

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

This document, which comprises a prospectus, has been drawn up in accordance with the Public Offers of Securities Regulations 1995, as amended ("POS Regulations") and the Rules of the Alternative Investment Market of the London Stock Exchange plc ("AIM Rules" and "AIM" respectively). A copy of this document has been delivered to the Registrar of Companies for England and Wales for registration in accordance with regulation 4(2) of the POS Regulations. A copy of this document, together with copies of the documents referred to in paragraph 10 of Part 3, has also been delivered to the Financial Supervision Commission in the Isle of Man, as required by section 38 of the Isle of Man Companies Act 1931. The Directors of the Company, whose names appear on page 4 of this document, accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and this document makes no omission likely to affect the import of such information.

Application has been made for the whole of the issued and to be issued ordinary share capital of EPIC Reconstruction PLC 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 risks in investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. London Stock Exchange plc has not itself examined or approved the contents of this document. The Rules of AIM are less demanding than those of the Official List of the UK Listing Authority. It is emphasised that no application is being made for admission of the Ordinary Shares to the Official List of the UK Listing Authority. It is expected that dealings in the Ordinary Shares will commence on AIM on 16 September 2003.

The whole of the text of this document should be read. Your attention is particularly drawn to the section entitled "Risk Factors" in Part 1 of this document.

EPIC RECONSTRUCTION PLC

(Incorporated and registered in the Isle of Man with registered number 108834C)

Placing of 30 million Ordinary Shares of 1p each at a price of 100p per share

Admission to the Alternative Investment Market

Nominated Adviser and Stockbroker

NUMIS SECURITIES LIMITED

Investment Adviser

EPIC SPECIALIST INVESTMENTS LIMITED

SHARE CAPITAL

The following table shows the authorised and issued share capital of the Company immediately following the Placing and Admission.

Authorised			Issued and fully paid	
Number	Amount		Number	Amount
50,000,000	£500,000	Ordinary Shares of 1p each	30,000,000	£300,000

The Ordinary Shares to be issued pursuant to the Placing will, on Admission, rank *pari passu* in all respects with the Ordinary Shares in issue at the date of this document and will rank in full for all dividends and other distributions declared, made or paid on the Ordinary Shares after the date of admission to trading on AIM.

Numis Securities Limited, which is a member of the London Stock Exchange plc and is regulated by the Financial Services Authority, has agreed to act as the nominated adviser and stockbroker to the Company in connection with the Placing and Admission. Persons receiving this document should note that, in connection with the Placing and Admission, Numis Securities Limited is acting exclusively for the Company and no-one else and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Numis Securities Limited or for advising any other person on the transactions and arrangements described in this document.

This document does not constitute an offer to sell or the solicitation of an offer to buy shares in any jurisdiction in which such offer or solicitation is unlawful and, in particular, is not for distribution, directly or indirectly, to any persons with addresses in the Isle of Man, the United States of America (or any of its territories or possessions), Canada, Japan, Australia, the Republic of Ireland, South Africa, Israel, or Japan. The Ordinary Shares have not been and will not be registered under the applicable securities laws of the United States, Canada, Australia, the Republic of Ireland, South Africa, Israel or Japan, or in the name of any national, resident or citizen of the United States, Canada, Australia, the Republic of Ireland, South Africa, Israel or Japan. The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Copies of this document are available free of charge during normal business hours on any day (except Saturdays and Sundays and public holidays) at the offices of Numis Securities Limited, Cheapside House, 138 Cheapside, London EC2V 6LH for a period of 1 month from the date of Admission.

CONTENTS

	<i>Page</i>
Expected Timetable of Principal Events	3
Placing Statistics	3
Directors and Advisers	4
Definitions	5
Part 1 Introduction	7
Distressed company market	7
Activities	7
Equity stakes	8
Usual loan terms	8
Dividend policy and capital growth	9
Track record	9
Deal origination and approval	9
Directors	9
Advisory arrangements	10
Investment advisory fees	11
Administration and secretarial arrangements	11
Annual expenses	12
Dividend payments	12
The Placing	12
Admission and dealing	12
Accounting policy	12
Reports	12
Taxation	13
Corporate governance	14
Risk factors	14
Part 2 Accountants' Report	16
Part 3 General Information	18

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Dealings in the Ordinary Shares commence on AIM	8.00 a.m. on 16 September 2003
CREST accounts credited in respect of the Ordinary Shares	16 September 2003
Share certificates in respect of the Ordinary Shares despatched (if applicable) by	23 September 2003

PLACING STATISTICS

Placing Price	100p
Number of Ordinary Shares in issue immediately following the Placing	30,000,000

DIRECTORS AND ADVISERS

Directors of the Company <i>(all non-executive)</i>	Donald Lindsay Adamson (Chairman) Robert Brisco MacGregor Quayle Clive Lee Spears Geoffrey Osborne Vero FCA Nicholas Vernon Wilson
	all of St James's Chambers Athol Street, Douglas Isle of Man IM1 1JE
Company Secretary	Philip Scales FCIS
Investment Adviser	EPIC Specialist Investments Limited 55 Bishopsgate London EC2N 3AS
Nominated Adviser and Stockbroker to the Company	Numis Securities Limited Cheapside House, 138 Cheapside London EC2V 6LH
Registrar and Registered Office of the Company	Barings (Isle of Man) Limited PO Box 174 St James's Chambers Athol Street, Douglas Isle of Man IM1 1JE
Crest Settlement Agent	Computershare Investor Services (Channel Islands) Limited Ordnance House 31 Pier Road St Helier, Jersey
Solicitors to the Company and to the Placing	Latham & Watkins 99 Bishopsgate London EC2M 3XF
Advocates to the Company	Cains Advocates Limited 15-19 Athol Street, Douglas Isle of Man IM1 1LB
Reporting Accountants and Auditors to the Company	KPMG Audit LLC Heritage Court, 41 Athol Street Douglas, Isle of Man IM99 1HN

