below are those which are considered to be the material risks relating to the Restructuring and the Tender Offer but are not the only risks relating to the Ordinary Shares, the Restructuring, the Tender Offer or the Company. Additional risks and uncertainties of which the Company is presently unaware or that the Company currently believes are immaterial may also adversely affect its business, financial condition, results of operations or the value of the Ordinary Shares. Investment in the Ordinary Shares should not be regarded as short term in nature and may not be suitable as a short term investment. The value of an investment in the Company, and income derived from it, if any, may go down as well as up and an investor may not get back the amount invested.

#### RISKS RELATING TO THE TENDER OFFER

##### ***Increased costs following the Tender Offer***

After cancellation of the Ordinary Shares to be purchased by the Company pursuant to the Tender Offer, the issued share capital of the Company may be significantly reduced. On the basis of the Board's estimate of those Shareholders who have indicated that they will not tender their Ordinary Shares and taking into account others who have indicated that they will purchase shares either from treasury, the Company or other shareholders, the Board believes that the Company will have approximately 37 per cent. fewer Ordinary Shares in issue. As a result, the fixed costs of the Company will be spread over significantly fewer Ordinary Shares.

##### ***Dilution***

Shareholders who choose not to participate in the Tender Offer shall own a greater percentage of the Ordinary Shares in issue after cancellation of the Ordinary Shares to be purchased by the Company.

##### ***The Tender Offer is conditional, inter alia, on Shareholder approval***

The Tender Offer is conditional on, amongst other things, the approval of the Resolutions to be proposed at the Extraordinary General Meeting to be held at 1.00 p.m. on 24 May 2012. Unless the Resolutions are passed, the Tender Offer will not take place.

The Company can resolve to terminate the Tender Offer in any of the circumstances described in paragraph 2(p) of Part 5 after which the Tender Offer will lapse.

##### ***Participation in the Tender Offer may give rise to adverse tax consequences***

Participation in the Tender Offer by a Shareholder may give rise to adverse tax consequences for that Shareholder. See Part 4 of this document for further details. If a Shareholder is in any doubt as to its tax position it should consult an appropriate financial, investment or taxation adviser.

#### RISKS RELATING TO THE COMPANY POST-RECONSTRUCTION

##### ***RISKS RELATING TO THE ORDINARY SHARES***

##### ***Trading on AIM***

Following the Restructuring, the Ordinary Shares will remain admitted to trading on AIM and it is emphasised that no application is being made for admission of the Ordinary Shares on any other stock exchange or market. Shares quoted on AIM may be less liquid than shares listed on the Official List and an investment in such shares may carry a higher risk than an investment in shares quoted on the Official List. The rules of AIM are less demanding than those of the Official List. Further, the London Stock Exchange has not itself examined or approved the contents of this document which does not constitute an AIM admission document. The Company is not obliged to produce a new AIM admission document as a result of the Restructuring. A prospective investor should be aware of the risks of investing in AIM

companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

The AIM market, along with other global stock markets, has from time to time, experienced severe price and volume fluctuations, a recurrence of which could adversely affect the market price for the Ordinary Shares.

### ***The Ordinary Shares***

Shareholders retaining their Ordinary Shares in the Company will have no right to have their Ordinary Shares repurchased by the Company at any time and therefore Shareholders wishing to realise their investment in the Company will be required to dispose of their Ordinary Shares in the secondary market. Although the Shares are admitted to trading on AIM, it is possible that there may not be a liquid market in the Ordinary Shares and, consequently, Shareholders may have difficulty in selling their holdings.

The market price and the realisable value of the Ordinary Shares, as well as being affected by their underlying Net Asset Value, will be affected by the supply and demand for such shares, market conditions, general investor sentiment and other events and factors outside of the Company's control. As such, the quoted price of the Ordinary Shares will fluctuate and may vary considerably from the applicable Net Asset Value per Share.

The quoted price of the Ordinary Shares will be, typically, their middle market price. Due to the potential difference between the middle market price of shares and the price at which they can be sold, there is no guarantee that the realisable value of the Ordinary Shares will be the same as the published quoted price.

### ***Discounts***

The price of shares in an investment company is determined by the interaction of supply of, and demand for, such shares in the market as well as the net asset value per share. The share price can therefore fluctuate and may represent a discount or premium to the net asset value per share. This discount or premium is itself variable as conditions for supply of, and demand for, the shares change. In relation to the Company, this can mean that the Ordinary Share price can fall when the Net Asset Value per Share rises, or vice versa. There can be no guarantee that any discount control measures implemented by the Board will be successful. The value of the Ordinary Shares and income derived from them (if any) can go down as well as up.

### ***The UK Takeover Code***

The UK Takeover Code applies, *inter alia*, to offers for all public companies (other than open ended investment companies) which have their registered office in the United Kingdom, the Channel Islands or the Isle of Man and which are considered by the UK Takeover Panel to have their place of central management and control in the United Kingdom, the Channel Islands or the Isle of Man. Due to the composition of the Board, both before and after the Restructuring, the Company, having consulted with the UK Takeover Panel, will not be subject to the provisions of the UK Takeover Code, as it will not be deemed to have its place of central management and control in the United Kingdom, the Channel Islands or the Isle of Man for this purpose. This means that investors will not be afforded the protections of the UK Takeover Code.

### ***Investment in the Company is only suitable for sophisticated investors***

The Directors consider that an investment in the Company should be regarded as long-term in nature and is suitable only for sophisticated investors, investment professionals, high net worth bodies corporate, unincorporated associations and partnerships and trustees of high value trusts, in each case, who can bear the economic risk of a substantial or entire loss of their investment.

## **RISKS RELATING TO THE COMPANY'S STRUCTURE**

### ***Investing policy***

There is no guarantee that the investing policy adopted by the Company will provide the returns sought by the Company. There can be no guarantee, therefore, that the Company will continue to meet its investment objective.

A proportion of the Company's portfolio may be held in cash or cash-equivalent investments. Such proportion of the Company's assets will not be invested in the market and will not benefit from positive market movements but would give some protection against negative market movements.

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

The Company may, subject to its Articles and applicable law, issue additional Ordinary Shares without limitation and it is not required under Companies Laws or the AIM Rules to offer any such Ordinary Shares to existing Shareholders on a pre-emptive basis. As such, it may not be possible for existing Shareholders to participate in any future issue of Ordinary Shares, which would dilute the existing Shareholders' interests in the Company. The issue of additional Ordinary Shares or the possibility of such an issue, may cause the market price of the Ordinary Shares to decline. Although there are no provisions of Isle of Man law which confer pre-emptive rights to Shareholders in respect of the allotment of Ordinary Shares, it is the intention of the Directors to give existing Shareholders preference in the allocation of Ordinary Shares where any substantial number of such Ordinary Shares are being issued or resold at a price which is below the prevailing Net Asset Value per Share at the time of issuance or resale. Any such allocation preference may, however, be structured in such manner as is required to ensure that the Company is not obliged to produce a prospectus pursuant to the EU Prospectus Directive.

### ***Return of capital***

In the event of a winding-up of the Company, the Ordinary Shares will rank behind any creditors of the Company and therefore, any positive return for holders of Ordinary Shares will depend on the Company's assets being sufficient to meet the prior entitlements of any creditors.

### ***Reliance on service providers and other third parties***

The Company has no employees and the Directors have all been appointed on a non-executive basis. The Company must therefore rely upon the performance of third party service providers to perform its executive functions. In particular, the Investment Manager, the Administrator, the registrar, custodians and their respective delegates, if any, will perform services that are integral to the Company's operations and financial performance. Failure by any service provider to carry out its obligations to the Company in accordance with the terms of its appointment, to exercise due care and skill, or to perform its obligations to the Company at all as a result of insolvency, bankruptcy or other causes could have a material adverse effect on the Company's performance and returns to holders of Ordinary Shares. The termination of the Company's relationship with any third party service provider or any delay in appointing a replacement for such service provider, could materially disrupt the business of the Company and could have a material adverse effect on the Company's performance and returns to holders of Ordinary Shares. Furthermore, the Company also relies on other third parties such as sub-custodians and global and/or local brokers and their respective delegates. Failure by any such third party to carry out its obligations in connection with the operation of the Company or to exercise due care and skill, or to perform its obligations in connection with the operation of the Company at all, as a result of insolvency, bankruptcy or other causes could have a material adverse effect on the Company's performance and returns to holders of Ordinary Shares. The lack of any direct contractual relationship with any third party, or any delay in appointing a replacement for such third party could materially disrupt the business of the Company and could have a material adverse effect on the Company's performance and returns to holders of Ordinary Shares.

### ***Misconduct of employees and third party service providers***

Misconduct or misrepresentations by employees of the Investment Manager or third party service providers could cause significant losses to the Company. Employee misconduct may include binding the Company to transactions that exceed authorised limits or present unacceptable risks and unauthorised trading activities or concealing unsuccessful trading activities (which, in any case, may result in unknown and

unmanaged risks or losses) or making misrepresentations regarding any of the foregoing. Losses could also result from actions by third party service providers, including, without limitation, failing to recognise trades and misappropriating assets. In addition, employees and third party service providers may improperly use or disclose confidential information, which could result in litigation or serious financial harm, including limiting the Company's business prospects or future marketing activities. Despite the Investment Manager's due diligence efforts, misconduct and intentional misrepresentations may be undetected or not fully comprehended, thereby potentially undermining the Investment Manager's due diligence efforts. As a result, no assurances can be given that the due diligence performed by the Investment Manager will identify or prevent any such misconduct.

### ***The Company may be exposed to systemic risk***

Within the banking industry the default of any institution could lead to defaults by other institutions. Concerns about, or default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions, because the commercial soundness of many financial institutions may be closely related as a result of their credit, trading, clearing or other relationships. This risk is sometimes referred to as "systemic risk" and may adversely affect other financial institutions with whom the Company deals. The Company may, therefore, be exposed to systemic risk when the Company deals with counterparties and custodians whose creditworthiness may be interlinked.

## **RISKS ASSOCIATED WITH THE INVESTMENT MANAGER**

### ***Dependence on the Investment Manager***

There can be no guarantee that key principals will remain with the Investment Manager. The departure of a key principal from the Investment Manager may have an adverse effect on the performance of the Company.

### ***Potential conflicts of interest***

The Investment Manager serves as manager to other investment funds. The Investment Manager (and its affiliates) may have conflicts of interest in allocating their time and activity between the Company and other clients, in allocating investments among the Company and other clients and in effecting transactions between the Company and other clients, including ones in which the Investment Manager (and its affiliates) may have a greater financial interest. The Investment Manager and its affiliates may give advice or take action with respect to such other clients that differs from the advice given or action taken with respect to the Company. The Investment Manager and its affiliates may be involved in other financial, investment and professional activities that may on occasion give rise to conflicts of interest with the Company. In particular, the Investment Manager may provide investment management, investment advice or other services to other funds that may have similar investment policies to that of the Company. Please see the paragraph 8 of Part 2 of this document for further details of the Company's conflict policy.

