

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the contents of this document and/or the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (as amended) (“**FSMA**”) if you are in the United Kingdom or, if not, another appropriately authorised independent financial adviser. Investment in the Company is speculative and involves a high degree of risk. Your attention is also drawn to the section headed “Risk Factors” in Part III of this document.

If you have sold or otherwise transferred all of your Existing Ordinary Shares in EPE Special Opportunities plc, please immediately forward this document, together with the accompanying Application Form, to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. If you have sold only part of your holding of Existing Ordinary Shares, please contact your stockbroker, bank or other agent through whom the sale or transfer was effected immediately.

The Directors, whose names and functions appear on page 10 of this document, and the Company accept responsibility, both collectively and individually, for the information contained in this document. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

This document is not a prospectus for the purposes of the Prospectus Rules. Accordingly, this document has not been, and will not be, reviewed or approved by the Financial Services Authority of the United Kingdom (“**FSA**”), pursuant to sections 85 and 87 of FSMA, the London Stock Exchange plc or any other authority or regulatory body. **Your attention is drawn to the language in bold on page 24 of this document.** This document has not been delivered to the Isle of Man Financial Supervision Commission for registration as a prospectus pursuant to Section 38 of the Isle of Man Companies Act 1931. This document has not been approved by the Isle of Man Financial Supervision Commission or any other governmental or regulatory authority in or of the Isle of Man.

The Existing Ordinary Shares are admitted to trading on AIM. Application will be made to the London Stock Exchange plc for the Offer Shares to be admitted to trading on AIM. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the potential risks in investing in such companies and should make the decision to invest only after careful consideration and consultation with his or her own independent financial adviser. The London Stock Exchange plc has not itself examined or approved the contents of this document.

It is expected that admission to AIM and dealings in the Offer Shares will commence on 9 June 2009.

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## **EPE Special Opportunities plc**

*(a company incorporated in the Isle of Man with registered number 108834C)*

**Placing and Open Offer of up to 100,000,000 Ordinary Shares at 5 pence per share on the basis of 3.0574 Offer Shares for every 1 Existing Ordinary Share with an excess application facility**

**Proposed increase in the Company’s authorised share capital to £1,650,000**

**Proposed Consolidation of Ordinary Shares**

**Authorisation to purchase up to 6,635,375 Ordinary Shares (post-Consolidation)**

**and**

**Proposed amendments to the Articles to reflect the proposed Consolidation and increased share capital**

## **Notice of Extraordinary General Meeting**

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**This document should be read as a whole. Your attention is drawn to the letter from the Chairman of EPE Special Opportunities plc which is set out in Part I of this document and which recommends that you vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting referred to below and to the Risk Factors in Part III of this document.**

This document does not constitute an offer for sale or an invitation to subscribe for, or the solicitation of an offer to buy or subscribe for, Offer Shares in any jurisdiction where such an offer or solicitation is unlawful and, subject to certain exceptions, is not for distribution in or into the United States, Canada, Japan, Australia or South Africa. The Offer Shares will not be registered under the United States Securities Act of 1933 (as amended) or under the securities laws of any state of the United States or qualify for distribution under any of the relevant securities laws of Canada, Australia or Japan, nor has any prospectus in relation to the Offer Shares been lodged with or registered by the Australian Securities and Investments Commission or the Japanese Ministry of Finance. Overseas Shareholders and any person (including, without limitation, custodians, nominees and trustees) who has a contractual or other legal obligation to forward this document to a jurisdiction outside the UK should seek appropriate advice before taking any action.

Numis is regulated by the Financial Services Authority and is acting exclusively for the Company and for no one else in connection with the Placing and Open Offer. Numis will not be responsible to anyone other than the Company for providing the protections afforded to customers of Numis or for advising any other person on the contents of this document or the Placing and Open Offer. The responsibility of Numis as nominated adviser and broker to the Company is owed solely to the London Stock Exchange. No representation or warranty, express or implied, is made by Numis as to the contents of this document (without limiting the statutory rights of any person to whom this document is issued). No liability whatsoever is accepted by Numis for the accuracy of any information or opinions contained in this document or for the omission of any material information for which it is not responsible.

The Offer Shares will, when issued and fully paid, rank in full for all dividends and other distributions declared, made or paid after the date of Admission and otherwise *pari passu* in all respects with the Existing Ordinary Shares.

**The Open Offer closes at 11.00 a.m. on 5 June 2009. If you are a Qualifying Shareholder and wish to apply for Offer Shares under the Open Offer you should follow the procedure set out in Part II of this document and, where relevant, complete and return the accompanying Application Form.**

**Notice of an Extraordinary General Meeting of EPE Special Opportunities plc, to be held at IOMA House, Hope Street, Douglas, Isle of Man IM1 1AP at 10.30 a.m. on 8 June 2009, is set out at the end of this document. To be valid, the accompanying Form of Proxy for use in connection with the Extraordinary General Meeting should be completed, signed and returned as soon as possible and, in any event, so as to reach the Company's registrars, IOMA Fund and Investment Management Limited, by not later than 10.30 a.m. on 6 June 2009. Completion and return of a Form of Proxy will not preclude a Shareholder from attending and voting in person at the Extraordinary General Meeting.**

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## Definitions

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

<b>“Admission”</b>	admission of the Offer Shares to trading on AIM becoming effective in accordance with the AIM Rules
<b>“Admission Document”</b>	the admission document published by the Company in September 2003 at the time of admission of the Ordinary Shares to AIM
<b>“AIM”</b>	the AIM market operated by the London Stock Exchange
<b>“AIM Rules”</b>	the AIM Rules for Companies published by the London Stock Exchange from time to time
<b>“AMEC”</b>	AMEC plc
<b>“Application Form”</b>	the application form to be used by Qualifying non-CREST Shareholders in connection with the Open Offer
<b>“Articles”</b>	the articles of association of the Company
<b>“BVCA”</b>	the British Venture Capital Association
<b>“certificated form” or “in certificated form”</b>	an ordinary share recorded on a company’s share register as being held in certificated form (namely, not in CREST)
<b>“Code”</b>	the City Code on Takeovers and Mergers, as amended from time to time
<b>“Company” or “ESO”</b>	EPE Special Opportunities plc
<b>“Computershare” or “Receiving Agent”</b>	Computershare Investor Services plc
<b>“Consolidation”</b>	the proposed consolidation of every five Ordinary Shares of 1p each into one Ordinary Share of 5p
<b>“Consolidated Shares”</b>	Ordinary Shares of 5p each in the capital of the Company following the Consolidation
<b>“CREST”</b>	the system for paperless settlement of trades in securities and the holding of Uncertificated Securities which is operated by Euroclear
<b>“Directors” or “Board”</b>	the directors of the Company or any duly authorised committee thereof
<b>“Enlarged Issued Share Capital”</b>	the 132,707,509 Ordinary Shares in issue on Admission, assuming full subscription of the Offer Shares under the Placing and Open Offer
<b>“EPIC plc”</b>	The Equity Partnership Investment Company plc
<b>“Euroclear”</b>	Euroclear UK & Ireland Limited
<b>“Excess Application Facility”</b>	the arrangement pursuant to which Qualifying CREST Shareholders may apply for Offer Shares in excess of their Open Offer Entitlements
<b>“Excess CREST Open Offer Entitlement”</b>	in respect of each Qualifying CREST Shareholder, the conditional entitlements to apply for Offer Shares credited to his stock account in CREST which are subject to scaling back in accordance with the provisions of this document

<b>“Excluded Territories”</b>	the United States, Australia, Canada, Japan and the Republic of South Africa and their respective territories and possessions
<b>“Existing Ordinary Shares”</b>	the 32,707,509 Ordinary Shares of 1p each in issue at the date of this document, all of which are admitted to trading on AIM, to be consolidated into 6,541,501 Ordinary Shares of 5p each pursuant to the Consolidation
<b>“Extraordinary General Meeting”</b>	the extraordinary general meeting of the Company to be held at IOMA House, Hope Street, Douglas, Isle of Man IMI 1AP at 10.30 a.m. on 8 June 2009
<b>“Form of Proxy”</b>	the form of proxy for use in connection with the Extraordinary General Meeting which accompanies this document
<b>“FSMA”</b>	the Financial Services and Markets Act 2000 (as amended)
<b>“Investment Advisor” or “EPE”</b>	EPIC Private Equity LLP, of 7th Floor, Billiter Street, London EC3M 2RY, investment advisor to the Company
<b>“IRR”</b>	the internal rate of return on the Company’s investments, being the discount factor which, when applied to the amounts invested by the Company and returned to the Company, produces a net present value equal to zero
<b>“Lloyds”</b>	Lloyds TSB Bank plc
<b>“Law”</b>	the Isle of Man Companies Acts 1931 to 2004
<b>“London Stock Exchange”</b>	London Stock Exchange plc
<b>“MoD”</b>	the United Kingdom Ministry of Defence
<b>“Money Multiple”</b>	the current value of the Company’s investments plus sums received or receivable from investments compared with the total capital invested to date
<b>“NAV”</b>	the total of the consolidated share capital and reserves from time to time of the Company calculated in accordance with the Company’s accounting policies
<b>“NAV per Share”</b>	the NAV divided by the total number of Ordinary Shares in issue at the relevant time
<b>“Notice”</b>	the notice convening the Extraordinary General Meeting which is set out at the end of this document
<b>“Numis”</b>	the Company’s nominated adviser and broker, Numis Securities Limited of 10 Paternoster Square, London EC4M 7LT
<b>“Offer Price”</b>	5 pence per new Ordinary Share
<b>“Offer Shares”</b>	the 100,000,000 Ordinary Shares of 1p each (to be consolidated into 20,000,000 Ordinary Shares of 5p each pursuant to the Consolidation) which are to be made available for subscription by Qualifying Shareholders under the Open Offer (up to 57,000,000 of which are to be conditionally placed with Placees, subject to clawback to satisfy valid applications from Qualifying Shareholders under the Open Offer)

<b>“Open Offer”</b>	the conditional offer to Qualifying Shareholders to subscribe for the Offer Shares at the Offer Price, as described in this document
<b>“Open Offer Entitlements”</b>	entitlements to subscribe for Open Offer Shares, allocated to a Qualifying Shareholder pursuant to the Open Offer
<b>“Open Offer Record Date”</b>	the close of business on 11 May 2009
<b>“Ordinary Shares”</b>	ordinary shares of 1p each, or following the Consolidation ordinary shares of 5p each, in the capital of the Company
<b>“Overseas Shareholders”</b>	Shareholders resident in, or citizens of, jurisdictions outside the Isle of Man and the United Kingdom
<b>“Placees”</b>	the institutional and other investors with whom Numis as agent for the Company has agreed to use reasonable endeavours to conditionally place up to 57,000,000 of the Offer Shares
<b>“Placing”</b>	the conditional placing by Numis as agent for the Company of up to 57,000,000 of the Offer Shares with Placees, subject to clawback to satisfy valid applications from Qualifying Shareholders under the Open Offer
<b>“Placing and Open Offer Agreement”</b>	the conditional agreement entered into by the Company and Numis on 12 May 2009 relating to the Placing and Open Offer, further details of which are set out in paragraph 3.3 of Part IV of this document
<b>“Proposals”</b>	the proposals set out in this document, including the Placing and Open Offer
<b>“Prospectus Rules”</b>	the Prospectus Rules published by the Financial Services Authority
<b>“Qualifying CREST Shareholders”</b>	Qualifying Shareholders whose Existing Shares on the register of members of the Company on the Open Offer Record Date are held in uncertificated form, that is, in CREST
<b>“Qualifying non-CREST Shareholders”</b>	Qualifying Shareholders whose Existing Shares on the register of members of the Company on the Open Offer Record Date are held in certificated form
<b>“Qualifying Shareholders”</b>	holders of Existing Shares at the Open Offer Record Date, other than those holders that are resident, or holding on behalf of persons who are resident, in an Excluded Territory
<b>“RBS”</b>	The Royal Bank of Scotland International Limited
<b>“Registrars”</b>	IOMA Fund and Investment Management Limited, the Company’s registrars
<b>“Resolutions”</b>	the resolutions to be proposed at the Extraordinary General Meeting as set out in the Notice
<b>“Shareholders”</b>	holders of Ordinary Shares
<b>“SME”</b>	small and medium size enterprises
<b>“United Kingdom” or “UK”</b>	the United Kingdom of Great Britain and Northern Ireland

**“United States” or “US”**

the United States of America, each State thereof, its territories and possessions (including the District of Columbia) and all other areas subject to its jurisdiction

**“uncertificated” or “in  
uncertificated form”**

an ordinary share recorded on a company’s share register as being held in uncertificated form in CREST and title to which, by virtue of the Isle of Man Uncertificated Securities Regulations 2005, may be transferred by means of CREST

## Expected Timetable of Principal Events

Open Offer Record Date	Close of business on 11 May 2009
Despatch of this document	13 May 2009
Open Offer Entitlements credited to CREST stock accounts of Qualifying CREST Shareholders	14 May 2009
Recommended latest time for requesting withdrawal of Open Offer Entitlements from CREST	4.30 p.m. on 29 May 2009
Latest time for depositing Open Offer Entitlements into CREST	3.00 p.m. on 2 June 2009
Latest time for splitting Application Forms (to satisfy <i>bona fide</i> market claims only)	3.00 p.m. on 3 June 2009
Latest time and date for receipt of completed Application Forms and payment in full under the Placing and Open Offer or settlement of relevant CREST instruction (as appropriate)	11.00 a.m. on 5 June 2009
Latest time and date for receipt of Forms of Proxy for the Extraordinary General Meeting	10.30 a.m. on 6 June 2009
Extraordinary General Meeting	10.30 a.m. on 8 June 2009
Admission effective and dealings commence on AIM	9 June 2009
CREST accounts credited	on or before 9 June 2009
Record date for the Consolidation	9 June 2009
Consolidation effective	16 June 2009
Share certificates dispatched by (post-Consolidation)	23 June 2009

**The dates set out in the timetable of principal events above and mentioned throughout this document and in the Application Form may be adjusted by the Company, in which event the details will be notified to the London Stock Exchange and, where appropriate, to Shareholders.**

**In order to subscribe for Offer Shares under the Open Offer, Qualifying Shareholders will need to follow the procedure set out in Part II of this document and, where relevant, complete the accompanying Application Form. If Qualifying Shareholders have any queries on the procedure for acceptance and payment, or to receive another Application Form and/or Form of Proxy, they should contact the Receiving Agent on 01534 825 200. The Receiving Agent will not give Qualifying Shareholders any other advice in connection with the Open Offer.**

## Placing and Open Offer Statistics

Offer Price	5 pence
Number of Ordinary Shares in issue at the date of this document	32,707,509
Number of Offer Shares to be offered for subscription by the Company	100,000,000
Estimated approximate net proceeds of the Placing and Open Offer*	£4.7 million
Percentage of the Enlarged Issued Share Capital represented by the Offer Shares*	75.4%
Number of Ordinary Shares in issue at Admission*	132,707,509
Number of Ordinary Shares in issue following the Consolidation*	26,541,501
Market capitalisation of the Company on Admission at the Offer Price*	£6.6 million

(\* assuming full take up of Offer Shares under the Placing and Open Offer)

## Part I

### Letter from the Chairman

#### EPE Special Opportunities plc

(a company incorporated in the Isle of Man with registered number 108834C)

*Directors*

G O Vero (*Chairman*)  
R B M Quayle (*Non-executive Director*)  
C L Spears (*Non-executive Director*)  
N V Wilson (*Non-executive Director*)

*Registered Office:*

IOMA House  
Hope Street  
Douglas  
Isle of Man  
IM1 1AP

13 May 2009

Dear Shareholder,

**Placing and Open Offer of up to 100,000,000 new Ordinary Shares at 5 pence per share on the basis of 3.0574 Offer Shares for every 1 Existing Ordinary Share with excess application facility**

**Proposed increase in the Company's authorised share capital to £1,650,000**

**Proposed Consolidation of Ordinary Shares**

**Authorisation to purchase up to 6,635,375 Ordinary Shares (post-Consolidation)**

**Proposed amendments to the Articles to reflect the proposed Consolidation and increased authorised share capital**

#### 1. Introduction

Your Board is announcing today that it proposes to raise up to £5 million (before expenses) by way of a Placing and Open Offer. The Placing is to be made to certain institutional and other investors in respect of up to 57,000,000 of the Offer Shares, subject to clawback to satisfy valid applications from Qualifying Shareholders under the terms of the Open Offer. In addition, certain Shareholders have given irrevocable undertakings to take up Offer Shares pursuant to the Open Offer, representing 30,560,000 Offer Shares, in aggregate.

