

A copy of this document, which comprises a prospectus relating to The Equity Partnership Investment Company PLC, prepared in accordance with the listing rules of the UK Listing Authority made pursuant to Section 142(6) of the Financial Services Act 1986, has been delivered to the Registrar of Companies in England and Wales for registration in accordance with Section 149 of that Act. A copy of this document, together with copies of the documents referred to in paragraph 7 of Part IV, has also been delivered to the Financial Supervision Commission in the Isle of Man, as required by section 38 of the Isle of Man Companies Act 1931.

The Directors of the Company, whose names appear under the heading "Directors, Investment Manager and Advisers" on page 3 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Equity Partnership Investment Company PLC

(a public company incorporated in the Isle of Man with registration number 103447C)

PLACING BY

Teather & Greenwood Limited

of up to 45 million Income Shares of 10 pence each at 100 pence per share
and up to 75 million Capital Shares of 10 pence each
at 100 pence per share payable in full on application
and up to 15 million Warrants to subscribe for Capital Shares

Investment Manager

The Equity Partnership Limited

Application has been made to the UK Listing Authority for all of the Warrants, Income Shares and Capital Shares (issued and to be issued) to be admitted to the Official List and to be admitted to trading on the London Stock Exchange's market for listed securities. It is expected that such admission will become effective and that dealings in the Warrants, Income Shares and Capital Shares will commence on 17 August 2001. To the extent that the maximum number of Shares available under the Placing is not taken up, further Shares and Warrants may be issued for a period of 25 Dealing Days following Admission, as referred to on page 15.

Teather & Greenwood Limited, which is regulated by The Securities and Futures Authority Limited, is acting for the Company and for no one else in connection with the Placing and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Teather & Greenwood Limited or for affording advice in relation to the contents of this document or on any other matters referred to herein.

LISTING PARTICULARS DATED 14 August 2001

The circulation of this document may be restricted in certain jurisdictions. This document shall not constitute an offer of securities in the Company or a solicitation to any resident of the Isle of Man or in any jurisdiction in which such an offer or solicitation is prohibited.

Directors, Investment Manager and Advisers	3	
Definitions	4	
Expected Timetable	6	
Key Information	7	
Part I	Introduction	8
	Investment Objective	8
	Investment Policy	8
	Bank Loan	9
	Capital Structure	9
Part II	Directors	12
	The Investment Manager	12
	BroadStreet Group LLC	13
	Investment Management Fees	14
	Performance Fee	14
	Administration and Secretarial Arrangements	14
	Accounting Policy	14
	Reports to Shareholders	14
	Placing Arrangements	14
	Further Issues	15
	Taxation Considerations	15
	Investment Restrictions	16
	Risk Factors	17
Part III	Accountants' Report	19
Part IV	General Information	21
Part V	Summary Terms and Conditions of the Warrants	36

DIRECTORS, INVESTMENT MANAGER AND ADVISERS

Directors of the Company	Donald Cecil McCrickard (<i>Chairman</i>) Donald Lindsay Adamson (<i>Director</i>) Vincent Campbell (<i>Director</i>) Richard King (<i>Director</i>) Jo Mark Pole Welman (<i>Director</i>) all of PO Box 174 St James's Chambers Athol Street Douglas Isle of Man IM99 1PP
Secretary of the Company	Philip Scales
Investment Manager	The Equity Partnership Limited 55 Bishopsgate London EC2N 3AS
Administrator & Registrar	Barings (Isle of Man) Limited PO Box 174 St James's Chambers Athol Street Douglas Isle of Man IM99 1PP
Sponsor & Stockbroker	Teather & Greenwood Limited Beaufort House 15 St Botolph Street London EC3A 7QR
Isle of Man Advocates	Cains Advocates Limited 15-19 Athol Street Douglas Isle of Man IM1 1LB
Solicitors to the Company	Latham and Watkins 99 Bishopsgate Eleventh Floor London EC2M 3XF
Reporting Accountants & Auditors	Ernst & Young Jubilee Buildings Victoria Street Douglas Isle of Man IM1 2SH
Solicitors to the Sponsor	Stephenson Harwood One St. Paul's Churchyard London EC4M 8SH
Principal Bankers	Barclays Bank PLC 54 Lombard Street London EC3 9EX
CREST Provider	Computershare Investor Services (Channel Islands) Limited Ordnance House 31 Pier Road St Helier Jersey JE4 8PW

DEFINITIONS

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

“Administration Agreement”	the administration agreement between the Company and the Administrator, a summary of which is set out in paragraph 7 of Part IV of this document
“Administrator”	Barings (Isle of Man) Limited
“Admission”	admission of the Warrants, Income Shares and Capital Shares to be issued pursuant to the Placing to the Official List and to trading on the London Stock Exchange
“Articles”	the Articles of Association of the Company, a summary of which is set out in paragraph 4 of Part IV of this document
“Bank”	Barclays Bank PLC
“Bank Loan”	the term loan facility to be provided to the Company by the Bank, a summary of which is set out in paragraph 7 of Part IV of this document
“Board” or “Directors”	the Board of Directors of the Company
“BroadStreet”	BroadStreet Group LLC, a structured products and alternative asset management company organised under the laws of Delaware, USA
“Capital Shares”	capital shares of 10p each in the capital of the Company
“Capital Shareholders”	holders of Capital Shares
“CBO”	Collateralised Bond Obligation
“Certificated Warrants”	a Warrant held in certificated form and represented by a Warrant Certificate
“Company” or “EPIC”	The Equity Partnership Investment Company PLC
“Cover”	the ratio of the Total Assets (after the deduction of any prior liabilities) of the Company to the final capital entitlement of the shares
“Dealing Day”	a day on which dealings may take place in the Capital Shares on the London Stock Exchange
“Epic Asset Management”	EPIC Asset Management Limited, EPL's 70 per cent. owned investment management subsidiary which has applied for regulation by IMRO
“EPL” or “Investment Manager”	The Equity Partnership Limited
“Extraordinary Resolution”	for the purposes of the conditions of the Warrants as summarised in Part V has the meaning set out in Part V
“Final Asset Cover”	the ratio of final Total Assets (assuming no growth in either income or capital, but after deduction of all costs, charges and any prior liabilities) to the final capital entitlement of the Shares
“FTSE 100 Index”	the capitalisation weighted index of 100 of the most highly capitalised companies traded on the London Stock Exchange
“Hurdle Rate”	the annual compound percentage rate of underlying growth in Total Assets which on the Repayment Date would result in a Capital Shareholder receiving 100p per share or an Income Shareholder receiving 100p per share as the case may be
“Income Shares”	income shares of 10p each in the capital of the Company
“Income Shareholders”	holders of the Income Shares
“Initial Gross Proceeds”	the aggregate value of the Capital Shares and the Income Shares issued under the Placing at the Placing Price (before the deduction of expenses) and the amount to be drawn down under the Bank Loan

“IMRO”	Investment Management Regulatory Organisation Limited
“Investment Management Agreement”	the investment management agreement between the Company and the Investment Manager, a summary of which is set out in paragraph 7 of Part IV of this document
“ISA”	Individual Savings Account for the purposes of section 333 (1A) of the Income and Corporation Taxes Act 1988
“Law”	the Isle of Man Companies Acts 1931 to 1993
“LIBOR”	the 12 month London Inter Bank Offered rate for Sterling deposits at or about 11.00 a.m. on the relevant date, as published in the Financial Times
“London Stock Exchange”	London Stock Exchange plc
“Net Asset Value” or “NAV”	the total of the Company’s consolidated share capital and reserves from time to time, calculated in accordance with the Company’s accounting policies
“Official List”	the list maintained by the UK Listing Authority pursuant to Part IV of the Financial Services Act 1986
“Placing”	the placing of up to 45 million Income Shares, up to 75 million Capital Shares and up to 15 million Warrants
“Placing Agreement”	the placing agreement between the Company, Teather & Greenwood Limited, Mr Jo Welman and the Investment Manager
“Placing Price”	100p, the placing price of the Income Shares and the Capital Shares
“Principal Bases and Assumptions”	the principal bases and assumptions used for the purposes of calculating illustrative returns as set out in paragraph 8 of Part IV of this document
“Projected Net Asset Value”	the projected net asset value per Income Share on the Repayment Date calculated using the Principal Bases and Assumptions
“Redemption Yield”	the annualised return that can be achieved in terms of capital or income and capital (in the case of the Income Shares) from purchasing a share upon Admission and holding it until the Repayment Date
“Regulations”	the Transfer of Securities Regulations 1996 (as amended from time to time) of the Isle of Man
“Repayment Date”	31 July 2011 (subject to deferral, by resolution of the Capital Shareholders of the Company, in accordance with the Company’s Articles)
“Running Costs”	all of the ongoing costs and expenses of the Company after the management fee and Bank Loan interest
“Shares”	together the Income Shares and the Capital Shares
“Shareholders”	together the Income Shareholders and the Capital Shareholders
“Subscription Date”	30 November in any of the years 2002 to 2006, both inclusive, (or, if later, the date being 30 days after the date on which copies of the audited accounts of the Company for its then immediately preceding financial year are despatched to holders of Capital Shares). If the Company shall change its accounting reference date from 31 July there shall be substituted for 30 November the date falling four months after the new accounting reference date
“Subscription Price”	the price of 100p per Capital Share at which the Subscription Rights are exercisable or such adjusted price as may be determined from time to time in accordance with the provisions of the Warrant Instrument
“Subscription Rights”	the rights to subscribe for Capital Shares pursuant to the Warrants
“Teather & Greenwood”	Teather & Greenwood Limited

“Total Assets”	the aggregate value of the assets of the Company including net distributable but undistributed income less current liabilities of the Company (which shall exclude any proportion of the principal amounts borrowed for investment and treated from time to time as a current liability and any liability of an intra-group nature)
“UKLA” or “UK Listing Authority”	the Financial Services Authority acting in its capacity as competent authority under the Financial Services Act 1986
“Uncertificated Warrants”	where eligible, Warrants the title to which is recorded in the relevant register as being held in such form and which, by virtue of the Regulations, may be transferred by means of a relevant system
“Warrantholder”	the registered holder of a Warrant
“Warrants”	warrants to subscribe for Capital Shares which are to be issued to subscribers for Capital Shares under the Placing on the terms and subject to the conditions of the Warrant Instrument
“Warrant Certificates”	a certificate in respect of the outstanding Warrants held by a Warrantholder in the form set out in Schedule II to the Warrant Instrument
“Warrant Instrument”	the warrant instrument executed by the Company dated 14 August 2001, a summary of the terms and conditions of which is set out in Part V

EXPECTED TIMETABLE

Dealings in Income Shares, Capital Shares and Warrants to commence	17 August 2001
Crediting of CREST accounts in respect of the Income Shares, Capital Shares and Warrants	17 August 2001
Share Certificates issued in respect of the Income Shares, Capital Shares and Warrants	28 August 2001

KEY INFORMATION

The following information is derived from, and should be read in conjunction with, the full text of this document. The figures set out in this document are for illustrative purposes only and are not intended to be, nor should they be taken as, a forecast of profits. They have been calculated using the Principal Bases and Assumptions set out in paragraph 8 of Part IV. Actual returns cannot be predicted and may differ from the illustrative statistics set out in this document. Your attention is also drawn to the Section headed Risk Factors in Part II.

- EPIC's investment objective is to generate capital growth for Capital Shares and an initial 10 per cent. yield for Income Shares.
- The Company's investment policy is to invest in quoted equities, bonds and structured income products, unquoted equities, and investment funds, subject to the restrictions set out in this document.
- EPIC's portfolio will be managed by The Equity Partnership Limited, a newly established fund management company. A quarterly management fee equal to 0.25 per cent. of Total Assets plus value added tax if applicable will be paid by the Company. In addition, in order further to incentivise the Investment Manager, the Investment Manager may be entitled to receive a performance fee related to the growth in Net Asset Value.
- The Company will initially own 29.9 per cent. of EPL, EPIC's investment manager, and the value of that holding (expected to be revalued from time to time based on an independent valuation) will be reflected in the NAV per share. The investment in EPL, which may be subject to dilution in certain circumstances, will be made at a nominal cost to EPIC.
- Income Shares will have an estimated final asset Cover (including rolled up costs) of 2.27 times. Under the Placing the Shares will be issued in the proportion of not more than 3 Income Shares for every 5 Capital Shares.
- The Income Shares will carry the entitlement to cumulative preferential dividends the annual rate of which will be increased annually in proportion to any increase in the Retail Price Index (RPI), capped at a maximum 5 per cent. increase for any year.
- Capital Shares will, at the end of the Company's life, have the right to all capital growth and accumulated income after all debt, other liabilities and Income Share obligations are satisfied.
- Each Capital Shareholder who subscribes under the Placing shall also be issued Warrants (on the basis of 1 Warrant for every 5 Capital Shares subscribed) entitling the Warrantholder to subscribe for Capital Shares on any Subscription Date at a subscription price of 100p per Capital Share.

Target Asset Allocation	%	Proposed Capital Structure*	%
Quoted Equities	40	Bank Loan	20
Bonds and Structured Income Products	25	Capital Shares	50
Unquoted Equities	20	Income Shares	30
Investment Funds	15		
	100		100

**The proportion of Income Shares to Capital Shares issued under the Placing may not be more than 3 Income Shares for every 5 Capital Shares, but may be less.*

Part I

INTRODUCTION

EPIC is a new closed-end investment company incorporated in the Isle of Man as a public limited company, with EPL acting as its investment manager.

EPL is a newly formed fund management company focused on the application of an experienced investment banking and fund management team to the problems and opportunities faced by small company investors, owners and investment managers. It is intended that EPL, through its subsidiaries, will also structure and market innovative investment products and complementary financial services. EPL will manage EPIC's investment portfolio and EPIC Asset Management is expected to receive the benefit of fees in respect of the management of a CBO in which EPIC intends to invest and other fund management and advisory contracts. EPIC will initially own 29.9 per cent. of EPL.