DEFINITIONS

“Administration Agreement”	the administration agreement between the Company and the Administrator, a summary of which is set out in paragraph 7 of Part 3
“Administrator”	Barings (Isle of Man) Limited
“Admission”	admission of the entire issued share capital of the Company to trading on the Alternative Investment Market of the London Stock Exchange in accordance with the AIM Rules
“Articles”	the articles of association of the Company, a summary of which is set out in paragraph 4 of Part 3
“Board” or “Directors”	the directors of the Company
“Company”	EPIC Reconstruction plc
“Corporate Solutions”	Solutions (Corporate Consultants) Limited, trading as Corporate Solutions
“CREST”	the relevant system (as defined in the Uncertificated Securities Regulations 2001) in respect of which CRESTCO Limited is the operator in accordance with which securities may be held and transferred in uncertificated form
“CREST UK System”	the facilities and procedures for the time being of CREST
“ESFL”	EPIC Structured Finance Limited, a wholly-owned subsidiary of the Company, incorporated and registered in the Isle of Man
“Group”	the Company, ESFL and any other subsidiary undertakings of the Company from time to time
“Group Company”	a company which is at the relevant time a member of the Group
“Investment Adviser” or “ESI”	EPIC Specialist Investments Limited
“Investment Advisory Agreement”	the investment advisory agreement between the Company and the Investment Adviser, a summary of which is set out in paragraph 7 of Part 3
“Laws”	the Isle of Man Companies Acts 1931 to 1993
“London Stock Exchange”	London Stock Exchange plc
“New Ordinary Shares”	the Ordinary Shares to be issued pursuant to the Placing
“Numis” or the “Nomad”	Numis Securities Limited
“Ordinary Shares”	ordinary shares of 1p each in the capital of the Company
“Placing”	the conditional placing by Numis on behalf of the Company of 30,000,000 Ordinary Shares at the Placing Price, as described in Part 1
“Placing Agreement”	the placing agreement dated 10 September 2003 between the Company and Numis, a summary of which is set out in paragraph 7 of Part 3

“Placing Price”	100p per Ordinary Share
“Prospectus”	this document
“Regulations”	the Transfer of Securities Regulations 1996 (as amended from time to time) of the Isle of Man
“Shareholders”	holders of Ordinary Shares
“Total Assets”	the aggregate value of the assets of the Group (which for this purpose only shall be deemed to include amounts in respect of which the Group is providing an indemnity to third party lenders) less the current liabilities of the Group
“UK”	the United Kingdom of Great Britain and Northern Ireland
“VAT”	Value Added Tax

PART 1

INTRODUCTION

EPIC Reconstruction plc is a new Isle of Man registered company to be quoted on AIM, and run in a similar manner to an investment company. Its principal activity will be to arrange financing for businesses emerging from distressed situations. The Company has raised £30 million by a Placing of Ordinary Shares at 100 pence per share. The Group will be advised by EPIC Specialist Investments Limited ('ESI'), part of the Equity Partnership investment management group. ESI will draw on the expertise of Andrew Castle, who has an established record in advising on the refinancing of insolvent companies. The Company will have an initial life of five years, at which time (and annually thereafter) shareholders will be asked to vote on a resolution offering them an opportunity to wind up the Company.

Distressed company market

In their report entitled Industry Watch Summer 2003, and published in July 2003, BDO Stoy Hayward (BDO) commented that they expected business failures in the UK to reach around 63,000 between 2003 and 2005, due, in part, to a downturn in consumer confidence and sluggish UK GDP taking its toll. BDO report that 19,928 businesses failed in Great Britain in 2002 – a rise of some 6 per cent. from 2001 levels, and they predict a possible rise to above 21,000 in 2004 and 2005. The Directors believe that a number of failures are of companies with a strong underlying and cash generative business. Certain failures may have been a result of insolvency at the parent company or group level, from the business carrying more debt than is supportable by the cash generated or from a lack of working capital support through the annual trading cycle. These businesses, when relieved of these burdens, should be capable of being financed via asset based lending. Given the distressed nature of the businesses, such lending can achieve premium rates.

Activities

The Group will primarily arrange finance for distressed and previously insolvent businesses to enable existing or new management to purchase the assets or the business from receivers, administrators or the current owners and to provide them with working capital. Whilst the Group may itself make some loans available, it is expected that the majority of transactions will be undertaken by the Group introducing a third party finance company which will advance the loans to the businesses. The Group will then participate by providing credit support to the lender in return for which it will be paid a commission. The Company will generally seek an equity stake in businesses to which finance is provided, although this will not necessarily be a pre-requisite to the lending.

The Group has agreed outline arrangements with a specialist finance subsidiary of a major clearing bank, with whom it is expected that the majority of transactions will be undertaken. These arrangements would provide the finance company with the opportunity to provide finance for most proposals initiated by the Group.

Lending will, generally, be backed by the assets of the business. In the first instance the net capital raised will be placed on deposit with a major bank or in money market investments. Under the proposed arrangements, the finance company would lend (subject to its own lending criteria) to distressed companies put forward by the Group, and pay a commission to the Group on the loans at an indicative rate of 3 per cent. per annum. The actual commission rate earned will vary dependent upon, *inter alia*, the actual rate of interest agreed with the borrower. In turn, the interest rate payable by the borrower and the loan-to-value ratios should reflect the risk associated with obtaining repayment from the realisation of the underlying assets on which the loans are generally secured. As the Group will be providing credit support for amounts in excess of the initial capital raised under the Placing, the commission earned will leverage the equity capital base.

Should losses be incurred on a particular transaction, the Group has agreed that it would indemnify the finance company for 70 per cent. of those losses or, in specific cases up to 100 per cent. of certain losses. Having regard to this commitment, and the deposit held to secure the commitment, it is expected that the finance company may where appropriate exceed its usual loan to assets value lending ratio. That

ratio will vary according to the class of asset against which the loan is made. In such cases the Company will have a stronger position in seeking an equity stake in the distressed business.

Where a third party is providing the finance, EPIC Structured Finance Limited ('ESFL' – a wholly owned subsidiary of the Company) will bear a proportion of the credit risk (normally secured by a bank deposit in favour of the third party lender) and be remunerated by way of commission. The credit support provided by ESFL will allow finance companies to advance larger sums than their lending policies would normally permit.