A resolution is to be proposed to the Extraordinary General Meeting to increase the authorised share capital of the Company from £500,000 to £1,650,000.

The terms of the Open Offer are described in this document. Qualifying Shareholders may also apply for shares above their basic entitlement under the Open Offer if they so wish under an excess application facility. Further particulars of the excess application facility are described in Part II of this document.

The net proceeds of the Placing and Open Offer are expected to be approximately £4.7 million (assuming full take up of Offer Shares under the Placing and Open Offer) and will increase the Company's cash balances allowing for new investment, including bolt-on acquisitions to existing investments, and enable the Company to take advantage of current market conditions. The Placing and Open Offer is conditional, *inter alia*, upon Shareholders passing Resolution 1 set out in the notice convening the Extraordinary General Meeting, which is set out at the end of this document, and upon Admission.

The increase in the Company's authorised share capital which is proposed to be authorised at the Extraordinary General Meeting by Resolution 1 is sufficient to issue and allot the Offer Shares and up to an additional 32,292,491 Ordinary Shares, equivalent to 24.3 per cent. of the Ordinary Shares in issue following completion of the Placing and Open Offer (assuming full take up of Offer Shares under the Placing and Open Offer). Your Board envisages using such additional Ordinary Shares as consideration for its investment in

companies, primarily quoted companies, as set out in paragraph 2 of this letter under the heading *Investment in quoted companies*.

It is also proposed that the Ordinary Shares be consolidated on the basis of one Ordinary Share of 5p replacing every five existing Ordinary Shares of 1p each. Your Board is of the view that it would benefit the Company and Shareholders to reduce the number of Ordinary Shares, with a resulting adjustment in the market price of the Ordinary Shares. Further details of the proposed Consolidation are set out in paragraph 5 of this letter.

Your Board is also seeking authority to purchase in the market up to 6,635,375 issued Ordinary Shares (33,176,877 if the Consolidation is not approved by Shareholders), equivalent to up to 25 per cent. of the issued Ordinary Shares following completion of the Placing and Open Offer (assuming full take up of Offer Shares under the Placing and Open Offer). Further details are set out in paragraph 4 of this letter.

The purpose of this document is to:

- provide you with information about the background to and the rationale for the Proposals; and
- explain why the Board considers the Proposals to be in the best interests of the Company and its Shareholders as a whole and why the Directors recommend that you vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting.

## **2. Background to and rationale for the Proposals**

### ***Overview***

The Company invests in distressed or insolvent businesses or special situations where it perceives the opportunity for acquisition of undervalued assets, through a range of debt and equity instruments with a view to generating returns through both yield and capital gain.

The Company's existing portfolio is performing satisfactorily. Since December 2006 the Company has made limited new investments, primarily due to the peaking of the economic cycle between early 2007 and late 2008. In the Board's view, company distress during this period resulted largely from weak fundamentals and unsustainable business models, making assets unattractive. However, given current economic conditions, the Board believes that the opportunity for distressed investing is becoming increasingly attractive and that the Investment Advisor is well placed to take advantage of these circumstances. This was most recently demonstrated by the acquisition of Whittard of Chelsea in December 2008. Therefore, the Company is proposing to raise funds through the Placing and Open Offer to enable it to make new investments, including bolt-on acquisitions for existing investments.

As far as the Directors are aware, the Company is the only private equity investor focussed solely on distressed assets that is quoted on a UK stock exchange.

### ***Investment highlights***

Since the placing in September 2003, which raised £28.1 million after expenses (93.8p per Ordinary Share on the basis of 30 million Ordinary Shares), the Company has achieved the following investment highlights:

- the Company has generated gross income of £11.6 million;
- the Company has paid dividends of £5 million (exclusive of the scrip dividend in 2008);
- the Company's portfolio is currently valued at 0.9 times Money Multiple (both exited and current investments);
- the Company has deployed over £39 million of capital and over £25 million has already been returned to the Company in capital and income;
- over 550 opportunities have been investigated by or on behalf of the Company since its inception and 17 transactions have been completed to date;

- the Investment Advisor has been actively involved in acquiring distressed assets via the Company since 2003 and has built up an extensive network of deal sources, advisory partners and financing partners; and
- the Company's investment strategy has evolved significantly since incorporation, with a "watershed" change in direction in 2005 towards a lower volume of larger transactions, a core in-house investment team at the Investment Advisor and a focus on capital appreciation rather than yield. Since then, returns have improved significantly to 1.2 times Money Multiple and 12.1 per cent. IRR.

### *Portfolio summary*

The Company typically structures its investments through senior yielding debt instruments and large equity positions.

#### *Autocue (2005)*

Autocue is a manufacturer of prompting equipment for the media industry, as well as the developer and provider of a range of software for a similar customer base. The business went into administration early in 2005 due to an inability to service the finance leverage raised to expand the software division of the business, a strategy which subsequently proved disastrous. The Company bought the business out of administration alongside another private equity provider. The Company teamed up with another private equity provider to buy the business out of administration, employing a new management team who have looked to fundamentally restructure the business, via the removal of a number of unnecessary excess costs, and a realignment of the business to its core prompter (rather than software) sales. The Company has a £0.875 million debt exposure to Autocue, yielding 15 per cent. per annum. Autocue has made significant progress in the development of new products over the last 12 months and is seeing improved performance due to a reduction in overheads and sales growth from developing countries.

#### *Kemutec (2005)*

Kemutec is a manufacturer of mixing and sifting equipment for the chemical, pharmaceutical and food industries. The business has sales of approximately £10 million and has approximately £1.3 million of loans outstanding to the Company yielding 15 per cent. per annum. The Company invested £3.95 million in Kemutec. A property acquired with the business was sold for £2.55 million in January 2006 and the cash returned to the Company. During the last year, initiated by a dip in trading performance for the year ended March 2008, a review focussed on contracts and costs was undertaken. Kemutec has emerged more efficient. The order book remains adequate, but recent order in-take levels have led to management embarking on a new programme of continuous cost-cutting and efficiency improvement to deal with the downturn in the economy. Both management and the Investment Advisor continue to seek strategic acquisitions to supplement organic growth.

#### *Morada Home Limited (2005)*

In 2005 the Company backed a management buyout of the Morada Home business from the administration of Morada International. The Company has a £0.99 million debt exposure to Morada Home yielding 15 per cent. per annum. The business was originally focussed on contracts with the MoD to supply curtains and blinds for MoD living accommodation. The business is now stable, and the current focus is on diversification away from the reliance upon the MoD contract, including developing the contract and wholesale channels. Morada has recently recruited a new managing director and the business has begun to experience strong performance. The Investment Advisor expects continued improved trading.

#### *Past Times (2006)*

Past Times is a niche retailer of historically inspired jewellery, gifts, books and house-wares. Past Times was acquired in December 2005 from the administrators of Retail Variations plc. The Company has provided debt of £7.75 million yielding 15 per cent. per annum although interest payments in the year to 31 December 2008 were accrued, rather than paid, to assist financing the expansion of the business. Past Times has undergone a major restructuring process, with the number of stores reduced, the head office cost base reduced, and the

product range improved. The business is now experiencing the benefits of these improvements and is expanding the number of stores under the guidance of the chief executive officer Mike Taylor. Management have stated that Past Times has achieved double digit sales growth for the year ended 30 April 2009 and growth in EBITDA for the same period.

#### *Whittard of Chelsea (2008)*

Whittard of Chelsea, a specialist retailer of tea and coffee, was acquired from Baugur in December 2008 for a net acquisition cost of £0.48 million. The business had previously been acquired by Baugur in 2005 at an enterprise value of approximately £21.5 million, incorporating £20 million of Landsbanki debt funding. The Company now holds approximately 75 per cent. of the equity, with its £0.48 million investment structured as high yielding loan notes. The Company acquired a significant level of stock in the transaction, providing asset backing along with the opportunity for stock profit. A restructuring of the business is now being undertaken with the number of stores being substantially reduced and the overhead base slimmed down, providing the opportunity for strong cash generation in the financial year ending 31 December 2009. Following this restructuring, the business is expected to have annual sales of around £30 million.

#### *Investment Advisor*

EPIC Private Equity was founded in 2001 as part of EPIC Investment Partners. Following the restructuring of EPIC plc's investment management arrangements in 2006, EPE is now a privately owned partnership made up of investment professionals from investment banking, accounting and consulting backgrounds and supported by specialist operating and financial partners.

EPE has significant experience in SME and distressed company investing, having arranged approximately £88 million in approximately £270 million enterprise value in 42 transactions over the last eight years (17 of which were distressed private equity transactions via ESO). EPE advises up to £35 million in EPIC plc and currently manages £14.9 million of net assets in ESO. The current combined portfolio of EPIC plc and ESO has approximately £39 million of invested capital in businesses with an aggregate annual turnover of more than £240 million.

EPE has a disciplined approach to investing with highly evolved criteria for selecting deals and conducting due diligence. Through a large number of well established relationships, EPE has access to significant deal flow (around 250 deals are seen per annum).

#### *Overview of distressed private equity*

Distressed private equity can be sub-categorised into three main asset classes:

- (i) **Distressed debt:** the purchase of debt securities trading at a distressed level, i.e. significantly below par value. Companies with debt trading at distressed levels are generally in default, insolvency or nearing such a situation, or are perceived to have an increased risk profile by the market. Investors in distressed debt generally have a contrarian stance on the risk profile of the market and believe that the securities will recover in value enabling the investor to sell on at a gain. The investor also receives the benefit of a continuing yield in excess of the coupon due to the discounted in-price (provided the company remains solvent) and expects to have par value returned on redemption. Private equity investors can also seek a control position in a company via the acquisition of distressed debt securities in a company nearing insolvency. In this situation investors typically seek to become the most senior creditor, granting them control of the company through the administration process and the opportunity to salvage the business. Following completion of the administration process, the debt is generally written off in exchange for a control position in the equity of the company, which the investor then seeks to restructure and return to profitability.
- (ii) **Turnaround:** the purchase of equity in distressed companies, generally prior to insolvency, with the aim of restoring the company to profitability. In-price is typically nominal, but investors can expect to acquire significant liabilities or working capital requirements with the equity as a sale is generally due to the inability of the vendor to continue funding losses in the sale business. Turnaround investors seek

to create value via aggressive restructuring of distressed business with robust underlying business models.

- (iii) **Special situations:** typically event-driven situations, where an investor perceives a company to be undervalued due to an isolated, company-specific occurrence. Such an event may cause the target business to become distressed, giving the investor the opportunity to acquire distressed debt securities or undervalued equity and take control to restructure the company and return it to profitability.

### *Investment strategy*

#### *2003 and 2004*

The Company was incorporated in July 2003 and its Ordinary Shares were admitted to AIM in September 2003. In 2003 and 2004 the Company's investment strategy focussed on a higher volume of smaller transactions (i.e. targets with less than £10 million turnover per annum).

In addition, the Company's investment strategy was predicated upon the utilisation of significant gearing; the Company aimed to leverage a nearly £30 million equity base (being the funds raised in the placing of Ordinary Shares at the time of admission of the Company's Ordinary Shares to AIM in September 2003) into approximately £300 million of geared investment capital. The Company was established during a period of high levels of bank syndicated lending, which offered the possibility of such leverage. The underwriting risk of the Company was mitigated by its relationship with its bankers, RBS, who provided significant leverage in this period. The investment strategy was driven by diversification, the anticipation of securitisation and the expectation of dividend yield, rather than by capital appreciation.

Since late 2004, the Company has decided to move away from an investment strategy based on significant gearing, credit underwriting and a higher volume of smaller transactions. It was felt that this previous strategy relied too heavily on the Company's relationship with RBS (which neither generated deal flow nor managed the exposure to the level expected). The Company also tended to back incumbent management rather than bringing new management teams into distressed scenarios. Finally, the turnover of the companies invested in was too small to enable significant restructuring.

Approximately £18 million was invested by the Company in this period in 10 transactions, including investments in Gaskell Mackay, Abingdon, Newline, Internet Direct, Abbseal/N&U, Bonne Bouche, C30 and Ex-pac. To date, the Company's average return on investments made prior to January 2005 is 0.6 times Money Multiple. These returns were damaged by a loss of approximately £4.4 million in respect of the investment in Abbseal. This followed, amongst other issues, cartel pricing behaviour by all major glass suppliers in the European flat glass market, which resulted in a €489.9 million fine being imposed by the European Commission.

#### *2005 onwards*

From 2005 onwards the Company started to focus on a smaller number of larger transactions (i.e. targets with more than £20 million turnover per annum) and its model is now primarily driven by capital appreciation rather than yield. The Company targets businesses with a strong business case and a sustainable competitive advantage, which are underperforming due to structural or managerial problems such as excess leverage, poor cost structures, weak management or contingent liabilities. Where possible, the Company seeks asset backing.