INVESTMENT OBJECTIVE

The investment objective of the Company is to achieve growth for Capital Shareholders of at least 3 per cent. per annum above the "risk free" rate, defined as LIBOR, and to provide Income Shareholders with a high level of income with annual RPI adjustment (upwards only).

INVESTMENT POLICY

The Company will seek to achieve its investment objective through investment in quoted and unquoted companies which the Investment Manager perceives to be undervalued, bonds and structured income products (such as CBOs), and specialist industry or sector funds, subject to the investment restrictions set out below.

The target asset allocation will be as follows; 40 per cent. in quoted equities, 25 per cent. in bonds and structured income products, 20 per cent. in unquoted equities and 15 per cent. in investment funds. However these proportions will fluctuate from time to time and the timing of the investments will be dependent on the prevailing market conditions. In this regard your attention is drawn to the principal bases and assumptions set out in paragraph 8 of Part IV.

In accordance with the requirements of the UK Listing Authority, the investment policy will, in the absence of unforeseen circumstances, be adhered to for at least three years following Admission and any material change to this policy within this period will only be made with Shareholder approval.

Quoted Equities

The Directors believe that the performance of the major UK equity market indices has become increasingly influenced by a small number of very large companies. Indeed, as at 1 March 2001 over 50 per cent. of the FTSE 100 Index by capitalisation was represented by only 10 companies. It is the Directors' view that many smaller companies find it difficult to generate interest from the investment community and that, as a result, can remain under-researched and trade at low valuations. It is the Directors' intention that EPIC will exploit opportunities where share ratings do not reflect a company's value or growth prospects.

Bonds and Structured Income Products

Bonds and structured income products include a range of asset classes such as investment grade bonds, high yield bonds, convertible bonds and CBOs. A CBO is a repackaged security whose underlying collateral is a diversified portfolio of bonds. The holders of the CBO securities receive payments of interest during the life of the CBO and, at the end of that period, repayment of their principal amount subject to sufficient cover being provided by the underlying assets. The payments to the CBO security holders are financed by the original portfolio of bonds or asset backed securities held in the CBO issuer. The issuer would typically be a special purpose vehicle established off-shore, and its obligations would be guaranteed by a bank or other suitable guarantor.

Typically, the CBO issuer creates three new classes of security, secured against the underlying portfolio. The highest ranking of these securities, which would normally achieve an investment grade rating, will bear a coupon which is lower than the coupon generated by the underlying portfolio. The lowest ranking security, the "equity stub", bears much higher risk but will also generate a coupon which is higher than that generated by the underlying portfolio. By "repackaging" the underlying

portfolio in this way, it is possible effectively to reallocate risk. The equity stub exploits the differential between the yield on the underlying portfolio and the yield on the higher ranking securities issued by the CBO.

It is EPIC's intention, where it invests through CBOs, to invest in the equity stub so as to maximise the yield it receives. However, the Investment Manager intends to secure not less than 75 per cent. of the principal invested in this way by purchasing zero coupon bonds and/or taking out credit default insurance.

Unquoted Equities

It is the Directors' belief that the investment opportunities provided by the lack of liquidity and information that leads to imperfect pricing of quoted equities can also be exploited in unquoted equities. The Directors intend to invest in companies that have established business models where there is the opportunity for a significant uplift in market value, for example in companies that are actively seeking a listing.

Investment Funds

The funds that will be invested in are specialist sector funds, closed ended funds trading on deep discounts, funds that are investing in new asset classes, and hedge funds. The Company may invest in closed end or open ended funds, including unit trusts and open ended investment companies, and the funds in question may be incorporated within the UK or off-shore. There is no current intention to invest in any split capital funds or similar highly geared closed end funds, but investment may be made in such vehicles where the Investment Manager perceives that exceptional value can be obtained. The Company is prohibited from investing in the ordinary income and income share capital of split capital funds.

BANK LOAN

Under the terms of a facility agreement entered into between the Company and Barclays Bank PLC, the Bank has agreed to provide a multi-currency sterling-based bank facility to the Company conditional upon the Placing being completed. The facility is for a maximum amount of £30 million and is for a fixed term of five and a half years. The facility will bear interest on sterling amounts at a rate equivalent to a rate of LIBOR plus 1.05 per cent. per annum with the interest being rolled up until maturity. The Directors will keep under review the interest rate payable under the Bank Loan and may seek to hedge or fix the interest rate applicable from time to time. Further details of the facility are set out in paragraph 7 of Part IV. The Bank Loan will be invested in accordance with the investment policy outlined above.

CAPITAL STRUCTURE

The Company's capital will comprise two share classes – Income and Capital – for which application has been made for admission to the Official List and to trading on the London Stock Exchange. Under the Placing the Shares will be issued in the proportion of not more than 3 Income Shares for every 5 Capital Shares. Each Capital Shareholder who subscribes under the Placing shall also be issued Warrants (on the basis of 1 Warrant for every 5 Capital Shares subscribed) entitling the Warrantholder to subscribe for Capital Shares on any Subscription Date at a subscription price of 100p per Capital Share. Application has been made for the Warrants to be admitted to the Official List and to trading on the London Stock Exchange.

Income Shares

The Income Shares are designed to offer an attractive level of dividend income, expected to be 10p per Income Share for the period ending 31 July 2002, together with the prospect of annual increases in line with the RPI over the life of the Company. Dividend income is expected to be paid in equal quarterly amounts across consecutive twelve month periods, with the exception of the dividends for the period to 31 July 2002, the dividend timetable for which is outlined below.

Ex-dividend date	Month of payment	Amount per Income Share
31 October 2001	November	1.5p
31 January 2002	February	2.5p
30 April 2002	May	2.5p
31 July 2002	August	3.5p
		<hr/>
		10.0p

It is intended to increase the rate of dividend payable in respect of each financial year in proportion to the increase (if any) in the RPI over the preceding year, capped at a 5 per cent. increase in any year. The first adjustment will be in respect of the dividends for the year commencing 1 August 2002, in proportion to the increase (if any) in the level of the RPI last published prior to that date compared with the level of the RPI last published prior to 1 August 2001. Any increased rate of dividend will then apply to the payment due in November 2002.

In accordance with the requirements of the UK Listing Authority, dividends must not be paid unless they are covered by income received from underlying investments, and for this purpose a share of profit of an associated company is unavailable unless and until distributed to the Company.

Illustrative Income Yields, year to 31 July, expressed as a percentage per annum of the subscription price of Income Shares.

Annual Inflation (RPI)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
2.5%	10.00%	10.25%	10.51%	10.77%	11.04%	11.31%	11.60%	11.89%	12.18%	12.49%
5.0%	10.00%	10.50%	11.03%	11.58%	12.16%	12.76%	13.40%	14.07%	14.77%	15.51%

The figures above are for illustrative purposes only and are not intended to be, nor should they be taken as, a forecast of profits. They have been calculated using the Principal Bases and Assumptions set out in paragraph 8 of Part IV. Actual returns cannot be predicted and may differ from the illustrative statistics set out in this document.

It should be noted that the actual amount of dividends paid in any year of the Company will depend on the level of income received from its underlying investments. Accordingly, no minimum level of dividend is guaranteed. To the extent that the Company is unable to pay dividends at the intended rate described above, any shortfall will be added to dividends due to be paid to Income Shareholders in subsequent years, and any remaining shortfall will be added to the principal amount due to be paid to Income Shareholders at the end of the Company's life (subject to the income, or assets if at the end of the Company's life, of the Company at that time being sufficient to enable such payments to be made).

On a winding up, Income Shareholders will receive 100p per share, representing the return of the subscription price, provided the assets of the Company provide sufficient cover. The fixed final redemption value of Income Shares ranks ahead of the Capital Shares on the Repayment Date. The Hurdle Rate required for Income Shareholders to receive 100p per share on the Repayment Date is minus 4.03 per cent. per annum calculated on the Principal Bases and Assumptions.

Capital Shares

On a winding up, the holders of the Capital Shares shall be entitled, *pro rata* to their holdings, to all assets of the Company remaining after satisfaction of all debt and other liabilities of the Company and the entitlement of the holders of the Income Shares.

In contrast to many split capital structures, the Income Shareholders' rights to the Company's income are capped and income generated from the Company's investments over and above the Income Shareholders' entitlement (if any) will accrue for the benefit of Capital Shareholders. Any excess distributable reserves at the end of the Company's life will accordingly be distributed to the Capital Shareholders.

The holders of Capital Shares should also benefit from the value of the Company's initial 29.9 per cent. shareholding in EPL, the investment manager of the Company's portfolio. The investment in EPL will be made at a nominal cost to EPIC (EPIC will acquire 2,990 ordinary £1 shares for a total price of £2,990) and the Directors intend that this investment will be revalued periodically, based on an independent valuation. Various employees of EPL may have the benefit of performance related share options in EPL which could dilute EPIC's holding to approximately 26.91 per cent. In addition, minority shareholders in Epic Asset Management have the right or obligation to exchange their shares in Epic Asset Management in certain circumstances for shares in EPL, by reference to relative values at the time, which could further dilute EPIC's holding in EPL.

Illustrative Return Statistics

Estimated Redemption Yields (RY) for Capital Shareholders at various income and capital growth rates

	RY (%)	Capital Growth per annum			
		0.0%	5.0%	10.0%	15.0%
Income Growth pa	0.0%	(2.7)	5.8	11.9	17.2
	5.0%	(0.7)	6.7	12.5	17.6
	10.0%	1.3	7.6	13.1	18.1
	15.0%	3.5	8.7	13.9	18.6

Estimated Terminal Asset Value (TAV) of £1 invested in Capital Shares after 10 years at various income and capital growth rates

	TAV (p)	Capital Growth per annum			
		0.0%	5.0%	10.0%	15.0%
Income Growth pa	0.0%	75.9	175.0	308.0	489.2
	5.0%	92.9	190.9	323.9	506.3
	10.0%	113.6	207.9	343.3	526.9
	15.0%	140.6	231.3	366.8	551.9

These figures are for illustrative purposes only and are not intended to be, nor should they be taken as, a forecast of profits. They have been calculated using the Principal Bases and Assumptions set out in paragraph 8 of Part IV and the income growth rates indicated in the table apply to the Company's underlying investment portfolio where reference is made in the Principal Bases and Assumptions to "variable" rates. The capital growth rates in the table apply to the overall investment portfolio from Admission. Actual returns cannot be predicted and may differ from the illustrative statistics set out in this document.

The Hurdle Rate required for the Capital Shares to receive their Placing Price of 100p per share on the Repayment Date is 1.14 per cent. per annum calculated on the Principal Bases and Assumptions.

Warrants

Each Capital Shareholder who subscribes under the Placing shall also be issued Warrants from the Company entitling the Warrant holder to subscribe further Capital Shares on any Subscription Date at a price of 100p per Capital Share so subscribed. Warrants will be issued to subscribers granting the right to subscribe for one new Capital Share for every five Capital Shares subscribed under the Placing. Further details of the terms and conditions of the Warrants are set out in Part V of this document.

Part II

DIRECTORS

The Directors are responsible for the determination of the investment policy of the Company and its overall supervision. Apart from Jo Welman, all the directors are independent of the Investment Manager. The Directors, all of whom are non-executive, are as follows:

Donald Cecil McCrickard, Chairman, aged 64, previously a director of American Express International Inc from 1978 to 1983, chief executive of TSB Group Plc from 1990 to 1992, TSB Bank Plc from 1989 to 1992 and Chairman of Hill Samuel Bank from 1991 to 1992. He was also a member of the executive committee of the British Bankers Association and a member of the Bank of England's Deposit Protection Board. He is a fellow of the Chartered Institute of Bankers. He is currently Chairman of London Town plc and a non-executive director of a number of public and private companies, including BRIT Insurance Holdings PLC.

Donald Lindsay Adamson, aged 42, has over 20 years' experience of fund management, corporate finance and private equity in Edinburgh, London and Jersey. He is the principal of Research and Consulting Associates Limited, a specialist offshore consulting business linked to Collins Stewart Limited, and was most recently the joint principal of Graham Investment Managers Limited, a fund investment manager overseeing assets worth over £250 million, whose acquisition by Aberdeen Asset Management Plc he recently co-ordinated. He serves as director or chairman of a number of listed and privately-held investment companies. He was awarded an MA in Economics and History from University College, Oxford, carried out post-graduate research at Nuffield College, Oxford and is a member of the Securities Institute.

Vincent Campbell, aged 49, is an Executive Director of Barings (Isle of Man) Limited and a Fellow of the Chartered Institute of Management Accountants. He gained 13 years' industry experience as a Management Accountant in the Courtaulds Group and as Financial Controller within the food manufacturing divisions of the Argyll Foods Group. On moving to the Isle of Man in 1986, he joined GAM Administration Limited in 1988. He became the Finance Director of GAM's Isle of Man and Dublin operations and was responsible for their Company Secretariat, Operational Audit, Compliance and Corporate Finance departments. Joining Barings in 1998, he now heads up the third party fund administration business, with further responsibilities as company Compliance Officer and Money Laundering Reporting Officer.

Richard King, aged 56, after a short spell working with the Bank of England, he spent fourteen years with WI Carr, a leading international brokerage firm, building and managing their Far East research department before moving to the USA to become founder and president of the New York based WI Carr America. After two years at NM Rothschild International Asset Management and four years at Fiduciary Trust Company International in London as Chief Investment Officer, he moved to the New York based asset manager and venture capitalist Warburg Pincus in 1989 to found their International Equity Department. He retired in 1999 and is resident in Guernsey.

Jo Mark Pole Welman, aged 43, graduated in economics from Exeter University in 1979. He joined Baring Brothers where he managed several large segregated UK and US public company pension funds and The Barings UK Smaller Companies Unit Trust. In 1989 he was recruited by Rea Brothers to become the Managing Director of the investment management subsidiary. He resigned as a director of Rea Brothers Group plc in August 1999 following the bank's takeover by Close Brothers. He is now chairman of BRIT Insurance Holdings PLC and a non-executive director of London Town plc, Cathedral Capital PLC and non-executive chairman of the Close FTSE 100 Investment Trust plc. Mr Welman will be appointed as Managing Director of EPL, Investment Manager to the Company.