### ***Performance fee***

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

## **GENERAL INVESTMENT RISKS**

### ***Investing the current cash in the portfolio***

The current portfolio consists solely of cash and this money will be invested as appropriate investment opportunities arise. The number, quality and size of investment opportunities may lead to delays in becoming fully invested and the Investment Manager may determine that it would be more prudent to retain cash for some time prior to investing if market conditions are not appropriate or investment opportunities have not yet arisen or the due diligence requires more time. If equity and bond markets rise or fall significantly before the portfolio is fully invested, the potential returns available to the holders of Ordinary Shares may be less than anticipated. There are a limited number of attractive investment

opportunities and other investors are also seeking them. This may lead to delay in investment and may increase the price at which such investments may be made and reduce the potential investment returns for the Company.

### ***Smaller capitalisation companies***

The nature of the Company's investing policy means that it will likely make the majority of its investments in what are considered to be "smaller capitalisation" companies. The general risks associated with equity securities are particularly pronounced for securities with smaller market capitalisations. Smaller companies usually have limited product lines and markets, as well as shorter operating histories, less experienced management and more limited financial resources than larger companies and may be more vulnerable to adverse general market or economic developments. This means that they often lack the financial strength, diversity and resources of larger companies so they may find it more difficult to operate in periods of economic slowdown or recession. In addition, the relatively small capitalisation of such companies could mean that their shares are more thinly traded than those of larger companies which means that the market in their shares is less liquid. As a consequence, their share price may be more volatile than investments in larger capitalisation companies. In addition, securities of smaller capitalisation companies may not be widely followed by the investment community and market makers, which may result in reduced demand for these securities.

### ***Unquoted securities***

The Company may invest up to 5 per cent. of its gross assets value (at the time of such investment) in unquoted securities. This limit may be increased to 10 per cent. with the consent of the Board. Such investments, by their nature, involve a higher degree of risk than investments in quoted securities because unquoted securities may be more difficult to realise than quoted securities due to the potential greater difficulty in identifying willing purchasers of the unquoted securities.

### ***Default and counterparty risk***

A portion of the Company's assets may be invested in debt securities of private and governmental issuers, thus exposing the Company to the credit and political risk of the issuer. In addition, it is possible that some markets in which the Company will effect its transactions will be "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of exchange based markets. This exposes the Company to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract or because of a credit or liquidity problem, thus causing the Company to suffer a loss.

### ***Exchange controls***

The Company may from time to time purchase investments that will subject the Company to exchange controls in various jurisdictions. In the event that exchange controls are imposed with respect to any of the Company's investments, the effect will generally be to reduce the income received by the Company on such investments.

### ***Gearing***

The use of gearing creates special risks and may materially increase the Company's investment risk. Gearing provides an opportunity for greater returns but, at the same time, increases the Company's exposure to capital risk and interest costs. Any investment income and gains earned on investments made through the use of gearing that are in excess of the costs associated therewith may cause the Net Asset Value of the Company to increase further and more rapidly than would otherwise be the case. Conversely, where investments depreciate, the Net Asset Value of the Company may decrease further and more rapidly than would otherwise be the case. Gearing costs also decrease gains and income and increase losses and costs. The use of gearing in making investments increases the Company's exposure to market fluctuations and creates the possibility that where the investment depreciates the Company's overall loss may be greater than the sum invested (net of gearing).

### ***Gearing of other investment companies***

Should the Company invest in other investment companies, investors should be aware that such investments may include holdings in the shares of investment companies which are geared by loan facilities that rank ahead of the relevant shares both for payment of interest and for capital. Investment in shares of investment companies which are geared present a higher investment risk as to their capital return. This could have a negative impact on the value of an investment company holding within the Company's portfolio and returns to Shareholders.

### ***Portfolio turnover and associated costs***

The Investment Manager believes that historically the most significant returns from investing in undervalued equities have been obtained through using a buy-and-hold strategy with a typical investment horizon of at least one year. Consequently, the Investment Manager believes that prospective investors are more likely to gain the full benefits of this investment strategy by being committed to an investment horizon of at least three years when investing in the Company. The Investment Manager anticipates attempting to take advantage of short term discount opportunities in closed end funds where an investment vehicle can be purchased for a small discount, but due to liquidation or open-ending, for example, return can be obtained by promptly redeeming the shares of that investment vehicle. Arbitrage opportunities may also provide returns to the Company by purchasing shares and then selling a forward contract if the spread is attractive enough. In such circumstances, the Company may have a high portfolio turnover rate and may pay greater brokerage commissions than other investment funds. Portfolio turnover will depend upon market conditions and industry and particular security developments. Depending upon such factors, the annual portfolio turnover rate could, at times, exceed 100 per cent.

### ***Short selling***

The Company may engage in short selling up to a limit of 15 per cent. of the Net Asset Value at the time the short is placed. 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. Whilst the Company would only engage in short selling where the Investment Manager believed that the relevant securities would fall in value and where it was legally possible to do so, a short sale creates the risk of significant losses for the Company because the price of the underlying security 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 holders of Ordinary Shares.

There is also the risk that the 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, it may be necessary to replace borrowed securities previously sold short with securities purchased on the open market, possibly at prices significantly in excess of the proceeds received from originally selling the securities short.

### ***Portfolio transaction and brokerage costs***

The Investment Manager is responsible for the execution of the Company's portfolio transactions and the selection of brokers. The Company has directed the Investment Manager to try to obtain the lowest commissions possible on its trades whenever appropriate. Often there may be no alternative when purchasing a specific security than to buy it from a full service broker and pay a full brokerage fee. There can be no assurance that the purchase and sale of investments will be made on a best price and best execution basis, although all reasonable efforts to do so will be made.

In addition, the Company may create wholly-owned subsidiaries in tax advantageous jurisdictions through which trades may be made in order to minimise taxes and/or to take advantage of other peculiarities in the tax or regulatory regimes of certain countries. Although it is anticipated that the Investment Manager will only undertake such transactions if it is believed it will be in the best interests of the Company, such actions may increase the cost of undertaking transactions in such jurisdictions and adversely affect the profitability of the trades.



## **RISKS ASSOCIATED WITH INVESTMENT IN FRONTIER AND EMERGING MARKETS**

### **General**

The Company may invest in companies which will reflect the Investment Manager's convictions and which may be operating and/or quoted or listed in frontier or emerging markets. Frontier and emerging markets tend to be more volatile than more established markets and therefore present a greater degree of risk. Some of the material risks of which the Company and the Investment Manager are aware are:

- the economies may be more dependent on relatively few industries that may be highly vulnerable to local and global changes;
- the economies may be highly dependent on exports and therefore there will be a corresponding high importance on international trade which may suffer in the current economic climate;
- such countries generally have less developed securities markets or exchanges, and legal and accounting systems;
- securities may be more difficult to sell at an acceptable price and may be more volatile than securities in countries with more mature markets;
- the value of the currencies of such markets may fluctuate more than the currencies of countries with more mature markets;
- investments may be subject to greater risks of government restrictions, including confiscatory taxation, expropriation or nationalisation of a company's assets, restrictions on foreign ownership of local companies and restrictions on withdrawing assets from the country;
- investing in such countries is likely to subject the Company to a higher level of market risk than investment in more developed markets;
- such investments may be subject to potentially higher rates of inflation (including hyperinflation);
- such investments may be subject to substantial deflation;
- it is possible that arbitrary government decisions resulting, *inter alia*, from a lower level of democratic accountability than is typical of developed nations could adversely affect the investment portfolio;
- there is likely to be less stringent laws and practices in relation to the fiduciary duties of officers and directors of the local companies and protection of investors than in more developed markets;
- in the event of a dispute there may be difficulty in bringing legal proceedings to enforce contractual rights and the risk of the fraudulent appropriation of investments;
- the operation, performance and settlement, clearing and registration of dealing transactions by sub-custodians in less-developed markets may be less regulated than more developed markets; and
- there is always the possibility of the imposition of withholding or other taxes on dividends, interest, capital gains or other income, limitations on the removal of funds or other assets of the Company, political changes, government regulation, social instability or diplomatic developments (including war) which could adversely affect the economies of such countries or the value of the Company's investments in those countries.

### **Liquidity Risk concerning the shares in the Company's portfolio**

"Liquidity" refers to the ability of market participants to buy and/or sell securities expeditiously at a competitive price and with minimal price difference. Generally, the larger the numbers of orders there are for a particular security in a market, the greater the liquidity of that security. The investing policy of the Company is to seek out deep value opportunities and often such opportunities will be in securities listed or quoted in frontier or emerging markets. By definition, deep value securities and frontier or emerging markets are almost always highly illiquid. On any given day it is possible that many securities on a frontier

or emerging market will not trade at all and even the most liquid individual trading stocks rarely trade in large daily volumes. Based on the prior experience of the Investment Manager, purchasers of large blocks of securities on many exchanges have sometimes been able to purchase a particular security at a discount to the immediate prior market prices. Also, situations have also arisen where a buyer would be required to pay a premium in order to obtain large blocks of certain securities, while being required to sell blocks of other securities at a discount. In addition, for prolonged periods of time there may be a complete lack of purchase orders in certain positions taken by the Company.

### ***Volatility***

Volatility refers to dynamic price changes that securities undergo when trading on a stock exchange. Generally, the higher the volatility of a security, the greater its price swings. There is often greater volatility in thinly traded securities than in actively traded securities. As a result of volatility, purchase or sale orders with price limits may only be partially executed or not executed at all, or the price at which an order gets executed may be substantially different from the last traded price or it may change substantially thereafter, resulting in notional or real losses for securities priced at the market price. Exchanges in less developed markets often experiences high volatility and this should be expected to continue throughout the life of the Company.

### ***Interest rate risk***

The prices of equity securities in the Company's portfolio will be susceptible in the short-term to decline if interest rates rise. Rising interest rates could adversely impact the financial performance of companies in frontier and emerging markets by increasing their cost of capital. This may reduce their ability to execute acquisitions or expansion projects in a cost effective manner. In addition, the costs associated with any leverage used by the Company are likely to increase if interest rates rise. The Company has the right to invest in convertible and fixed income securities. Such securities are particularly affected by trends in interest rates and inflation. If interest rates go up, the value of securities tends to fall, and vice versa. Inflation will also reduce the real value of securities over time. The value of a security will also fall if the issuer is unable to repay its debt or has a credit rating downgrade or if there is less appetite generally in the market for securities carrying credit risk.

### ***Corruption***

Corruption remains a significant issue across frontier and emerging markets, which does not exclude corruption occurring in the more developed markets also. In general, the effect of corruption can seriously constrain the development of local economies, erode stability and trust, and its macro economic and social costs can be significant. These effects could have a material adverse effect on the performance of the Company's investments. There generally remains, across a number, if not most, of the markets in which the Company may invest insufficient effective anti-corruption legislation and insufficient co-ordination of anti-corruption initiatives.