In the current credit environment, the Company recognises that bank syndicated lending is scarce and the Company's investment strategy is therefore focussed on investing into distressed situations where significant leverage is either not required or already exists. Furthermore, the Company aims for minimal capital deployment in its investments; value is created by the acquisition of distressed companies with high quality assets and sustainable business models at low acquisition prices, rather than through financial engineering. The Company has continued to refine its due diligence and investment criteria in the period since the beginning of 2005 and now relies less on third parties to assist with investment decisions and instead uses the stable in-house investment team of the Investment Advisor. The financial commitment required from management teams has increased (for example, £1 million was invested by the management team on the

Dolcis investment) and the Company has focussed on bringing in new, high calibre management teams to deal situations. The Company also has an extensive network of operating and financial partners to assist in restructuring and managing portfolio companies alongside management teams.

Approximately £20 million (of which approximately £12 million has already been returned to the Company) has been invested by the Company since January 2005 in 7 transactions, being investments in Morada, Past Times, Botes, Dolcis, Autocue, Kemutec and Whittard of Chelsea. To date, the Company's average return on investments made since 1 January 2005 has been 1.2 times Money Multiple, equivalent to an IRR of 12.1 per cent., showing a clear improvement in performance following the shift in focus of the investment strategy.

Going forward, the Company will continue to focus on investments in businesses with a turnover of at least £20 million per annum. The Company intends to focus on two main types of investment:

- (i) Distressed companies with asset-backing and significant upside potential: transactions incorporating a substantial asset base providing the Company with considerable downside protection. The Company would seek to acquire distressed debt, undervalued equity or assets of businesses in administration or approaching insolvency. Examples of such investments by the Company include Dolcis, Whittard of Chelsea and Botes. To illustrate, the Company decided to exit its position in Dolcis following a period of weak trading in the last quarter of 2007, as analysis demonstrated that the business would breach senior debt covenants on a Lloyds facility due to expire at the end of the year. The Company exited concurrently with Lloyds and generated an 8.5 per cent. IRR over the 12 month period of the investment, demonstrating the strength of the security and the Company's focus on capital protections in downside scenarios.
- (ii) Special situations: the acquisition of equity, debt or assets perceived to be undervalued due to specific, event-driven situations. Target companies may or may not be distressed as a result of the situation. The Investment Advisor would aim to use its restructuring and refinancing expertise to resolve the situation and achieve a control position in the target.

In addition, the Board considers that current market conditions provide opportunities to make bolt-on acquisitions at favourable values to enhance the value of existing investments.

#### ***Investment in quoted companies***

The Company may consider making investments in a number of smaller quoted companies with a market capitalisation in the region of £1 million to £10 million. It is anticipated that these transactions would involve the acquisition of the entire issued share capital of such companies. The Company may offer Ordinary Shares as all or part of the consideration for such investments, but it is expected that in such a situation a cash component would likely comprise part of the acquisition currency.

The Board's view is that this will not constitute a material change from the Company's stated investing policy (including as set out in the Admission Document) as these companies would be distressed or insolvent thereby falling with the Company's stated policy. Moreover, the Admission Document anticipated that the Company may take controlling equity stakes in investee companies.

#### ***Examples of recently exited investments demonstrating downside protection***

- Botes: £125 million turnover construction business which was historically profitable, but underperforming at the time of the acquisition due to three problem projects. The Company invested £4.6 million into a solvent scenario in 2006, which was secured against approximately £8 million of net assets, including property. A new management team, made up of divisional directors of AMEC, was brought in to lead the turnaround. After four months the Company decided to exit its position, recovering all capital invested and generating a 13 per cent. IRR and 1.1 times Money Multiple.
- Dolcis: High Street footwear retailer acquired from Alexon Group plc in December 2006 with £1.7 million invested by the Company. The buyout was led by John Kinnaird, formerly of Sports Division. The turnaround focussed on improved purchasing and central cost reductions. However,

after a period of weak trading in the run-up to Christmas 2007, the Company decided to exit its position, recovering all capital invested and generating an 8.5 per cent. IRR and 1.0 times Money Multiple.

### ***Current market***

The Board believes that the confluence of the economic downturn and the continuing banking crisis has generated optimal conditions for distressed investing, with even strong businesses facing difficulties due to recessionary pressure and lack of available finance. The United Kingdom is one of numerous countries that is officially in recession and this recession is affecting many key sectors of the economy. This has already begun to reduce consumer demand due to lack of confidence and unemployment. Tightening trading terms and the removal of credit insurance is causing businesses to have working capital difficulties, which are compounded by the unwillingness of a significant number of prominent financial institutions to provide new finance or renew existing facilities. The Board therefore believes that increased opportunities to acquire companies with good underlying business models will arise from the current economic climate, that the peak of these opportunities has not yet been reached, and that current market conditions are expected to persist over the coming months.

There has recently been an increase in the number of investors active in the distressed market. However, the Board believes that the number of distressed opportunities has also significantly increased to the extent that competition for transactions is still less than for traditional private equity investments. Whilst it is anticipated that some traditional private equity firms may begin to invest in distressed assets, the Board believes that many private equity firms are currently too pre-occupied with market related issues, such as existing portfolio company distress and committed capital defaults, to become significant competitors to the Company. The Company's current portfolio is performing satisfactorily, meaning that it is positioned to take advantage of current investment opportunities, be they new deals or bolt-on acquisitions to existing portfolio companies.

The Board believes that the Investment Advisor is well placed to take advantage of the current favourable market conditions; the performance of the Company's investments since 2005 is indicative of the Investment Advisor's ability to source, structure and exit transactions successfully.

### ***The Placing and Open Offer***

The Placing and Open Offer is being made at a substantial discount to the current market price of the Ordinary Shares (approximately 47.4 per cent., based on the mid-market price of the Ordinary Shares as derived from the AIM section of the Daily Official List of the London Stock Exchange for 11 May 2009 (being the last practicable date before the publication of this document)). Assuming that the Offer Shares are taken up in full under the Placing and Open Offer, the Offer Shares will constitute 75.4 per cent. of the Enlarged Issued Share Capital.

The current NAV of the Company is approximately £15 million, made up of approximately £3 million of cash and accrued interest and approximately £12 million of investments in portfolio companies.

### **3. Details of the Placing and Open Offer**

Pursuant to the Placing and Open Offer Agreement, Numis has agreed to use its reasonable endeavours to procure Placees to subscribe for up to 57,000,000 of the Offer Shares (representing 57 per cent. of the Offer Shares in aggregate), subject to clawback to satisfy valid applications from Qualifying Shareholders under the Open Offer.

In addition, certain Shareholders have given irrevocable undertakings to take up Offer Shares pursuant to the Open Offer, amounting to 30,560,000 Offer Shares, representing 30.6 per cent. of the Offer Shares, in aggregate.

Numis has not underwritten the Placing and Open Offer.

Qualifying Shareholders are invited to apply for Offer Shares under the Open Offer at a price of 5 pence per Offer Share, payable in full on application and free of all expenses, *pro rata* to their existing shareholdings on the basis of:

### **3.0574 Offer Shares for every 1 Existing Ordinary Share**

held at the Open Offer Record Date and so on in proportion for any other number of Existing Ordinary Shares then held. Entitlements of Qualifying Shareholders will be rounded down to the nearest whole number of Offer Shares. Fractional entitlements which would have otherwise arisen will be rounded down and will not be issued.

The Placing and Open Offer is subject to the satisfaction, amongst other matters, of the following conditions on or before 9 June 2009, (or such later date being not later than 23 June 2009, as the Company and Numis may agree):

- (i) the passing without amendment of Resolution 1; and
- (ii) Admission becoming effective by 8.00 a.m. on 9 June 2009, (or such later time or date not being later than 8.00 a.m. on 23 June 2009 as the Company and Numis may agree).

The Offer Shares will, when issued and fully paid, rank in full for all dividends and other distributions declared, made or paid after the date of Admission and otherwise *pari passu* in all respects with the Existing Ordinary Shares.

The Open Offer has been structured so as to allow Qualifying Shareholders to subscribe for Offer Shares at the Offer Price *pro rata* to their existing holdings. Qualifying Shareholders may, in addition, make applications in excess of their *pro rata* initial entitlement. Once subscriptions under the initial Open Offer entitlements have been satisfied, the Company shall, in its absolute discretion, determine whether to meet any excess applications in full or in part. To the extent that Offer Shares are not subscribed by Qualifying Shareholders, Open Offer Entitlements will lapse.

A summary of the principal terms of the Placing and Open Offer Agreement is set out in paragraph 3.3 of Part IV of this document.

#### ***Settlement and dealings***

Application will be made to the London Stock Exchange for the Offer Shares to be admitted to trading on AIM. It is expected that such Admission will become effective and that dealings will commence on 9 June 2009. Further information in respect of settlement and dealings in the Offer Shares is set out in paragraph 7 of Part II of this document.

#### ***Overseas Shareholders***

Certain Overseas Shareholders may not be permitted to subscribe for Offer Shares pursuant to the Open Offer and should refer to paragraph 6 of Part II of this document.

## **4. Purchase of Ordinary Shares**

It is proposed that the Board be authorised to purchase in the market up to 6,635,375 issued Ordinary Shares (33,176,877 Ordinary Shares if the Consolidation is not approved by Shareholders), equivalent to up to 25 per cent. of the issued Ordinary Shares following completion of the Placing and Open Offer (assuming full take up of the Offer Shares under the Placing and Open Offer). Any purchase of the Ordinary Shares will be made subject to the Law and in accordance with the Articles of Association of the Company, the special resolution of the Company authorising such purchase and guidelines established from time to time by the Board. The Ordinary Shares purchased by the Company shall be treated as cancelled on purchase and the nominal amount of the Company's issued share capital shall be diminished by the nominal value of the Ordinary Shares accordingly.

In accordance with Section 13 of the Isle of Man Companies Act 1992, the authority granted by Shareholders must specify a maximum price payable. This has been set at £2 per Ordinary Share but purchases of the

Shares will only be made for cash at prices well below the estimated NAV per Share at the relevant time and where the Board believes such purchases will enhance Shareholder value and/or earnings per Ordinary Share.

Subject to maintaining appropriate cash reserves within the Company, the Board intends to purchase Ordinary Shares if the market price of the Ordinary Shares represents a discount of more than 20 per cent. to the estimated NAV per Share at the relevant time. As at the close of business on 11 May 2009, the estimated NAV per Share was 45.95p. The mid-market price of the Ordinary Shares was 9.5p on 11 May 2009, a discount of 79.3 per cent. to this estimate.

The Board recognises that the payment of sums to effect such repurchases will diminish funds available for investment but believes that addressing this imbalance is a priority and any such purchase will only be made on a basis which would enhance the NAV per Share.

#### ***Cancellation of Share Premium Account of the Company***

Following the issue of the Offer Shares (assuming full take up of the Offer Shares under the Placing and Open Offer) the Company will have £32,795,404 standing to the credit of its share premium account. As the Company does not have significant distributable reserves for the purposes of repurchasing the Ordinary Shares, the Board also proposes that, subject to obtaining the Shareholder approval referred to below, the Company will apply to the Court to confirm the cancellation and transfer of the amount standing to the credit of the share premium account of the Company to a new distributable reserve out of which repurchases of Ordinary Shares may be made.

As the price of any purchases cannot be identified at this stage and to provide flexibility for purchases under any future renewal of the buyback authority, the Directors are seeking Shareholder and Court approval for the cancellation of the entire sum standing to the credit of the share premium account following completion of the Placing and Open Offer (assuming full take up of the Offer Shares under the Placing and Open Offer).

The Court may decide in its discretion whether to confirm the cancellation and will need to be satisfied that the interests of the Company's creditors will not be prejudiced as a result of the cancellation and the Company will take such steps in that regard as it deems appropriate and as required by the Court.

It is expected that the cancellation of the amount standing to the credit of the share premium account should become effective as soon as possible after the Court Order confirming the cancellation comes into effect, estimated to be within 6 weeks of the passing of the resolution by Shareholders.

#### ***The City Code***

Rule 9 of the City Code is designed to prevent the acquisition or consolidation of control of a company subject to the City Code without a general offer being made to all shareholders. Rule 9 states that when any person or group of persons acting in concert acquires (whether by one transaction or a series of transactions) an interest in shares which carry 30 per cent. or more of the voting rights of the company, such person or persons acting in concert must normally make a general offer for the balance of the issued share capital of such company. Rule 9 also states that any person or group of persons acting in concert that is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of a company but does not hold shares carrying more than 50 per cent. of such voting rights must normally make a general offer for the balance of the issued share capital should there be any increase in the percentage of the shares carrying voting rights in which they or any person acting in concert with them are interested.

An offer under Rule 9 must be made in cash and at the highest price paid by the person required to make the offer or any person acting in concert with him for any interest in shares of the company during the 12 months prior to the announcement of the offer.

Under Rule 37 of the City Code, any increase in the percentage of the shares carrying voting rights in which a shareholder or group of shareholders acting in concert is interested as a result of the redemption or purchase by a company of its own shares may be treated as an acquisition of additional shares for the purposes of Rule 9 if the shareholder or group concerned is a director of the company or is (or is presumed to be) acting in concert with any of the directors.

The Bank of New York (holding as custodian for Lehman Brothers (in administration) (“**Lehman Brothers**”)) currently has an interest in securities representing over 30 per cent. of the issued share capital of the Company. If, following completion of the Placing and Open Offer, the Company repurchases Ordinary Shares other than from Lehman Brothers and such repurchase results in Lehman Brothers having an interest in more than 30 per cent. of the Ordinary Shares (or, if Lehman Brothers still had an interest in more than 30 per cent. of the Ordinary Shares following completion of the Placing and Open Offer, and such repurchase results in any increase in Lehman Brothers’ interest in Ordinary Shares), it could result in Lehman Brothers being obliged to make a mandatory offer to acquire all of the other issued Ordinary Shares due to the resulting increase in the percentage of Ordinary Shares in which Lehman Brothers is interested.

Following consultation, the Panel has confirmed that Lehman Brothers is not to be regarded as acting in concert with the Directors and accordingly Lehman Brothers will not be required to make a general offer for the balance of the Ordinary Shares which it does not already own upon the implementation of any purchase of Ordinary Shares as described above.

### *Timing*

The authority to purchase Ordinary Shares will expire 18 months after the date on which the authorising resolution is passed. The Company may seek the renewal of the authority to purchase its Ordinary Shares at the Annual General Meeting of the Company in 2009 or at any earlier General Meeting of the Company. Ordinary Shares cannot be purchased by the Company in the two month period immediately preceding the announcement of the Company’s interim and annual results or, if shorter, the period from the end of the Company’s financial period up to and including the time of the relevant announcement, unless a dispensation to deal has been granted by the London Stock Exchange. The Company will seek to obtain a dispensation in each such close period if circumstances allow.