THE INVESTMENT MANAGER

The Company has entered into an investment management agreement with EPL under which EPL has been appointed with responsibility for the management of the Company's portfolio subject to the overall supervision of the Directors.

The Investment Manager will manage the Company's investments in accordance with the policies laid down by the Directors and in accordance with the investment restrictions referred to in the Investment Management Agreement. The exception to this will be the Company's investment in EPL itself, any investment decisions relating to which would be made by the Directors, and Jo Welman would not have a vote on such decisions. Further, the Board of EPIC has the right to put forward an independent director to be appointed to the board of EPL. The Investment Management Agreement is for a fixed initial period

of 2 years and, with effect from the first anniversary of the effective date, is terminable by the respective parties on twelve months' notice. Further details of the Investment Management Agreement are set out in paragraph 7 of Part IV of this document.

EPL is a recently incorporated company formed for the purposes of, *inter alia*, managing the Company's investments. EPL will be responsible for the management of the Company's investments and may conduct certain management activities through its subsidiary, Epic Asset Management, which has applied for regulation by IMRO.

Jo Welman, who has 21 years' fund management experience is a founding member of EPL and will be responsible for the day to day management of investments in quoted companies, unquoted companies and investment funds. Mr Welman is currently executive Chairman of BRIT Insurance Holdings PLC ("BRIT Insurance") and has a number of other directorships (as disclosed in Part IV). Following completion of the Placing, Mr Welman will continue to act as Chairman of BRIT Insurance on a part time basis, but the majority of his time will be dedicated to working for EPL. Mr Welman has agreed that fees otherwise payable to him in his capacity as Chairman of BRIT Insurance and in respect of certain companies of which he is a non executive director, currently amounting in aggregate to £125,000 per annum, will be paid to EPL.

Ravi Shankar, whose background is set out below and has 15 years' fund management experience, will be responsible for the management of the bonds and structured income products. EPL's employees will also include John Lee and Giles Brand, whose backgrounds are also set out below.

Ravi Shankar is a graduate of both Drexel University, USA (MBA) and University of Mysore, India (B. Engg.) and is currently registered for a PhD at Imperial College, London where he is completing a thesis on "Inflation Expectation and Dynamics of Financial Valuation". His experience includes a period at Zurich (formerly Kemper) Investment Management where he was responsible for Fixed Income Strategy. He was a director of Lombard Odier & cie and with Norwich Union he was Investment Director responsible for a range of fixed interest portfolios. More recently he was Chief Investment Officer and managing director of Benfield Greig Asset Management Limited.

John Lee graduated in Economic History from the New University of Ulster in 1972. During the 1970's he was a financial analyst with Phillips Petroleum working on various North Sea projects. In 1979 he joined London stockbroker Fielding Newson Smith as a specialist oil analyst and institutional salesman. In 1984 he joined Hoare Govett as an institutional general equity salesman. After similar roles with BZW, Credit Lyonnais and Greig Middleton he left stockbroking in 1998 to focus on smaller company investments.

Giles Brand joined ING Barings from Bristol University in 1997. After a year in the London Corporate Finance department he moved to Baring Brothers Paris where he joined the Mergers and Acquisition advisory team with particular focus on the Retail, Luxury Goods and Transport and Logistics sectors. For the past year he has been working in the Global eBusiness advisory group, which incubates ideas and makes private equity investments.

EPL will seek to develop its financial services business by taking on additional investment management mandates and by recruiting teams with complementary skills to operate through joint ventures and subsidiaries.

The Investment Manager will ensure that the Board is informed of investment decisions in order that the Board may ensure the Investment Manager's compliance with the investment policy of the Company.

BROADSTREET GROUP LLC

BroadStreet, a structured products company, is expected to be responsible for structuring the CBOs in which the Company invests and, with Epic Asset Management, to act as co-collateral managers of the underlying bond portfolio. BroadStreet was formed in March 2000 by a team of professionals with over 15 years of experience in the structured products business. BroadStreet is owned by its management and currently has offices in New York, London and Tokyo. The members of the team at BroadStreet have acted as structurers, investors and collateral managers in over £1.9 billion of collateralised bond obligation transactions. BroadStreet has agreed to co-operate with EPL relating to the establishment and management of a CBO structure, conditional upon the Placing being successfully completed in accordance with the terms and conditions set out in this document.

INVESTMENT MANAGEMENT FEES

Under the terms of the Investment Management Agreement, the Investment Manager will be entitled to receive a basic investment management advisory fee, quarterly in arrears, equal to one quarter of one per cent. of the Total Assets, valued at the close of business on the last business day of each quarter (plus value added tax, if applicable).

Under the terms of the Investment Management Agreement, where EPIC invests in any other investment vehicle(s) managed or advised by EPL or any associate, the aggregate fees receivable by EPL and any such associate from EPIC and such other investment vehicle(s) shall, unless the Board of EPIC shall otherwise determine in any particular case, be adjusted so that no incremental benefit accrues to EPL as a result of such investment being made and the benefit of such adjustment shall be apportioned between EPIC and such other investment vehicle(s) in a manner to be approved by the Board.

It is expected that Epic Asset Management will receive fees from the CBO of up to 0.25 per cent. per annum on collateralised corporate bond CBOs and up to 0.35 per cent. per annum for asset backed CBOs in which EPIC invests, and the Board has agreed that any such fees shall be received without any offset or adjustment to the fees EPL receives as Investment Manager of EPIC.

PERFORMANCE FEE

In order to further incentivise the Investment Manager, the Investment Manager may receive a performance fee related to the growth in Net Asset Value. Payment of the performance fee will depend on whether growth in the Net Asset Value of the Company in any financial year (subject to certain adjustments) out-performs a benchmark return of LIBOR plus 3 per cent. per annum. Further details of the performance fee are set out in paragraph 7 of Part IV of this document.

ADMINISTRATION AND SECRETARIAL ARRANGEMENTS

Barings (Isle of Man) Limited will provide administration, registrar and secretarial services to the Company as set out in the Administration Agreement. For these services the Administrator will receive an annual fee of up to £150,000 (plus VAT). The Administration Agreement provides for the fee to be reviewed annually. The Agreement is terminable by either side on six months' notice. Further details of the Administration Agreement are set out in paragraph 7 of Part IV of this document.

ACCOUNTING POLICY

The audited accounts of the Company will be prepared under International Accounting Standards ("IAS"). Under IAS, the Company will prepare a statement of operations, which unlike a statement of total returns, does not differentiate between revenue and capital and also includes net investment gains. The Company's investment management and administration fees, finance costs (including interest on the Bank Loan and rolled up finance costs) and all other expenses will be charged through the statement of operations. On the basis that the statement of operations includes net investment gains made by the Company and the intention is to pay dividends out of gross revenue, the effect is equivalent to charging all costs and expenses against capital.

REPORTS TO SHAREHOLDERS

The Company's annual report and accounts will be prepared up to 31 July each year and it is expected that copies will be sent to Shareholders in the following three months. Shareholders will also receive an unaudited interim report covering the six months to 31 January each year expected to be despatched in April of each year. The first financial period of the Company will cover the period ending 31 July 2002. The first financial report that Shareholders will receive will be the unaudited interim report for the period ending 31 January 2002.

PLACING ARRANGEMENTS

Teather & Greenwood has agreed to use its reasonable endeavours to procure subscribers for up to 45 million Income Shares at 100p per share and up to 75 million Capital Shares (with Warrants) at 100p per share. The Placing, which is not underwritten, is conditional upon admission of the Income Shares and Capital Shares and Warrants to the Official List and to trading on the London Stock Exchange becoming effective and on not less than 60 million Shares being subscribed, or such lesser number as the Board and Teather & Greenwood may agree. In consideration for its services Teather & Greenwood

will be paid a commission equal to 2 per cent of the Initial Gross Proceeds of the Placing (including the Bank Loan) less the aggregate amount (including irrecoverable VAT) of the other fees and expenses of establishing the Company, organising and effecting the Placing and arranging the Bank Loan.

Shares issued pursuant to the Placing may be held in certificated form or uncertificated form and settled through CREST. Temporary documents of title will not be issued.

Further details of the Placing Agreement between the Company, Teather & Greenwood, Mr Jo Welman and the Investment Manager are set out in paragraph 7 of Part IV of this document.

FURTHER ISSUES

The Company shall have the ability to issue additional Shares and Warrants for a period of 25 Dealing Days following Admission, where the Board perceives the issue of such Shares and Warrants to be in the interests of shareholders generally. No such Shares shall be issued at a discount to NAV per Share and the dividend payable in respect of any Income Shares issued in this manner may be reduced *pro rata* by reference to the actual date of issue. Save as to the subscription price, date of issue and (in respect of Income Shares) dividend entitlement, any additional Shares and Warrants so issued shall be treated for the purposes of this document and the Placing Agreement as having been issued pursuant to the Placing.

No such Shares and Warrants shall be issued if as a result the total number of Shares in issue were to exceed the maximum number permitted to be issued pursuant to the Placing or the proportion of Income Shares to Capital Shares in issue were to exceed three to five.

Application has been made for any Shares and Warrants which may be issued as referred to above to be admitted to the Official List and to be admitted to trading on the London Stock Exchange's market for listed securities.

TAXATION CONSIDERATIONS

The following paragraphs, which are intended as a general guide only, summarise advice received by the Directors as to the position of Shareholders who are resident or ordinarily resident in the United Kingdom. Such advice is based on tax law and practice at the date of this document, which may be subject to change. If you are in any doubt as to your tax position, you should consult your own professional adviser without delay.

The Company has applied to the Assessor of Income Tax in the Isle of Man for its certificate, and expects to receive confirmation, that the Company will be eligible for exemption from Isle of Man Income Tax subject to the payment of an annual exemption fee (currently £430 per annum).

(a) Taxation of Capital Gains

Any gains on disposal by UK resident Shareholders of the Shares, including those acquired on exercise of Warrants, or any gains on disposal by UK resident Warranholders of the Warrants may give rise to a liability to United Kingdom taxation on capital gains. The exercise of any Warrant by a UK resident Warranholder will not give rise to any liability to United Kingdom taxation on capital gains. The Company itself will not suffer any tax in the Isle of Man on capital gains. Non-Isle of Man resident Shareholders will not suffer any liability to capital gains tax in the Isle of Man.

(b) Taxation of Dividends on Shares

Shareholders will receive dividends without deduction of Isle of Man income tax.

UK resident individual Shareholders will be liable to income tax on the gross amount of the dividends received. UK resident corporate Shareholders will be liable to corporation tax in respect of dividends received from the Company.

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

No Isle of Man or UK stamp duty, and no UK SDRT, will be payable on the issue of the Shares. In the event of the death of a sole holder of the Shares, an Isle of Man grant of probate or administration may be required in respect of which certain fees will be payable.

Duty is payable on the nominal value of the authorised share capital up to a maximum duty of £5,000.

United Kingdom stamp duty (at a rate of 0.5 per cent., rounded up where necessary to the nearest £5 of the amount of consideration of the transfer) is payable on any instrument of transfer of the Shares or Warrants executed within, or brought into, the United Kingdom. Provided that the Shares or Warrants are not registered in any register of the Company kept in the United Kingdom the agreement to transfer the Shares or Warrants will not be subject to UK SDRT.

(d) Other United Kingdom tax considerations

It is the intention of the Investment Manager that the portfolio of the Company will be managed so as to be treated as investing, rather than dealing, in securities and accordingly the Company should not be subject to United Kingdom taxation on its profits.

The attention of individuals ordinarily resident in the United Kingdom is drawn to the provisions of Sections 739-745 of the Income and Corporation Taxes Act 1988 (the "Taxes Act"). These contain anti-avoidance provisions dealing with the transfer of assets to overseas persons in circumstances which may render such individuals liable to taxation in respect of undistributed profits of the Company.

The attention of investors who are subject to United Kingdom corporation tax is drawn to the rules for the taxation of corporate and government debt in the Finance Act 1996 under which, if certain offshore funds have more than 60 per cent. by market value of their investments in bonds, investors who are subject to United Kingdom corporation tax will be taxed as income on any increase (or relieved for any loss) on the open market value of the interest in such funds at the end of each accounting period and at the date of disposal of the interest.

The attention of companies resident in the United Kingdom is drawn to the fact that the "controlled foreign companies provisions" contained in Sections 747-756 of the Taxes Act could be material to any company so resident that holds alone, or together with certain other associated persons, 25 per cent. or more of the Shares, if at the same time the Company is controlled by companies or any other persons who are resident in the United Kingdom for taxation purposes. Persons who may be treated as "associated" with each other for these purposes include two or more companies, one of which controls the other(s) or all of which are under common control. The effect of such provisions could be to render such companies liable to United Kingdom corporation tax in respect of undistributed income profits of the Company.

The attention of United Kingdom 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 5 per cent. of the Shares.

(e) Individual Savings Accounts

The Shares will qualify for inclusion in Individual Savings Accounts, although Shares allotted under the Placing will not be eligible for direct transfer into an ISA. The subscription limits for an ISA maxi-account are £7,000 (for the tax year 2001/2002) subject to restrictions in relation to cash and insurance components. In the case of an ISA mini-account made up of a stocks and shares component, the subscription limit for the tax year 2001/2002 is £3,000.

(f) UK Warrant Matters

As the Warrants will be quoted on the London Stock Exchange, the base cost of the holding will be calculated by apportioning the subscription cost of the Capital Shares by reference to the market value of the Capital Shares/Warrants on the first day of dealing in the Warrants. The Warrants will have the same date of acquisition as the Capital Shares. On exercise of the Subscription Rights, the cost of the new Capital Shares will be the predetermined consideration paid in addition to the apportioned base cost detailed above. Where the Warrant is abandoned or lapses, then the Shareholder will incur a capital loss equal to the amount deemed to be the base cost of the Warrant. The sale of a Warrant represents a disposal for capital gains tax purposes, and the normal computational rules apply.