### ***Legal Redress***

The legal systems in many of the potential investee countries is less developed than systems in more established economies. Accordingly, it may be difficult to obtain swift and equitable enforcement of rights or obtaining swift and equitable enforcement. This may result in risks such as:

- difficulties in obtaining effective legal redress in the courts, whether in respect of a breach of law or regulation, or in an ownership dispute;
- inability to conduct a comprehensive search of threatened, pending, or past suits against any entity (inquiries require a manual search of records or dockets of each individual court);
- a higher degree of discretion on the part of governmental authorities;
- lack of judicial or administrative guidance on interpreting applicable rules and regulations;
- inconsistencies or conflicts between and within various laws, regulations, decrees and orders;
- new laws may be applied retroactively or retrospectively;

- unpredictability of enactment of new laws or directives;
- courts have broad discretion in dealing with violations of law and regulations, including levying fines, revoking business and other licences; and
- relative inexperience of the judiciary and courts in certain matters.

### ***Securities markets in frontier and emerging markets***

The Company will attempt to invest in various markets around the world and specialised challenges, distinct from those associated with investing in the United Kingdom, the United States, or other well established markets, may arise. This is because many of the foreign markets the Company will likely invest in are often less stable than developed markets and each market is sensitive to different factors and has different regulatory provisions. Certain underdeveloped markets may not provide for adequate minority protection of investors. An economic downturn or an increase in the real or perceived risks associated with frontier and emerging markets could adversely affect the market prices of securities of companies exposed to frontier and emerging markets even if the economies of such countries remain stable.

The securities markets of many of the markets in which the Company expects to invest in may be less regulated than many of the world's leading stock markets. In addition, market practices in relation to settlement of securities transactions and custody of assets in such markets can provide a material risk to the Company. In circumstances such as the insolvency of a sub-custodian or registrar, or retro-active application of national or international legislation, the Company may not be able to establish title to investments made and may suffer losses as a result. The Company may find it impossible to enforce its rights against third parties. Any increase in the national or international regulation or supervision of the securities markets of frontier and emerging markets in which the Company invests may result in additional compliance costs for any custodian or sub-custodian through which the Company invests which accordingly may result in such increased costs being passed on to the Company and/or such custodian and/or sub-custodian being unable to continue to provide such services to the Company. Furthermore, no guarantee can be given that all entitlements attaching to securities acquired by the Company can be realised.

### ***Restrictions on foreign investment***

Some countries prohibit or impose substantial restrictions on investments by foreign entities such as the Company. For example, certain countries require governmental approval prior to investment by foreign persons, or limit the amount of investment by foreign persons in a particular company, or limit the investment by foreign persons in a company to only a specific class of securities which may have less advantageous terms than securities of that company which are available for purchase by nationals. Certain countries may restrict investment opportunities in issuers or industries deemed important to national interests. In certain countries the manner in which foreign investors are allowed to invest in companies, as well as limitations on such investments, may have an adverse impact on the operations of the Company. For example, the Company may be required to invest initially through a local broker or other entity and then have the share purchases re-registered in the name of the Company. Re-registration may in some instances not be able to occur on a timely basis, resulting in a delay during which the Company may be denied certain of its rights as an investor, including rights as to dividends or to be made aware of certain corporate actions. There also may be instances where the Company places a purchase order but is subsequently informed, at the time of re-registration, that the permissible allocation to foreign investors has been filled, depriving the Company of the ability to make its desired investment at the time. There may be times and situations where a country places substantial limitations on the Company's ability to repatriate investment income, capital or the proceeds of sales of securities by foreign investors. The Company could be adversely affected by delays in, or a refusal to grant any required governmental approval for repatriation of capital, as well as by the application to the Company of any restriction on investments.

### ***Government involvement in the private sector.***

The governments in many of the countries in which the Company may invest may own or control many companies, including some of the largest in the relevant country. In addition, through legislation and regulation, such governments have, in the past, exercised and continue to exercise substantial influence over many aspects of the private sector, including regulation of prices and wages and minimum and maximum prices for securities traded on their exchanges. Accordingly, future government actions in the

countries the Company will invest in could have a significant effect on economic conditions in the relevant countries, which could adversely affect the Company's performance.

### ***Reporting standards in frontier and emerging markets***

Accounting, auditing and financial reporting standards and practices and disclosure requirements applicable to many companies in frontier and emerging markets are less rigorous than those in developed markets. As a result there may be less information available publicly to investors in such securities than to investors in comparable securities in developed markets. Furthermore, the information which is available is often less reliable than the information generally provided to investors in more developed markets. The Investment Manager may make investment decisions in respect of such securities based on such information which may have a negative impact on the value of the Company's portfolio and returns to holders of Ordinary Shares.

### ***Inaccurate or incomplete information***

The Company will make investments in part on the basis of information and data filed with various government regulators by investee companies or on information made directly available to the Company by investee companies or through sources other than the investee companies. At times the Company will not be able to confirm the completeness, genuineness or accuracy of all or part of such information and data, and in some cases, complete and accurate information will not be readily available. Incomplete or inaccurate information may cause the Company to make investments it otherwise would not, if it had complete and/or accurate information, potentially causing losses to the Company.

### ***Foreign exchange rate risk***

Most of the Company's assets will be invested in securities trading and located in countries outside of the United Kingdom and the United States and the Company will receive income (dividends and capital gains) in currencies other than US dollars. Accordingly, the Company will have an exposure to foreign exchange risk as a result of changes, both unfavourable and favourable, in exchange rates between the US dollar and other currencies. Foreign exchange risk may increase the volatility of the Net Asset Value per Share and the Net Asset Value of the Company's portfolio and distributions in US dollar terms would be adversely affected by reductions in value of these other currencies relative to the US dollar. In addition, the Company will incur transaction costs in connection with conversions between other currencies and US dollars. The Company does not have a policy of hedging or otherwise seeking to mitigate foreign exchange risk but reserves the right to do so from time to time as part of the Company's efficient portfolio management; however it is possible that such a hedge, if put into place, may have the opposite result, or that the Company will have difficulty in hedging a particular part, or the entire portfolio, and that it will be totally or largely exposed to foreign currency fluctuations.

### ***Taxation and Regulatory Risks***

Each of the Company and the Investment Manager is subject to laws and regulations enacted by national, regional and local governments and institutions. In particular, the Company will be required to comply with certain regulatory requirements that are applicable to an investment company whose shares are admitted to trading on the AIM market. Those laws and regulations and their interpretation and application may also change from time to time and other laws and regulations may be introduced. Any changes to existing laws or any new laws and regulations may result in an increase in the Company's compliance and operational costs and management time spent dealing with such matters which could have a material adverse effect on the Company's business, investments and results of operations. The regulatory environment for investment funds and the managers of investment funds is evolving. Any change in the laws and regulations affecting the Company, or any change in the regulations affecting investment funds or investment fund managers generally may have a material adverse effect on the ability of the Company and the Investment Manager to carry on their respective businesses which in turn could have a material adverse effect on the Company's performance and returns to holders of Ordinary Shares.

***Failure by the Company to maintain its non-UK tax resident status may subject the Company to additional taxes which may materially adversely affect the Company's business, results of operations and the value of the Shares***

In order to maintain its non-UK tax resident status, the Company is required to be controlled and managed outside the United Kingdom. The composition of the Board, the place of residence of the individual Directors and the location(s) in which the Board makes decisions will be important in determining and maintaining the non-UK tax resident status of the Company. Although the Company is established outside the United Kingdom and the Directors live outside the United Kingdom, continued attention must be given to ensure that major decisions are not made in the United Kingdom or the Company may lose its non-UK tax resident status. As such, if the Company is considered UK tax resident it may adversely affect the Company's financial condition, results of operations, the value of the Shares and/or the after-tax return to the Shareholders.

### **EU Alternative Investment Fund Managers Directive**

The EU Alternative Investment Fund Managers Directive (the "**Directive**") is expected to be implemented on 1 January 2013. Investment companies, including investment trusts, will constitute "alternative investment funds" for the purposes of the Directive, which will regulate, *inter alia*, the management of the Company by the Investment Manager and marketing of the Company's securities.

Whilst certain provisions of the Directive may benefit the Company (such as the increased ability to market the Company's securities to professional investors throughout the EU), some of these changes may have significant consequences for the Company (and all similar investment companies) and might materially increase compliance and regulatory costs. Furthermore, service providers of the Company, such as custodians and sub-custodians, may become subject to increased regulatory standards and statutory liability under the Directive. In such circumstances the availability to the Company of such service providers in some or all of the frontier and emerging markets in which the Company invests may reduce and the costs of employing such service providers may increase.

### **General tax risks**

Representations in this document concerning the taxation of Shareholders and the Company are based on law and practice as at the date of this document. These are, in principle, subject to change and prospective investors should be aware that such changes may affect the Company's ability to generate returns for Shareholders and/or the taxation of such returns to Shareholders and could also be applied retrospectively. If you are in any doubt as to your tax position you should consult an appropriate independent professional adviser. Any change in the Company's tax status, or in taxation legislation or the taxation regime, or in the interpretation or application of taxation legislation applicable to the Company or the companies comprised in the portfolio, could affect the value of the investments held by the Company, the Company's ability to achieve its stated objective,

The Company may purchase investments that will subject the Company to withholding taxes in various jurisdictions. In the event that withholding taxes are imposed with respect to any of the Company's investments, the effect will generally be to reduce the income received by the Company on such investments. Such withholding taxes may be imposed on income, gains, issue of securities or supporting documents, including the contracts governing the terms of any financial instrument and such taxes may be confiscatory in nature. The Company shall be making investments in jurisdictions where the tax regime is not fully developed or is not certain. The Company, the Investment Manager, and the Administrator shall not be liable to account to any Shareholder for any payment made or suffered by the Company in good faith to a fiscal authority for taxes or other charges of the Company notwithstanding that it is later found that such payments need not or ought not have been made or suffered. Conversely, where through fundamental uncertainty as to the tax liability, or the lack of a developed mechanism for practical and timely payment of taxes, the Company pays taxes relating to previous years, any related interest or late filing penalties will likewise be chargeable to the Company. Such late paid taxes will normally be debited to the Company at the point the decision to accrue the liability in the Company accounts is made.

### **ERISA considerations**

The purchase of Ordinary Shares by an employee benefit plan subject to the U.S. Employee Retirement Income Security Act of 1976, as amended ("**ERISA**"), or Section 4975 of the U.S. Internal Revenue Code, as amended ("**U.S. Code**"), or by any entity whose assets are treated as assets of any such plan, could result in the assets of the Company being considered plan assets for the purposes of ERISA, and/or Section 4975 of the U.S. Code and regulations made thereunder. In such circumstances the Company, the Investment Manager and also the fiduciaries of such an employee benefit plan could be liable for any ERISA

violations by the Company or the Investment Manager and for other adverse consequences under ERISA. Each purchaser and transferee of Ordinary Shares will be deemed to have represented by its purchase or receipt of the Ordinary Shares, and throughout the period that it holds the Ordinary Shares that it is not an employee benefit plan subject to ERISA or Section 4975 of the U.S. Code or an entity whose assets are treated as assets of any such employee benefit plan. The Directors are also empowered by the Articles to require Shareholders, which they consider may because of their shareholding result in the assets of the Company being considered plan assets, to transfer their shares in order to reduce this risk materialising.