## **5. Consolidation**

The Company’s share capital is, at present, divided into Ordinary Shares of 1p each, with a mid-market price at the close of business on 11 May 2009 (being the latest practicable date before the publication of this document) of 9.5 pence per share.

The Directors are of the view that it would benefit the Company and its Shareholders to reduce the number of Ordinary Shares, with a resulting adjustment in the market price of the Ordinary Shares, by consolidating its Ordinary Share capital on the basis of every five Existing Ordinary Shares of 1p each being consolidated to form one Ordinary Share of 5p immediately following completion of the Placing and Open Offer. The record date for the Consolidation will be 9 June 2009, with the Consolidation expected to become effective on 15 June 2009. The Consolidated Shares are expected to be admitted to trading on AIM on or around 16 June 2009.

The number of new Ordinary Shares of 5p each to be issued to Shareholders pursuant to the Consolidation will be rounded down to the nearest whole Ordinary Share. If any Shareholders would otherwise become entitled to fractions of new Ordinary Shares as a result of the Consolidation, the maximum value of the fractional entitlement based on the Offer Price would be less than 5 pence. Accordingly, it is proposed that the Directors aggregate the fractions arising and sell the Ordinary Shares of 5p each representing fractional entitlements in the market and for the net proceeds of the sale of such Ordinary Shares to be retained for the benefit of the Company.

If the Consolidation is approved:

- Shareholders who hold their Ordinary Shares through CREST are expected to have their CREST accounts credited with the Ordinary Shares of 5p each on or before 16 June 2009; and
- in respect of Shareholders who hold their Ordinary Shares in certificated form, new share certificates for the Ordinary Shares of 5p each will be despatched by 23 June 2009. Temporary certificates of title will not be issued and certificates of existing Ordinary Shares of 1p each will not be valid from 6 p.m. on 9 June 2009 and should be destroyed upon receipt of certificates in respect of the Consolidated Shares. Pending despatch of the definitive certificates in respect of the new Ordinary Shares, transfers of the new Ordinary Shares held in certificated form will be certificated against the register.

### ***Proposed Amendments to Articles***

Under the Consolidation, the par value of each Ordinary Share will be increased from 1p to 5p. In connection thereto, subject to and contingent upon Shareholders' approval having been obtained for the Consolidation and the proposed increase in the Company's authorised share capital, the Company is also seeking the approval of Shareholders by way of special resolution at the Extraordinary General Meeting to amend the Articles to reflect such increase in par value and the change in the authorised share capital.

The existing Articles that are proposed to be amended and the proposed amendments thereto are set out in Part V of this document.

### **6. Use of proceeds**

The net proceeds of the Placing and Open Offer are expected to be approximately £4.7 million (assuming full take up of the Offer Shares under the Placing and Open Offer). The total costs and expenses associated with the Placing and Open Offer are expected to be up to £325,000 (excluding VAT). The proceeds will increase the Company's cash balances from approximately £1.6 million to approximately £6.3 million (assuming full take up of the Offer Shares under the Placing and Open Offer) and will be available to make significant new investments, including bolt-on acquisitions to enhance the value of the Company's existing investments and investments in companies whose shares are admitted to AIM (potentially with the issue of additional Ordinary Shares as part of the consideration). Details of the Company's investment strategy are set out in paragraph 2 (Background to and rationale for the Proposals) of this Part I.

### **7. Current trading and future prospects**

The Company announced its audited results for the year ended 31 January 2009 on 24 April 2009. For the full financial year ended 31 January 2009 the Company had total gross income of £1.3 million which translated into a net loss for the Company of £1.7 million. NAV per Share as at 31 January 2009 was 45.67p. On 22 December 2008, shareholders passed the necessary resolutions to issue a scrip dividend for the year ended 31 January 2008. In light of the investment opportunities available to the Company, the Board did not recommend a dividend in respect of the year ended 31 January 2009.

The Company's portfolio continues to perform much in line with expectations, with certain investments demonstrating the prospect for significant upside. The Company is seeking to exit its smaller investments and continues to identify potential bolt-on opportunities for the remainder of the portfolio. All portfolio companies are subject to the vagaries of the market place and the Directors have applied a write-down policy as appropriate. The ongoing challenging economic conditions are expected to provide interesting opportunities for possible new investments in the coming months.

### **8. Extraordinary General Meeting**

Set out at the end of this document is the Notice convening the Extraordinary General Meeting to be held at IOMA House, Hope Street, Douglas, Isle of Man IM1 1AP on 8 June 2009 at 10.30 a.m. at which the Resolutions described below will be proposed:

1. An ordinary resolution to increase the authorised share capital of the Company from £500,000 to £1,650,000 by the creation of 115,000,000 new Ordinary Shares of 1p each to be consolidated into 23,000,000 Ordinary Shares of 5p each pursuant to the Consolidation.
2. An ordinary resolution to consolidate each five existing Ordinary Shares of 1p into one Ordinary Share of 5p with effect from 8.00 a.m. on 15 June 2009 and to authorise the proceeds of the sale of fractional entitlements arising from such consolidation being retained by the Company.
3. Contingent upon the passing of the ordinary resolutions 1 and 2 above, a special resolution to approve the amendments to the Articles following the proposed Consolidation and proposed increase in the authorised share capital of the Company.
4. A special resolution to grant the Company authority to make market purchases of up to 6,635,375 Ordinary Shares of 5p each (or 33,176,877 new Ordinary Shares of 1p each if the Consolidation is not

approved) (up to 25 per cent. of the issued Ordinary Shares following completion of the Placing and Open Offer (assuming full take up of Offer Shares under the Placing and Open Offer)).

5. A special resolution to approve the cancellation of the amount standing to the credit of the Company's share premium account following the allotment and issue of the Offer Shares.

The quorum for the Extraordinary General Meeting is two persons entitled to attend and to vote on the business to be transacted, each being a member or a proxy for a member or a duly authorised representative of a corporation which is a member. On a show of hands, each holder who is present in person or (being a corporation) by a duly authorised representative has one vote. On a poll, each holder who is present in person or by proxy or (being a corporation) by a duly authorised representative has one vote for every Ordinary Share held. In order to be passed, the special resolutions must be passed by a majority consisting of not less than three-quarters of the total number of votes cast for and against such resolutions whilst the ordinary resolutions require only a simply majority of the total number of votes cast for and against such resolutions.

## **9. Action to be taken in respect of the Extraordinary General Meeting**

A Form of Proxy for use at the Extraordinary General Meeting accompanies this document. The Form of Proxy should be completed and signed in accordance with the instructions thereon and returned to the Registrars at IOMA House, Hope Street, Douglas, Isle of Man IM86 2AF as soon as possible, but in any event so as to be received by no later than 10.30 a.m. on 6 June 2009. The completion and return of a Form of Proxy will not preclude a Shareholder from attending the Extraordinary General Meeting and voting in person should he or she so wish.

## **10. Action to be taken in respect of the Open Offer**

If you are a Qualifying non-CREST Shareholder you will find an Application Form accompanying this document which gives details of your entitlement under the Open Offer (as shown by the number of Open Offer Entitlements allocated to you). If you wish to apply for Offer Shares under the Open Offer, you should complete the enclosed Application Form in accordance with the procedure set out at paragraph 3(i) of Part II of this document and on the Application Form itself and post it in the accompanying prepaid envelope, together with payment in full in respect of the number of Offer Shares applied for, by post to Computershare at Corporate Actions Projects, Bristol BS99 6AH or by hand (during normal business hours only) to Computershare at The Pavilions, Bridgwater Road, Bristol BS13 8AE so as to arrive as soon as possible and in any event so as to be received no later than 11.00 a.m. on 5 June 2009, having first read carefully Part II of this document and the contents of the Application Form.

If you are a Qualifying CREST Shareholder you will receive a credit to your appropriate stock account in CREST in respect of the Open Offer Entitlements representing your basic entitlement under the Open Offer and your conditional entitlement to participate in the CREST Excess Application Facility. You should refer to the procedure set out at paragraph 3(ii) of Part II of this document.

**The latest time for applications to be received under the Open Offer is 11.00 a.m. on 5 June 2009. The procedure for application and payment depends on whether, at the time at which application and payment is made, you have an Application Form in respect of your entitlement under the Open Offer or have Open Offer Entitlements credited to your stock account in CREST in respect of such entitlement. The procedures for application and payment are set out in Part II of this document. Further details also appear on the Application Form which has been sent to Qualifying Shareholders. Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Open Offer.**

## **11. Recommendation**

Myself and certain members of the Investment Advisor's team propose subscribing for Offer Shares (subject to availability) on the terms of the Open Offer, as listed in paragraph 4 of Part IV. The remaining Directors, having consulted with Numis, believe the terms of such subscription to be fair and reasonable.

**The Directors consider the Proposals to be in the best interests of the Company and its Shareholders as a whole and, accordingly, unanimously recommend Shareholders to vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting.**

Yours faithfully

Geoffrey Vero  
**Chairman**

## Part II

### Details of the Open Offer

#### 1. Introduction

The Open Offer has been structured so as to allow Qualifying Shareholders to subscribe for Ordinary Shares at the Offer Price *pro rata* to their existing holdings. Qualifying Shareholders may in addition make applications for additional Offer Shares in excess of their initial *pro rata* entitlement under the Open Offer. Once initial *pro rata* entitlements have been satisfied, the Company shall, in its absolute discretion, determine whether to meet any excess applications in full or in part. To the extent that Offer Shares are not subscribed by existing Shareholders, Open Offer Entitlements will lapse.

#### 2. Open Offer

The Company hereby invites Qualifying Shareholders to apply, on and subject to the terms and conditions set out herein and in the Application Form, and subject to the Articles of Association of the Company, for Offer Shares at a price of 5 pence per share, free from all expenses, payable in cash in full on application. The mid-market price for an Ordinary Share, as derived from the AIM section of the Official List of the London Stock Exchange for 11 May 2009 (being the last practicable date before the publication of this document) was 9.5 pence.

Subject to fulfillment of the conditions set out below and in the Application Form, Qualifying Shareholders are being given the opportunity to subscribe for the Offer Shares at the Offer Price payable in full on application and free of all expenses, *pro rata* to their existing shareholdings, on the basis of:

#### **3.0574 Offer Shares for every 1 Existing Ordinary Share**

held at the Open Offer Record Date and so on in proportion for any greater number of Ordinary Shares then held. Entitlements of Qualifying Shareholders will be rounded down to the nearest whole number of Offer Shares. Fractional entitlements which would have otherwise arisen will be rounded down and will not be issued.

Qualifying Shareholders may make applications for Offer Shares in excess of their initial *pro rata* entitlement. The entitlements of Qualifying CREST Shareholders is equal to the number of Open Offer Entitlements standing to the credit of their stock account in CREST and, in addition, Qualifying CREST Shareholders will receive a credit to their stock account in CREST of their Excess CREST Open Offer Entitlements (see paragraph 3(ii)(h) below). Any monies paid in excess of the amount due in respect of an application will be returned to the applicant (at the applicant's risk and without interest) within 14 days by way of cheque. The action to be taken in relation to the Open Offer depends on whether, at the time at which application and payment is made, you have an Application Form in respect of your entitlement under the Open Offer or have Open Offer Entitlements credited to your stock account in CREST in respect of such entitlement.

The Offer Shares will, when issued and fully paid, rank in full for all dividends and other distributions declared, made or paid after the date of Admission and otherwise *pari passu* in all respects with the Existing Ordinary Shares and will carry the same voting rights as the Existing Ordinary Shares. The Open Offer is conditional, *inter alia*, upon the passing of the Resolutions and on Admission. It is expected that Admission will occur and dealings in the Offer Shares will commence on 9 June 2009. If such conditions are not fulfilled on or before 8.00 a.m. on 9 June 2009 (or such later date, being not later than 8.00 a.m. on 23 June 2009, as the Company and Numis may agree) application monies are expected to be returned without interest by crossed cheque in favour of the applicant(s) (at the applicant's risk) by post as soon as practicable after that date and any Open Offer Entitlements admitted to CREST will be disabled. Any interest earned on the application monies will be retained for the benefit of the Company.

The Open Offer is not a rights issue. Qualifying Shareholders should note that the Application Form is not a negotiable document and cannot be traded. Qualifying Shareholders should also be aware that in the Open

Offer, unlike in a rights issue, any Offer Shares not applied for will not be sold in the market or placed for the benefit of Qualifying Shareholders who do not apply under the Open Offer.

The Open Offer has been structured so as to allow Qualifying Shareholders to subscribe for Offer Shares at the Offer Price *pro rata* to their existing holdings. Qualifying Shareholders may, in addition, make applications in excess of their *pro rata* initial entitlement. Once subscriptions under the initial Open Offer entitlements have been satisfied, the Company shall, in its absolute discretion, determine whether to meet any excess applications in full or in part. To the extent that Offer Shares are not subscribed by Qualifying Shareholders, Open Offer entitlements will lapse.

Completed Application Forms, accompanied by full payment, should be returned by post or by hand (during normal business hours only) to Computershare at Corporate Actions Projects, Bristol BS99 6AH so as to arrive as soon as possible and in any event so as to be received no later than 11.00 a.m. on 5 June 2009.

The Offer Shares will represent approximately 75.4 per cent. of the Enlarged Issued Share Capital (assuming full take up of all Offer Shares).

**In relation to each member of the European Economic Area which has implemented Directive 2003/71/EC (the “Prospectus Directive”) (each a “relevant member state”), no Offer Shares will be offered pursuant to the Placing and Open Offer to the public in that relevant member state, except that an offer of Offer Shares may be made to the public in that relevant member state at any time under the following exemptions to the Prospectus Directive, if they are implemented in that relevant member state: (i) to legal entities who are authorised to operate in the financial markets, or if not so authorised or regulated, whose corporate purpose is solely to invest in securities; (ii) to any legal entity which has two or more of (a) an average of at least 250 employees during the last financial year; (b) a total balance sheet of more than €43,000,000; and (c) an annual turnover of more than €50,000,000 as shown in its last annual or consolidated accounts; (iii) to fewer than 100 natural or legal persons (other than Qualified Investors, as such term is defined in the Prospectus Directive); or (iv) in any other circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive, provided that no such offer of Offer Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospective Directive or any measure implementing the Prospectus Directive in a relevant member state.**

**In the case of any Offer Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, warranted, acknowledged and agreed that any Offer Shares acquired by it in the Placing and Open Offer have not been acquired on a non-discretionary basis on behalf of persons who are not Qualified Investors without the prior written consent of the Company. The Company will rely on the truth and accuracy of the foregoing representation, warranty, acknowledgement and agreement.**

Further terms of the Open Offer are set out in this Part II and, where relevant, in the Application Form.