INVESTMENT RESTRICTIONS

In accordance with the Listing Rules of the UK Listing Authority:

- (a) distributable income will be principally derived from investment. Neither the Company nor any subsidiary will conduct a trading activity which is significant in the context of the group as a whole;
- (b) the Company will not take legal or management control of investments in the portfolio;

- (c) no more than 20 per cent. of the gross assets of the Company will be lent to or invested in the securities of any one company or group (including loans to or shares in the Company's own subsidiaries) at the time the investment or loan is made; for this purpose any existing holding in the company concerned will be aggregated with the proposed new investment;
- (d) dividends will not be paid unless they are covered by income received from underlying investments and, for this purpose, a share of profit of an associated company is unavailable unless and until distributed to the Company;
- (e) the distribution as dividend of surpluses arising from the realisation of investments will be prohibited;
- (f) the Company will be a passive investor and will not seek to control, or be actively involved in the management of, any companies or businesses in which it invests; and
- (g) the Company will not be, to a significant extent, a dealer in investments.

In addition to the general restrictions above, the following specific restrictions will apply:

1. not more than 25 per cent. of Total Assets will be invested in unquoted investments (and for this purpose securities traded on the Alternative Investment Market of The London Stock Exchange are deemed unquoted investments but the value of the Company's investment in EPL shall not be counted as an unquoted investment);
2. not more than 25 per cent. of Total Assets will be invested in CBOs and other structured products; and
3. EPIC shall not invest in the ordinary income or income shares of split capital funds.

The restrictions above shall apply only when any investment is made, so that no divestments will be required to be made as a result of any applicable limit being exceeded by reason of changes in the value of underlying investments. Further, the Board may amend or waive any such restriction if at any time it considers it to be in the interests of Shareholders to do so. Any such amendment or waiver shall be notified to Shareholders.

RISK FACTORS

The Company's quoted investments are subject to normal stock market fluctuations and other risks inherent in securities. Prospective investors should be aware that the value of both the Capital Shares and Income Shares in the Company can fluctuate. In addition, there is no guarantee that the market price of shares in investment trusts or companies will fully reflect their underlying net asset value. Prospective investors may not get back the full amount initially invested.

A proportion of the Company's investments will be in companies whose securities are not publicly traded or freely marketable and may, therefore, be difficult to realise. There can be no guarantee that any appreciation in the value of the Company's investments will occur or that the investment objective of the Company will be achieved.

Although the Investment Manager intends to secure not less than 75 per cent. of the principal invested in CBO income notes, through purchasing zero coupon bonds and/or taking out a combination of zero coupon bonds and credit default insurance, severe economic conditions or any other factors that lead to a significant level of bond defaults could, in certain circumstances, affect the Company's ability to satisfy the dividend entitlement of the Income Shares.

It is likely that some of the securities purchased by the Company will be denominated in a foreign currency and the returns to the Company may be affected by fluctuations in exchange rates.

Whilst gearing should enhance growth in Net Asset Value in rising stock markets, its effect in falling markets may be to accentuate the fall in Net Asset Value.

The Capital Shares rank after the Income Shares for participation in the Company's assets on a winding-up. On the basis of the assumptions in paragraph 8 of Part IV of this document the Company's assets must grow in value by 1.14 per cent. per annum for the Projected Net Asset Value on 31 July 2011 to equal the Placing Price of 100p per Capital Share.

Investments in the Income Shares and or Capital Shares may be relatively illiquid. There may be a limited number of shareholders and this fact may contribute to infrequent trading on the London Stock Exchange and volatile share price movements.

Investments by the Company in CBOs, bonds and other structured products and investment funds may be relatively illiquid, given that there may be a limited number of investors or potential investors in or for such products and this may also contribute to price volatility of such investments.

The Company's proposed investment in the "equity stub" issued by CBO issuers carries potentially high risk as the equity stub is subordinated to all other investors in the CBO. In the event of any of the issuers of bonds held by the CBO issuers as collateral defaulting on their obligations, the value of the Company's investment in the equity stub is likely to be adversely affected to a material extent in so far as the Company has not protected its investment by purchasing zero coupon bonds and/or taking out credit default insurance. The risk attaching to such investments is increased by a high level of gearing within the CBO. In the event of default all or a substantial proportion of the Company's investment in any CBO may be irrecoverable.

Investment in Warrants involves a high degree of gearing so that relatively small movement in the price of the Capital Shares may result in a disproportionately large movement, which can be unfavourable as well as favourable, in the price of Warrants. Warrants have the potential for higher capital appreciation than shares but at the same time their market price is liable to increased volatility and there is a risk that they may become worthless.

EPL, the Investment Manager of EPIC, is a newly formed company. The viability of EPL's business going forward depends on additional funds being taken under management by EPL and its subsidiaries as to which no guarantee can be given.

Although certain individuals at the Investment Manager and its associates are currently registered with IMRO or the FSA with existing employers, it is not currently intended that any application will be made for EPL to be regulated by IMRO or any other competent authority but Epic Asset Management has submitted an application for IMRO regulation. If the Epic Asset Management application for IMRO regulation is rejected, this will impact upon Epic Asset Management's ability to win additional funds under management, including the proposed investment by EPIC in CBO's and other structured products, and therefore is likely adversely to affect the value of EPIC's holding in EPL.

Part III

ACCOUNTANTS' REPORT

A copy of the report of the auditors of the Company, as required by Part II of the Fourth Schedule to the Isle of Man Companies Act 1931, is set out below.

“The Directors
The Equity Partnership Investment Company PLC
PO Box 174
St James's Chambers
Athol Street
Douglas
Isle of Man IM99 1PP

The Directors
Teather & Greenwood Limited
Beaufort House
15 St Botolph Street
London EC3A 7QR

14 August 2001

Dear Sirs

The Equity Partnership Investment Company PLC

We report on the financial information set out in paragraphs 1 to 3 below. This financial information has been prepared for inclusion in the prospectus dated 14 August 2001 of The Equity Partnership Investment Company PLC (“the Prospectus”).

Basis of preparation

The financial information set out in paragraphs 1 and 2 below is based on the financial statements of The Equity Partnership Investment Company PLC (the “Company”) from incorporation to 14 August 2001. The Company has not yet prepared statutory accounts. However as required by Part II of the Fourth Schedule to the Isle of Man Companies Act 1931, the Directors have prepared, and we have audited, non-statutory accounts of the Company for the period since incorporation on 6 July 2001 to 14 August 2001.

Responsibility

Such financial statements are the responsibility of the directors of the Company. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion the financial information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Company at 14 August 2001.

1. Accounting policy

1.1 The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards.

2. Balance sheet

	<i>Notes</i>	<i>As at 14 August 2001 £</i>
<i>Current assets</i>		
Due from shareholders		0.2
Net current assets		<u>0.2</u>
<i>Capital and reserves</i>		
Called up share capital	3.2	0.2
Equity shareholders' funds		<u>0.2</u>

3. Notes

3.1 The Company was incorporated on 6 July 2001. The Company has not traded since incorporation, no audited financial statements have been made up and no dividends have been declared or paid since the date of incorporation.

3.2 Called up share capital

	<i>Number</i>	<i>£</i>
<i>Authorised</i>		
Income shares of 10p each	45,000,000	4,500,000
Capital shares of 10p each	90,000,000	9,000,000
	<i>Number</i>	<i>£</i>
<i>Allotted and called up</i>		
Capital shares of 10p each	2	0.2

Yours faithfully,

Ernst & Young''

Part IV

GENERAL INFORMATION

1. The Company

- (a) The Company was incorporated with limited liability in the Isle of Man as a public company limited by shares under the Law with registered number 103447C on 6 July 2001.
- (b) Under the Law, the Company has the capacity, rights, powers and privileges of an individual. It is not required to have an objects clause in its Memorandum of Association.

2. Share capital

- (a) The Company was incorporated with an authorised share capital of £13,500,000 divided into 45,000,000 Income Shares and 90,000,000 Capital Shares. At incorporation, two Capital Shares were subscribed, nil paid, by the subscribers to the Memorandum of Association. These two Capital Shares will be made available under the Placing.
- (b) The authorised share capital and the maximum issued share capital of the Company (all of which will be fully paid-up) immediately following the Placing will be as follows:

	Authorised		Issued*	
	No. of Shares	£ Nominal	No. of Shares	£ Nominal
Income Shares	45,000,000	4,500,000	45,000,000	4,500,000
Capital Shares	90,000,000	9,000,000	75,000,000	7,500,000

* Assuming the maximum number of Shares is issued under the Placing and prior to exercise of any Warrants.

- (c) Save pursuant to the Warrants and the Placing and for the subscription of the two Shares referred to above, since the date of incorporation no share or loan capital of the Company has been issued or agreed to be issued, or is now proposed to be issued, for cash or any other consideration and save as disclosed in this document no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue of any such capital.
- (d) Save pursuant to the Warrants, no share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.
- (e) It is expected that the Shares and Warrants to be issued pursuant to the Placing will be issued pursuant to a resolution of the Board on 14 August 2001 conditional upon admission of those shares and Warrants to the Official List and to trading on the London Stock Exchange.
- (f) The Articles authorise the Directors to issue Warrants and allot Shares up to the authorised share capital.
- (g) A special resolution of the Company, expressed to take effect on completion of the Placing and expiring 30 January 2003, has been passed granting the Company authority to make market purchases of less than 15 per cent. of the number of issued Income Shares, Capital Shares and Warrants following the Placing if the price to be paid is not more than 5 per cent. above the average of the market value of the relevant Shares or Warrants for the 5 trading days before the purchase is made. If the Company purchases Shares or Warrants (either pursuant to the arrangements described in this document or otherwise) the Company might thereafter constitute an unregulated collective investment scheme for the purposes of the United Kingdom Financial Services Act 1986 and if so, promotion of the Company in the United Kingdom thereafter would be restricted under section 76 of that Act.
- (h) Neither the Company's Articles nor Isle of Man companies legislation confer on shareholders any rights of pre-emption in respect of the allotment of equity securities.
- (i) The Company's share capital comprises no founders, management or deferred shares.

3. Directors' and other interests

- (a) The aggregate of the remuneration to be paid to the Directors by the Company for the financial period ending 31 July 2002 is not expected to exceed £50,500 (excluding any applicable VAT) and the maximum annual amount permitted to be paid by way of Directors' fees under the Articles is £100,000. The Chairman will receive £17,500 per annum (plus any applicable VAT) and the other

Directors (except Vincent Campbell) will receive £15,000 per annum (plus any applicable VAT). Jo Welman will waive his entitlement to remuneration from the Company but will be entitled to receive remuneration from EPL as its managing director. Vincent Campbell will receive £3,000 per annum (plus any applicable VAT) from the Company and will receive remuneration from Barings (Isle of Man) Limited as a director.

- (b) There are no existing or proposed service contracts between any of the Directors and the Company. Pursuant to letters of appointment, each of the Directors is to act as non-executive director of the Company. The appointments are terminable by either party on 3 months' prior written notice.
- (c) No loan has been granted to, nor any guarantee provided for the benefit of, any Director by the Company.
- (d) Mr Welman is a director of, and is a 10 per cent. shareholder, with options to subscribe for a further 2 per cent. of the shares, in EPL, the Investment Manager, and is accordingly interested in fees payable by the Company to the Investment Manager. He is also Chairman, and Mr McCrickard is a non-executive Director, of BRIT Insurance, which will subscribe for Shares and Warrants in the Placing as referred to in paragraph (f) below and is expected to be a 34.1 per cent. shareholder in EPL. Vincent Campbell will have an interest in any fees payable to the Administrator by virtue of the Administration Agreement. Save as disclosed in this paragraph (d) and in the summary of the EPL Shareholders' Agreement (see paragraph 7 of Part IV), no Director has any interest in any transactions which are or were unusual in their nature or conditions or significant to the business of the Company and which have been effected by the Company since incorporation or have been effected by the Company since incorporation and remain in any way outstanding or unperformed.
- (e) As at the date of this document no Director:
 - (i) has any unspent convictions in relation to any indictable offences;
 - (ii) has been a director of any company or a partner of any firm which, at the time of or within 12 months after his ceasing to be a director or a partner (as the case may be), had any receiver appointed or went into compulsory liquidation, or creditors voluntary liquidation or went into administration, or entered into company or partnership voluntary arrangements, or made any composition or arrangement with its creditors generally or any class of the creditors of such company;
 - (iii) has become bankrupt or had any bankruptcy order served upon him or entered into any individual voluntary arrangement or had a receiver appointed over any of his assets; and
 - (iv) has had any public criticism against him by any statutory or regulatory authority (including recognised professional bodies) or has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- (f) The undernoted Directors (including any connected persons) have agreed to subscribe for Shares under the Placing, as detailed below:

	Income Shares	Capital Shares	Warrants
Jo Welman	50,000	50,000	10,000
Donald Adamson	50,000	50,000	10,000

Save as disclosed in this paragraph 3, no Director has any interest in the share capital of the Company nor has any person connected with any Director (so far as is known, or who could with reasonable diligence be ascertained by, each Director) any interest in the share capital of the Company whether or not held through another party or any options in respect of such capital.

BRIT Insurance and its associates intend to subscribe (for their own account or for funds managed by them) 5,050,000 Income Shares and 15,050,000 Capital Shares (and associated Warrants). Save as aforesaid and as disclosed in the table below, the Company is not aware, at the date of this document, of any person who, directly or indirectly, will be interested in 3 per cent. or more of the issued share capital of the Company (assuming the minimum number of Shares is issued under the Placing and prior to exercise of the Warrants).