## PART 4

### TAXATION

#### 1. United Kingdom Taxation

The information below, which is of a general nature and which relates only to UK taxation, is applicable to persons who are resident and ordinarily resident in the UK, who hold Ordinary Shares as an investment and not as an asset of a financial or other trade and who do not hold their Ordinary Shares by reason of an employment or office. It is based on the law and practice of HM Revenue and Customs as at the date of this document and is subject to subsequent changes therein.

Any change in the place of the Company's tax residence or domicile, or any other change in the Company's tax status, or in taxation legislation in the UK or any other tax jurisdiction affecting shareholders, could affect the value of the investments held by the Company or affect the Company's ability to achieve its investment objective for the Ordinary Shares or alter the post-tax returns to shareholders.

***Any shareholders who are in any doubt as to the tax implications of the Tender Offer or the Restructuring should consult their own professional adviser without delay.***

#### 1.1 The Tender Offer

##### UK Taxation

Disposal of Ordinary Shares under the Tender Offer

The disposal of Ordinary Shares to the Company under the Tender Offer would potentially be subject to the application of the UK Offshore Fund Rules. However, these rules only apply to entities that meet the definition of a "mutual fund" in section 356 of the Taxation (International and Other Provisions) Act 2010. Prior to implementation of the Restructuring the Company should not meet the conditions for being classed as a mutual fund on the basis of HM Revenue and Customs published guidance that a buy-back at a small discount to Net Asset Value should not on its own mean that a fund constitutes a "mutual fund" unless it was clear to a reasonable investor at the time they invested that there were arrangements intended to ensure that such buy-back was at or very close to Net Asset Value.

##### *Individual Shareholders*

The disposal of Ordinary Shares under the Tender Offer by an individual resident or ordinarily resident in the UK should constitute a disposal for capital gains tax purposes and any chargeable gain may be liable to capital gains tax. The liability to tax and the rate of tax will depend on the Shareholder's circumstances and the availability of exemptions or allowable losses. Broadly, capital gains are taxed either at a rate of 18 per cent., or if any part of the taxpayer's income is taxed at the higher rate or dividend upper rate, at a rate of 28 per cent., to the extent that the taxpayer has exceeded their annual exemption from capital gains (which is £10,600 for the year 2011/2012).

##### *Corporate Shareholders*

Shareholders that are bodies corporate within the charge to UK corporation tax will be charged to corporation tax on any chargeable gain arising as a result of disposal of the Ordinary Shares under the Tender Offer subject to the availability of any allowable losses to set off against the chargeable gain or indexation allowances to reduce any chargeable gain arising.

## 1.2 Post-Restructuring

### UK Taxation

#### *The Company*

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

#### *UK Shareholders*

##### Dividends

Shareholders who are resident in the UK or carrying on a trade in the UK for tax purposes will, depending on their circumstances, be liable to UK income tax or corporation tax on the gross amount of dividends paid by the Company whether directly or by way of reinvestment of income.

##### Offshore Fund Rules

The Directors have been advised that the Company should not be, and the Ordinary Shares in the Company should not be shares in, a "mutual fund" for the purposes of United Kingdom taxation. This is because Shareholders should not expect to realise their investment on a basis calculated entirely, or almost entirely, by reference to the Net Asset Value of the assets held by the Company except in the event of a winding up or dissolution, and the Company is not designed to wind up or dissolve on a date stated or determinable. Based on HM Revenue and Customs published guidance, the share buy-back arrangements designed to prevent any discount to Net Asset Value becoming too large should not cause the Company to be treated as a "mutual fund" because it is considered unlikely that the Directors will be required to buy-back any further Ordinary Shares at or close to Net Asset Value after completion of the Tender Offer and Restructuring.

Accordingly, Shareholders should not be liable to income tax or corporation tax on income in respect of any gain on disposal of the Ordinary Shares, but they may, depending on their individual circumstances and subject as mentioned below, be liable to United Kingdom tax capital gains on chargeable gains realised on the disposal of their Ordinary Shares (which will include a redemption on final liquidation of the Company).

##### Tax on Chargeable Gains

#### *Individual Shareholders*

The disposal of Ordinary Shares by an individual resident or ordinarily resident in the UK should constitute a disposal for capital gains tax purposes and any chargeable gain may be liable to capital gains tax. The liability to tax and the rate of tax will depend on the Shareholder's circumstances and the availability of exemptions or allowable losses. Broadly, capital gains are taxed either at a rate of 18 per cent., or if any part of the taxpayer's income is taxed at the higher rate or dividend upper rate, at a rate of 28 per cent., to the extent that the taxpayer has exceeded their annual exemption from capital gains (which is £10,600 for the year 2011/2012).

#### *Corporate Shareholders*

Shareholders that are bodies corporate within the charge to UK corporation tax will be charged to corporation tax on any chargeable gain arising as a result a disposal of the Ordinary Shares subject to the availability of any allowable losses to set off against the chargeable gain or indexation allowances to reduce any chargeable gain arising.



## Withholding Tax

The Company would not be required to withhold UK tax at source from any dividends or redemption proceeds paid by the Company to Shareholders.

## Close Companies

The attention of UK resident and domiciled Shareholders is drawn to the provisions of Section 13 of the Taxation of Chargeable Gains Act 1992 under which, in certain circumstances, a portion of capital gains made by the Company can be attributed to an investor who holds, alone or together with associated persons, more than a 10 per cent. interest in the Company.

## Controlled Foreign Companies (“CFCs”)

A UK resident corporate Shareholder who, together with connected or associated persons, is entitled to at least 25 per cent. of the Ordinary Shares should note the provisions of the CFCs legislation contained in Chapter IV of Part XVII of the Income and Corporation Taxes Act 1988 (the “**Taxes Act**”).

The controlled foreign companies regime is to be revised by the UK government, but it is anticipated that the new regime will continue only to be potentially relevant to United Kingdom resident companies having, together with any persons connected or associated with them, an interest of 25 per. cent. or more in the Company. It is now expected that full reform of the regime will be introduced by the Finance Bill 2012 and is expected to come into effect for CFC accounting periods beginning on or after 1 January 2013.

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

The following comments are intended as a guide to the general UK Stamp Duty and SDRT position in relation to transfers and agreements to transfer Ordinary Shares and do not relate to persons such as market makers, brokers, dealers, intermediaries and persons connected with depository arrangements or clearance services, to whom special rules apply. UK Stamp Duty (at the rate of 0.5 per cent., rounded up where necessary to the next £5 of the amount of the value of the consideration for the transfer) is payable on any instrument of transfer of Ordinary Shares executed within, or in certain cases relating to any matter or thing to be done in the UK. However, in practice no UK stamp duty should be payable as it is understood under the law of the Isle of Man that no instrument of transfer is generally required to be stamped in order to effect a change in the register of members of the Company to record a transfer of Ordinary Shares.

Agreements to transfer Ordinary Shares held in CREST, provided they are not held as a CREST depository interest, should not be subject to SDRT.

## *Non-UK Shareholders*

Shareholders who are not resident or ordinarily resident in the UK (or temporarily non-resident) and do not carry on a trade, profession or vocation through a branch or agent in the UK with which the Ordinary Shares are connected will not normally be liable to UK taxation on capital gains arising on the sale or other disposal of Ordinary Shares. Such Shareholders should consult their own tax advisers concerning their tax liabilities.

## **2. Isle of Man taxation**

The Company is resident for tax purposes in the Isle of Man by virtue of incorporation. With effect from 6 April 2006, the Isle of Man Government introduced a zero rate of income tax for all companies except in respect of income derived from banking business and from Isle of Man property, which is taxed at 10 per cent. None of the Company’s income is subject to the 10 per cent. tax rate, and therefore the Company will not have any liability to Isle of Man tax on its income.

There is no requirement for an Isle of Man company to make any deduction or withholding of tax in respect of dividends paid to shareholders.

The Isle of Man does not impose capital taxes on companies or individuals.

## **2.1 The Tender Offer**

There will be no requirement for the Company to make any withholding or deduction for tax from any consideration paid pursuant to the Tender Offer.

## **2.2 The Restructuring**

The taxation of the Company on the Isle of Man will not be affected by the Restructuring.

## PART 5

### TERMS AND CONDITIONS OF THE TENDER OFFER

#### 1. Introduction and Trigger Condition

Subject to Resolution 1 that is proposed at the Extraordinary General Meeting being passed and becoming unconditional (the “**Trigger Condition**”), Shareholders on the Register as at 5.30 p.m. on 28 May 2012 are invited to tender Ordinary Shares for purchase by the Company and cancellation and/or held in treasury on the terms and subject to the conditions set out in this document.

The Company intends to accept valid tenders, on the terms and subject to the conditions set out below and in the accompanying Tender Form, of up to 100 per cent. of the Ordinary Shares held by each Shareholder as at the Record Date.

#### 2. Terms and Conditions

Subject to the satisfaction of the Trigger Condition, the Company hereby offers to purchase Ordinary Shares from Shareholders on and subject to the following terms and conditions:

- (a) The Tender Offer is conditional on the Tender Offer not having been terminated in accordance with sub-paragraph 2(p) of this Part 5 prior to 1.00 p.m. on 28 May 2012. If the Tender Offer is terminated the Tender Offer will lapse and the Company will not purchase any Ordinary Shares pursuant to the Tender Offer. This condition may not be waived.
- (b) Up to 100 per cent. of the Ordinary Shares held by a Shareholder at the Record Date may be tendered for repurchase under the Tender Offer. The price payable for each Ordinary Share tendered shall be the Tender Price.
- (c) To the extent that the total aggregate consideration payable to a Shareholder under the Tender Offer would require that Shareholder to be paid a fraction of a cent, the amount of that consideration shall be rounded down to the nearest whole cent.
- (d) Tender Forms which have been, or are deemed to be, validly and properly completed and received by the Receiving Agent prior to 1.00 p.m. on 28 May 2012 will become irrevocable at such time as they are received.
- (e) The Tender Offer will close at 1.00 p.m. on 28 May 2012 and no Tender Forms or TTE instructions received after that time will be accepted in whole or in part.
- (f) Ordinary Shares successfully tendered will be purchased by the Company fully paid and free from all liens, charges, equitable interests and encumbrances and with all rights attaching to the same and will not rank for any future dividends or other distributions.
- (g) All tenders in respect of Ordinary Shares held in certificated form must be made on the accompanying Tender Form duly completed in accordance with the instructions set out below and in the Tender Form. Share certificate(s) and/or other document(s) of title must be submitted with the Tender Form. If applicable, a balance certificate in respect of the remaining unsold Ordinary Shares will be sent to the Shareholder after completion of the Tender Offer.
- (h) All tenders in respect of Ordinary Shares held in uncertificated form (that is, in CREST) must be made by the input and settlement of a TTE instruction in CREST.
- (i) The Tender Offer and all tenders and Tender Forms will be governed by and construed in accordance with Isle of Man law. Delivery of a Tender Form or the input of a TTE instruction in CREST, as applicable, will constitute submission to the exclusive jurisdiction of the courts of the Isle of Man.
- (j) It is expected that the results of the Tender Offer will be announced on 29 May 2012.