### **3. Procedure for Application**

The action to be taken by you in respect of the Open Offer depends on whether at the relevant time you have an Application Form in respect of your entitlement under the Open Offer or you have Open Offer Entitlements credited to your CREST stock account in respect of such entitlement.

CREST sponsored members should refer to their CREST sponsor, as only their CREST sponsor will be able to take the necessary action specified below to apply under the Open Offer in respect of the Open Offer Entitlements of such members held in CREST. CREST members who wish to apply under the Open Offer in respect of their Open Offer Entitlements in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below.

If for any reason it becomes necessary to adjust the expected timetable as set out in this document, the Company will make an appropriate announcement to a Regulatory Information Service operated by the London Stock Exchange giving details of the revised dates.

(i) ***Qualifying non-CREST Shareholders (Shareholders who hold share certificates)***  
***If you have an Application Form in respect of your entitlement under the Open Offer***

(a) *General*

Subject to the provisions set out in this Part II in relation to the Overseas Shareholders, Qualifying non-CREST Shareholders will have received an Application Form enclosed with this document. The Application Form shows the number of Existing Ordinary Shares registered in your name on the Open Offer Record Date. It also shows the number of Offer Shares for which you are entitled to apply under the Open Offer (on an initial *pro rata* basis), as shown by the total number of Offer Shares allocated to you. You may apply for more than your initial *pro rata* entitlement should you wish to do so. You may also hold such an Application Form by virtue of a legitimate market claim.

The instructions and other terms set out in the Application Form constitute part of the terms of the Open Offer.

(b) *Market Claims*

Applications may only be made on the Application Form which is personal to the Qualifying Shareholders(s) named thereon and may not be assigned, transferred or split except in the circumstances described below. **The Application Form represents the right to apply for Offer Shares and is not a document of title and cannot be separately traded.** It is transferable only to satisfy legitimate market claims in relation to market purchases pursuant to the rules of the London Stock Exchange prior to the Existing Ordinary Shares being marked “ex” the entitlement to the Open Offer. Applications may be split or consolidated only to satisfy legitimate market claims up to 3.00 p.m. on 3 June 2009. Any Qualifying non-CREST Shareholder who has sold or transferred all or part of his holding of Existing Ordinary Shares prior to the date upon which the Existing Ordinary Shares were marked “ex” the entitlement to the Open Offer, should consult his stockbroker or other professional adviser as soon as possible since the invitation to acquire Offer Shares under the Open Offer may represent a benefit which can be claimed from him by the purchaser or transferee under the rules of the London Stock Exchange. Qualifying non-CREST Shareholders who have sold all or part of their registered holdings should, if the market claim is to be settled outside CREST, complete Box 8 on the Application Form and immediately send it to the purchaser or transferee or the bank, stockbroker or other agent through whom or by whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Application Form should not, however, subject to certain exceptions, be forwarded to or transmitted in or into any of the Excluded Territories.

The Company reserves the right not to accept applications under the Open Offer from persons to whom Ordinary Shares have been sold or transferred prior to the “ex” date if such transfer or sale would result in the Offer Shares being offered otherwise than in accordance with the exemptions to the Prospectus Directive set out on page 24.

(c) *Application Procedures*

**Qualifying non-CREST Shareholders wishing to apply for Offer Shares should complete the Application Form in accordance with the instructions printed thereon and post it in the accompanying reply paid envelope or return it, together with payment in full for the number of Offer Shares applied for, by post to Computershare at Corporate Actions Projects, Bristol BS99 6AH or by hand to Computershare at The Pavilions, Bridgwater Road, Bristol BS13 8AE, so as to arrive not later than 11.00 a.m. on 5 June 2009. After this time, applications will not be accepted. Computershare cannot provide advice on the merits of the Proposals nor give any financial, legal or tax advice.**

If any Application Form is sent by first class post within the United Kingdom, Qualifying non-CREST Shareholders are recommended to allow at least four business days for delivery. The Company may elect in its absolute discretion to accept Application Forms and remittances received after 11.00 a.m. on 5 June 2009. The Company may also in its sole discretion elect to treat an Application Form as valid and binding on the person(s) by whom or on whose behalf it is lodged, even if it is not completed in accordance with the relevant instructions, or if it does not strictly comply with the terms and conditions of application. Applications will not be acknowledged and all items sent to, from, by or on behalf of the Shareholder will be sent entirely at their own risk.

The Company, also reserves the right (but shall not be obliged) to accept applications in respect of which remittances are received prior to 11.00 a.m. on 5 June 2009 from an authorised person (as defined in FSMA) specifying the number of Offer Shares concerned and undertaking to lodge the relevant Application Form in due course.

(d) *Payments*

Payments must be made by cheque or bankers' draft in pounds sterling drawn on a branch in the United Kingdom of a bank or building society and must bear the appropriate sort code in the top right hand corner. Cheques, which must be drawn on the personal account of the individual investor where they have sole or joint title to the funds, should be made payable to "Computershare plc re: EPE Special Opportunities plc". Third party cheques will not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the building society cheque/bankers' draft to such effect. The account name should be the same as that shown on the application. Cheques or bankers' drafts will be presented for payment upon receipt. The Company reserves the right to instruct Computershare to seek special clearance of cheques and bankers' drafts to allow the Company to obtain value for remittances at the earliest opportunity. No interest will be allowed on payments made before they are due and any interest earned on such payments will accrue for the benefit of the Company. It is a term of the Open Offer that cheques will be honoured on first presentation, and the Company may elect in its absolute discretion to treat as invalid, acceptances in respect of which cheques are not so honoured. If cheques or bankers' drafts are presented for payment before the conditions of the Open Offer are fulfilled, the application monies will be kept in a separate bank account pending fulfillment of such conditions. If all the conditions of the Open Offer have not been fulfilled or (where appropriate) waived by 8.00 a.m. on 9 June 2009 (or such later date as the Company and Numis may agree, but in any event not later than 8.00 a.m. on 23 June 2009), the Open Offer will lapse and application monies will be returned to applicants (at the applicants' risk), without interest, by crossed cheque in favour of the applicant(s) within 14 days after that date. Application payments by CHAPS, BACS or electronic transfer will not be accepted.

(e) *Effect of Application*

All documents and remittances sent by post by, to, from or on behalf of an applicant (or as the applicant may direct) will be sent at the applicant's own risk. By completing and delivering an Application Form, you (as the applicant(s)):

- (i) agree that all applications, and contracts resulting therefrom, under the Open Offer shall be governed by, and construed in accordance with, the laws of England;
- (ii) confirm that in making the application you are not relying on any information or representation other than such as may be contained in this document and you accordingly agree that no person responsible solely or jointly for this document or any part thereof or involved in the preparation thereof shall have any liability for any such information or representation not contained in this document; and

- (iii) represent and warrant that if you have received some or all of your entitlements under the Open Offer from a person other than the Company, you are entitled to apply under the Open Offer in relation to such entitlements under the Open Offer by virtue of a legitimate market claim.

The instructions, notes and other terms set out in the Application Form, form part of the terms of the Open Offer.

**If you do not wish to apply for any of the Offer Shares to which you are entitled under the Open Offer, you should not complete and return the Application Form. Shareholders are nevertheless requested to return the Form of Proxy for use at the Extraordinary General Meeting to be held at 10.30 a.m. on 8 June 2009.**

If you are in doubt whether or not you should apply for any of the Offer Shares under the Open Offer, you should consult your independent financial adviser immediately. All enquiries in relation to the procedure for application for Qualifying non-CREST Shareholders under the Open Offer should be addressed to Computershare at Corporate Actions Projects, Bristol BS99 6AH or by telephone on 01534 825 200 (+44 1534 825 200 if outside the United Kingdom). Computershare cannot provide advice on the merits of the Proposals nor give any financial, legal or tax advice.

(ii) ***Qualifying CREST Shareholders (Shareholders who hold shares in CREST)***

***If you have Open Offer Entitlements credited to your stock account in CREST in respect of your entitlement under the Open Offer***

(a) ***General***

The Directors have applied for the Offer Shares to be admitted to CREST with effect from Admission and Euroclear has agreed to such admission. Accordingly, settlement of transactions in the Offer Shares following Admission may take place within the CREST system if the relevant Shareholder so wishes. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so. Persons subscribing for Offer Shares as part of the Open Offer may, however, elect to receive Ordinary Shares in uncertificated form if they are a “system member” (as defined in the Isle of Man Uncertificated Securities Regulations 2005).

In general, the Ordinary Shares that are held in uncertificated form under CREST will be subject to the rules, regulations and procedures governing CREST and its system members as in effect from time to time. Ownership of an Ordinary Share held in uncertificated form under CREST may only be transferred in compliance with the procedures of CREST in effect from time to time.

Subject to the provisions set out in the relevant paragraph dealing with Overseas Shareholders in this Part II, each Qualifying CREST Shareholder will receive a credit to his stock account in CREST of his basic Open Offer Entitlements (equal to the number of Offer Shares for which he is entitled to apply under the Open Offer) and of Excess CREST Open Offer Entitlements (see paragraph (h) below).

The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Existing Ordinary Shares held on the Open Offer Record Date by the Qualifying CREST Shareholder in respect of which the Open Offer Entitlements and/or the Excess CREST Open Offer Entitlements have been allocated.

If for any reason the Open Offer Entitlements and/or the Excess CREST Open Offer Entitlements cannot be admitted to CREST, or the stock accounts of Qualifying CREST Shareholders cannot be credited by close of business on 14 May 2009, or such later time as the Company may decide, an Application Form will be sent out to each Qualifying CREST

Shareholder in substitution for the Open Offer Entitlements and/or the Excess CREST Open Offer Entitlements which should have been credited to his stock account in CREST. In these circumstances the expected timetable as set out in this document will be adjusted as appropriate and the provisions of this document applicable to Qualifying non-CREST Shareholders with Application Forms will apply to Qualifying CREST Shareholders who receive Application Forms.

**CREST members who wish to apply for some or all of their entitlements to Offer Shares should refer to the CREST Manual for further information on the CREST procedures referred to below. Should you need advice with regard to these procedures, please contact Computershare on 01534 825 200 (+44 1534 825 200 if outside the United Kingdom). Computershare cannot provide advice on the merits of the Proposals nor give any financial, legal or tax advice. If you are a CREST sponsored member you should consult your CREST sponsor if you wish to apply for Offer Shares as only your CREST sponsor will be able to take the necessary action to make this application in CREST.**

(b) *Market claims*

Each of the Open Offer Entitlements and the Excess CREST Open Offer Entitlements will have a separate ISIN and constitute a separate line for CREST purposes. Although Open Offer Entitlements and Excess CREST Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Open Offer Entitlements and Excess CREST Open Offer Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim transaction. Transactions identified by the CREST Claims Processing Unit as “cum” the Open Offer Entitlement and the Excess CREST Open Offer Entitlement will generate an appropriate market claim transaction and the relevant Open Offer Entitlement and Excess CREST Open Offer Entitlement will thereafter be transferred accordingly.

(c) *USE Instructions*

CREST members who wish to apply for Offer Shares in respect of all or some of their Open Offer Entitlements in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) an Unmatched Stock Event (“USE”) instruction to Euroclear which, on its settlement, will have the following effect:

- (i) the crediting of a stock account of the Receiving Agent, Computershare, under the participant ID and member account ID specified below, with a number of Open Offer Entitlements corresponding to the number of Offer Shares applied for; and
- (ii) the creation of a CREST payment, in accordance with the CREST payment arrangements, in favour of the payment bank of the Receiving Agents in respect of the amount specified in the USE instruction which must be the full amount payable on application for the number of Offer Shares referred to in paragraph (i) above.

(d) *Content of USE Instructions in respect of Open Offer Entitlements*

The USE instruction must be properly authenticated in accordance with Euroclear’s specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Offer Shares for which application is being made (and hence the number of the Open Offer Entitlement(s) being delivered to the Receiving Agent);
- (ii) the ISIN of the Open Offer entitlement. This is IM00B42GDZ98;
- (iii) the participant ID of the accepting CREST member;

- (iv) the member account ID of the accepting CREST member from which the Open Offer Entitlements are to be debited;
- (v) the participant ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is 3RA49;
- (vi) the member account ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is EPE;
- (vii) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Offer Shares referred to in paragraph (i) above;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 5 June 2009; and
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 5 June 2009.

In order to assist prompt settlement of the USE instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE instruction:

- (i) a contact name and telephone number (in the free format shared note field); and
- (ii) a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE instruction may settle on 5 June 2009 in order to be valid is 11.00 a.m. on that day.

If the Open Offer does not become unconditional by 8.00 a.m. on 9 June 2009 or such later time and date as the Company and Numis may agree (being no later than 8.00 a.m. on 23 June 2009), the Open Offer will lapse, the Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, within 14 days thereafter. The interest earned on such monies will be retained for the benefit of the Company.

(e) *Validity of Application*

A USE instruction complying with the requirements as to authentication and contents set out above which settles by no later than 11.00 a.m. on 5 June 2009 will constitute a valid application under the Open Offer.

(f) *CREST Procedures and Timings*

**CREST members and (where applicable) their CREST sponsors should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE instruction and its settlement in connection with the Open Offer. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST sponsor takes) such action as shall be necessary to ensure that a valid application is made as stated above by 11 a.m on 5 June 2009. In this connection CREST members and (where applicable) their CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.**

(g) *Incorrect or Incomplete Applications*

If a USE instruction includes a CREST payment for an incorrect sum, the Company through Computershare reserves the right:

- (i) to reject the application in full and refund the payment to the CREST member in question;
- (ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Offer Shares as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the CREST member in question; or
- (iii) in the case that an excess sum is paid, to treat the application as a valid application for all the Offer Shares referred to in the USE instruction refunding any unutilised sum to the CREST member in question.