Name	Number of Income Shares	Percentage (%)	Number of Capital Shares	Percentage (%)
Chaucer Holdings PLC	5,000,000	22	1,500,000	4
Masthead Underwriting Limited	—	—	5,750,000	15
BRIT Insurance Holdings PLC	—	—	5,000,000	13
Goy Harris Cartwright	2,770,300	12	—	—
Jupiter Asset Management	—	—	3,600,000	10
Carr Sheppards Crosthwaite Limited	2,125,000	9	—	—
Strand Associates Limited	—	—	3,500,000	9
Wren Syndicates	4,000,000	18	4,250,000	11
ISLA Project Finacing & Development SA	—	—	2,000,000	5
Teather & Greenwood Limited	1,800,000	8	—	—
Cathedral Capital PLC	1,500,000	7	—	—
Exeter Asset Management	—	—	1,500,000	4
BRIT Insurance Limited	1,000,000	4	—	—
Walsham Brothers & Company Limited	—	—	1,250,000	3

- (g) The Directors are aware of the following associated persons who together could exercise control, for the purpose of the listing rules of the UKLA, of the Company following completion of the Placing assuming not more than 50,166,666 Capital Shares are issued:

Shareholder	Number of Capital Shares
BRIT Insurance Holdings PLC	5,000,000
Wren Syndicates	4,250,000
Masthead Underwriting Limited	5,750,000
Jo Welman	50,000
TOTAL	15,050,000

The Board is satisfied that, by virtue of the non-executive status of the Directors and the provisions of the Investment Management Agreement regarding the day to day management of the Company's investments, the Company is capable of carrying on business independently of the shareholders (including any associate thereof) referred to above. Any transactions and relationships entered into between any of the entities referred to above (including any associates thereof) and the Company will be at arm's length and on a normal commercial basis.

Rule 9 of the City Code on Takeover and Mergers stipulates, *inter alia*, that a person or group of persons acting in concert owning shares carrying (i) between 30 per cent. and less than 50 per cent. or (ii) less than 30 per cent. of the voting rights of a company will incur a mandatory bid obligation and will be required to make a general offer to shareholders to acquire the balance of the equity share capital of that company if, in the case of (i) above, they acquire any further shares carrying voting rights or, in the case of (ii) above, acquire further shares resulting in their holding voting rights of 30 per cent. or more. Following completion of the Placing and assuming not more than 50,166,666 Capital Shares are issued BRIT Insurance and its associates will hold 30 per cent. or more of the Capital Shares, in which case Rule 9 will then apply. As a result, if BRIT Insurance or any such persons acquires any further Capital Shares after completion of the Placing, BRIT Insurance together with such persons, will be required to make a general offer to acquire the balance of the Shares.

- (h) The Company intends to purchase directors' and officers' liability insurance for the benefit of the Directors.
- (i) The names of the companies and partnerships of which the Directors have been directors or partners in the last five years or of which they continue to be directors or partners (excluding subsidiaries of such companies), are as follows:

Jo Mark Pole Welman

Current directorships and partnerships

Cathedral Capital Plc
BRIT Insurance Holdings Plc
London Town Plc
Close FTSE 100 Investment Trust Plc
Bayswater Growth Plc
Dan Dare Corporation Limited
Varga Holdings Limited
The Equity Partnership Limited
EPIC Asset Management Limited

Donald Cecil McCrickard

Current directorships and partnerships

London Town Assured Properties Limited
Industry In education Limited
London Town Plc
BRIT Insurance Holdings Plc
Systems Guidance International Limited
Crimestoppers Limited
Demica Plc

Donald Lindsay Adamson

Current directorships and partnerships

Research & Consulting Associates Limited
Aberdeen Graham Asset Management Limited
Forbes Limited
Daglingworth Limited
Juno International Participations Limited
Juno Participations (Canada) Limited
Pantheon USA Fund Limited
Janus Participations Limited
The Bayard Fund Limited
Pantheon Asia Fund Limited
Pantheon USA Fund II Limited
Meridian Asset Management (CI) Limited
Pantheon Europe Limited
Alternative Investment Strategies Limited
Pantheon Asia Fund II Limited
North American Growth Investment Limited
Pantheon USA Fund III Limited
Murray Scots Portfolios Limited
Aberdeen Asset Managers Jersey Limited
450 Wire Free Systems Fund Limited
Fitzrovia International Limited
Hanseatic Asset Management LBG
Scottish Asian Investment Co Limited
The Bayard Fund (Euro) Limited
Bayard Cayman Limited
Murray Johnstone (Jersey) Limited
Counterpoint Corporate Consultants Limited
Park Heights Limited
Pantheon Global Secondary Fund Limited
Invesco Leveraged High Yield Fund Limited
Pantheon Europe II Fund Limited
Saanen Limited
Pantheon USA IV Limited
Launen Limited
European Fund Dynamics Limited
Pantheon Asia Fund III Limited
Lindsell Train Investment Trust Plc
Network CPD Limited
Lindsell Train Japan (Distributor) Inc
Lindsell Train Japan (Accumulator) Inc
Lindsell Train Japan (General Partner) Inc

Past directorships and partnerships

Apax Finsbury Investment Management Limited
Rea Brothers Group Plc
Benfield & Rea Brothers Limited
Finsbury Asset Management Limited
Harlequin Insurance PCC Limited
Finsbury Income and Growth Investment Trust Plc
(in solvent liquidation)

Past directorships and partnerships

T M Pension Trustees Limited
TM Group Limited
Carlisle Group Plc
T M Pension Trustees Limited

Past directorships and partnerships

Leveraged Income Fund Limited
Lehman Brothers Portugal Growth Fund Limited
BZW Research Limited
Berkeley Medical Investments Limited
Valfond Finance a.r.l.
Seahorse Limited
SPV Jersey Limited
Zophonus Limited
Crystal Castle Euro-Finance Limited
Parametre Limited
Jersey Phoenix Trust Limited
GIML Services Limited
King William Street (now Northavon Invs Limited)

Vincent Campbell

Current directorships and partnerships
Barings (Isle of Man) Limited

Past directorships and partnerships
GAM Administration Limited
GAM Fund Management Limited

Richard King

Current directorships and partnerships
Magus Capital Limited
BC Income & Growth Fund Limited
Courtil de Rigeaux Limited

Past directorships and partnerships
EM Warburg Pincus and Co.
WI Carr (Overseas) Limited
Rothschild International Asset
Management Limited

4. Memorandum and Articles of Association

4.1 The following is the full text of the Memorandum of Association of the Company:

THE COMPANIES ACTS 1931 to 1993

ISLE OF MAN

A COMPANY LIMITED BY SHARES

MEMORANDUM OF ASSOCIATION

OF

THE EQUITY PARTNERSHIP INVESTMENT COMPANY PLC

1. The name of the Company is:
The Equity Partnership Investment Company PLC.
2. The Company is a public company.
3. The liability of the members is limited.
4. Restrictions, if any, on the exercise of the rights, powers and privileges of the Company:-
None, unless and until decided upon by Special Resolution of the Company in accordance with Section 6 of the Companies Act 1986.
5. The Share Capital of the Company is £13,500,000 divided into 45,000,000 income shares of 10p each and 90,000,000 capital shares of 10p each.

We, the subscribers to this memorandum of association:

- (a) wish to be formed into a Company pursuant to this memorandum;
- (b) agree to take the number of shares shown opposite our respective names;
- (c) declare that all the requirements of the Companies Acts 1931 to 1993 in respect of matters relating to registration and of matters precedent and incidental thereto have been complied with.

Names and addresses of subscribers	Signatures	Number of Shares Taken
Pollett Limited St James's Chambers Athol Street Douglas Isle of Man		One Capital Share
Barings (Isle of Man) Limited St James's Chambers Athol Street Douglas Isle of Man		One Capital Share

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

(a) Votes of Members

The Shareholders have the right to receive notice of, and to attend, general meetings of the Company. Subject to the restrictions referred to below and subject to any special rights or restrictions for the time being attached to any class of shares, every holder of Capital Shares who is present in person (or, being a corporation, by representative) at a general meeting on a show of hands has one vote and, on a poll, every such holder who is present in person (or, being a corporation, by representative) or by proxy has one vote in respect of each Capital Share held. Holders of Income Shares are not entitled to vote at general meetings unless either: (i) at the date of the notice convening the meeting any dividend payable on such shares is in arrears, and so that for this purpose the dividend shall be deemed to be payable quarterly on 30 November, 28 February, 30 May and 31 August in each year, in respect of the respective periods to 31 October, 31 January, 30 April and 31 July in the relevant year; or (ii) the business of the meeting includes the consideration of a resolution for winding up the Company (for the avoidance of doubt, such a resolution does not include any special resolution as referred to at (p) below that the Company continues as an investment company beyond a particular date) or reducing its capital or any resolution directly abrogating or varying any of the special rights or privileges attached to Income Shares and then only on such resolution(s). Where holders of Income Shares are entitled to vote at general meetings every such holder who is present in person (or, being a corporation, by representative) at a general meeting on a show of hands has one vote and, on a poll, every such holder who is present in person (or, being a corporation, by representative) or by proxy has one vote in respect of each Income Share held.

(b) Restrictions on Voting

- (i) A member of the Company shall not be entitled in respect of any share held by him to attend or vote (either personally or by representative or by proxy) at any general meeting or separate class meeting of the Company unless all amounts payable by him in respect of that share have been paid.
- (ii) A member of the Company shall not, if the Directors so determine, be entitled in respect of any share held by him to attend or vote (either personally or by representative or by proxy) at any general meeting or separate class meeting of the Company or to exercise any other right conferred by membership in relation to any such meeting if he or any other person appearing to be interested in such shares has failed to comply with a notice requiring the disclosure of shareholder interests and given under Article 85 of the Articles (see (f) below) within such reasonable time as may be specified in such notice. The restrictions will continue until the information required by the notice is supplied to the Company or until the shares in question are transferred or sold in circumstances specified for this purpose in the Articles.

(c) Variation of Rights

The special rights attached to any class of shares may (unless otherwise provided by the terms of the issue) be varied or abrogated with the consent in writing of the holders of three-fourths of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of such shares. The necessary quorum shall be two persons at least holding or representing by proxy one third in nominal amount of the issued shares of the class (but so that if at any adjourned meeting of such holders a quorum as above defined is not present those shareholders who are present shall be a quorum). Every holder of shares of the class concerned shall be entitled at such meeting to one vote for every share held by him on a poll. The special rights conferred upon the holders of any shares or class of shares issued shall not be deemed to be varied by the creation of or issue of further shares ranking *pari passu* therewith (save as to the date from which such new shares shall rank for dividend) or the exercise of any power under the disclosure provisions requiring shareholders to disclose an interest in the Company's shares as set out in the Articles or by the reduction of capital paid up on such shares or by the purchase or redemption by the Company of its own shares in accordance with the Law and the Articles.

(d) Dividend and capital entitlement

The Income Shares carry the right to a cumulative preferential dividend at an initial rate of 10p per share for the period ending 31 July 2002 but shall have no further right to participate in the profits of the Company. The dividend payable in respect of each financial year thereafter will be increased in proportion to the increase (if any) in the RPI over the preceding year, capped at a 5 per cent. increase in any year. The first adjustment will be in respect of the dividends for the year commencing 1 August 2002, in proportion to the increase (if any) in the level of the RPI last

published prior to that date compared with the level of the RPI last published prior to 1 August 2001. Any increased rate of dividend will then apply with effect from the payment due in November 2002.

On a winding up, the holders of the Income Shares shall be entitled *pro rata* to their holdings, out of the assets available for distribution to shareholders, to payment of any arrears of the preferential dividend entitlement and to repayment of the original issue price of £1 per share.

On a winding up, the holders of the Capital Shares shall be entitled, *pro rata* to their holdings, to all the assets of the Company available for distribution to shareholders after satisfaction of the entitlement of the holders of the Income Shares.

(e) Issue of shares

(i) Subject to the provisions of the Articles and without prejudice to any special rights conferred on the holders of any class of shares, any share in the Company may be issued with or have attached thereto such preferred, deferred or other special rights, or such restrictions whether in regard to dividend, return of capital, voting or otherwise as the Company may from time to time by ordinary resolution determine and, subject to and in default of such resolution, as the Board may determine.

(ii) Subject to the Articles, the unissued shares shall be at the disposal of the Directors, and they may allot, grant options over, issue warrants in respect of or otherwise dispose of them to such persons, at such times and generally on such terms and conditions as they determine.

(iii) The Company may on any issue of shares pay such brokerages and/or commissions as may be fixed by the Board and disclosed in accordance with the Law.

(iv) No person shall be recognised by the Company as holding any shares upon any interest other than an absolute right of the registered holder to the entirety of a share.

(f) Notice requiring disclosure of interest in shares

The Directors may serve notice on any member requiring that member to disclose to the Company the identity of any person (other than the member) who has an interest in the shares held by the member. Any such notice shall require any information in response to such notice to be given within such reasonable time as the Directors may determine. If any member is in default in supplying to the Company the information required by the Company within the prescribed period, unless the Board determines otherwise, the member shall not be entitled to vote in general meetings or class meetings. Where the default shares represent at least 0.25 per cent. of the class of shares concerned any dividends payable on such shares will be retained by the Company (without interest) and no transfer of the shares (other than a transfer authorised under the Articles) shall be registered until the default is rectified.

(g) Uncertificated shares

The Articles are consistent with CREST membership and, *inter alia*, allow for the holding and transfer of shares in uncertificated form.

(h) Transfer of shares

If the Directors determine that the shares may be held in certificated form, the following shall apply to the transfer of shares held in such form: subject as provided below, any member may transfer all or any of his shares by instrument of transfer in any form which the Directors may approve. The instrument of transfer of a share shall be signed by or on behalf of the transferor. The Directors may refuse to register any transfer of shares unless the instrument of transfer is lodged at the registered office accompanied by the relevant share certificate(s) and such other evidence and documents as the Directors may reasonably require to show the right of the transferor to make the transfer and to comply with money laundering compliance and similar matters. The Directors may refuse to register a transfer of any share which is not fully paid up or on which the Company has a lien, provided that this would not prevent dealings from taking place on an open and proper basis.