It is expected that initially the majority of opportunities are likely to come from businesses in administration or receivership. The Directors expect that these businesses should therefore generally be capable of being bought by management at a significant discount to asset values, and will generally exhibit certain of the following characteristics:

- Sound core business that has failed due to historic unsupportable debt structure, prior ownership or lack of working capital
- Cash generative underlying business
- Strong management team
- Book debts capable of being assigned
- Suppliers and customers loyal to the reorganised business
- Potential for reorganisation and enhanced margins

To secure ESFL's indemnity obligations to the finance company, ESFL must maintain a sum on deposit (or in other acceptable assets such as money market investments), charged in favour of the finance company. The deposit must at all times be equal to or greater than the aggregate of £5 million and 10 per cent. of outstanding advances to customers, with a greater deposit required for certain types of financing. Interest on the deposit will accrue to ESFL.

If the finance company does not accept any proposal introduced to it by ESFL, ESFL may make the advance itself or in conjunction with another lender. The Group will also be free to enter into arrangements with other lenders which approach the Group to make available equity finance.

Although the finance company has no legal obligation to accept any proposals for debt finance introduced by ESFL, the £30 million being raised under the Placing would support the provision of financing of up to £200 million, or possibly more, under these arrangements.

Equity stakes

The Company will generally seek an equity stake in businesses to which finance is provided, although this will not necessarily be a pre-requisite to the lending. Where possible, this stake will be significant or, where appropriate, controlling. The Company should therefore be able to participate in any value uplift achieved by the purchase of the assets by the business at a discount, and the increased value of the equity when the business is no longer distressed.

Equity stakes will be realised when an appropriate opportunity arises, which may be independent of the repayment of the associated debt.

ESI has undertaken that it or its executives will co-invest alongside the Company, on the same terms, in each portfolio company, acquiring 10 per cent. of the amount of equity acquired by the Company.

Usual loan terms

It is envisaged that individual loans will typically range in size from £0.5 million to £5 million. Loans in respect of any one business would not normally be expected to exceed £10 million.

Typically loans will be structured with repayment over up to five years and a minimum period of twelve months. It is expected that loans may be repaid before their stated maturity as management seek to

obtain finance at rates that no longer reflect the distressed nature of the business at inception. A fee would normally be charged on early repayment.

Dividend policy and capital growth

The Company intends to pay dividends and seek capital growth. There will be a minimum target dividend of 8 pence for the period from Admission and ending 31 January 2005 (which includes the financial period to 31 January 2004 and the financial year to 31 January 2005) and for each subsequent financial year. The level of dividend payable will be dependent upon the Company's earnings available for distribution. However, the Directors would not envisage paying dividends of more than 12.5p per share in respect of any of the financial periods ending on or before 31 December 2008. A first interim dividend is expected to be paid on or before 30 April 2004 and it is intended that at least one interim dividend be paid in respect of each subsequent financial year.

Capital growth will be sought from any undistributed gains from equity stakes in investee businesses and any retained earnings. Any growth in the net asset value of the Company will increase the capacity of the Company to support additional lending.

Track record

The Investment Adviser will be drawing on the expertise of Andrew Castle who has a number of years' experience advising distressed businesses and structuring financing packages for them. Most recently, he has performed this role through Corporate Solutions which he founded in 2000, based in Leeds. Prior to that Mr Castle practised as a solicitor specialising in mergers and acquisitions and corporate finance for over 20 years and advised on insolvencies in the UK and the United States.

Since its formation Corporate Solutions has played an advisory role in relation to over 75 transactions involving full or partial refinancing of distressed businesses. It estimates that it has reviewed in excess of 80 opportunities in the last twelve months. Of the completed transactions, only two have subsequently become insolvent again. In one of these cases all funds invested after Corporate Solutions became involved were recovered, the lending being against recoverable debts, and in the other the shortfall is being paid under a personal guarantee.

Andrew Castle has resigned as a director of Corporate Solutions to take up his role advising the Investment Adviser in relation to the Company's activities. He will retain his 40 per cent. shareholding in Corporate Solutions but will not be active in its business, except for specific situations not involving the Company and then only with the consent of ESI. Corporate Solutions has 9 staff, including two accountants, one lawyer and a licensed insolvency practitioner.

Corporate Solutions will continue to seek advisory roles on behalf of businesses seeking finance and will refer all suitable financing opportunities to the Company. Corporate Solutions will be free to advise its clients to obtain finance from another source if it is available on more favourable terms.

Deal origination and approval

Mr. Castle has built up a network of contacts which is expected to provide a steady flow of investment opportunities for the Company to consider. Corporate Solutions will normally prepare background information in respect of proposed transactions. All opportunities received will be appraised by Mr. Castle and his recommendations reviewed by the Investment Adviser, to ensure that they fall within the criteria approved by the Board, prior to a recommendation being made to the Company.

The principal sources of transactions are expected to be:

- Referrals from Corporate Solutions
- Banks seeking to effect a managed exit from distressed loan relationships;
- Insolvency practitioners;
- Venture capitalists with failing investments; and
- Managements of businesses that are failing.

Directors

The Directors are responsible for the determination of the Company's lending criteria and have overall responsibility for the Company's activities. They are as follows:

Donald Adamson (Chairman) (44)

Donald Adamson has over 20 years' experience of fund management, corporate finance and private equity in Edinburgh, London and Jersey. He is the principal of Research and Consulting Associates Limited, a specialist offshore consulting business, under contract to Collins Stewart Limited amongst others. He serves as director or chairman of a number of listed and privately-held investment companies; including The Equity Partnership Investment Company plc, of which he is a non-executive director. He was awarded an MA in Economics and History from University College, Oxford, carried out post-graduate research at Nuffield College, Oxford and is a member of the Securities Institute.

Robert Quayle (53)

Robert Quayle qualified as an English solicitor in 1974 and practised in London and the Isle of Man. He served as Clerk of Tynwald (the Isle of Man's parliament) for periods totalling 12 years and holds a number of public and private appointments, and is active in the voluntary sector. Mr Quayle's directorships include The Isle of Man Steam Packet Company Limited and Total Isle of Man Limited as well as companies in the financial services sector. He is currently Chairman of the Isle of Man's Work Permit Committee.