- (k) The decision of the Directors as to the results of the Tender Offer shall be final and binding on all Shareholders.
- (l) All questions as to the number of Ordinary Shares tendered, and the validity, form, eligibility (including the time of receipt) and acceptance for payment of any tender of Ordinary Shares will be determined by the Company, in its sole and absolute discretion, which determination shall be final and binding on all of the parties (except as otherwise required under applicable law).
- (m) The Company reserves the absolute right to reject any or all tenders it determines not to be in proper form or the acceptance of payment for which may, in the opinion of the Company, be unlawful. The Company also reserves the absolute right (subject to sub-paragraph 2(a) above) to waive any of the terms or conditions of the Tender Offer and any defect or irregularity in the tender of any particular Ordinary Shares. No tender of Ordinary Shares will be deemed to be validly made until all defects or irregularities (if any) have been cured or waived. In the event of a waiver, the consideration under the Tender Offer will not be despatched until after the Tender Form is complete in all respects and the share certificates and/or other document(s) of title satisfactory to the Company have been received or until after the relevant TTE instruction has settled (as the case may be).
- (n) Ordinary Shares will be purchased by the Company under the Tender Offer free of commissions and dealing charges.
- (o) The failure of any Shareholder to receive a copy of this document or, for a person who holds his Ordinary Shares in certificated form, the Tender Form shall not invalidate any aspect of the Tender Offer. None of the Company, Receiving Agent or any other person will incur any liability in respect of any person failing to receive this document and/or the Tender Form.
- (p) If at any time prior to 1.00 p.m. on 28 May 2012:
  - (i) more than 60 per cent. of the issued Ordinary Share capital of the Company is tendered; or
  - (ii) the purchase of Ordinary Shares under the Tender Offer at the Tender Price would result in a breach of the Articles; or
  - (iii) the Directors conclude that, were the Company to proceed with the Tender Offer, the Company would not be able to pay its debts as they become due in the normal course of the Company's business; or
  - (iv) the Directors conclude that, were the Company to proceed with the Tender Offer, the value of the Company's assets would no longer exceed the value of its liabilities; or
  - (v) the Directors conclude that the Tender offer would no longer be in the interests of the Company and/or the Shareholders,

the Company shall terminate the Tender Offer and shall, as soon as practicable thereafter, announce the same through a Regulatory Information Service.

### **3. Tender Procedure**

#### **(a) Ordinary Shares held in certificated form (that is, not in CREST)**

To tender your Ordinary Shares held in certificated form you must complete the Tender Form. The completed Tender Form should either be sent by post or delivered by hand (during normal business hours only) to the offices of the Receiving Agent, Computershare, Corporate Action Projects, Bristol BS99 6AH, as soon as possible and, in any event, so as to be received not later than 1.00 p.m. on 28 May 2012. No tenders received after that time will be accepted subject to the absolute discretion of the Company. No acknowledgement of receipt of documents will be given. The completed and signed Tender Form should be accompanied, where possible, by the relevant share certificate(s) and/or other document(s) of title.

If your share certificate(s) and/or other document(s) of title is/are not readily available (for example, if they are with your stockbroker, bank or other agent) or are lost, the Tender Form should nevertheless be

completed, signed and returned as described above so as to be received by the Receiving Agent, Computershare, not later than 1.00 p.m. on 28 May 2012, together with any share certificate(s) and/or document(s) of title that you may have available with a note of explanation stating that you have lost one or more of your share certificate(s) and/or other document(s) of title.

In respect of those Ordinary Shares for which your share certificate(s) is/are lost, you should complete a letter of indemnity, which can be obtained by contacting the Receiving Agent by telephone on the helpline number below. This indemnity should be returned as described above so as to be received not later than 1.00 p.m. on 28 May 2012. Do not wait to receive your letter of indemnity before submitting your Tender Form. The Directors reserve the right to accept a tender of Ordinary Shares in respect of which neither share certificate(s) nor a letter of indemnity have been received.

Where you have returned a letter of indemnity in respect of unavailable share certificate(s) and you subsequently find or obtain the relevant share certificate(s), you should immediately send the share certificate(s) by post or (during normal business hours only) by hand to the Receiving Agent, as described above.

If a Shareholder does not deliver his share certificate(s) by 1.00 p.m. on 28 May 2012, the Company may deem (in its absolute discretion) that such Shareholder has only tendered the number of Ordinary Shares in respect of which share certificate(s) have been received.

After the completion of the Tender Offer, new share certificates will be issued to each Shareholder who, following their participation, in the Tender Offer, continues to hold Ordinary Shares to reflect their reduced holding of Ordinary Shares. If the Tender Offer does not become unconditional and lapses, Tender Forms, share certificate(s) and other document(s) of title will be returned to Shareholders by post not later than 14 days after the date of such lapse.

If you hold Ordinary Shares in certificated form but under different designations, you should complete a separate Tender Form, as appropriate, in respect of each designation. If you require additional Tender Forms please contact the Receiving Agent by telephone on the helpline number below.

If you are in any doubt as to the procedure for tendering Ordinary Shares please contact the Receiving Agent, Computershare, Corporate Action Projects, Bristol BS99 6AH on 0870 707 4040 from within the UK or on +44 (0)870 707 4040 if calling from outside the UK. Calls to the helpline number cost approximately 8 pence per minute from a BT landline. Other network providers' costs may vary. Lines are open from 9.00 a.m. to 5.00 p.m. (London time) Monday to Friday.

Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Tender Offer nor give any financial, legal or tax advice.

**(b) Ordinary Shares held in uncertificated form (that is, in CREST)**

If you hold Ordinary Shares in uncertificated form (that is, in CREST) you may tender such Ordinary Shares by submitting a TTE instruction in accordance with the procedure set out in sub-paragraph 3(c) below and, if those Ordinary Shares are held under different member account IDs, you should send a separate TTE instruction and Tender Form for each member account ID.

To tender Ordinary Shares in uncertificated form you should not submit a Tender Form but you should take (or procure the taking of) the action set out below to transfer (by means of a TTE instruction) the number of Ordinary Shares which you wish to tender under the Tender Offer to the appropriate escrow account, specifying the Receiving Agent (in its capacity as a CREST participant under the relevant participant ID(s) and member account ID(s) referred to below) as the Escrow Agent, as soon as possible and in any event so that the TTE instruction settles by no later than 1.00 p.m. on 28 May 2012. Please note that settlement cannot take place on weekends or bank holidays (or other times at which the CREST system is non-operational) and you should therefore ensure you time the input of any TTE instructions accordingly.

An Electronic Tender shall constitute an offer to sell the number of Ordinary Shares at the Tender Price on the terms of the Tender Offer, by transferring such shares to the escrow account detailed at sub-paragraph (c) below.

If you are a CREST sponsored member, you should refer to your CREST sponsor before taking any action. Your CREST sponsor will be able to confirm details of your participant ID and the member account ID under which your Ordinary Shares are held. In addition, only your CREST sponsor will be able to send the TTE instruction to Euroclear in relation to the Ordinary Shares which you wish to tender.

After settlement of a TTE instruction, you will not be able to access in CREST for any transaction or charging purposes the Ordinary Shares the subject of such TTE instruction, notwithstanding that they will be held by Receiving Agent as the Escrow Agent until completion or lapsing of the Tender Offer. If the Tender Offer becomes unconditional and the relevant tender is accepted, the Escrow Agent will transfer the Ordinary Shares to the Company for cancellation or to be held in treasury.

You are recommended to refer to the CREST manual published by Euroclear for further information on the CREST procedures outlined below. This can be found on the Euroclear website at [www.euroclear.com](http://www.euroclear.com).

**You should note that Euroclear does not make available special procedures, in CREST, for any particular corporate action. Normal system timings and limitations will therefore apply in connection with a TTE instruction and its settlement. You should therefore ensure that all necessary action is taken by you (or by your CREST sponsor) to enable a TTE instruction relating to your Ordinary Shares to settle prior to 1.00 p.m. on 28 May 2012. In this connection you are referred in particular to those sections of the CREST manual concerning practical limitations of the CREST system and timings.**

#### **(c) Electronic Tenders**

To tender Ordinary Shares in uncertificated form you should send (or if you are a CREST sponsored member, procure your sponsor sends) to Euroclear a **TTE instruction** in relation to such Ordinary Shares. A TTE instruction to Euroclear must be properly authenticated in accordance with Euroclear's specifications for transfers to escrow and must contain the following additional details:

- (i) the number of Ordinary Shares in respect of which you wish to tender and which are to be transferred to an escrow account;
- (ii) your member account ID;
- (iii) your participant ID;
- (iv) the participant ID of the Escrow Agent, Computershare, Corporate Action Projects, Bristol BS99 6AH, in its capacity as a CREST receiving agent. This is 3RA38;
- (v) the member account ID of the Escrow Agent, Computershare, Corporate Action Projects, Bristol BS99 6AH. For the purposes of the Tender this is SPEYML01;
- (vi) the corporate action ISIN, which is IM00B1GJR404;
- (vii) the intended settlement date. This should be as soon as possible and, in any event, not later than 1.00 p.m. on 28 May 2012;
- (viii) input with standard delivery instruction of priority 80;
- (ix) the corporate action number for the Tender Offer. This is allocated by Euroclear and can be found by viewing the relevant corporate action details in CREST; and
- (x) the contact name and telephone number inserted in the shared note field.

You are recommended to refer to the CREST Manual for further information on the CREST procedures outlined above.

An appropriate announcement through a Regulatory Information Service will be made if any of the details contained in this paragraph are altered.

**(d) Deposits of Ordinary Shares into, and withdrawals of Ordinary Shares from, CREST**

Normal CREST procedures (including timings) apply in relation to any Ordinary Shares that are, or are to be, converted from uncertificated to certificated form, or from certificated to uncertificated form, during the course of the Tender Offer (whether such conversion arises as a result of a transfer of Ordinary Shares or otherwise). Shareholders who are proposing to convert any such Ordinary Shares are recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the Ordinary Shares as a result of the conversion to take all necessary steps in connection with such person's participation in the Tender Offer (in particular, as regards delivery of share certificates and/or other documents of title or transfers to an escrow balance as described above) prior to 1.00 p.m. on 28 May 2012.

If you are in any doubt as to how to complete the Tender Form or as to the procedure for making an Electronic Tender, please contact the Receiving Agent, Computershare, Corporate Action Projects, Bristol BS99 6AH on 0870 707 4040 from within the UK or on +44 (0)870 707 4040 if calling from outside the UK. Calls to the helpline number cost approximately 8 pence per minute from a BT landline. Other network providers' costs may vary. Lines are open from 9.00 a.m. to 5.00 p.m. (London time) Monday to Friday. Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Tender Offer nor give any financial, legal or tax advice. You are reminded that, if you are a CREST sponsored member, you should contact your CREST sponsor before taking any action.

Shareholders should note that once tendered, Ordinary Shares may not be sold, transferred, charged or otherwise disposed of.