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

(i) Compulsory transfer of shares

In respect of Shares held in certificated form (and in respect of Shares held in uncertificated form to the extent compatible with the CREST regulations), the Board may refuse to register any transfer of Shares, or may require the transfer of Shares owned or which appear to be owned directly by any person who, by virtue of his holding, may in the opinion of the Directors cause or be likely to cause the Company or shareholders of the Company some legal, pecuniary or material disadvantage.

(j) Alteration of capital and purchase of shares

The Company may from time to time by ordinary resolution increase its authorised share capital by such sum to be divided into shares of such amount as the resolution may prescribe.

The Company may from time to time, subject to the provisions of the Law, purchase its own shares (including any redeemable shares) in any manner authorised by the Law.

The Company may by ordinary resolution: consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares; subdivide all or any of its shares into shares of a smaller amount than is fixed by the Memorandum; and cancel any shares which at the date of the resolution have not been taken or agreed to be taken and diminish its authorised share capital accordingly.

The Company may by special resolution reduce its share capital, any redemption reserve or any share premium account in any manner permitted by and with and subject to any consent required by the Law.

(k) Interests of Directors

(i) Save as mentioned below, a Director may not vote or be counted in the quorum on any resolution of the Board (or a committee of the Directors) in respect of any matter in which he has (together with any interest of any person connected with him) a material interest (other than by virtue of his interest, directly or indirectly, in shares or debentures or other securities of the Company).

(ii) A Director shall be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:

- (1) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person for the benefit of the Company or any of its subsidiaries;
- (2) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director himself has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
- (3) a contract, arrangement, transaction or proposal concerning or the offer of shares, debentures or other securities of the Company or its subsidiaries in which offer he is or may be entitled to participate or in the underwriting or sub-underwriting of which he is to or may participate;
- (4) any proposal concerning any other company (except the Investment Manager or any of its subsidiaries) in which he is interested, directly or indirectly, as an officer, creditor or shareholder or otherwise, provided that he, together with persons connected with him, is not to his knowledge the holder of or beneficially interested in one per cent. or more of any class of the equity share capital of any such company (or of any third company through which his interest is derived) or of the voting rights of such company;
- (5) any arrangement for the benefit of employees of the Company or any of its subsidiaries which accords to the Director only such privileges and advantages as are generally accorded to the employees to whom the arrangement relates; or
- (6) any proposal for the purchase or maintenance of insurance for the benefit of the Directors or persons including the Directors.

(iii) Any Director may act by himself or by his firm in a professional capacity for the Company, other than as auditor, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.

(iv) Any Director may continue to be or become a director, managing director, manager or other officer or member of a company in which the Company is interested, and any such Director shall not be accountable to the Company for any remuneration or other benefits received by him.

(l) Remuneration and Appointment of Directors

- (i) The Directors shall be remunerated for their services at such rate as the Directors shall determine provided that the aggregate amount of such fees shall not exceed £100,000 per annum (or such sum as the Company in general meeting shall from time to time determine). The Directors shall also be entitled to be paid all reasonable expenses properly incurred by them in attending general meetings, board or committee meetings or otherwise in connection with the performance of their duties.
- (ii) A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director on such terms as to tenure of office and otherwise as the Directors may determine.
- (iii) The Directors may at any time appoint any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall be eligible for re-election at the next annual general meeting following his appointment. Without prejudice to those powers, the Company in general meeting may appoint any person to be a Director either to fill a casual vacancy or as an additional Director. The Directors may from time to time appoint one or more of their body to the office of managing director or to any other office for such term and at such remuneration and upon such terms as they determine.
- (iv) A Director, notwithstanding his interest, may be counted in the quorum present at any meeting where he or any other Director is appointed to hold any such office or place of profit under the Company, or where the terms of appointment are arranged or any contract in which he is interested is considered and he may vote on any such appointment or arrangement other than his own appointment or the terms thereof.

(m) Retirement, Disqualification and Removal of Directors

- (i) There is no obligation on the Directors to retire by rotation.
- (ii) A Director shall not be required to hold any qualification shares.
- (iii) There is no age limit at which a Director is required to retire.
- (iv) The office of Director shall be vacated if the Director resigns his office by written notice, if he shall have absented himself from meetings of the Board for three consecutive Board meetings and the Board resolves that his office shall be vacated, if he becomes of unsound mind or incapable, if he becomes insolvent, suspends payment or compounds with his creditors, if he is requested to resign by written notice signed by all his co-Directors, if the Company in general meeting shall declare that he shall cease to be a director, or if he becomes resident in the United Kingdom and, as a result, a majority of the Directors are resident in the United Kingdom.

(n) Dividends

- (i) Subject to the rights of persons entitled to shares with special rights as to dividends, the Company in general meeting may declare a dividend but no dividend shall exceed the amount recommended by the Directors.
- (ii) The Directors may if they think fit from time to time pay the members such interim dividends as appear to be justified by the profits of the Company.
- (iii) All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee thereof. No dividend shall bear interest against the Company. Any dividend unclaimed after a period of 12 years from the date of declaration of such dividend shall (if the Board so resolves) be forfeited and shall revert to the Company.
- (iv) The Directors are also empowered to create reserves before recommending or declaring any dividend. The Directors may also carry forward any profits which they think prudent not to distribute.

(p) Duration of the Company

The Board shall procure that, at the annual general meeting of the Company in 2008, a special resolution shall be proposed that the Company continues as an investment company beyond 2011. If that resolution is not passed, the Directors are required to formulate proposals to be put to shareholders to reorganise, unitise or reconstruct the Company or to wind up the Company. If the resolution to continue as an investment company is passed, a similar resolution will be proposed in 2011 to continue beyond 2014 and every 3 years thereafter.

(q) Borrowing Restrictions

The Board may exercise all the powers of the Company to borrow money and to give guarantees, mortgage, hypothecate, pledge or charge all or part of its undertaking, property or assets and uncalled capital and to issue debenture and other securities whether outright or as collateral security for any liability or obligation of the Company or of any third party provided that the Board shall restrict the borrowings of the Company so as to secure that the aggregate amount for the time being of all borrowings by the Company shall not without the previous sanction of an ordinary resolution of the Company exceed 30 per cent. of the adjusted capital and reserves as calculated in accordance with the Articles of Association.

(r) Register of Shareholders

The register of Shareholders is kept in the Isle of Man pursuant to the Law.

5. Overseas investors

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

The Company is not registered with the US Securities Exchange Commission under the US Investment Company Act of 1940, as amended (the "1940 Act"). In addition, the Shares are not registered under the US Securities Act of 1933, as amended (the "1933 Act"). Therefore, the Shares may not be publicly offered or sold in the US or directly or indirectly to or for the benefit of a "US Person" as defined herein. A "US Person" as used herein means a "US Person" as defined under Regulation S of the 1933 Act, as well as the following (1) a citizen or resident of the US; (2) a partnership or corporation organised or incorporated under the laws of any state, territory or possession of the US; (3) any estate or trust, other than an estate or trust which is not subject to US income tax on its income derived from sources outside the US and not effectively connected with the conduct of a trade or business within the US; or (4) any estate or trust which has a US person as its executor, administrator, or trustee. No transfer or sale of Shares shall be made in the US or to a US Person unless, among other things, such transfer or sale is exempt from the registration requirements of the 1933 Act, the 1940 Act, and any applicable state securities laws or is made pursuant to an effective registration statement under the 1933 Act, the 1940 Act, and such state securities laws.

The Company's Articles contain provisions designed to exclude the holding of Shares by Isle of Man residents and to restrict the holding of Shares by persons, including US Persons, where in the opinion of the Directors such a holding could cause or be likely to cause the Company some legal, regulatory, pecuniary, tax or material administrative disadvantage.

In particular, persons resident outside the UK and the US should note that the Shares may not be commercially offered and distributed in Switzerland.

6. Conflicts of interest

The Investment Manager may provide investment management and other services to other clients (including investment companies), including clients which may invest in the securities in which the Company may invest, and, in providing such services, may use information obtained by them which is used in managing the Company's investments. In the event of a conflict of interest arising, the Investment Manager will ensure that it is resolved fairly in the best interests of the Shareholders and that investment opportunities shall be fairly allocated to its clients. Furthermore, the activities of the Investment Manager in its capacity as the Company's Investment Manager are subject to the overall direction and review of the Directors. Under the terms of the Investment Management Agreement between the Investment Manager and the Company, the Investment Manager may effect transactions which involve a potential conflict with

its duty to the Company, subject to the overriding principles of suitability and with the prior consent of the Directors. The Investment Manager is obliged to disclose to the Company details of all transactions intended to be effected where there is such a potential conflict of interest.

With regard to any CBO or other structured products in which the Company invests and where the investment manager is EPL or any subsidiary of EPL, EPL will seek to ensure that comparable provisions regarding conflicts of interest apply with regard to the management of the underlying assets.

7. Material contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company since its incorporation and are, or may be, material, and there are no other contracts entered into by the Company which include an obligation or entitlement which is material to the Company at the date of this document.

- (a) A Placing Agreement dated 14 August 2001 between the Company, the Investment Manager, Mr Jo Welman and Teather & Greenwood under which Teather & Greenwood has conditionally agreed, as agent for the Company, to use its reasonable endeavours to procure places for up to 75 million Capital Shares (with Warrants) and up to 45 million Income Shares at the Placing Price. In consideration for its services Teather & Greenwood will be paid a commission equal to 2 per cent. of the Initial Gross Proceeds of the Placing (including the Bank Loan) less the aggregate amount (including irrecoverable VAT) of the fees and other expenses of establishing the Company, organising and effecting the Placing and arranging the Bank Loan. Out of its commission Teather & Greenwood may pay commission to authorised intermediaries of up to 1 per cent., at the Placing Price, of Capital Shares issued to places introduced by the authorised intermediary.

The Company and the Investment Manager have given warranties and indemnities to Teather & Greenwood which shall be entitled to terminate its obligations prior to Admission in the event of a material breach of the warranties occurring. The Placing Agreement may be terminated by Teather & Greenwood if any material statement contained in the Prospectus is discovered to be untrue, incorrect or misleading in any material respect, or there has been a material breach of any of the warranties or any other material term of the Placing Agreement on the part of the Company or the Investment Manager. Certain warranties have been given by Mr Jo Welman to Teather & Greenwood personally, subject to a limit on his liability.

- (b) The Investment Management Agreement dated 14 August 2001 between the Company and the Investment Manager under which the Company has appointed the Investment Manager to be responsible for the management of the Company's investment portfolio on a discretionary basis subject to the overall supervision of the Board.

The Investment Management Agreement is for an initial two year period and is terminable by either party by 12 months' prior written notice given at any time expiring on or after the first anniversary of the date of Admission, subject to earlier termination by either party in the event of, *inter alia*, a party having a receiver, administrator or liquidator appointed or committing a material breach of the Investment Management Agreement. The Investment Management Agreement will terminate automatically without compensation becoming payable to the Investment Manager upon the passing of a resolution for the reorganisation or winding up of the Company mentioned above at paragraph 4.2(p) of this Part under "Duration of the Company". In addition, the Investment Management Agreement will be terminable forthwith at the Company's option following any period of 180 days during which neither Jo Welman nor a replacement key director of the Investment Manager approved by the Board of the Company (previously or during such 180 day period) is available to perform his duties as an executive director of the Investment Manager.

The Investment Manager shall be entitled to a quarterly investment management advisory fee payable in arrears on 30 April, 31 July, 31 October and 31 January in each year equal to one quarter of one per cent. of the Total Assets, valued at the close of business on the last business day of each quarter (together with any applicable VAT). The Investment Manager shall also be entitled to a performance based fee in respect of any financial year where the growth in Net Asset Value of the Company (after adding back the dividends paid by the Company to the Income Shareholders during the relevant period and making adjustment for any Warrants exercised during the relevant period) exceeds a benchmark annual return of LIBOR (as at the first business day of the year in question) plus three (3) per cent. per annum. The performance fee, payable following publication of the audited accounts for the year in question, shall be an amount equal to 10 per cent. of any out-performance of the benchmark provided always that a performance fee will be payable only if and to the extent that the Net Asset Value of the Company at the end of the year in question (adjusted as aforesaid) exceeds the highest Net Asset Value of the Company recorded at

the end of any previous year or the Net Asset Value of the Company immediately following completion of the Placing (whichever is higher and subject in either case to adjustment as aforesaid). For the purposes of calculating any entitlement to a performance fee any investment of EPIC in EPL and any income derived from that investment will be ignored until such time as a market quotation or listing is obtained for the EPL shares. For the first three years of the Company's life any performance fees due to the Investment Manager shall be accrued and shall not be paid by the Company until the publication of the Company's audited accounts for the year ending 31 July 2004.

Under the terms of the Investment Management Agreement, where EPIC invests in any other investment vehicle(s) managed or advised by EPL or any associate, the aggregate fees receivable by EPL and any such associate from EPIC and such other investment vehicle(s) shall, unless the Board of EPIC shall otherwise determine in any particular case, be adjusted so that no incremental benefit accrues to EPL as a result of such investment being made and the benefit of such adjustment shall be apportioned between EPIC and such other investment vehicle(s) in a manner to be approved by the Board.

The Investment Manager shall be entitled to be reimbursed all commissions, transfer fees, registration fees, stamp duty and similar liabilities, the fees of any advisers appointed pursuant to the Investment Management Agreement and any other costs incurred in the ordinary course of its duties as an investment manager (plus VAT (if applicable)) properly incurred in the performance of its duties.