Clive Spears (49)

Clive Spears has been Deputy Director of The Royal Bank of Scotland International Limited in Jersey since 1 April 1997 and is a director of The Royal Bank of Scotland Fund Managers (Jersey) Limited. He is an Associate of the Chartered Institute of Bankers and an Associate Member of the Securities Institute. Mr Spears has worked in senior management positions in banking and global custody with The Royal Bank of Scotland Group and between 1993 and 1997 was a senior corporate manager, having spent some 32 years in the Finance Industry overall. He is due to retire from The Royal Bank of Scotland Group towards the end of 2003 to take up other positions within the fund management industry.

Geoffrey Vero FCA (56)

Geoffrey Vero qualified as a chartered accountant with Ernst & Young and then worked for Savills, chartered surveyors, and The Diners Club Limited. He has been active in the venture capital field since 1985, initially with Lazard Development Capital Limited and then from 1987 to 1996 as a director of Causeway Capital Limited. Following the purchase of Causeway Capital by ABN AMRO in 1996, he was retained as an investment director and is now a consultant to ABN AMRO and sits on the board of two of their investee companies. In 2002, he set up The Vero Consultancy specializing in, among other advisory services, recovery situations. He has considerable experience in evaluating investment opportunities and dealing with corporate recovery. While at Causeway Capital, Mr. Vero was a founder director of Causeway Invoice Discounting Company Limited, which was subsequently sold to N.M. Rothschild.

Nicholas Wilson (58)

Nicholas Wilson is a self-employed investment consultant specialising in exchange-traded derivatives. He has over 30 years' experience in investment and global asset management and, since 1998, has been responsible for management of the Isle of Man branch office of ADM Investor Services International Limited (part of Archer Daniels Midland Group). For the previous 7 years he managed the Isle of Man branch of Mees Pierson Derivatives Limited.

Advisory arrangements

The Company has entered into an investment advisory agreement with EPIC Specialist Investments Limited. Under the terms of the Investment Advisory Agreement ESI will be responsible for advising on the investments of the Group, subject to the overall supervision of the Directors. The Investment Advisory Agreement can be terminated by either the Company or ESI by giving twelve months' notice of such termination at any time after the second anniversary of the commencement of the Investment Advisory Agreement.

The Investment Adviser is regulated by the Financial Services Authority. The Investment Adviser is a 51 per cent. owned UK subsidiary of The Equity Partnership Limited (“EPL”), a company which, directly and through its subsidiaries, has been involved in asset management since August 2001, investing in a mixture of quoted and unquoted companies, specialist funds and fixed income and structured income products. The EPL group’s total funds under management or advice currently exceed \$2 billion.

EPL and its subsidiaries manage or advise a range of institutional client funds, one investment company listed in the UK and another quoted on AIM. The directors and relevant personnel of the Investment Adviser who will be providing investment advice to the Company are experienced investment advisers.

Senior management and relevant expertise of the Investment Adviser

The executive chairman of ESI is Jo Welman, who is also a non-executive director of Brit Insurance Holdings PLC and was its chairman until September 2002. He has over 20 years’ experience in fund management, initially at Baring Brothers Investment Management Limited and then as managing director of Rea Brothers’ investment management activities, where he was responsible for the day-to-day management of investments in quoted companies, unquoted companies, equity and property investment funds. He is also a non-executive director of several private and public companies (including The Equity Partnership Investment Company PLC and EPIC Brand Investments plc) and is non-executive chairman of the Close FTSE 100 Investment Trust plc.

Mr. Welman is joined by Giles Brand, a director of ESI, who has particular responsibility for the sourcing and structuring of private equity transactions. He is currently a non-executive director of Pinnacle-psg, the largest social housing manager in the United Kingdom, and Ryness Holdings Limited, a London based electrical retailer. He advises a number of unquoted companies on corporate finance and strategic issues. He spent five years working in mergers and acquisitions at ING Barings in Paris and London.

Investment advisory fees

Under the Investment Advisory Agreement, the Investment Adviser will receive an aggregate annual advisory fee from the Company, payable quarterly in arrears, at the rate of 1 per cent. per annum of the Group’s Total Assets (which, for the avoidance of doubt, will include the Group’s attributable proportion of financing contracts for which it is participating in the credit risk). For the accounting periods ending on or before 31 December 2008, the annual fee will be subject to a maximum fee of £1.5 million (pro rata in respect of the initial accounting period).

In addition, the Investment Adviser will be entitled to a performance fee representing a participation in the returns received by the Company from its investments.

The performance fee will be payable only if the Company’s cumulative Total Return (taken as net asset value plus dividends distributed) is equal to at least 8 per cent. per annum from the date of Admission, based on the net proceeds of the Placing and compounded annually. The cumulative performance fee will amount to 20 per cent. of cumulative Total Return, measured and payable on an annual basis. There will be no clawback of performance fee once paid, but payment in respect of any accounting period will only be made on publication of the following period’s accounts and subject to minimum cumulative Total Return having been achieved in respect of that following period. The performance fee will also be calculated and payable on the termination of the appointment of the Investment Adviser or winding-up of the Company.

The Investment Adviser will be entitled to charge and retain structuring fees payable by portfolio companies. The level of these will depend upon the size and complexity of transactions but will not exceed 2 per cent. of the transaction value.

Administration and secretarial arrangements

Barings (Isle of Man) Limited will provide administration, registrar and secretarial services to the Company as set out in the Administration Agreement. The Administration Agreement is terminable by

either side on six months' notice. Further details of the Administration Agreement, including the remuneration payable thereunder, are set out in paragraph 7 of Part 3.

The Administrator is a private company limited by shares incorporated in the Isle of Man, with its registered office at St James's Chambers, Athol Street, Douglas, Isle of Man IM99 1PP. It is a wholly owned subsidiary of Baring Trustees (Guernsey) Limited which, in turn, is wholly owned by Baring Asset Management Holdings Limited which is part of the ING Group. The Administrator is the holder of an investment business licence issued by the Isle of Man Financial Supervision Commission under the Isle of Man Investment Business Acts 1991-1993. The Administrator is also the holder of a Category 1 Corporate Service Provider Licence issued under the Isle of Man Corporate Service Providers Act 2000.