**4. Effect of Tender**

Each Shareholder by whom, or on whose behalf, a Tender Form or TTE instruction is executed irrevocably undertakes, represents, warrants and agrees to and with the Company and the Receiving Agent (so as to bind him, his personal or legal representatives, heirs, successors and assigns) that:

- (a) in respect of a Shareholder:
  - (i) by whom, or on whose behalf, a Tender Form is executed, the execution of the Tender Form and submission of valid share certificate(s) or document(s) that shall constitute an offer to sell to the Company at the Tender Price, the number of Ordinary Shares specified on the Tender Form (or deemed to be inserted) in each case on and subject to the terms and conditions set out and referred to in this document and that, once lodged, such offer shall be irrevocable;
  - (ii) by whom, or on whose behalf, a Tender Form is executed, the execution of the Tender Form shall constitute an offer to sell to the Company at the Tender Price, the number of Ordinary Shares specified on the Tender Form (or deemed to be inserted) in each case on and subject to the terms and conditions set out and referred to in this document and that, once lodged, such offer shall be irrevocable notwithstanding that valid share certificate(s) or documents have not been submitted; and an appropriate indemnity in favour of the Company shall be completed and executed by or on behalf of the Shareholder (or by an attorney pursuant to sub-paragraph 4(c));
  - (iii) by whom, or on whose behalf an Electronic Tender is made, the input of the TTE instruction shall constitute an offer to sell to the Company at the Tender Price, the number of Ordinary Shares specified on the TTE instruction (or deemed to be inserted) in each case on and subject to the terms and conditions set out and referred to in this document and that once the TTE instruction has been received and the TTE instruction has settled, such tender shall be irrevocable;

- (b) such Shareholder has full power and authority to tender, sell, assign or transfer the Ordinary Shares in respect of which such offer is accepted (together with all rights attaching thereto) and when the same are purchased under the Tender Offer the Company will acquire such Ordinary Shares with full title guarantee and free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature together with all rights attaching thereto;
- (c) the execution of the Tender Form or the input of the TTE instruction (as appropriate) will, subject to the Tender Offer becoming unconditional, constitute the irrevocable appointment of any director or officer of the Company, or other person(s) nominated by the Company, as such Shareholder's attorney and/or agent ("**attorney**") and an irrevocable instruction and authorisation for the attorney to complete and execute all or any instruments of transfer and/or other documents at the attorney's discretion in relation to the Ordinary Shares being tendered by that Shareholder (including any indemnity for share certificate(s) which should have been submitted with the Tender Form) and to deliver such instrument(s) of transfer and/or other documents at the discretion of the attorney, together with the share certificate(s) and/or any other document(s) relating to such Ordinary Shares, for registration on the Tender Offer becoming unconditional and to do all such other acts and things as may, in the opinion of such attorney, be necessary or expedient for the purpose of, or in connection with, the Tender Offer;
- (d) such Shareholder agrees to ratify and confirm each and every act or thing which may be done or effected by such attorney and/or by the Company or any of its directors in the proper exercise of its or his or her powers and/or authorities hereunder;
- (e) such Shareholder shall do all such things and acts as shall be necessary or expedient and execute any additional documents deemed by the Company to be desirable to complete the Company's purchase of Ordinary Shares pursuant to the Tender Offer and/or to perfect any of the authorities expressly given hereunder;
- (f) the creation of an assured payment obligation in favour of a Shareholder's payment bank in accordance with the CREST assured payment arrangements as referred to in paragraph 5 (headed "Purchase of Ordinary Shares and Settlement") in this Part 5 will, to the extent of the obligations so created, discharge fully any obligation of the Company to pay to such Shareholder the cash consideration to which he is entitled pursuant to the Tender Offer;
- (g) on execution each Tender Form takes effect as a deed;
- (h) in respect of Ordinary Shares held in uncertificated form, the input of a TTE instruction constitutes the irrevocable appointment of Computershare as the Shareholder's attorney and/or agent (with power to delegate to any director of Receiving Agent) and an irrevocable instruction and authority to the attorney and/or agent: (i) subject to the Tender Offer becoming unconditional, to transfer to itself by means of CREST the Ordinary Shares in respect of which the Tender Offer has been accepted (but not exceeding the number of Ordinary Shares which have been tendered pursuant to the Tender Offer); and (ii) if the Tender Offer does not become unconditional and lapses or has been terminated, or there are Ordinary Shares which have not been accepted under the Tender Offer, to give instructions to Euroclear, as promptly as practicable after the lapsing of the Tender Offer, to transfer all such Ordinary Shares to the original available balances from which those Ordinary Shares came;
- (i) that, subject to the Tender Offer becoming unconditional, the execution of a Tender Form or the inputting of a TTE instruction (as appropriate), constitutes an irrevocable authorisation and request:
  - (i) if the Ordinary Shares concerned are in certificated form, to the Company to procure the despatch by post of a cheque drawn in US dollars at a branch of a UK clearing bank for the cash consideration to which a tendering Shareholder is entitled, at the risk of such Shareholder, to the registered holder(s); and
  - (ii) if the Ordinary Shares are in uncertificated form, to the Company to procure the creation of an assured payment obligation in favour of the payment bank of the tendering Shareholder in accordance with the CREST assured payment arrangements in respect of the cash consideration to which such Shareholder is entitled;



- (j) such Shareholder, if an Overseas Shareholder, has fully observed and complied with any applicable legal requirements so that the invitation under the Tender Offer may be lawfully made to him under the laws of the relevant jurisdiction;
- (k) such Shareholder is not a resident of any Restricted Jurisdiction, does not hold any Ordinary Shares which he has tendered on behalf of a resident of any Restricted Jurisdiction and has not received or sent copies or originals of this document, the Tender Form or any related document in, into or from any Restricted Jurisdiction and has not otherwise utilised in connection with the Tender Offer directly or indirectly, the mails of or any means or instrumentality (including, without limitation, facsimile transmission, telex, telephone and Internet) of interstate or foreign commerce of, or any facility of a national securities exchange of, any Restricted Jurisdiction, the Tender Form has not been mailed or otherwise been sent in, into or from any Restricted Jurisdiction and such Shareholder is tendering Ordinary Shares pursuant to the Tender Offer from outside the Restricted Jurisdiction and such Shareholder is not an agent or fiduciary acting on a non-discretionary basis for the principal who has given any instructions with respect to such Ordinary Shares;
- (l) that the execution of a Tender Form or the input of the TTE instruction (as appropriate) constitutes such Shareholder's submission to the jurisdiction of the courts of the Isle of Man in relation to all matters arising out of or in connection with the Tender Offer or the Tender Form;
- (m) the execution of the Tender Form constitutes a warranty by such Shareholder that the information given by or on behalf of the Shareholder in the Tender Form will be true in all respects at the time the Company purchases the Ordinary Shares referred to in sub-paragraph 4(a) above as if it had been given afresh at such time and shall not be extinguished by such purchase;
- (n) a reference to a "Shareholder" includes a reference to the person or persons executing the Tender Form or inputting the TTE instruction and, in the event of more than one person executing a Tender Form or inputting the TTE instruction, will apply to them jointly and severally; and
- (o) all documents and payments sent to, from, by or on behalf of a Shareholder are sent entirely at their own risk.

## **5. Purchase of Ordinary Shares and settlement**

Unless the Tender Offer is terminated, the outcome of the Tender Offer is expected to be announced by no later than 8.00 a.m. on 29 May 2012.

To the extent that the total aggregate consideration payable to a Shareholder under the Tender Offer would require that Shareholder to be paid a fraction of a cent, the amount of that consideration shall be rounded down to the nearest whole cent.

The payment of any consideration for Ordinary Shares pursuant to the Tender Offer will be made only after the relevant TTE instruction has settled (in the case of CREST transfers) or (as may be the case) timely receipt by the Receiving Agent of share certificate(s) and/or other documents of title, a properly completed and duly executed Tender Form and any other documents required by the Tender Form (in the case of Ordinary Shares held in certificated form).

Delivery of cash for the Ordinary Shares to be purchased by the Company pursuant to the Tender Offer will be made by the Receiving Agent, who will act as agent for tendering Shareholders for the purpose of receiving the cash and transmitting such cash to tendering Shareholders. Under no circumstances will interest be paid on the cash to be paid by the Company notwithstanding any delay in making such payment.

If any tendered Ordinary Shares are not purchased by the Company pursuant to the terms of the Tender Offer, in the case of Ordinary Shares held in certificated form relevant share certificates evidencing any such Ordinary Shares and/or other documents of title will be returned or sent as promptly as practicable without expense to, but at the risk of, the Shareholders tendering their Ordinary Shares or in the case of Ordinary Shares held in uncertificated form (that is, in CREST), the Receiving Agent will provide instructions to Euroclear to transfer all such Ordinary Shares held in escrow balances by TFE instruction to the original available balances from which those Ordinary Shares came.

Settlement of the consideration to which any Shareholder is entitled pursuant to valid tenders accepted by the Company will be made as follows:

**(a) Ordinary Shares in uncertificated form (that is, in CREST)**

Where an accepted tender relates to Ordinary Shares held by Shareholders in uncertificated form, the consideration will be paid in US dollars through CREST by the Receiving Agent (on behalf of the Company) procuring the creation of an assured payment obligation by 31 May 2012 in favour of the payment banks of tendering Shareholders in accordance with the CREST assured payment arrangements.

The Company reserves the right to settle all or any part of the consideration referred to in this sub-paragraph 5(a), for all or any tendering Shareholder(s), in the manner referred to in sub-paragraph 5(b) below if, for any reason, it wishes to do so.

**(b) Ordinary Shares in certificated form**

Where an accepted tender relates to Ordinary Shares held by Shareholders in certificated form, cheques for the consideration will be despatched on during the week commencing 4 June 2012 by the Receiving Agent (on behalf of the Company) by first class post, at the risk of registered holder(s). All payments will be made in US dollars by cheque, drawn on a branch of a UK clearing bank at the risk of the person(s) entitled thereto.

**6. Overseas shareholders**

- (a) The making of the Tender Offer in, or to persons resident in, jurisdictions outside the United Kingdom or custodians, nominees or trustees for persons who are citizens, residents or nationals of jurisdictions outside the United Kingdom may be prohibited or affected by the laws of the relevant overseas jurisdiction. Shareholders who are Overseas Shareholders should inform themselves about and observe any applicable legal or regulatory requirements. It is the responsibility of any such Shareholder wishing to tender Ordinary Shares to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction. If you are in any doubt about your position, you should consult your professional adviser in the relevant jurisdiction. Any such Shareholder will be responsible for any such issue, transfer or other taxes by whomsoever payable and the Company and any person acting on their behalf shall be fully indemnified and held harmless by such Shareholder for any such issue, transfer or other taxes such person may be required to pay. No steps have been taken to register or qualify the Tender Offer or to authorise the extending of this Tender Offer or the distribution of this document, the Tender Form and any related documents in any territory outside the United Kingdom.
- (b) In particular, the Tender Offer is not being made, directly or indirectly, in or into, or by the use of the mails of, or by any means or instrumentality of interstate or foreign commerce of, or any facility of a national securities exchange of the United States or in or into Canada, Australia, South Africa or Japan (the "**Restricted Jurisdictions**"), and Ordinary Shares cannot be tendered by any such use, means, instrumentality or facility or from within the United States. This includes, but is not limited to, post, facsimile transmission, telex, electronic mail and telephone. Accordingly, copies of this document, the Tender Form and any related documents are not being and must not be mailed or otherwise distributed or sent in, into or from any of the Restricted Jurisdictions, including to Shareholders with registered addresses in any of the Restricted Jurisdictions or to persons who are custodians, nominees or trustees holding shares for person in any of the Restricted Jurisdictions. Persons receiving such documents (including, without limitation, custodians, nominees and trustees) should not distribute, send or mail them in, into or from, any of the Restricted Jurisdictions or use such mails or any such means, instrumentality or facility, in connection with the Tender Offer, and so doing may render invalid any purported tender under the Tender Offer. Persons wishing to tender under the Tender Offer should not use such mails or any such means, instrumentality or facility for any purpose, directly or indirectly, relating to any tender under the Tender Offer. Envelopes containing Tender Forms should not be postmarked in any of the Restricted Jurisdictions or otherwise despatched from any of the Restricted Jurisdictions and all tendering Shareholders must

provide addresses outside the Restricted Jurisdictions for the remittance of cash or return of any documents.