- (c) The Administration Agreement dated 14 August 2001 between the Company and the Administrator whereby the Administrator has agreed to provide the Company with administrative, registrar and secretarial services to the Company as therein provided for a fee of up to £150,000 per annum (exclusive of VAT) plus all reasonable out of pocket expenses. The fee will be subject to review on 14 August 2002 and annually thereafter. The Administration Agreement is terminable, *inter alia*, by either party on six months' notice. The Administrator shall provide or procure the appointment of Philip Scales (a director of the Administrator) as secretary to the Company and, if required, in succession to him another individual who shall be qualified to act as a secretary of an Isle of Man public company. The Company agrees to indemnify the Administrator against liability, subject to exclusion in the case of negligence, wilful default, fraud or bad faith on the part of the Administrator.
- (d) The Shareholders' Agreement dated 10 August 2001 between the Company and the other shareholders of EPL.

By virtue of the Shareholders' Agreement, the Company has agreed to subscribe for 2,990 ordinary shares of EPL, following Admission, at a subscription price of £1 per Share. The parties to the Shareholders' Agreement agree that for so long as the Company holds at least 20 per cent. of the votes to be cast on a poll at a general meeting of EPL, it shall be entitled (but not obliged) to appoint and maintain the appointment of one director of EPL, independent of the other shareholders of the Investment Manager.

The Company, along with the other parties to the Shareholders' Agreement, agrees to exercise its powers in relation to EPL to procure that EPL will not enter into certain significant transactions without the prior consent of, *inter alia*, all directors or the written consent of shareholders holding not less than 75 per cent. (or 80.1 per cent. in certain circumstances) of the votes to be cast on a poll at a general meeting of EPL.

The Company and certain of the other parties to the Shareholders' Agreement also agree to certain non-solicitation covenants regarding the employees and clients of EPL and its subsidiary companies.

The articles of association of EPL include pre-emption rights applicable upon the offer for subscription of new voting shares by EPL and on transfer of any existing voting shares. The articles of association also include compulsory transfer provisions in the event of a corporate shareholder entering into liquidation, administration, or similar, and provide for an independent valuation of any relevant shareholding to determine the price of such holding in such circumstances. The articles also include provisions whereby if any person or persons acting in concert would, upon registration of a share transfer, acquire 70 per cent. of the voting shares without the prior consent of 75 per cent. of the voting shares, then an offer for all the voting shares of EPL shall be deemed to have been made at the price of the last acquired holding which triggered such provision. In the event of an offer in writing by any person to all the holders of voting shares to acquire all their voting shares where holders of not less than 80.1 per cent. of the voting shares then in issue accept such an offer, the terms of such offer shall be deemed to have been accepted by all holders of voting shares.

- (e) A Medium Term Sterling Bank Facility dated 10 August 2001 between the Company and Barclays Bank plc whereby the Bank has agreed to lend the Company up to £30 million.
- The facility, which is repayable after five and a half years from date of signing, will bear interest on sterling amounts at an annual rate which is the sum of (i) a margin of up to 105 basis points (ii) LIBOR and (iii) the cost of the Bank's complying with Government and regulatory requirements regarding the Bank Loan. The interest will be rolled-up and paid at maturity of the facility.
- There is an arrangement fee of 25 basis points on the total amount of the facility (excluding interest roll-up) payable by the Company to the Bank, as well as a non-utilisation fee payable at the end of each interest quarter from completion of the Placing in the event that utilisation does not exceed 40 per cent. of the facility. Such non-utilisation fee would be up to 40 basis points on any undrawn amounts.
- The facility will be secured over the Company's investment portfolio by a floating charge over cash and tradeable assets and a fixed and floating charge over other assets.
- The terms of the facility contain representations, warranties, undertakings, events of default and indemnities which are customary for facility agreements of this nature. The terms also contain financial covenants under which the Company, *inter alia*, agreed to maintain a ratio of debt to agreed investment assets of 1:2.5.
8. Principal bases and assumptions
- Set out below are the principal bases and assumptions used in deriving the illustrative investment statistics and related figures set out in this document, unless stated otherwise.
- (a) 30 million Income Shares and 50 million Capital Shares are issued under the Placing.
- (b) The Bank Loan is drawn down as to £20 million immediately following completion of the Placing, is renewed on similar terms on its maturity and remains outstanding until 31 July 2011 and bears interest at an average rate of 6.75 per cent. per annum, with the interest being "rolled up" and paid on 31 July 2011.
- (c) The initial expenses of the Company are 2 per cent. of the Initial Gross Proceeds including the arrangement fees for the Bank Loan and any irrecoverable VAT, and the net proceeds of the Placing (including the Bank Loan) are £98 million.
- (d) The net proceeds of the Placing and the amount drawn down under the Bank Loan are invested as follows:
- (1) quoted pool (representing 40 per cent. of Initial Gross Proceeds) yielding 3.75 per cent. in year one with variable growth applied thereafter. It is assumed that this pool is fully invested by 1 March 2002.
 - (2) CBOs, bonds and other structured products (representing 25 per cent. of Initial Gross Proceeds) yielding 10.8 per cent. in years one, two and three with variable growth thereafter. It is assumed that this pool is fully invested on Admission.
 - (3) speciality funds pool (representing 15 per cent. of Initial Gross Proceeds) yielding 1 per cent in year one, 1.5 per cent. in year two, 2 per cent. in year three with variable growth thereafter. It is assumed that this pool is fully invested by 1 March 2002.
 - (4) unquoted pool (representing 20 per cent. of Initial Gross Proceeds) yielding 1 per cent. in year one, 1.5 per cent. in year two, 2 per cent. in year three with variable growth applied thereafter. It is assumed that this pool is fully invested by 1 December 2002.
- (e) Monies held pending investment yield 5 per cent. per annum. Revenue reserves are invested in line with the investment policy of the Company and generate a total return of 7.5 per cent. with no growth in capital value.
- (f) No account has been taken of the costs of investing the Initial Gross Proceeds or of any stamp duty which may be payable by the Company in respect thereof.
- (g) The Company accrues management fees of 0.25 per cent. per quarter of Total Assets at quarter end which are paid quarterly in arrears and other expenses, including directors' fees and administration and safe custody charges, of £315,000 (exclusive of VAT) per annum are paid quarterly and increase at 1 per cent. per annum throughout the life of the Company.
- (h) For the purpose of calculating any entitlement to a performance fee (i) any growth in the net assets of the Company is achieved at a constant rate throughout its life and LIBOR has been taken to be 6 per cent. per annum; and (ii) any subscription monies which may be received on exercise of Warrants have been ignored.

- (i) The only tax payable by the Company, other than VAT, is the Isle of Man exempt company fee of £430 per annum and there are no changes in current tax legislation and practice during the life of the Company.
- (j) All of the management fees, financing costs and other expenses payable by the Company bear VAT at a rate of 17.5 per cent. and are effectively charged to capital and debited to the quoted pool.
- (k) Redemption yields are calculated by discounting cashflows on a quarterly basis but expressed on an annualised basis. It is assumed that the dividends are paid on the last day of each quarter.
- (l) The rights of Shareholders, as set out in the Articles, are not altered. There is no change in the terms of the Investment Management Agreement. The Company is wound up on 31 July 2011.
- (m) There are no significant costs on the acquisition or sale of the Company's assets. No provision is made for any taxation charges upon the Company or any diminution in the value of the Total Assets arising from its winding up or for the expenses incurred by the Company by reason or in connection with such winding up.
- (n) No account has been taken of exchange rate differences.
- (o) Dividends increase by RPI. RPI has been taken to increase by 3 per cent. per annum.
- (p) The Company does not issue additional share capital during its life other than the issue of new Capital Shares pursuant to exercise of the Warrants. All the Warrants are exercised on 30 November 2006 where the NAV per Capital Share is greater than 100p on 30 November 2006 and the exercise price of the Warrants is 100p. All proceeds from the exercise are invested on the day they are received by the Company in line with the stated policy of the Company.
- (q) Admission occurs on 31 July 2001.
- (r) The Company's holding in EPL is valued at £4.16 million twelve months following Admission and remains at that level throughout the life of the Company and that the yield on that value is nil in the first two years of the Company's life, 2.5 per cent. per annum in the third year and growing in line with the RPI (at the assumed rate referred to above) thereafter.

9. Miscellaneous

- (a) The Shares and Warrants may be issued in certificated form or uncertificated form and settled through CREST. Temporary documents of title will not be issued.
- (b) The expenses of establishing the Company, organising and effecting the Placing and arranging the Bank Loan payable by the Company have been fixed at 2 per cent. of the Initial Gross Proceeds including the commission payable to Teather & Greenwood referred to in paragraph 7(a) and including any irrecoverable VAT to be paid by the Company. Accordingly, on the basis that the Initial Gross Proceeds are £100 million, the net proceeds of the Placing (including recoverable VAT) will be £98 million. The net proceeds will be invested by the Investment Manager in accordance with the Company's investment policy.
- (c) The Company has not been and is not currently engaged in any legal or arbitration proceedings nor, so far as the Company is aware, are there any such legal or arbitration proceedings pending or threatened by or against the Company which may have or have had since the Company's incorporation a significant effect on the Company's financial position.
- (d) The Placing Price of 100p per Share represents a premium of 90p over the nominal value of each Share.
- (e) No Share available under the Placing is being underwritten.
- (f) The Directors confirm that the Company was incorporated and registered on the date referred to in paragraph 1 above and that, save for its entry into the material contracts described in paragraph 7 above, the Company has not traded and no accounts have been made up.
- (g) There has been no significant change in the trading or financial position of the Company since the date of its incorporation. The Company does not have nor has it had since incorporation any employees and it neither owns nor leases any premises.
- (h) Teather & Greenwood has given and has not withdrawn its written consent to the issue of this document and the references to itself in the form and context in which such references appear.
- (i) BroadStreet has given and has not withdrawn its written consent to the issue of this document and the references to itself in the form and context in which such references appear.

- (j) Ernst & Young has given and has not withdrawn its written consent for the inclusion of their report as set out in Part III of this document and the references to itself in the form and context in which such references appear and have authorised the contents of Part III of this document for the purposes of section 152(1)(e) of the Financial Services Act 1986.
- (k) Under IAS effectively all of the Running Costs are charged to capital, therefore over time the revenue reserves should accumulate to cover future dividends and the fixed final redemption value of Income Shares. Once the fixed amounts owing to the Bank and the Income Shares has been satisfied, of the assets remaining for distribution to shareholders the Capital Shares will have the benefit of all the remaining assets plus any excess in the revenue reserves.
- (l) The Company's holding in EPL will initially be held at cost but is expected to be revalued from time to time by the Board based on an independent valuation. The valuation of shares traded on the Alternative Investment Market of the London Stock Exchange shall be taken at the quoted mid-market price, unless the Investment Manager considers an alternative valuation more appropriate. The Company's investments in any other unquoted shares for inclusion in the NAV will, in accordance with the current British Venture Capital Association guidelines, be valued at cost, less any provision considered necessary by the Investment Manager, unless there has been a significant transaction involving an independent third party at arms-length which values the investment at a materially different value (in which case a change in the valuation of the Company's investment may be justified by the Investment Manager by reference to the price at which a subsequent issue of capital is made in the company in question, or at which a transaction for cash in the relevant security takes place, in each case where the transaction involves a significant investment by a new investor), in which case the valuation of the Company's investment in the relevant unquoted shares will be revised. The Investment Manager will consider making a provision against the relevant unquoted investment where the performance of the investment is significantly below the expectations on which the investment decision was based (*prima facie* indicators of under-performance include the failure to meet significant milestones, to service equity or debt instruments and breaches of covenants).

10. Isle of Man Statutory Information

- (a) In the opinion of the Directors, there is no minimum amount which must be raised for the purposes specified in paragraph 5 of Schedule 4 to the Companies Act 1931.
- (b) The estimated amount of the Company's preliminary expenses is £1,000 and the estimated amount of the expenses of the Placing including such preliminary expenses (all of which are payable by the Company) is 2 per cent. of Initial Gross Proceeds.
- (c) Ernst & Young of Jubilee Buildings, Victoria Street, Douglas, Isle of Man, IM1 2SH are the Company's auditors.
- (d) Copies of the material contracts listed in paragraph 7 above and of the written consents referred to in sub-paragraphs 9(h), 9(i) and 9(j) above have been delivered to the Financial Supervision Commission in the Isle of Man together with a copy of this document.

11. Documents available for inspection

Copies of the following documents will be available for inspection at the registered office of the Company and at the offices of Latham & Watkins at 99 Bishopsgate, London EC2M 3XF during business hours on any weekday from the date of this document (Saturdays and public holidays excepted) until the close of the Placing:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the report of Ernst & Young appearing in Part III of this document;
- (c) the written consents referred to in paragraph 9 above;
- (d) the Warrant Instrument;
- (e) the material contracts referred to in paragraph 7 above; and
- (f) this document.

12. Availability of the prospectus

Copies of this document are available for inspection at The UK Listing Authority's Document Viewing Facility which is situated at The Financial Services Authority, 25 The North Colonnade, Canary Wharf, London E14 SHS, or for collection free of charge from the Company's registered office in the Isle of Man and from Teather & Greenwood Limited, Beaufort House, 15 St Botolph Street, London EC3A 7QR until close of the Placing.

Part V

SUMMARY TERMS AND CONDITIONS OF THE WARRANTS

The Warrants will be constituted by and issued subject to and with the benefit of the warrant instrument of the Company dated 14 August 2001. Each registered Warrantholder will be bound by and be deemed to have notice of all the matters set out in the Warrant Instrument, a copy of which may be inspected as mentioned in paragraph 11 of Part IV of this document. Copies of the Warrant Instrument are available on application to the Company's registered office. Set out below is a summary of the terms and conditions attaching to the Warrants:-

1.1 Each Warrant will give the holder the right to subscribe for new Capital Shares at a price of £1 per Capital Share on any Subscription Date. The Company shall be under no obligation to issue a Warrant Certificate to any person holding Warrants in uncertificated form. In the case of Certificated Warrants, the Company shall issue a Warrant Certificate to each relevant Warrantholder.