Computershare Investor Services (Channel Islands) Limited has been appointed as the Company's transfer agent, and the Company is responsible for the payment of the agent's fees.

Annual expenses

The principal recurring annual expenses of the Group will be the fees payable to ESI, the Administrator, the Nomad, the registrar, the transfer agent and the Directors. The Group will also incur legal fees, and administration related fees and expenses and audit fees. It is estimated that the administrative overheads for the period from Admission and ending 31 January 2005 will not exceed 2.5 per cent. of the Total Assets.

Dividend payments

The Company intends to pay a minimum dividend of 8 pence per share for the period from Admission and ending 31 January 2005 and 8 pence per share for all subsequent years. Payment of any dividend will be subject to the Company having sufficient distributable reserves and there can be no guarantee that dividends will be paid. Any shortfall will be cumulated to be made up in subsequent years when sufficient distributable reserves are available. A first interim dividend is expected to be paid on or before 30 April 2004 and it is expected that at least one interim dividend be paid in respect of each subsequent financial year.

The Placing

Numis Securities has placed 30 million Ordinary Shares at a price of 100 pence per share. The Placing is conditional, *inter alia*, on Admission of the Ordinary Shares to trading on the Alternative Investment Market of the London Stock Exchange becoming effective by 8:00am on 16 September 2003.

The net proceeds of the Placing are estimated to amount to £28.1 million. The net proceeds of the Placing will be applied in connection with financing for, and making equity investments in, portfolio companies on the basis described in this document.

Admission and dealing

Application has been made to the London Stock Exchange for admission to trading on the Alternative Investment Market of the Ordinary Shares the subject of the Placing. It is expected that Admission will become effective and dealings will commence on 16 September 2003. Temporary documents of title will not be issued. The Ordinary Shares will be eligible for settlement through CREST.

Accounting policy

The audited financial statements of the Group will be prepared under International Accounting Standards ("IAS") except in relation to portfolio companies which meet the definition of subsidiary undertakings or associated undertakings. As investments in portfolio companies will be sought to provide the opportunity for capital growth and realise capital gains, the financial statements will not consolidate portfolio companies which are subsidiary undertakings or equity account for portfolio companies which are associated undertakings. The gross revenue of the Group will be applied first to meet the investment advisory and administration fees and all other expenses.

The Group's commitment to fund 70 per cent. (or in certain cases 100 per cent.) of the credit losses of the loans arranged by the Group and funded by third party finance companies will be disclosed in the financial statements as a financial guarantee. Provisions will be recognised in the financial statements when a default event occurs (when a loan is deemed to be impaired) at an estimation of the liability of the Group to fund the third party finance company under the commitment.

Reports

The Company's annual report and accounts will be prepared up to 31 January each year, commencing 31 January 2004, and it is anticipated that copies will be sent to Shareholders within the following four months. Shareholders will also receive an unaudited interim report covering the six months to 31 July each year.

Taxation

The information below, which is of a general nature only and which relates only to United Kingdom and Isle of Man taxation, is applicable to the Group and to persons who are resident or ordinarily resident in the United Kingdom (except where indicated) and who hold Ordinary Shares as an investment. It is based on existing law and practice and is subject to subsequent changes thereto.

Anyone who is in any doubt as to his position should consult his professional adviser without delay.

(i) The Group

It is the intention of the Directors to conduct the affairs of the Group so that the central management and control of companies within the Group is not exercised in the United Kingdom and so that no Group Company is resident in the United Kingdom for taxation purposes nor carries on any trade in the United Kingdom (whether or not through a branch, agency or permanent establishment situated there). Accordingly, Group Companies should not be liable for United Kingdom taxation on their income or gains other than certain income deriving from a United Kingdom source.

The Company will be resident in the Isle of Man for taxation purposes. Accordingly, the Company will be liable to Manx Income Tax (the current rate of which for non-trading companies is 18 per cent.) on income after deduction of dividends and expenses payable. As it is anticipated that the Company will distribute substantially all of its profits the amount of such tax should be negligible.

The Company has applied to be included on a list maintained by the Isle of Man Treasury under the Terms of Extra Statutory Concession 327/86. The Company has received confirmation that approval will be granted. Accordingly, the Company will be permitted to pay dividends to shareholders without deduction of Manx Non-Resident Income Tax. It should be appreciated that under the terms of the Extra Statutory Concession, the Isle of Man Treasury reserves the right to withdraw such designation at any time from an investment company to which it has been granted.

ESFL will also be resident in the Isle of Man for taxation purposes. However, it is anticipated that ESFL will distribute substantially all of its income to the Company and as such the amount of tax payable by ESFL should also be negligible.

The Isle of Man does not levy taxes on capital inheritances, capital gains, gifts or sales. No Isle of Man tax will be withheld in respect of payment of any dividends or redemption proceeds. There are no current exchange control restrictions in the Isle of Man.

(ii) Investors

(a) Taxation of Dividends on Ordinary Shares

The income tax charge in respect of dividends for United Kingdom resident individual Shareholders, other than higher rate taxpayers, will be at the rate of 10 per cent. A higher rate taxpayer will be liable to income tax on dividends received from the Company (to the extent that, taking the dividend as the top slice of his income, it falls above the threshold for the higher rate of income tax) at the rate of 32.5 per cent. United Kingdom resident Shareholders who are not liable to income tax on their income will not be subject to tax on dividends.

(b) Taxation of Capital Gains

The Company, as a closed-ended company with an unlimited duration, should not as at the date of this document be treated as an “offshore fund” for the purposes of United Kingdom taxation. Accordingly, the provisions of sections 757 to 764 of the Income and Corporation Taxes Act 1988 (the “Taxes Act”) should not apply. Any gains on disposals by UK resident or ordinarily resident holders of the Ordinary Shares may, depending on their individual circumstances, give rise to a liability to United Kingdom taxation on capital gains.

(c) Stamp Duty and Stamp Duty Reserve Tax

The following comments are intended as a guide to the general stamp duty and stamp duty reserve tax position and do not relate to persons such as market makers, brokers, dealers, intermediaries and persons connected with voluntary arrangements or clearance services, to whom special rules apply. No Isle of Man or UK stamp duty, or stamp duty reserve tax, will be payable on the issue of the Ordinary Shares. United Kingdom 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, or in certain cases brought into, the United Kingdom. Provided that the Ordinary Shares are not registered in any register of the Company kept in the United Kingdom, any agreement to transfer the Ordinary Shares will not be subject to United Kingdom stamp duty reserve tax.