(h) *The Excess Application Facility*

The Excess Application Facility enables Qualifying CREST Shareholders to apply for Offer Shares in excess of their Open Offer Entitlements, subject to the total number of Offer Shares for which application is made in the Open Offer not exceeding 100,000,000 in which case applications made under the Excess Application Facility will be scaled back *pro rata* to the number of Offer Shares applied for by Qualifying Shareholders under the Excess Application Facility. A Qualifying CREST Shareholder should not make an application under the Excess Application Facility unless such relevant Qualifying CREST Shareholder has applied for his Offer Shares pursuant to his Open Offer Entitlements in full. The CREST accounts of Qualifying CREST Shareholders are being credited with Excess CREST Open Offer Entitlements in order for any applications for excess Offer Shares to be settled through CREST and the credit of such Excess CREST Open Offer Entitlements does not in any way give you a right to the Offer Shares attributable to the Excess CREST Open Offer Entitlements as the Excess CREST Open Offer Entitlements are subject to scaling back in accordance with the terms of this document. **Excess CREST Open Offer Entitlements may not be sold or otherwise transferred.**

Each Qualifying CREST Shareholder will receive a credit to his stock account in CREST of a number of Excess CREST Open Offer Entitlements equal to 35 times the number of Open Offer Entitlements they have been allocated. This is due to technical reasons and to ensure the orderly processing of applications for additional Offer Shares. To apply for excess Offer Shares pursuant to the Open Offer, **Qualifying CREST Shareholders should follow the instructions below and must not return a paper form or a cheque.**

The provisions of paragraphs 3(iii)(b) to (c) above, paragraphs 3(ii)(e) to 3(ii)(g) above and paragraphs 3(ii)(j) to 3(ii)(l) below apply *mutatis mutandis* to applications in respect of Excess Open Offer Entitlements, save that where the context permits references to “Open Offer Entitlements” shall be deemed to be references to Excess CREST Open Offer Entitlements. **Please note that an additional USE Instruction must be sent in respect of the Excess CREST Open Offer Entitlements.**

Should the Open Offer become unconditional and applications for Offer Shares under the Open Offer exceed 100,000,000 Offer Shares resulting in a scale back of applications, each Qualifying CREST Shareholder who has made a valid application pursuant to Excess CREST Open Offer Entitlements under the Excess Application Facility and from whom payment in full for the excess Offer Shares has been received, will receive a pounds sterling amount equal to the number of Offer Shares validly applied and paid for but which are not allocated to the relevant Qualifying CREST Shareholder multiplied by the Offer Price. Monies will be returned as soon as reasonably practicable following the completion of the scale back, without payment of interest and at the applicant’s sole risk.

Fractions of Offer Shares will not be issued under the Excess Application Facility and fractions of Offer Shares will be rounded down to the nearest whole number.

(i) *Content of USE Instruction in respect of Excess CREST Open Offer Entitlements*

The USE Instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Offer Shares for which application is being made (and hence the number of the Excess CREST Open Offer Entitlement(s) being delivered to the Registrar);
- (ii) the ISIN of the Excess CREST Open Offer Entitlements. This is IM00B42GFB94;
- (iii) the CREST participant ID of the accepting CREST member;
- (iv) the CREST member account ID of the accepting CREST member from which the Excess CREST Open Offer Entitlements are to be debited;
- (v) the participant ID of Computershare in its capacity as a CREST receiving agent. This is 3RA49;
- (vi) the member account ID of Computershare in its capacity as a CREST receiving agent. This is EPE;
- (vii) the amount payable by means of a CREST payment on settlement of the USE Instruction. This must be the full amount payable on application for the number of Offer Shares referred to in (i) above;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 5 June 2009; and
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE Instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 5 June 2009.

In order to assist prompt settlement of the USE Instruction, CREST members (or their sponsors, where applicable) should add the following non-mandatory fields to the USE Instruction:

- (i) a contact name and telephone number (in the free format shared note field); and
- (ii) a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE Instruction may settle on 5 June 2009 in order to be valid is 11.00 a.m. on that day.

(j) *Effect of Valid Application*

A CREST member who makes or is treated as making a valid application in accordance with the above procedures will thereby:

- (i) pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to the Receiving Agents' payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST member to pay to the Company the amount payable on application);

- (ii) request that the Offer Shares to which he will become entitled be issued to him on the terms set out in this document and subject to the Memorandum and Articles of Association of the Company;
- (iii) agree that all applications and contracts resulting therefrom under the Open Offer shall be governed by, and construed in accordance with, the laws of England and Wales;
- (iv) represent and warrant that he is not applying on behalf of any Shareholder who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any of the Excluded Territories and he is not applying with a view to reoffering, reselling, transferring or delivering any of the Offer Shares which are the subject of this application to, or for the benefit of, a Shareholder who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any of the Excluded Territories except where proof satisfactory to the Company has been provided to the Company and that he is able to accept the invitation by the Company of any requirement which it (in its absolute discretion) regards as unduly burdensome, nor acting on behalf of any such person on a non-discretionary basis nor (a) person(s) otherwise prevented by legal or regulatory restrictions from applying for Offer Shares under the Open Offer;
- (v) represent and warrant that he is not and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in Section 93 (depository receipts) or Section 96 (clearance services) of the Finance Act 1986;
- (vi) confirm that in making such application he is not relying on any information in relation to the Company other than that contained in this document and agrees that no person responsible solely or jointly for this document or any part thereof or involved in the preparation thereof, shall have any liability for any such other information and further agree that having had the opportunity to read this document, he will be deemed to have had notice of all the information concerning the Company contained therein; and
- (vii) represent and warrant that he is the Qualifying CREST Shareholder originally entitled to the Open Offer Entitlements and Excess CREST Open Offer Entitlements or that he has received such Open Offer Entitlements and Excess CREST Open Offer Entitlements by virtue of a legitimate market claim.

(k) *Deposit of Open Offer Entitlements into and withdrawal from CREST*

A Qualifying non-CREST Shareholder's entitlement under the Open Offer as shown by the number of Open Offer Entitlements set out in his Application Form may be deposited into CREST (either into the account of the Qualifying non-CREST Shareholder named in the Application Form or into the name of a person entitled by virtue of a legitimate market claim). Similarly, Open Offer Entitlements held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer is reflected in an Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal, subject (in the case of a deposit into CREST) as set out in the Application Form.

A holder of an Application Form who is proposing to so deposit the Open Offer Entitlements set out in such form is recommended to ensure that the deposit procedures are implemented in sufficient time to enable the person holding or acquiring the Open Offer Entitlements following their deposit into CREST to take all necessary steps in connection with taking up the Open Offer Entitlements prior to 11.00 a.m. on 5 June 2009.

In particular, having regard to normal processing times in CREST and on the part of the Receiving Agents, the recommended latest time for depositing an Application Form with the CREST Courier and Sorting Service, where the person entitled wishes to hold the Open Offer Entitlements under the Open Offer set out in such Application Form as Open Offer

Entitlements in CREST, is 3.00 p.m. on 2 June 2009, and the recommended latest time for receipt by Euroclear of a dematerialised instruction requesting withdrawal of Open Offer Entitlements from CREST is 4.30 p.m. on 29 May 2009, in either case so as to enable the person acquiring or (as appropriate) holding the Open Offer Entitlements following the deposit or withdrawal (whether as shown in an Application Form or held in CREST) to take all necessary steps in connection with applying in respect of the Open Offer Entitlements prior to 11.00 a.m. on 5 June 2009.

Delivery of an Application Form with the CREST Deposit Form duly completed whether in respect of a deposit into the account of the Qualifying non-CREST Shareholder named in the Application Form or into the name of another person, shall constitute a representation and warranty to the Company and Computershare by the relevant CREST member(s) that it/they is/are not in breach of the provisions of the notes under the paragraph headed “Instructions for Depositing entitlements under the Open Offer into CREST” on page 3 of the Application Form, and a declaration to the Company and Computershare from the relevant CREST member(s) that it/they is/are not citizen(s) or resident(s) of any of the Excluded Territories and, where such deposit is made by a beneficiary of a market claim, a representation and warranty that the relevant CREST member(s) is/are entitled to apply under the Open Offer by virtue of a legitimate market claim.

(1) *Company’s discretion as to Rejection and Validity of Applications*

The Company may in its sole discretion:

- (i) treat as valid (and binding on the CREST member concerned) an application which does not comply in all respects with the requirements as to validity set out or referred to in this section entitled “Procedure for Application”;
- (ii) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid application in substitution for or in addition to a USE instruction and subject to such further terms and conditions as the Company may determine;
- (iii) treat a properly authenticated dematerialised instruction (in this sub-paragraph the “first instruction”) as not constituting a valid application if, at the time at which the Receiving Agents receive a properly authenticated dematerialised instruction giving details of the first instruction or thereafter, either the Company or the Receiving Agents have received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- (iv) accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for settlement of a USE instruction or any alternative instruction or notification, in the event that, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to apply for Offer Shares by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by the Receiving Agents in connection with CREST.

#### **4. Money Laundering Regulations**

It is a term of the Open Offer that, to ensure compliance with the Money Laundering Regulations 2007, the money laundering provisions of the Criminal Justice Act 1993, Part VIII of the Financial Services and Markets Act 2000 and the Proceeds of Crime Act 2002 (together with the provisions of the Money

Laundering Sourcebook of the Financial Services Authority and the manual of guidance produced by the Joint Money Laundering Steering Group in relation to financial sector firms) and the Isle of Man Criminal Justice (Money Laundering) Code 2008 (together, the “**Regulations**”), the Receiving Agents may, in their absolute discretion, require verification of your identity to the extent that you have not already provided the same. Pending the provision to the Receiving Agents of evidence of your identity, definitive certificates in respect of Offer Shares may be retained at their absolute discretion. If within a reasonable time after a request for verification of identity the Receiving Agents have not received evidence satisfactory to them, the Company may, in its absolute discretion, terminate your Open Offer participation in which event the monies payable on acceptance of the Open Offer participation will, if paid, be returned without interest and net of bank charges by cheque to the applicant(s).

To comply with the money laundering requirements, payment in respect of your Open Offer participation should be drawn from an account in your own name on a branch of a building society or bank in the United Kingdom and must bear the appropriate sort code in the top right hand corner. If this is not practicable and you must use a cheque or bankers’ draft drawn on a building society or bank then:

- (i) you should write your name, address and shareholder reference number (as detailed on your application form) on the back of the cheque and record your date of birth against your name; and
- (ii) request the building society or bank to print or write on the back of the cheque the full name and account number of the person whose building society or bank account is being debited and add their stamp.

For applications over €15,000 (being the approximate equivalent to (£12,000), Qualifying non-CREST Shareholders may be requested by the Receiving Agent to provide documentary evidence of identity and address one item from each of the lists below (as appropriate) would be considered satisfactory.

#### Personal identity documents (UK resident individuals)

- a certified copy of a current signed passport;
- a certified copy of a Northern Ireland Voter’s Card;
- a certified copy of a current full UK driving licence;
- a certified copy of a benefits book or original notification letter from the Benefits Agency confirming the right to benefit; or
- original HM Revenue & Customs tax notifications e.g. tax assessment, statement of account or notice of coding.

#### Evidence of address (UK resident individuals)

- an original of a recent utility bill or utility statement (mobile telephone bills are not acceptable);
- an original of a local authority tax bill (current year);
- a certified copy of a current UK driving licence (if not used for evidence of name);
- a certified copy of a benefits book or an original notification letter from the Benefits Agency confirming the right to benefit (provided one or other has not been used as evidence of personal identity); or
- original HM Revenue & Customs correspondence addressed to you at stated address (provided HM Revenue & Customs notifications have not been used as evidence of personal identity).

If you are not a UK resident individual such proof of identity may include:

- a certified copy of an official identity card; or
- a certified copy of a driving licence; or

- a certified extract from a full passport (i.e. a copy of the front cover and pages showing photograph, personal details and signature, date and place of issue and serial number); and an original document showing satisfactory evidence of an address (e.g. utility bill or bank statement).

If you are a corporation, please supply:

- a certified copy of your articles of association or statutes or published accounts or certificate of incorporation or trade register entry or certificate of trade; and
- the names and addresses of all directors and specimen signatures; and
- evidence of identity and address as stated above for each director.

All certified documents must be certified by a professional person such as a lawyer or attorney, notary or an official entity such as an embassy, consulate or high commission of the country of issue. The Receiving Agents may also undertake electronic searches for the purposes of verifying identity.

If you hold your Open Offer Entitlements in CREST and apply for Offer Shares in respect of all or some of your Open Offer Entitlements as agent for one or more persons and you are not a UK or EU regulated person or institution, then, irrespective of the value of the application, the Receiving Agents are obliged to take reasonable measures to establish the identity of the person or persons on whose behalf you are making the application. You must therefore contact the Receiving Agents before sending any USE or other instruction so that appropriate measures may be taken. Submission of a USE instruction which on its settlement constitutes a valid application as described above constitutes a warranty and undertaking by the applicant to provide promptly to the Receiving Agents such information as may be specified by the Receiving Agents as being required for the purposes of the Regulations. Pending the provision of evidence satisfactory to the Receiving Agents as to identity, the Receiving Agents may in their absolute discretion take, or omit to take, such action as they may determine to prevent or delay issue of the Offer Shares concerned. If satisfactory evidence of identity has not been provided within a reasonable time, then the application for Offer Shares represented by the USE instruction will not be valid. This is without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure to provide satisfactory evidence.

## **5. Taxation and Stamp Duty**

The following information, which relates to UK and Isle of Man taxation, is applicable to the Company and to persons who are resident or ordinarily resident in the UK and who are absolute beneficial owners of Ordinary Shares which they hold as investments. It is based upon the legislation and practice currently in force in the UK and Isle of Man. The information does not deal with the position of certain classes of Shareholders, such as dealers in securities. The information is not exhaustive and if Shareholders are in any doubt about the tax consequences of acquiring, holding or disposing of Ordinary Shares, they should seek advice from their own professional advisers.

It is the responsibility of all persons interested in acquiring the Ordinary Shares to inform themselves as to any income tax or other tax consequences arising in any jurisdictions in which they are resident or domiciled for tax purposes, as well as any foreign exchange or other fiscal or legal restrictions, which are relevant to their particular circumstances in connection with the acquisition, holding or disposition of Ordinary Shares.

### ***Isle of Man Taxation***

The Company is incorporated in the Isle of Man under the Law.

The Isle of Man introduced a general zero per cent. tax rate for companies with effect from 6 April 2006. The rate of withholding tax on dividend payments to non-residents for companies within the zero per cent. corporate income tax regime is also reduced to zero per cent. with effect from 6 April 2006.

Accordingly, the Company will have no liability to Isle of Man income tax on its income or gains and there will be no requirement to deduct withholding tax from payments of dividends to its Shareholders.

There are no corporation, capital gains or inheritance taxes payable in the Isle of Man.

No Isle of Man stamp duty or stamp duty reserve tax will be payable on the issue, transfer, conversion or redemption of Ordinary Shares.

In the event of the death of a sole holder of Ordinary Shares, an Isle of Man grant of probate or administration may be required in respect of which certain fees will be payable to the Isle of Man Government.

Capital duty in the Isle of Man is calculated at the rate of £15 per £1,000 or part thereof and is payable on incorporation or on any increase in the nominal value of the authorised share capital of the Company, subject to a minimum of £125 for capital up to £2,000, and to a maximum amount of duty of £5,000 for each company.

Shareholders resident outside of the Isle of Man will not suffer any income tax in the Isle of Man on any income distributions to them.

The Company is required to make a return of allotments to the Companies Registry of the Isle of Man Financial Supervision Commission, which must give details of the names, addresses and shareholdings of all the holders of Ordinary Shares.