1.2 In order to exercise the Subscription Rights, whether in whole or in part, the Warrantholder must:

1.2.1 in the case of Certificated Warrants, lodge the Warrant Certificate at the office of the registrars for the time being of the Company (the "Registrars") and/or at such other address or addresses as the Company may from time to time notify the Warrantholders, on or within 28 days prior to the relevant Subscription Date (but not later than 3.00 p.m. London time on that date) having completed the notice of subscription thereon (or such other evidence as the Directors may reasonably require as proof of the title of the person exercising the Subscription Rights), accompanied by a cheque payable to the Company for the aggregate Subscription Price payable on subscription for the Capital Shares in respect of which the Subscription Rights are being exercised; or

1.2.2 in the case of Uncertificated Warrants, arrange for the payment to the Company (in the manner from time to time prescribed by the Directors) of the aggregate Subscription Price payable on subscription for the Capital Shares in respect of which the Subscription Rights are exercised and send to the Company or such person as the Company may require (including, without limitation, the Registrars or any sponsoring system-participant acting on behalf of the Company or the Registrars) a properly authenticated dematerialised instruction:

- (i) in the form from time to time prescribed by the Directors and having the effect determined by the Directors from time to time; and
- (ii) which is addressed to the Company, is attributable to the system-member who is the registered holder of the Warrants and identifies (in accordance with the form prescribed by the Directors as aforesaid) the Warrants in respect of which the Subscription Rights are to be exercised;
provided always that:
 - (iii) the Directors may in their discretion permit the holder of any Uncertificated Warrant to exercise his Subscription Rights by some other means (including if the Company or any sponsoring system-participant acting on behalf of the Company is unable, at any time and for any reason, to receive properly authenticated dematerialised instructions);
 - (iv) the Directors may in their discretion require, in addition to receipt of a properly authenticated dematerialised instruction as referred to above, the holder of any Uncertificated Warrant to complete and deliver to the Company (or its Registrars for the time being) on or within 28 days prior to the relevant Subscription Date, a notice in such form as may from time to time be prescribed by the Directors;
 - (v) the Directors may in their discretion determine when any such properly authenticated dematerialised instruction and/or other instruction or notification is to be treated as received by the Company or by such other person as it may require for these purposes; and
 - (vi) for the avoidance of doubt, the form of the properly authenticated dematerialised instruction required on exercise of Subscription Rights as referred to above may be such as to divest the holder of the Warrant concerned of the power to transfer such Warrant to another person.

All notices, instructions and any other steps required pursuant to paragraph 1.2 shall be subject always to the facilities and requirements of the relevant system concerned.

Once lodged, a subscription notice shall be irrevocable save with the consent of the Directors. In addition to the requirements set out above, compliance must also be made with any statutory requirements for the time being applicable. Warrants in respect of which Subscription Rights have been exercised will be cancelled.

- 1.3 Capital Shares issued pursuant to the exercise of Subscription Rights will be allotted not later than 21 days after and with effect from the relevant Subscription Date. Unless the Directors otherwise determine, or unless the Regulations and/or the rules of the relevant system concerned otherwise require, the Capital Shares allotted on the exercise of any Subscription Rights shall be allotted and issued in uncertificated form (where the Warrant exercised was in uncertificated form on the Subscription Date concerned) or, otherwise, in certificated form (where the Warrant exercised was in certificated form on the Subscription Date concerned). In the case of Capital Shares to be allotted and issued in certificated form, certificates in respect of such Capital Shares will be issued without charge and despatched (at the risk of the person(s) entitled thereto) not later than 28 days after the relevant Subscription Date to the person(s) in whose name(s) the Warrants are registered at the date of such exercise (and, if more than one, to the first-named, which shall be sufficient despatch for all) or (subject as provided by law and to the payment of stamp duty, stamp duty reserve tax or any like tax as may be applicable) to such other person(s) (not being more than four in number) as may be named in the notice of exercise set out in the Warrant Certificate (and, if more than one, to the first named, which shall be sufficient despatch for all). No fraction of a Capital Share will be allotted on the exercise of any Warrant and no refund will be made to a Warranholder in respect of any subscription monies paid by that Warranholder which represents such a fraction (if any). In the event of a partial exercise of the Subscription Rights comprised in a Certificated Warrant the Company shall, without charge, issue a fresh Warrant Certificate in the name of the Warranholder for the balance of his Subscription Rights remaining exercisable. In the case of Uncertificated Warrants, evidence of title to the Capital Shares allotted will be recorded in accordance with the Regulations and/or the rules of the relevant system concerned. No notice of exercise in favour of third parties may be submitted in respect of Uncertificated Warrants unless and until the Directors otherwise determine in accordance with the rules of the relevant system.
- 1.4 Capital Shares issued upon exercise of the Subscription Rights will not rank for dividends or other distributions for which the record date is a date prior to the Subscription Date but will rank in full for all dividends declared by reference to subsequent record dates and otherwise rank *pari passu* with Capital Shares.
- 1.5 So long as the Company's Capital Shares are listed on the Official List and admitted to trading on the London Stock Exchange the Company will apply for the Capital Shares allotted pursuant to any exercise of Subscription Rights to be admitted to the Official List of the UK Listing Authority within 15 days after the relevant Subscription Date (or the date of issue of Capital Shares if issued other than on a Subscription Date) and, where the Capital Shares are listed on the Official List of the UK Listing Authority, admitted to trading on the London Stock Exchange's market for listed securities.

2. Other Provisions

- 2.1 So long as any Subscription Rights remain exercisable the Company shall not (except with the sanction of an Extraordinary Resolution (as defined below)):
 - 2.1.1 make any distribution of capital profits or capital reserves except by means of a capitalisation issue in the form of fully paid Capital Shares;
 - 2.1.2 issue securities by way of capitalisation of profits or reserves except fully paid Capital Shares issued to the holders of its Capital Shares; or
 - 2.1.3 during or as at a record date falling within the period of six weeks ending on any Subscription Date in 2006 make any such offer or invitation as is referred to in paragraph 5.2 below (except by extending to Warranholders any such offers as may be made by a third party).
- 2.2 If an order is made or effective resolution passed for the winding up of the Company on or prior to the Subscription Date in 2006 (except for the purpose of reconstruction or amalgamation on terms sanctioned by an Extraordinary Resolution) each Warranholder will be treated as if, immediately before the date of such order or resolution, his Subscription Rights had been exercised in full on the basis applicable on the day immediately preceding the date of such winding up order or resolution and shall accordingly be entitled to receive out of the assets available in the liquidation *pari passu* with the Capital Shareholders an amount equal to a sum to which he would have become entitled by virtue of such subscription after deducting a sum per Capital Share equal to the Subscription Price. Subject to the foregoing, all Subscription Rights shall lapse upon liquidation of the Company.

3. Modification of Rights

- 3.1 All or any of the rights for the time being attached to the Warrants may from time to time (whether or not the Company is being wound up) be altered or abrogated with the consent in writing of the Company and with either the consent in writing of any or all of the Warrantheolders entitled to subscribe for not less than 75 per cent. of the Capital Shares which are subject to outstanding Warrants or with the sanction of an Extraordinary Resolution of the Warrantheolders. All the provisions of the Articles as to general meetings shall apply to any separate meeting of the Warrantheolders as though the Warrants were a class of shares forming part of the Company but so that:
- 3.1.1 the necessary quorum shall be the Warrantheolders (present in person or by proxy) entitled to subscribe for one-third in nominal amount of the Capital Shares subject to outstanding Warrants;
- 3.1.2 every holder of an outstanding Warrant present in person at any such meeting shall be entitled on a show of hands to one vote and every such holder present in person or by proxy at any such meeting shall be entitled to one vote for every Capital Share for which he is entitled to subscribe pursuant to the Warrants;
- 3.1.3 any holder or holders of 10 per cent. or more of the aggregate outstanding Warrants present in person or by proxy may demand or join in demanding a poll; and
- 3.1.4 if at any adjourned meeting a quorum as above defined is not present those Warrantheolders with outstanding Warrants who are then present in person or by proxy shall be a quorum.
- 3.2 "Extraordinary Resolution" for the purposes of paragraph 2.1 and 3.1 of this Part V means a resolution proposed at a meeting of the holders of outstanding Warrants duly convened and held and passed by a majority consisting of not less than 75 per cent. of the votes cast, whether on a show of hands or on a poll.

4. Purchase

Subject to any restrictions which may be imposed by the UKLA, the Company (or any of its subsidiaries) shall have the right to purchase Warrants by tender available to all Warrantheolders at any price or by private treaty at a price not more than 5 per cent. in excess of the average of the middle market quotation for the Warrants in respect of the Warrants (as derived from the London Stock Exchange) for the 5 Dealing Days immediately preceding the date of purchase. Any Warrants so purchased shall be cancelled.

5. Adjustment of Subscription Rights

- 5.1 After any allotment of fully paid Capital Shares by way of capitalisation of profits or reserves to holders of the Capital Shares on the register on a date on or prior to the Subscription Date in 2006 or upon any sub-division or consolidation of the Capital Shares on or prior to or by reference to the Subscription Date in 2006, the number and/or nominal value of Capital Shares to be subscribed for on any subsequent exercise of the Subscription Rights will be increased or reduced, as the case may be, in due proportion and/or the Subscription Price will be adjusted accordingly. On any such capitalisation, sub-division or consolidation, the auditors for the time being of the Company shall certify appropriate adjustments and notice thereof will be sent to each Warrantheolder within 28 days together with, in the case of a holder of Certificated Warrants, a Warrant Certificate in respect of any additional shares for which he is thereby entitled to subscribe, fractional entitlements being ignored.
- 5.2 If, on a date (or by reference to a record date) on or before the Subscription Date in 2006, the Company makes any offer or invitation (whether by rights issue or otherwise) to the holders of the Capital Shares, or any offer or invitation is made to such holders otherwise than by the Company to acquire the whole or any part of the issued Capital Shares of the Company and the Company becomes aware that as a result of such offer the right to cast a majority of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror, then the Company shall make or, so far as it is able, procure that there shall be made at the same time a like offer or invitation to each Warrantheolder as if his Subscription Rights had been exercisable and had been exercised on the day immediately preceding the record date of such offer or invitation on the basis then applicable.

6. Transfer

- 6.1 Each Warrant will be in registered form and, in the case of Uncertificated Warrants, may be transferred by means of a relevant system or, in the case of Certificated Warrants, will be transferable by instrument of transfer in any usual or common form, or in any other form which

may be approved by the Directors. No transfer of a right to subscribe for a fraction of a Capital Share may be effected. Nothing in this paragraph 6.1 shall preclude the transfer of Warrants in uncertificated form in accordance with the provisions of paragraph 6.3 and any references contained in these Conditions in relation to the execution of any instrument or the registration of any transfer of Warrants in uncertificated form, shall be read in accordance with the terms of paragraph 6.3.

6.2 The Company shall maintain the register of Warrants issued under the Warrant Instrument at all times in the Isle of Man and such register shall set forth the name and address of each holder of the Warrants, the number of Warrants held by each such person and whether the Warrants are in certificated or uncertificated form and the then applicable Subscription Price for such Warrants and the number of Capital Shares to which such holder is entitled to subscribe. Any holder of Warrants shall be entitled to inspect the Register.

6.3 Uncertificated Securities Regulations

6.3.1 No provision in the Conditions (or any term of issue of the Warrants including any provision of the Articles of the Company deemed to apply to the Warrants by virtue of the provisions of the Warrant Instrument or Conditions) shall apply or have effect to the extent that it is in any respect inconsistent with, (i) the holding of the Warrants in uncertificated form, (ii) the transfer of title to the Warrants by means of a relevant system, or (iii) the Regulations.

6.3.2 The Company shall, on the request of any holder of Uncertificated Warrants, provide that holder with a copy of the Conditions (but so that joint holders of such Warrants shall be entitled to receive one copy only of the Conditions in respect of the Warrants held by them, which copy shall be delivered to that one of the joint holders whose name stands first in the Register in respect of that holding which shall be sufficient despatch for all).

6.3.3 Whether any Warrant is in certificated form or uncertificated form on any date shall be determined by reference to the Register as at the close of business on the relevant date or such other time as the Directors may (subject to the facilities and requirements of the relevant system concerned) in their absolute discretion determine.

7. General

7.1 Under no circumstances will the number of Capital Shares which may be subscribed pursuant to the Warrants exceed 20 per cent. of the Capital Shares issued under the Placing.

7.2 Each notice of subscription on the Warrant Certificate shall contain, *inter alia*, a warranty that none of the Warrants being exercised or Capital Shares issuable upon exercise are, or are to be, beneficially owned by or being exercised for the account of any person or with a view to resale to any person in the Isle of Man or any person within any jurisdiction in which such exercise, issue or sale would be in breach of the laws of any relevant jurisdiction. The Warrants and the Capital Shares issuable upon exercise of the Subscription Rights attaching to the Warrants have not been and will not be registered under the United States Securities Act of 1933 (as amended) ("Securities Act") and, subject to certain exceptions, may not be offered or sold within the United States. The Subscription Rights attaching to the Warrants may not be exercised within the United States and the Capital Shares issuable upon exercise thereof may not be delivered within the United States, unless the Capital Shares are registered under the Securities Act or an exemption from registration is available. Accordingly, each exercise of Subscription Rights will contain, *inter alia*, a written certification that the person exercising the Subscription Rights is not in the United States and is not exercising the Subscription Rights on behalf of a U.S. person (together with such additional certifications as the Company may deem necessary or advisable for the purposes of complying with applicable United States securities laws). In lieu of such certification a person exercising the Subscription Rights may deliver a written opinion of counsel to the effect that the Warrants and Capital Shares issuable upon exercise of the Subscription Rights have been registered under the Securities Act or an exemption from registration is available. In addition, until 40 days after the first day of dealings in the Warrants, an offer or sale of the Warrants within the United States by any dealer may violate the registration requirements of the Securities Act. As used herein, the term "United States" means the United States of America, its territories, possessions and all areas subject to its jurisdiction and the term "U.S. person" means any person who is a national or resident of the United States (including the estates of any such person) and any corporation or other entity organised under the laws of the United States or any political sub-division thereof.

14 August 2001