(d) Other United Kingdom tax considerations

The attention of individuals ordinarily resident in the United Kingdom is drawn to the provisions of sections 739 to 745 of the Taxes Act under which the income accruing to the Group may be attributed to such a shareholder and may (in certain circumstances) be liable to UK income tax in the hands of the shareholder. However, the provisions do not apply if such a shareholder can satisfy the UK Inland Revenue that, either:

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

As it is probable that the Company will be owned by a majority of persons resident in the UK the legislation applying to controlled foreign companies may apply to any corporate Shareholders who are resident in the UK. Under these rules, part of any undistributed income accruing to the Group may be attributed to such a shareholder, and may in certain circumstances be chargeable to UK corporation tax in the hands of the shareholder. However, this will only apply if the apportionment to that shareholder (when aggregated with persons connected or associated with them) is at least 25 per cent. of the Group’s relevant profits.

These provisions will not, however, apply if and so long as the Company follows an acceptable distribution policy (i.e. when each Group company distributes at least 90 per cent. of income profits arising in each accounting period).

If the Company would be treated as “close” if it were resident in the UK, then part of any chargeable gain accruing to the Group may be attributed to such a shareholder and may (in certain circumstances) be liable to UK tax on capital gains in the hands of the shareholder. The part attributed to the shareholder corresponds to the shareholder’s proportionate interest in the Group. This paragraph applies only to Shareholders who are resident or ordinarily resident in the UK and whose interest (when aggregated with persons connected with them) in the chargeable gains of the Company exceeds one-tenth.

Corporate governance

The Directors recognise the value of the Principles of Good Governance and Code of Best Practice (the “Combined Code”) and they will take appropriate measures to ensure that the Company complies with the Combined Code to the extent appropriate for a company of its size and nature of business.

Risk factors

Potential investors should consider the following risk factors in relation to the Company and the Ordinary Shares which individually or in aggregate could have a material adverse effect on the Company and the Ordinary Shares and should consult their independent financial adviser before investing. An investment in the Company is suitable only for investors who are capable of evaluating the risks and who have sufficient resources to bear any loss which might result from such investment which may include the total amount invested. Potential investors should be aware that an investment in the Company should be considered a long-term investment. Moreover the information set out below does not purport to be an exhaustive summary of the risks affecting the Company. In particular, potential investors should consider the following:

- (1) The market value of, and the income derived from, the Ordinary Shares may fluctuate. There is no guarantee that the market price of the Ordinary Shares will fully reflect their underlying net asset value. Investors may not get back the full value of their investment and in certain circumstances investors could lose all of their investment. There is no guarantee or assurance or certainty that the investment objectives of the Company will be met.
- (2) The Company's portfolio will comprise credit risks relating to, debt owed by, and equity interests in, unquoted private companies which may be difficult to value and/or realise.
- (3) The success of the Company will be dependent upon the identification and acquisition of suitable financing opportunities and, where applicable, a finance company's willingness to provide finance on satisfactory terms, supported by an indemnity from the Group. There can be no guarantee that such investments can or will be acquired so that such investments will be successful.
- (4) The activities proposed to be carried on by the Group are innovative and it has no track record. Although Corporate Solutions has arranged financing for similar businesses, it has not itself generally undertaken associated credit risks. The average size of transactions expected to be undertaken by the Group is larger than the majority of those previously arranged by Corporate Solutions and there can be no guarantee that the same model will work on this larger scale.
- (5) The businesses seeking finance through the Group, and in which the Company intends to make equity investments, are likely to have experienced solvency problems and it is in the area of corporate recovery where opportunities will primarily be sought. Whilst the Investment Adviser will seek to minimise the credit risk and undertake due diligence (as considered appropriate), it is possible that the businesses will suffer further solvency problems. In such event the Group'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.
- (6) There is no guarantee that the distributable profits of the Company will be sufficient to allow dividends to be paid.
- (7) The Company has been advised that the tax treatment of the Group's operations should be as described in this Prospectus based on existing tax law and published practice and the Double Taxation Treaty between the Isle of Man and the United Kingdom, where applicable. There can be no guarantee that the relevant taxation authorities will accept this analysis and, if they fail to do so, the Group's income and/or gains could be subject to a higher level of taxation thus reducing the profits available for distribution and/or the net asset value.
- (8) 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.
- (9) Investors should be aware that the proposed arrangements between the Group and finance companies would allow the Group to leverage its activities and obtain income in respect of a portfolio of debt finance by accepting a credit exposure considerably greater than the amount of the Company's equity capital base. Although the use of leverage may increase the return on investments, it also creates greater potential for loss.
- (10) The companies to which finance is provided, and in which the Company may make equity investments, may themselves be highly geared.
- (11) The Company is dependent on the Directors, the Investment Adviser and Andrew Castle. The Company may be adversely affected if their services and/or the respective services of any of their key personnel cease to be available to the Company.

- (12) The market value of the Ordinary Shares, as well as being affected by their net asset value and the results of the portfolio, will also take into account their dividend yield and prevailing interest rates. As such, the market value of an Ordinary Share may vary considerably from its underlying net asset value.
- (13) The Ordinary Shares may be relatively illiquid. There may be a limited number of Shareholders and this may contribute to infrequent trading on AIM and volatile share price movements.
- (14) An investment in the Company should be regarded as long term in nature. Past performance of similar investments is not necessarily a guide to the future performance of the Company or its investments.
- (15) Corporate Solutions have not had access to capital in the manner that the Company will provide and therefore few transactions where an equity stake is taken have been arranged. There can be no guarantee that the majority of borrowers will be willing to agree to such arrangements.
- (16) Where the Group provides credit support to a finance company or another party, it will not have a direct relationship with the underlying borrower and will therefore be reliant upon the entity providing the finance controlling the relationship with the borrower.