The Isle of Man has also introduced anti-avoidance provisions (known as the Distributable Profits Charge or “DPC” regime) designed to prevent locally owned companies from rolling up profits within a zero per cent. corporate income tax regime. On the basis that the Company is listed on AIM it is automatically treated as a “distributing company” and, therefore, will fall outside of the scope of the DPC regime, regardless of whether or not it distributes its profits to shareholders and regardless of whether or not any Isle of Man residents hold shares in the Company.

The DPC regime is being replaced by the Attribution Regime for Individuals (“**ARI**”) for accounting periods commencing on or after 6 April 2008. The ARI, where it applies, imposes a tax charge on Manx resident shareholders in an Isle of Man company, and not the company itself. However, as with DPC, there is an exemption from ARI for companies that are listed on AIM.

## ***UK Taxation***

### *Taxation of Dividends on Ordinary Shares*

UK resident individual holders of Ordinary Shares will be liable to UK income tax on dividends received. The income tax charge in respect of dividends for UK resident individual holders of Ordinary Shares will (depending on the amount of the Shareholders’ overall taxable income) be at the dividend ordinary rate of 10 per cent., at the dividend upper rate of 32.5 per cent. or, from 6 April 2010, at the dividend additional rate of 42.5 per cent. for those with taxable income in excess of £150,000, subject in each case to the availability of a non-payable tax credit of one ninth of the amount of the dividend. For this purpose, dividends are treated as the top slice on an individual shareholder’s income.

UK Shareholders within the charge to UK corporation tax will be liable to corporation tax on the total gross amount of dividends received from the Company. The main rate of UK corporation tax is currently 28 per cent.

The UK Government has recently published draft legislation which, if enacted, will exempt corporate UK Shareholders that meet certain conditions from paying UK corporation tax on dividends received. The draft legislation is subject to further changes and is likely to apply to dividends received on or after 1 July 2009. Prospective investors should consult their own tax advisers to establish whether they may benefit from proposed exemption.

### *Taxation of Capital Gains*

The Company, as a closed-ended investment company, should not as at the date of this document be treated as an “offshore fund” for the purposes of UK taxation. Accordingly, the provisions of Chapter V of Part XVII of the UK Income and Corporation Taxes Act 1988 (the “**Taxes Act**”) should not apply. Any gains on disposals by UK resident or ordinarily resident holders of Ordinary Shares may, depending on their

individual circumstances, give rise to a liability to UK taxation on capital gains. Likewise, the provisions of Section 98 and paragraph 7 of Schedule 10 to the Finance Act 1996, and paragraphs 36 and 37 of Schedule 26 to the Finance Act 2002 should not apply to corporate Shareholders.

Legislation is expected to be enacted with effect from 1 December 2009 to change the definition of an “offshore fund” for UK tax purposes. The new definition, if enacted in the form set out in consultation documents published by the UK Treasury in December 2008, will use a characteristics based approach aimed at countering unintended tax advantages being obtained where an offshore arrangement is technically outside the current definition of an “offshore fund” but the arrangements are economically the same. However, it is expected that transitional rules will provide “grandfathering” for investors in existing arrangements.

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

The following comments are intended as a guide to the general stamp duty and SDRT position and do not relate to persons such as market makers, brokers, dealers, intermediaries and persons connected with depositary arrangements or clearance services, to whom special rules apply. UK stamp duty (at the rate of 0.5 per cent. of the amount of the value of the consideration for the transfer rounded up where necessary to the nearest £5) is payable on any instrument of transfer of the Ordinary Shares executed within the UK or which relates to any property situated or any matter or thing to be done in the UK. Provided that the Ordinary Shares are not registered in any register of the Company kept in the UK and are not paired with shares issued by a body corporate incorporated in the UK, any agreement to transfer the Ordinary Shares will not be subject to UK SDRT.

#### *Other United Kingdom Tax Considerations*

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

A UK resident corporate Shareholder who, together with connected or associated persons, is entitled to at least 25 per cent. of the share capital of the Company should note the provisions of the controlled foreign companies’ legislation contained in Sections 747-756 of the Taxes Act.

The attention of individuals ordinarily resident in the UK is drawn to the provisions of Sections 714-751 of the Income Tax Act 2007 which can in certain circumstances render such individuals liable to tax in respect of undistributed profits of the Company.

The attention of Shareholders within the charge to UK income tax is drawn to Sections 682-713 of the Income Tax Act 2007 under which Her Majesty’s Revenue & Customs may seek to cancel tax advantages from certain transactions in securities.

## **6. Overseas Shareholders**

In respect of persons not resident in the United Kingdom or who are citizens of countries other than the United Kingdom the Open Offer may be affected by the laws or regulatory requirements of jurisdictions outside the United Kingdom. It is the responsibility of each Overseas Shareholder to satisfy himself as to the full observance of the laws of any relevant jurisdiction in connection with the Open Offer and voting at the Extraordinary General Meeting. No person receiving a copy of this document and/or an Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him/her nor should he/she in any event use such Application Form unless in the relevant territory such an invitation could lawfully be made to him/her or such Application Form could be lawfully be used without compliance with any registration or other legal or regulatory requirements other than any which may have been fulfilled.

In particular, the Offer Shares have not been registered under the United States Securities Act of 1933 (as amended) or the relevant Canadian, Australian, Japanese or South African securities legislation and therefore the Offer Shares may not be offered, sold, transferred or delivered directly or indirectly in the United States

of America, Canada, Australia, Japan or the Republic of South Africa or their respective territories and possessions. No Application Form will be accepted from any Shareholder who is unable to give the warranty set out in the Application Form or who the Company or its agent has reason to believe is ineligible to apply. CREST stock accounts for Shareholders who are obviously resident in an Excluded Territory will not be credited with Open Offer Entitlements. If any Shareholder has Open Offer Entitlements credited to his or its CREST Stock account and he or it cannot make the representation and warranty at paragraph 3(ii)(j)(iv) then he or it must not make any application for Offer Shares.

**It is the responsibility of any person receiving a copy of this document or an Application Form and wishing to make an application to subscribe for Offer Shares to satisfy himself/herself as to the full observance of the laws and regulatory requirements of any relevant territory, including the obtaining of all necessary governmental or other consents which may be required or observing any other formalities needing to be observed in such territory and the payment of any taxes due in such jurisdiction.**

The Company and its agent reserves the right to treat as invalid any application, or purported application, to subscribe for Offer Shares pursuant to the Open Offer which appears to the Company or its agent to have been executed, effected or despatched in a manner which may involve a breach of the securities legislation of any jurisdiction or which does not include the warranties set out in the Application Form. Completion of an Application Form shall constitute a warranty that the Shareholder is eligible to apply.

## **7. Settlement and Dealings**

Application will be made to the London Stock Exchange for the Offer Shares to be admitted to trading on AIM. It is expected that the Offer Shares will be admitted to trading on AIM and that dealings will commence on 9 June 2009.

None of the Ordinary Shares are being made available to the public except under the terms of the Placing and Open Offer.

For Qualifying non-CREST Shareholders, definitive share certificates for the Offer Shares following the Consolidation are expected to be dispatched by first class post by 23 June 2009. It is not anticipated that share certificates for the 1p Ordinary Shares will be dispatched in respect of the Offer Shares, unless the Consolidation does not become effective for any reason.

For Qualifying CREST Shareholders, it is expected that the relevant account will be credited on the day of Admission and that their accounts will be credited with the Consolidated Shares on the date of admission of the Consolidated Shares to AIM.

Notwithstanding any other provision of this document, the Company reserves the right to issue any Offer Shares in certificated form. This right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by the Company's registrars in connection with CREST.

No temporary documents of title will be issued and pending despatch of the definitive share certificates, transfers of the Offer Shares will be certified against the register.

All documents and remittances sent by, to, from or on behalf of an applicant (or his/her agent, as appropriate) will be sent through the post at the risk of the person entitled thereto.

## Part III

### Risk Factors

An investment in the Offer Shares involves a high degree of risk. Accordingly, prospective investors should carefully consider the specific risk factors set out below in addition to the other information contained in this document before investing in the Offer Shares. The Directors consider the following risks and other factors to be the most significant for potential investors in the Company, but the risks listed do not purport to comprise all those risks associated with an investment in the Company and are not set out in any particular order of priority. Additional risks and uncertainties not currently known to the Directors may also have an adverse effect on the Company's business.

If any of the following risks actually occur, the Company's business, financial condition, capital resources, results or future operations could be materially adversely affected. In this event, the price of the Ordinary Shares could decline and investors may lose all or part of their investment. The investment offered in this document may not be suitable for all of its recipients. Before making an investment decision, prospective investors should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities. A prospective investor should consider carefully whether an investment in the Company is suitable for him/her in the light of his/her personal circumstances and the financial resources available to him/her.

There are various risk and other factors associated with an investment of the type described in this document.

In particular:

#### **The Company's objectives may not be fulfilled**

The value of an investment in the Company is dependent upon the Company achieving the aims set out in this document. There can be no guarantee that the Company will achieve the level of success that the Board expects. There is no guarantee or assurance or certainty that the investment objectives of the Company will be met.

#### **Suitability of Ordinary Shares as an investment**

The Ordinary Shares may not be a suitable investment for all recipients of this document. Before making a decision, investors are advised to consult an appropriate independent investment adviser authorised through FSMA who specialises in advising on investments of this nature. The value of Ordinary Shares can go down as well as up and investors may get back less than their original investment.

#### **Dilution of ownership of Existing Ordinary Shares upon allotment of the Offer Shares**

If Qualifying Shareholders do not respond to the Open Offer by 11.00 a.m. on 5 June 2009, the latest date for application and payment in full in respect of their entitlements, their proportionate ownership and voting interest in the Ordinary Shares will be reduced and the percentage that their Existing Ordinary Shares represents of the Enlarged Issued Share Capital will be reduced accordingly.

#### **The Company's investments**

The Company's portfolio currently comprises credit risks relating to, debt owed by, and equity interests in, unquoted private companies which may be difficult to value and/or realise.

The future success of the Company is dependent upon the identification and acquisition of suitable investment opportunities. There can be no guarantees that such investments can or will be acquired or that such investments will be successful.

The Company invests in distressed and insolvent companies which, by their nature, involve a very high level of risk. The Company may lose all, or a considerable proportion, of its investment in an investee company.

Whilst the Investment Advisor will seek to minimise the credit risk and undertake due diligence (as considered appropriate) prior to the Company making investments, it is possible that the businesses will suffer further solvency problems. In such event, the Company's ability to obtain payment of sums due to it may be prejudiced or it may be liable to indemnify a lender for losses suffered. The companies in which the Company invests may themselves be highly geared.

The Company's portfolio currently has a concentration of risk in the retail sector and in Past Times in particular.

In addition, the necessary restructurings, disposals or reorganisations identified by the Company and/or the Investment Advisor for one or more investee company may not be capable of being implemented as desired, or at all. The incumbent or new management of investee companies may not deliver the turnaround plan put in place for that company or may leave the company.

Investors should be aware that the Company may seek to leverage its activities. Although the use of leverage may increase the return on investments, it also creates greater potential for loss.

### **Effects of the economic downturn**

Beneficial disposals by the Company are problematic with the impact of the credit crunch and the lack of bank and equity finance. It is difficult to forecast what impact the economic downturn will have on the performance of the Company's portfolio companies, although considerable effort continues to be taken by the Investment Advisor to position them to cope with the current challenging climate.

The Board has modelled a range of downside cash flow scenarios incorporating additional cash drawn down by the Company's portfolio companies should the economic downturn have a materially adverse effect on trading. Based upon this, the Board considers that the Company has sufficient cash reserves for the next 12 months.

### **Valuation of the Company's portfolio**

It is the view of the Board, who have consulted widely with the Company's auditors KPMG Audit LLC, that whilst public markets remain unsettled "fair market" valuation of the Company's portfolio is problematic and appropriate portfolio valuation at this time is extremely difficult.

The Company is not following BVCA guidelines for valuation methodology. The methodology followed by the Company is set out in detail in the report and accounts of the Company for the financial year ended 31 January 2009 which are being published today and are available from the Company's website at ([www.epicprivateequity.com/epespecialopportunities-home.asp](http://www.epicprivateequity.com/epespecialopportunities-home.asp)).

### **The Company's markets**

The Company operates in a highly competitive market place. New specialist distressed investors are entering the market and existing private equity investors may chose to focus on stressed and distressed assets. The Company may not be able to secure its desired investments at its preferred valuation, or at all, as a result of such competition.

### **Attraction and retention of key personnel**

The Company is dependent on the Directors. The Company may be adversely affected if their services cease to be available to the Company.

The Company's success will also depend on the current and future executive management team of the Investment Advisor. The loss of the services of certain employees of the Investment Advisor could have a materially adverse effect upon the Group's business and future.

## **Market information and nature of Ordinary Shares**

The market value of the Ordinary Shares, as well as being affected by the Company's NAV and the results of the portfolio, will take into account their dividend yield and prevailing interest rates. As such, the market value of an Ordinary Share may vary considerably from the prevailing NAV per Share. Potential investors should be aware that the value of shares can rise or fall and that there may not be proper information available for determining the market value of an investment in the Company at all times. An investment in a share which is traded on AIM, such as the Ordinary Shares, may be difficult to realise and carries a high degree of risk. The ability of an investor to sell Ordinary Shares will depend on there being a willing buyer for them at an acceptable price. Consequently, it might be difficult for an investor to realise his/her investment in the Company and he/she may lose all of his/her investment.

## **General**

Whilst the Company is applying for Admission of the Offer Shares to trading on AIM, there can be no assurance that an active trading market for the Ordinary Shares will ensue, or that it will be maintained. AIM is a market for emerging or smaller growing companies and may not provide the liquidity normally associated with the Official List or other exchanges.

The future success of AIM and liquidity in the market for the Ordinary Shares cannot be guaranteed. In particular, the market for the Ordinary Shares may be, or may become, relatively illiquid and therefore the Ordinary Shares may be or may become difficult to sell. There may be limited Shareholders and this may contribute to infrequent trading on AIM and volatile share price movements.

## **Share Price Volatility and Liquidity**

The market price of the Ordinary Shares could be subject to significant fluctuations due to a change in investor sentiment regarding the Company or the industry in which the Company operates or in response to specific facts and events, including positive or negative variations in the Group's interim or full year operating results and business developments of the Group and/or competitors. The market price of the Existing Ordinary Shares may not reflect the underlying value of the Group and it is possible that the market price of the Ordinary Shares will trade at a discount to NAV. Potential investors should be aware that the value of shares and the income from them can go down as well as up and that investment in a share which is traded on AIM might be less realisable and might carry a higher risk than a share quoted on the Official List.

An investment in the Company should be regarded as long-term in nature. Past performance of similar investments is not necessarily a guide to future performance of the Company or its investments.