- (c) A Shareholder will be deemed not to have tendered Ordinary Shares pursuant to the Tender Offer if: (i) such Shareholder is unable to make the representations and warranties set out in paragraph 4 (headed "Effect of Tender") in this Part 5; (ii) such Shareholder completes Box 1 of a Tender Form with an address in any of the Restricted Jurisdictions or has a registered address in any of the Restricted Jurisdictions or (iii) the Tender Form received from him is in an envelope postmarked in, or which otherwise appears to the Company or its agents to have been sent from any of the Restricted Jurisdictions. The Company and its agents reserve the right, in their absolute discretion, to investigate in relation to any acceptance, whether the representations and warranties referred to in sub-paragraphs (j) and (k) of paragraph 4 (headed "Effect of Tender") in this Part 5 given by any Shareholder are correct and, if such investigation is undertaken and as a result the Company determines (for any reason) that such representation and warranty is not correct, such acceptance shall not be valid. If, in connection with making the Tender Offer, notwithstanding the restrictions described above, any person (including, without limitation, custodians, nominees and trustees), whether pursuant to a contractual or legal obligation or otherwise, forwards this document, the Tender Form or any related documents in, into or from any of the Restricted Jurisdictions, such person should:
- (i) inform the recipient of such fact;
  - (ii) explain to the recipient that such action may invalidate any purported acceptance by the recipient; and
  - (iii) draw the attention of the recipient to this paragraph 6 headed "Overseas Shareholders" in this Part 5.
- (d) The provisions in this paragraph 6 headed "Overseas Shareholders" and/or any other terms of the Tender Offer relating to Overseas Shareholders may be waived, varied or modified as regards a specific Shareholder or on a general basis by the Company in its absolute discretion but only if the Company is satisfied that such waiver, variation or modification will not constitute or give rise to breach of applicable securities or other laws. Overseas Shareholders should inform themselves about and observe any applicable legal or regulatory requirements. If you are in any doubt about your position, you should consult your professional adviser in the relevant territory.

## **7. Additional provisions**

All powers of attorney and authorities conferred by or referred to in this document or the Tender Form are given by way of security for the performance of the obligations of the Shareholders concerned and irrevocable in accordance with section 3 of the Powers of Attorney Act 1987.

## **8. Further information**

Your attention is drawn to the information contained in the rest of this document, including, in particular, the risk factors at Part 3 of this document and the Tender Form and form of proxy which accompany this document.

## PART 6

### ADDITIONAL INFORMATION

#### 1. THE COMPANY

- 1.1 The Company was incorporated with limited liability in the Isle of Man under the 1931 Act with registered number 118202C on 31 October 2006.
- 1.2 The Company's registered office and its principal place of business are in the Isle of Man and are located at Millennium House, 46 Athol Street, Douglas, Isle of Man, IM1 1JB.

#### 2. DIRECTORS' AND OTHER INTERESTS

- 2.1 No loan has been granted to, nor any guarantee provided for the benefit of, any Director by the Company.
- 2.2 In addition to their directorships in the Company and its subsidiaries, the Continuing 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>
Dirk Van den Broeck	Patrimmonia Fund Europe SA Reconstruction Capital II Ltd Asia Maritime (LPG) Investments Limited Radiomatix N.V. Warehouses de Pauw Comm. VA AMP Ltd Serviceflats Invest NV Urselia NV Wilma Project Development NV WPD Holding NV Winprover De Pauw NV	Petercam & Associés SCRL Petercam Capital UK Ltd Petercam Management Ireland Ltd Petercam Management Services NV Petercam SA Petercam Services SA 3P (L) SARL 3P Air Freighters Ltd 3P Air Freighters Belgium SA ASL Aviation Group Limited Beaulieulaan NV Belgian European Properties SA Distri-Invest NV EQM Funds Plc ALINSO NV Financière Sainte Gudule CVBA German Residential Property SA Immobilière de la Place Sainte Gudule SA Immo-Régence SA Meli NV New Paragon Investments Limited New Phoenix Investments Limited Omega Preservation Fund Luxembourg PAM Alternative Investments PLC Park De Haan NV Promotus BVBA QAT Investments SA QAT II Investments SA QAT ARKIV SA

<i>Director</i>	<i>Current directorships/ partnerships</i>	<i>Past directorships/ partnerships</i>
Ian Dungate	RBID Holdings Limited Galileo Fund Services Limited Columbus Nominees One Limited Galileo secretarial services Limited PME Locomotives (Mauritius) Limited PME RSACO (Mauritius) Limited PME Tanco (Mauritius) Limited PME Uganco (Mauritius) Limited	PME (Burco) Mauritius Limited
Filip Montfort	Terra Partners Group Worldwide Opportunity Fund (Cayman) Ltd. Terra Partners Asset Management Herma Investments Co. Limited Sunniva Investments Limited Zidane Holdings Limited Terra Bangladesh Fund Ltd. Victoria Falls Investment Fund Eco Pavilion Holdings Limited Gulshan Holdings Limited Kensington Acquisitions Ltd Kilnsea Investments (PVT) Ltd. Krumlov Estates Limited Locket and Keenan Investments Ltd Motijheel Holdings Limited Nuvision Holdings Ltd. Princess Drive Development Ltd. Rioja Holdings Limited Spenser Colby Investments Ltd. Terra Partners (Cyprus) Limited ZIMCAPITAL Limited ZIMINVEST Limited ZIMFINANCE LTD	Agni Systems Ltd. AICO Africa Limited Arch Holding s.r.o Austin Eco Holding Limited Beogradelekro a.d. Nollywood Holdings Limited Terra Partners s.r.o

2.3 The interests of the Continuing Directors and the persons connected with them in the share capital of the Company as at the date of this document and as expected to be immediately following the completion of the Tender Offer are as follows:

	<i>As at the date of this document</i>		<i>Immediately following completion of the Tender Offer</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of Ordinary Share capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Ordinary Share capital<sup>(1)</sup></i>
Dirk Van den Broeck <sup>(2)</sup>	598,800	0.56	598,800	0.89
Ian Dungle	–	–	–	–
Filip Montfort <sup>(2)</sup>	175,000	0.16	175,000	0.25

(1) Assuming that 37 per cent. of the Ordinary Shares are tendered under the Tender Offer.

(2) Dirk Van den Broeck and Filip Montfort are interested in Ordinary Shares by virtue of their interest in Worldwide Opportunity Fund (Cayman) Ltd. which, in turn, holds 29,350,000 Ordinary Shares.

2.4 Mr Van den Broeck was a director at the time of or within the twelve months preceding the following voluntary liquidations:

NIBC Petercam Derivatives N.V.  
Peterbroeck, Van Campenhout & Co CVA  
Rond Point Schuman N.V.  
Leopold III Laan N.V.  
Fonciere Tour Louise N.V.  
Certifimmo II N.V.  
Certifimmo III N.V.

All of these cases concern voluntary liquidations following a termination of activities. In all but two cases, the companies were special purpose vehicles that had voluntarily disposed of all their assets and returned the equity to their shareholders. In the cases of Peterbroeck, Van Campenhout & Co, CVA and NIBC Petercam Derivatives N.V. the voluntary liquidation was approved by the Belgian Banking Commission after all outstanding liabilities were met in full. In addition, Mr Van den Broeck was formerly a non-executive director of New Paragon Investments Limited, a company incorporated in Hong Kong. Mr Van den Broeck resigned from the board of New Paragon Investments Limited on 16 May 2011, the day the company was placed into a creditors' voluntary liquidation.

2.5 Save as disclosed in paragraph 2.4 above, none of the Directors:

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

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

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

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

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

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

- 2.6 Filip Montfort will have an interest in arrangements between the Company and the Investment Manager by virtue of being a director and shareholder of the Investment Manager. Filip Montfort is also a director of Worldwide Opportunity Fund (Cayman) Ltd. which, as at the date of this document, holds 29,350,000 Ordinary Shares.
- 2.7 The services of each of the Continuing 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 30 April 2012 subject to termination upon at least three months' notice at an initial fee of US\$30,000 per annum other than Dirk Van den Broeck who, as Chairman, will receive US\$45,000 per annum. Filip Monfort has agreed to waive his directors' fees for so long as he is associated with the Company's investment manager.

### **3. INVESTMENT MANAGEMENT AGREEMENT**

The Investment Management Agreement dated 30 April 2012 between the Company and the Investment Manager pursuant to which the Investment Manager shall be appointed following the settlement of the Tender Offer to manage the Company's investments in accordance with the investment policies from time to time approved by the Directors. Under the terms of the agreement, subject to the overall supervision and authorisation of the Directors, the Investment Manager has authority to manage the assets of the Company.

The Investment Manager shall be entitled to receive a management fee equal to 2 per cent. per annum of the aggregate Net Asset Value of the Company during the relevant fee payment period, calculated on the first day of each month, accrued on a daily basis and payable monthly in arrears (or pro rata for lesser periods).

The Investment Manager is also entitled to receive a performance fee equal to 20 per cent. of the increase (if any) in the Net Asset Value per Share (with dividends and other distributions added back and ignoring any accrued performance fee) multiplied by the weighted average number of Shares as at each semi-annual performance fee calculation period above the Net Asset Value as at the commencement of each such semi-annual performance fee calculation period, provided that any performance fee shall be payable only to the extent that the Net Asset Value of the Share exceeds the Net Asset Value immediately following the settlement of the Tender Offer or, if a performance fee has been paid, the Net Asset Value per Share when a performance fee was last paid. The performance fee shall be calculated on 30 June and 31 December in each year and paid following such calculation.

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 negligence, wilful default or fraud of the Investment Manager or any party to whom the Investment Manager has delegated any of its functions. In addition, the Company has given certain warranties to the Investment Manager.

The Investment Management Agreement may be terminated by either party giving to the other not less than twelve months' notice expiring on or at any time after the third anniversary of the commencement date of the agreement or otherwise, in circumstances, *inter alia*, where one of the parties has a receiver appointed over its assets or if an order is made or an effective resolution passed for the winding-up of one of the parties.