Rule 9 of the City Code on Takeovers and Mergers

Under Rule 9 of the City Code on Takeovers and Mergers (the “City Code”), any person who acquires shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30 per cent. or more of the voting rights of a public company is, except with the consent of the Panel on Takeovers and Mergers (the “Takeover Panel”), required to make a general offer in cash to all shareholders of that company for the remaining issued shares not then owned by him at not less than the highest price paid by him (or persons deemed under the City Code to be acting in concert with him) for ordinary shares within the previous 12 months (the “Mandatory Bid Obligation”).

Assuming the Placing Shares are issued in full, Lehman Brothers Holdings Plc would hold 36.7 per cent. of the Company’s issued share capital. In this case the Takeover Panel has agreed to waive the Mandatory Bid Obligation since the potential level of shareholding of Lehman Brothers Holdings Plc is being disclosed in this prospectus and this is the basis upon which investors will be subscribing.

As Lehman Brothers Holdings Plc will have a holding between 30 per cent. and 50 per cent. of the Company’s issued share capital, it would be subject to a Mandatory Bid Obligation if it were to increase its percentage interest in the Company.

Lehman Brothers Holdings Plc is a wholly-owned subsidiary of Lehman Brothers Holdings Inc, the NYSE-listed global investment banking group. Lehman Brothers is headquartered in New York, London and Tokyo and maintains leadership positions in equity and fixed income sales, trading, and research, investment banking, private equity and private client services. Lehman Brothers Holdings Plc is to acquire a minority interest in the share capital of Reconstruction Advisers Limited as referred to in paragraph 3(o) of Part 3.

The Net Revenues of Lehman Brothers Holdings Inc disclosed by its financial statements for the year to 30 November 2002 were US\$6,155 million (2001: US\$6,736 million) and its Net Income for the year to 30 November 2002 was US\$975 million (2001: US\$1,255 million). Its net assets as at 30 November 2002 were US\$8,942 million.

PART 2

KPMG AUDIT LLC

The Directors
EPIC Reconstruction plc
St James's Chambers
Athol Street
Douglas
Isle of Man IM1 1JE

The Directors
Numis Securities Limited
Cheapside House
138 Cheapside
London EC2V 6LH

11 September 2003

Dear Sirs

EPIC RECONSTRUCTION PLC (the "Company") AND ITS SUBSIDIARY EPIC STRUCTURED FINANCE LIMITED (collectively the "Group")

Introduction

We report on the consolidated financial information set out below. This consolidated financial information has been prepared for inclusion in the prospectus dated 11 September 2003 of the Company (the "Prospectus").

The Company was incorporated in the Isle of Man as EPIC Reconstruction plc on 25 July 2003 with registered number 108834C. A wholly-owned subsidiary company, EPIC Structured Finance Limited, was incorporated in the Isle of Man on 21 August 2003 with registered number 109054C.

Basis of preparation

The consolidated financial information set out below has been prepared by the directors of the Company (the "Directors") for the purpose of the Prospectus and covers the period from incorporation of the Company to 11 September 2003.

Responsibility

The financial information is the responsibility of the Directors and has been approved by them.

The Directors are responsible for the contents of the Prospectus in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

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

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that

the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the consolidated financial information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Group as at 11 September 2003.

Consent

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

CONSOLIDATED BALANCE SHEET AS AT 11 SEPTEMBER 2003

	<i>As at 11 September 2003 £</i>
Current assets	
Amounts due from shareholders	2.00
Net Assets	<u>2.00</u>
Share capital and reserves	
Called up share capital	2.00
Shareholders' funds – equity	<u>2.00</u>

CONSOLIDATED FINANCIAL INFORMATION

Accounting policies

The consolidated financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards. It includes financial information for the Company and its subsidiary, EPIC Structured Finance Limited.

Trading activity

Since incorporation, the Group has not traded, nor has it received any income, incurred any expenses or paid any dividends. Consequently no profit and loss account has been prepared.

Share capital

At incorporation the Company had an authorised share capital of £2,000 divided into 2,000 ordinary shares of £1 each. At incorporation of the Company, two ordinary shares were subscribed nil paid. By special resolution of the Company dated 10 September 2003, each of the existing ordinary shares was subdivided into 100 ordinary shares of 1p each and the authorised share capital was increased to £500,000 by the creation of a further 49,800,000 ordinary shares.

Yours faithfully

KPMG AUDIT LLC

PART 3

GENERAL INFORMATION

1. The Company

- (a) The Company was incorporated with limited liability in the Isle of Man as a public company limited by shares under the Laws with registered number 108834C on 25 July 2003.
- (b) Under the Laws, the Company has the capacity, rights, powers and privileges of an individual. It is not required to have an objects clause in its Memorandum of Association.

2. Share Capital

- (a) The Company was incorporated with an authorised share capital of £2,000 divided into ordinary shares of £1.00 each. At incorporation, two ordinary shares were subscribed, nil paid, by the subscribers to the Memorandum of Association. By special resolution of the Company dated 10 September 2003, each of the existing ordinary shares was subdivided into 100 ordinary shares of 1p each and the authorised share capital was increased to £500,000 by the creation of a further 49,800,000 Ordinary Shares.
- (b) The authorised share capital and the maximum issued share capital of the Company (all of which will be fully paid-up) immediately following the Placing will be as:

	<i>Authorised</i>		<i>Issued</i>	
	<i>No. of Shares</i>	<i>£ Nominal</i>	<i>No. of Shares</i>	<i>£ Nominal</i>
Ordinary Shares	50,000,000	500,000	30,000,000	300,000

- (c) Save pursuant to the Placing, since the date of incorporation no share or loan capital of the Company has been issued or agreed to be issued, or is now proposed to be issued, for cash or any other consideration.
- (d) Commission is payable to Numis under the Placing Agreement described in paragraph 7(a) below. Save as aforesaid, no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue of any such capital.
- (e) No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.
- (f) The Ordinary Shares to be issued pursuant to the Placing will be issued pursuant to a resolution of a committee of the Board on 8 September 2003, conditional upon admission of those shares to trading on AIM.
- (g) The Articles authorise the Directors to allot shares up to the authorised share capital.
- (h) A special resolution of the Company, expressed to take effect on completion of the Placing and expiring on 9 March 2005, has been passed granting the Company authority to make market purchases of up to 10 per cent. of the number of issued Ordinary Shares if the price to be paid is not more than 5 per cent. above the average of the market value of the Ordinary Shares for the 5 trading days before the purchase is made.
- (i) Neither the Articles nor Isle of Man companies legislation confer on shareholders any rights of pre-emption in respect of the allotment of equity securities.
- (j) The Company's share capital does not include any founders, management or deferred shares.