## **Payment of dividends**

There is no guarantee that the future distributable profits of the Company will be sufficient to allow dividends to be paid.

## **Taxation**

The Company has been advised that the tax treatment of its operations should be as described in this document based on existing law and published practice in the Isle of Man and the United Kingdom. There can be no guarantee that the relevant taxation authorities will accept this analysis and, if they fail to do so, the Company's income and/or gains could be subject to a higher level of taxation, thus reducing the profits available for distributions and/or the NAV.

The levels of, and reliefs from, taxation may change. Any change in the tax status or tax residence of the Company, or in tax legislation or practice, may have an adverse effect on the returns available on an investment in the Company.

## Part IV

### Additional Information

#### 1. Share Capital

The authorised and issued share capital of the Company (i) as at the date of this document, (ii) as it is expected to be on Admission (assuming full take-up of Offer Shares under the Placing and Open Offer) and (iii) immediately following the Consolidation is set out below:

	<i>Authorised</i>		<i>Issued and fully paid</i>	
	<i>£</i>	<i>Number</i>	<i>£</i>	<i>Number</i>
(i)	£500,000	50,000,000 Ordinary Shares of 1p each	£327,075	32,707,509 Ordinary Shares of 1p each
(ii)	£1,650,000	165,000,000 Ordinary Shares of 1p each	£1,327,075	132,707,509 Ordinary Shares of 1p each
(iii)	£1,650,000	33,000,000 Ordinary Shares of 5p each	£1,327,075	26,541,501 Ordinary Shares of 5p each

#### 2. Directors' interests

None of the Directors has any interest in or right to subscribe for any of the Company's securities, although Geoffrey Vero has agreed to subscribe at the Offer Price for Offer Shares as set out in paragraph 4 below. Neither the Company nor any person acting in concert with it has borrowed or lent any Ordinary Shares.

#### 3. Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company during the two years preceding the date of this document and are or may be material:

- 3.1 An investment advisory agreement dated 20 November 2008 between the Company and the Investment Advisor, whereby the Company appointed the Investment Advisor to advise in relation to the portfolio of investments in its fund (the "**Investment Advisory Agreement**"). Such advice includes opportunities for acquiring and disposing of assets, assistance with the negotiations of such acquisitions and disposals and the preparation of a quarterly report to the board of directors of the Company.

The Investment Advisory Agreement took effect from 1 February 2008. Either party may terminate the Investment Advisory Agreement and the appointment of the Investment Advisor thereunder by giving the other party twelve months' prior written notice, subject to earlier termination by either party by notice in writing within one month in the event of, *inter alia*, a party becoming insolvent, having a receiver, liquidator or administrator appointed, or committing a material breach of the Investment Advisory Agreement, or if the Investment Advisor is not, or ceases to be, authorised under FSMA. The Investment Advisory Agreement shall terminate immediately, without compensation becoming payable to the Investment Advisor, upon the passing of a resolution for the winding up of the Company. On termination, the Company will pay the fees and expenses of the Investment Advisor up to and including the date of termination as well as any accrued performance fee.

The Investment Advisor is entitled to receive a periodic fee for services provided under the Investment Advisory Agreement which accrues quarterly on 31 January, 30 April, 31 July and 31 October in each year in respect of the quarterly periods ending on those dates and on the date of termination of the Agreement. The rate of the periodic fee is 2 per cent. of the NAV, being the net asset value of the Company calculated in accordance with existing accounting policies of the Company (plus VAT if applicable) valued at the close of business on the last business day of each quarter, subject to a minimum annual payment of £325,000 (plus VAT if applicable) per annum. The periodic fee will be

reduced by the amount of any distribution of profit and any drawing on account of profits paid to the Investment Advisor by any limited liability partnership investment vehicle established for the purpose of making new investments by the Company.

The Investment Advisor is also entitled to a cumulative performance fee (plus VAT if applicable) equal to 20 per cent. of the Total Return, being an increase in the net asset value plus dividends distributed since the inception of the Company, if the NAV Condition is met and subject to the availability of sufficient cash or cash equivalent assets from the proceeds of a realisations of assets by the Company. The NAV Condition is currently calculated on a per share basis, being the net asset value of the Company plus the aggregate gross dividend and other distributions or repayments of capital paid by the Company to shareholders since its admission to AIM, divided by the number of ordinary shares in issue, being equal to or exceeding 93.8 pence per Ordinary Share. The NAV Condition will be adjusted to reflect the scrip dividend effected in January 2009, the Consolidation and the issue of Offer Shares. It will then become the net asset value of the Company plus the aggregate gross cash dividends and other cash distributions or repayments of capital paid by the Company to shareholders since its admission to AIM being equal to or exceeding £28.1 million (being the net proceeds of the initial issue of Ordinary Shares) plus the net proceeds of the Placing and Open Offer.

The Investment Advisor is also entitled to charge corporate finance fees to the Company up to an amount not exceeding 2 per cent. of the transaction value and will be reimbursed all expenses incurred.

- 3.2 The ESO Investments LLP Members' Agreement dated 20 November 2008, between the Company, ESO Carry LLP ("**Carry LLP**") and the Investment Advisor, who are members of ESO Investments LLP (the "**LLP**") (the "**Members Agreement**"). The Members' Agreement sets out the basis on which the LLP is to be organised and the rights and liabilities of the members.

The initial capital of the LLP was £101, with the Company contributing £80, Carry LLP contributing £20 and the Investment Advisor £1. Votes are based on capital owned. Resolutions at meetings of the Members of the LLP require unanimous approval. The Investment Advisor and Carry LLP are the first designated members of the LLP.

Provisions relating to the Investment Advisor's appointment as investment advisor to the LLP are contained in a schedule to this Agreement. Under the Members' Agreement, the Investment Advisor, acting as an investment advisor, will provide certain advisory services to the LLP. Such services include advice in connection with potential private equity investments which could be made by the LLP. In addition, EPE shall provide the Services, being those to be provided by the Investment Advisor to the Company pursuant to the Investment Advisory Agreement, to the LLP.

The Investment Advisor is entitled to the EPE Share, that is 2 per cent. of the net assets of the LLP (plus VAT if applicable), valued at the close of business on the last business day of each quarter. The Investment Advisor is also entitled to be reimbursed all costs and expenses.

Either the Company (on behalf of the LLP) or the Investment Advisor may terminate the requirement for the Investment Advisor to provide services to the LLP by giving the other 12 months' prior written notice subject to earlier termination by either party by notice in writing within one month in the event of, *inter alia*, a party becoming insolvent, having a receiver, liquidator or administrator, or committing a material breach of the Investment Advisory Agreement, or if the Investment Advisor is not, or ceases to be, authorised under the FSMA. On termination the LLP will pay the EPE Share up to and including the date of termination, expenses properly incurred by the Investment Advisor prior to the date of termination and any additional expenses realised in concluding outstanding obligations.

### 3.3 *The Placing and Open Offer Agreement*

- (i) Pursuant to the Placing and Open Offer Agreement, Numis has conditionally agreed to use its reasonable endeavours to procure Placees to subscribe for up to 57,000,000 of the Offer Shares.
- (ii) The Placing and Open Offer Agreement provides for Numis to be paid a commission of £80,000. Numis will also be paid a £62,500 corporate finance fee. The Company will reimburse all properly and reasonably incurred fees and expenses of Numis in connection with the Placing and Open Offer.
- (iii) The obligations of Numis under the Placing and Open Offer Agreement are conditional on, *inter alia*, the passing of Resolution 1 and Admission occurring no later than 8.00 a.m. on 9 June 2009 (or such later date being not later than 8.00 a.m. on 23 June 2009 as the Company and Numis may agree in writing).
- (iv) The Placing and Open Offer Agreement contains customary warranties and indemnities from the Company in favour of Numis.
- (v) Numis may terminate the Placing and Open Offer Agreement in certain specified circumstances.
- (vi) If the conditions are not satisfied or the Placing and Open Offer Agreement is terminated by Numis by reason of a default on the part of the Company only, then the Company will pay to Numis the corporate finance fee referred to above. In any circumstance where the conditions are not satisfied or the Placing and Open Offer Agreement is terminated by Numis, the Company will reimburse Numis's costs and expenses.

### 4. **Related Party Subscriptions**

The following Director and members of the Investment Advisor's team have agreed to subscribe at the Offer Price for Offer Shares up to at least the subscription amounts specified below, subject to availability of sufficient shares:

Geoffrey Vero	£10,000
Giles Brand	£600,000
Jim Weight	£600,000

Certain other members of the Investment Advisor's team have agreed to subscribe at the Offer Price for Offer Shares, up to an aggregate subscription amount of £60,000, subject to availability of sufficient shares.

### 5. **Litigation**

The Company is not involved in any governmental, legal or arbitration proceedings which are having, may have or have had, in the previous 12 months, a significant effect on its financial position and, so far as the Directors are aware, there are no such proceedings pending or threatened against the Company.

### 6. **Working Capital**

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

### 7. **General**

- 7.1 The total cost and expenses payable by the Group in connection with the Placing and Open Offer (including professional fees, commissions, the cost of printing and the fees payable to the Registrars and the Receiving Agent) are estimated to amount to up to £325,000 (excluding VAT).

7.2 Save as disclosed in this document and save as announced through the London Stock Exchange there has been no significant adverse change in the financial or trading position of the Group since 31 January 2009, the date to which the most recent audited accounts have been drawn up.

**8. Availability of document**

This document will be available for a period of 12 months from the date of this document on the Company's website ([www.epicprivateequity.com/epespecialopportunities-home.asp](http://www.epicprivateequity.com/epespecialopportunities-home.asp)) free of charge in accordance with the requirements of Rule 26 of the AIM Rules.

Dated 13 May 2009

## Part V

### The proposed amendments to the Articles

The amendments which are proposed to be made to the Articles are set out below. For ease of reference, and where appropriate, the full text of the existing Articles which are proposed to be amended has been reproduced.

**(a) Existing definition of “Ordinary Share”**

*“Ordinary Share” means an ordinary share of 1 penny in the capital of the Company.*

***Proposed Amendment***

The definition is proposed to read as follows:

*“Ordinary Share” means an ordinary share of 5 pence in the capital of the Company.*

**(b) Article 6**

*Article 6 Authorised share capital*

*The authorised share capital of the Company at the date of the adoption of these Articles is £500,000 divided into 50,000,000 Ordinary Shares having the rights set out below.*

***Proposed Amendment***

Article 6 is proposed to be deleted in its entirety and the following is proposed to be substituted therefor:

*Article 6 Authorised share capital*

*The authorised share capital of the Company is £1,650,000 divided into 33,000,000 Ordinary Shares having the rights set out below.*

# Notice of Extraordinary General Meeting

## EPE Special Opportunities plc

(a company incorporated in the Isle of Man with registered number 108834C)

**NOTICE IS HEREBY GIVEN THAT** an EXTRAORDINARY GENERAL MEETING of EPE Special Opportunities plc (the “**Company**”) will be held at IOMA House, Hope Street, Douglas, Isle of Man IM1 1AP at 10.30 a.m. on 8 June 2009 to consider and, if thought fit, to pass the following resolutions which will be proposed as to numbers 1 and 2 as ordinary resolutions and as to numbers 3, 4 and 5 as special resolutions:

### ORDINARY RESOLUTIONS

1. THAT the authorised share capital of the Company be and is hereby increased with immediate effect from £500,000 to £1,650,000 by the creation of 115,000,000 new Ordinary Shares of 1p each ranking *pari passu* in all respects with the existing Ordinary Shares.
2. THAT with effect from 8.00 a.m. on 15 June 2009 each five existing issued and unissued shares of 1p each in the capital of the Company as at that time shall be consolidated into one ordinary share of 5p each but otherwise with the same rights attached to them in the articles of association of the Company, so that the authorised share capital of the Company at that time shall be £1,650,000 divided into 33,000,000 ordinary shares of 5p each, and that the Directors be authorised to aggregate the fractions of ordinary shares of 5p arising on such consolidation and sell the ordinary shares of 5p arising in the market and for the net proceeds of sale of such ordinary shares to be retained for the benefit of the Company.

### SPECIAL RESOLUTIONS

3. Conditional upon the passing of Resolutions 1 and 2 and such Resolutions becoming effective, THAT the Company’s Articles of Association be amended in the manner and to the extent as set out in Part V of the Circular convening this meeting.
4. Conditional upon the passing of Resolution 1, and in substitution for all prior authorities, THAT the Company generally be and is hereby authorised for the purposes of Section 13 of the Isle of Man Companies Act 1992 to make market purchases (as defined in the aforementioned section) of up to 6,635,375 Ordinary Shares of 5p each (or, if Resolution 2 has not been passed, 33,176,877 new Ordinary Shares of 1p each) in the capital of the Company (“**Ordinary Shares**”) provided that:
  - (i) the maximum number of Ordinary Shares hereby authorised to be purchased is 25 per cent. of the issued share capital following the issue of the Offer Shares (as defined and described in the circular issued by the Company dated 13 May 2009);
  - (ii) the minimum price which may be paid for such shares is 5p per Ordinary Share (or, if Resolution 1 has not been passed, 1p);
  - (iii) the maximum price (exclusive of expenses) which may be paid for such shares shall be £5 per Ordinary Share;
  - (iv) the authority hereby conferred shall (unless previously varied, revoked or renewed) expire 18 months after the date of this resolution; and
  - (v) under the authority hereby conferred and prior to the expiry or revocation of such authority, the Company may make a contract to purchase its own shares which will or may be executed wholly or partly after the revocation of such authority and, pursuant to the contract, the Company may make such purchase after the authority has expired.

5. THAT, pursuant to Section 56 of the Isle of Man Companies Act 1931, subject to confirmation by the Isle of Man High Court, the capital of the Company be reduced by cancelling all amounts standing to the credit of the share premium account of the Company following the issue of the Offer Shares (as defined and described in the circular issued by the Company dated 13 May 2009) and reclassifying such amounts as a distributable reserve of the Company.

By order of the Board

Philip Scales

Date: 13 May 2009

*Registered Office:*

IOMA House  
Hope Street  
Douglas  
Isle of Man  
IM1 1AP

**Notes:**

1. Only shareholders of EPE Special Opportunities plc are entitled to attend and vote at this meeting. Any such shareholder is entitled to appoint a proxy (or proxies) to attend and, on a poll, vote instead of him. A proxy need not be a shareholder of the Company.
2. Completion and return of a form of proxy will not prevent a shareholder from subsequently attending the Extraordinary General Meeting and voting in person if he/she so wishes.
3. To be effective, the instrument appointing a proxy, and any power of attorney or other authority under which it is signed (or a copy of any such authority certified notarially or in some other way approved by the Directors), must be deposited with the Company's Registrars, not less than 48 hours before the time for holding the meeting or adjourned meeting.