### **4. THE ADMINISTRATION AGREEMENT**

The Company entered into the Administration Agreement on 13 November 2006 with the Administrator pursuant to which the Administrator was appointed to act as administrator and registrar of the Company, to keep and prepare the accounts of the Company and to provide a company secretary. The Administrator is entitled to receive a fee of 10 basis points per annum of the net asset value of the Company between £0 and £100 million and 7.5 basis points of the net asset value of the Company in excess of £100 million, subject to a minimum monthly fee of £4,000 and a maximum monthly fee of £11,250 payable quarterly in arrears.

The Administrator assists in the preparation of the financial statements of the Company for which it receives a fee of £1,750 per set. The Administrator may utilise the services of a CREST accredited registrar

for the purposes of settling share transactions through CREST. The cost of this service is borne by the Company.

The Administrator provides general secretarial services to the Company for which it receives a minimum annual fee of £5,000. Additional fees, based on time and charges, apply where the number of Board meetings exceeds four per annum. For attendance at meetings not held in the Isle of Man, an attendance fee of £350 per day or part thereof is charged.

The Administrator is entitled to reimbursement of out-of-pocket expenses properly incurred by the Administrator in carrying out its duties. The Administration Agreement contains an indemnity in favour of the Administrator against claims against it except to the extent that the claim is due to the negligence, wilful default or fraud of the Administrator. The Administration Agreement may be terminated by either party giving to the other not less than 90 days' notice in writing or otherwise in circumstances, including *inter alia*, if one of the parties goes into liquidation.

## **5. MISCELLANEOUS**

5.1 Matrix has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.



## DEFINITIONS

In this document and the Tender Form the following definitions apply unless the context requires otherwise:

“1931 Act”	the Isle of Man Companies Act 1931 (as amended)
“Administration Agreement”	the agreement dated 13 November 2006 between the Company and the Administrator as described in paragraph 4 of Part 6 of this document
“Administrator”	Galileo Fund Services Limited or such other administrator as may be appointed by the Company from time to time
“AIM”	the market of that name operated by the London Stock Exchange plc
“AIM Rules”	the AIM Rules for Companies of the London Stock Exchange
“Articles”	the existing articles of association of the Company
“Board” or “Directors”	the board of directors of the Company from time to time
“certificated” or “in certificated form”	an Ordinary Share which is not in uncertificated form
“Company”	Speymill Macau Property Company plc
“Computershare”	Computershare Investor Services PLC
“Continuing Directors”	Dirk Van den Broeck, Ian Dungate and Filip Montfort
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the Operator (as defined in the CREST Regulations)
“CREST member”	a person who has been admitted by Euroclear as a system-member (as defined in the CREST Regulations)
“CREST participant”	a person who is, in relation to CREST, a system-participant (as defined in the CREST Regulations)
“CREST regulations”	the Uncertificated Securities Regulations 2005 of the Isle of Man (as amended)
“CREST sponsor”	a CREST participant admitted to CREST as a CREST sponsor being a sponsoring system-participant (as defined in the CREST Regulations)
“CREST sponsored member”	a CREST member admitted to CREST as a sponsored member
“Directors’ Incentive Plan”	the directors’ incentive plan more particularly described at paragraph 3 of Part 1 of this document
“Electronic Tender”	the inputting and settlement of a TTE instruction in accordance with the procedures set out in Part 5 of this document which constitutes or is deemed to constitute a tender of Ordinary Shares pursuant to, and on the terms of, the Tender Offer as set out in this document
“Escrow Agent”	Computershare
“Euroclear”	Euroclear UK & Ireland Limited

“Existing Directors”	the Directors as at the date of this document, being those persons who are named on page 4 of this document
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company, notice of which is set out at the end of this document
“Investment Manager” or “Terra Partners”	Terra Partners Asset Management
“Matrix”	Matrix Corporate Capital LLP
“member account ID”	the identification code or number attached to any member account in CREST
“Net Asset Value”	net asset value of the Company
“Net Asset Value per Share”	the NAV divided by the number of Ordinary Shares in issue
“Ordinary Shares” or “Shares”	ordinary shares of US\$0.10 each in the capital of the Company
“Overseas Shareholders”	Shareholders who are citizens or nationals of, or resident in, jurisdictions outside the Isle of Man and the United Kingdom
“participant ID”	the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant
“Proposals”	the proposals contained in this document, including the Tender Offer and the Restructuring
“Proposed Directors”	Dirk Van den Broeck and Ian Dungate, being those persons who shall be appointed as Directors at the completion of the Tender Offer
“Receiving Agent”	Computershare
“Record Date”	5.30 p.m. on 28 May 2012
“Register”	the register of members of the Company
“Registrar”	Computershare Investor Services (Jersey) Limited
“Restructuring”	the proposed restructuring of the Company as more particularly described in Parts 1 and 2 of this document
“Resolutions”	the resolutions to be proposed at the Extraordinary General Meeting
“Restricted Jurisdiction”	has the meaning given to that term in paragraph 6(b) of Part 5 of this document
“RIS” or “Regulatory Information Service”	a regulatory information service
“Shareholders”	holders of Ordinary Shares
“Tender Form”	the tender form accompanying this document for use in connection with the Tender Offer by Shareholders

“Tender Offer”	the invitation by the Company to Shareholders to tender Ordinary Shares for conditional purchase by the Company on the terms and subject to the conditions set out in this document and the Tender Form
“Tender Price”	US\$0.835 per Ordinary Share
“TFE Instruction”	a transfer from escrow instruction (as defined by the CREST manual issued by Euroclear)
“TTE instruction” issued by Euroclear)	a transfer to escrow instruction (as defined by the CREST manual issued by Euroclear)
“uncertificated” or “in uncertificated form”	recorded on the Register as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“UK”	the United Kingdom of Great Britain and Northern Ireland
“US\$” or “US Dollars”	United States Dollar being the currency of the United States of America.

## NOTICE OF EXTRAORDINARY GENERAL MEETING

### SPEYMILL MACAU PROPERTY COMPANY PLC

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of the members of Speymill Macau Property Company plc (the “**Company**”) will be held at the offices of Galileo Fund Services Limited, Millennium House, 46 Athol Street, Douglas, Isle of Man, IM1 1JB on 24 May 2012 at 1.00 p.m. for the purpose of considering and, if thought fit passing the following resolution which will, as to resolutions 1 to 5, be proposed as ordinary resolutions, and as to resolution 6, be proposed as a special resolution:

#### ORDINARY RESOLUTIONS

1. **THAT**, conditionally upon the passing of resolutions 2 to 6 and the Tender Offer for ordinary shares of US\$0.10 each in the issued ordinary share capital of the Company (the “**Ordinary Shares**”) on the terms set out or referred to in the circular to Shareholders dated 30 April 2012 (the “**Circular**”) (a copy of which document is produced to the extraordinary general meeting and signed for identification purposes by the Chairman of the extraordinary general meeting) not being terminated by the Company in accordance with its terms, the Company be and is hereby authorised to make market purchases (within the meaning of Section 13 of the Isle of Man Companies Act 1992) of Ordinary Shares pursuant to the Tender Offer provided that:
  - (i) the maximum number of Ordinary Shares hereby authorised to be purchased is 100 per cent. of the Ordinary Shares in issue at the time of the passing of this resolution;
  - (ii) the maximum price and the minimum price which may be paid for any Ordinary Share is US\$0.835; and
  - (iii) this authority shall expire at the conclusion of the next annual general meeting of the Company or 18 months after the passing of this resolution (whichever is earlier).
2. **THAT**, conditionally upon the passing of resolution 1 and resolutions 3 to 6, the Company be and is hereby generally authorised to make further market purchases (within the meaning of Section 13 of the Isle of Man Companies Act 1992) of Ordinary Shares, provided that:
  - (i) the maximum number of Ordinary Shares hereby authorised to be purchased is 14.99 per cent. of the Ordinary Shares in issue following the completion of the purchase of Ordinary Shares under the Tender Offer referred to in Resolution 1;
  - (ii) the minimum price which may be paid for any Ordinary Share is US\$0.10;
  - (iv) the maximum price (exclusive of expenses) which may be paid for any Ordinary Share is an amount equal to 105 per cent. of the average of the middle market quotations for the shares as derived from the Aim appendix to the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which the share is contracted to be purchased; and
  - (v) this authority shall expire at the conclusion of the next annual general meeting of the Company or 18 months after the passing of this resolution (whichever is earlier).
3. **THAT**, conditionally upon the passing of resolutions 1 and 2 and resolutions 4 to 6, the investing policy set out under “Investing policy” in Part 2 of the Circular be and is hereby adopted as the new investing policy of the Company.
4. **THAT**, conditionally upon the passing of resolutions 1 to 3 and resolutions 5 and 6, Terra Partners Asset Management be and is hereby appointed as the Company’s external investment manager pursuant to the terms of the Investment Management Agreement (as defined in the Circular).
5. **THAT**, conditionally upon the passing of resolutions 1 to 4 and resolution 6, the amendment to the terms of the Directors’ Incentive Plan (as defined in the Circular) as set out under “Amendment to the Directors’ Incentive Plan” in Part 1 of the Circular be and is hereby approved.

## SPECIAL RESOLUTION

6. **THAT**, conditionally upon the passing of resolutions 1 to 5, the name of the company be changed to "Terra Capital Plc".

30 April 2012

*Registered Office*  
Millennium House  
46 Athol Street  
Douglas  
Isle of Man  
IM1 1JB

By order of the Board  
  
Ian Dungate  
*Company Secretary*

### Notes to the Notice of Extraordinary General Meeting

1. A form of proxy is enclosed for your use if desired. To be valid, a form of proxy, together with a power of attorney or other authority, if any, under which it is executed, or a notarially certified copy thereof, must be deposited at the Company's Registrars, Computershare Investor Services (Jersey) Limited not less than 48 hours before the time for holding the meeting or adjourned meeting.
2. A member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and on a poll vote in his or her place. A proxy need not be a member of the Company. A proxy of a member's own choice may be appointed by inserting the proxy's name on the proxy form in the space provided. If you do not use another name on the form, the Chairman of the meeting will act as your proxy.
3. A member may appoint more than one proxy in relation to this Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him/her. To appoint more than one proxy please photocopy the form of proxy. If you do so please indicate the name of the proxy and the number of shares in relation to which they are authorised to act as your proxy.
4. If a member appoints more than one proxy, each proxy must be entitled to exercise the rights attached to different shares. When two or more valid but differing appointments of proxy are delivered in respect of the same share for use at the same meeting and in respect of the same matter, the proxy which is last validly delivered shall be treated as replacing and revoking the other or others as regards that share.
5. The appointment of a proxy will not preclude a member from attending and voting at the meeting in person should he subsequently decide to do so.
6. In the case of joint holders of Ordinary Shares, the vote of the senior shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the other joint holder(s) and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
7. In the case of a corporation, the form of proxy must be executed under its common seal or signed on its behalf by a duly authorised attorney or duly authorised officer of the corporation.
8. The ordinary resolutions and the special resolution will be passed either (i) on a show of hands by a majority of not less than 50 per cent. or 75 per cent. of members as are present and voting at the meeting respectively; or (ii) on a poll of members of the Company holding not less than 50 per cent. or 75 per cent. of voting rights attributable to the shares held by the member or members present and voting at the meeting respectively.