3. Directors' and other Interests

- (a) The aggregate of the remuneration to be paid to the Directors by the Company for the period from Admission and ending 31 January 2005 is not expected to exceed £120,000 (excluding any applicable VAT) and the maximum annual amount permitted to be paid by way of Directors' fees under the Articles is £120,000. The Chairman will receive £20,000 per annum (plus any applicable VAT) and the other Directors will receive £15,000 per annum (plus any applicable VAT).
- (b) There are no existing or proposed service contracts between any of the Directors and the Company. Pursuant to letters of appointment, each of the Directors is to act as a non-executive director of the Company. The appointments are terminable by either party on 3 months' prior written notice.
- (c) No loan has been granted to, nor any guarantee provided for the benefit of, any Director by the Company.

- (d) Save as disclosed in paragraph 3 no Director has any interest in any transactions which are or were unusual in their nature or conditions or significant to the business of the Company and which have been effected by the Company since incorporation or have been effected by the Company since incorporation and remain in any way outstanding or unperformed.
- (e) Donald Adamson is a non-executive director of The Equity Partnership Investment Company plc which owns 29 per cent. of The Equity Partnership Limited, the holding company of EPIC Specialist Investments Limited. Geoffrey Vero is a non-executive director of Numis Corporation plc and Numis Securities Limited (the Nominated Adviser and Broker to the Company).
- (f) The directors of ESFL are Robert Quayle, Nicholas Wilson and Vincent Campbell. Mr Campbell is a director of Barings (Isle of Man) Limited.
- (g) As at the date of this document no Director:
- (i) has any unspent convictions in relation to any indictable offences;
 - (ii) save as disclosed in paragraphs 3(k) and 3(l) of this Part 3, has been a director of any company or a partner of any firm which, at the time of or within 12 months after his ceasing to be a director or a partner (as the case may be), had any receiver appointed or went into compulsory liquidation, or creditors voluntary liquidation or went into administration, or entered into company or partnership voluntary arrangements, or made any composition or arrangement with its creditors generally or any class of the creditors of such company;
 - (iii) has become bankrupt or had any bankruptcy order served upon him or entered into any individual voluntary arrangement or had a receiver appointed over any of his assets; and
 - (iv) has had any public criticism against him by any statutory or regulatory authority (including recognised professional bodies) or has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- (h) No Director has any interest in the share capital of the Company nor has any person connected with any Director (so far as is known by, or who could with reasonable diligence be ascertained by, each Director) any interest in the share capital of the Company whether or not held through another party or any options in respect of such capital.

Save as disclosed in the table below, the Company is not aware, at the date of this document, of any person who, directly or indirectly, will be interested in 3 per cent. or more of the issued share capital of the Company.

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>Percentage (%)</i>
Lehman Brothers	11,000,000	36.7
Brit Insurance Holdings plc	5,000,000	16.7
Jupiter Asset Management	3,000,000	10.0
Deutsche Asset Management	3,000,000	10.0
Henderson Global Investors	2,750,000	9.2
Numis Securities Limited	2,050,000	6.8
Intercapital Private Group Limited	1,500,000	5.0
The Equity Partnership Investment Company plc	1,000,000	3.3

- (i) There is no one (or no corporation) who, directly or indirectly, jointly or severally, exercises control over the Company.
- (j) The Company intends to purchase directors' and officers' liability insurance for the benefit of the Directors.
- (k) The names of the companies and partnerships of which the Directors have been directors or partners in the last five years or of which they continue to be directors or partners, are as follows:

Donald Lindsay Adamson

Current directorships and partnerships

450 Wire Free Systems Fund Ltd
 Alternative Investment Strategies Ltd
 Counterpoint Corporate Consultants Ltd
 Daglingworth Ltd
 European Fund Dynamics Ltd
 Fitzrovia International Ltd
 Forbes Ltd
 Hanseatic Asset Management LBG
 Juno International Participations Ltd

Past directorships and partnerships

Aberdeen Graham Asset Management Ltd
 Aberdeen Asset Managers Jersey Ltd
 Bayard Cayman Ltd (*being dissolved*)
 Berkeley Medical Investments Ltd
 BZW Research Ltd
 Crystal Castle Euro-Finance Ltd
 GIML Services Ltd
 Janus Participations Ltd
 Jersey Phoenix Trust Ltd

Current directorships and partnerships

Juno Participations (Canada) Ltd
European Fund Dynamics Ltd
Invesco Leveraged High Yield Fund Ltd
Lindsell Train Global Media (Distributor) Inc
Lindsell Train Global Media (Accumulator) Inc
Lindsell Train Global Media (General Partner) Inc
Lindsell Train Investment Trust PLC
Lindsell Train Japan (Distributor) Inc
Lindsell Train Japan (Accumulator) Inc
Lindsell Train Japan (General Partner) Inc
Launen Ltd
Meridian Asset Management (CI) Ltd
Network CPD Ltd
Saanen Ltd
Pantheon Asia Fund Ltd
Pantheon Asia Fund II Ltd
Pantheon Asia Fund III Limited
Pantheon Europe Ltd
Pantheon Europe Fund II Ltd
Pantheon Europe Fund III Ltd
Pantheon Global Secondary Fund Ltd
Pantheon USA Fund Ltd
Pantheon USA Fund II Ltd
Pantheon USA Fund III Ltd
Pantheon USA Fund V Ltd
Pantheon USA IV Ltd
Park Heights Ltd
Research & Consulting Associates Ltd
The Bayard Fund Ltd
The Equity Partnership Investment Co plc

Robert Quayle

Current directorships and partnerships

Altargate Limited
ATIM Limited
Avis Europe International Reinsurance Limited
AXA Isle of Man Administration Limited
AXA Isle of Man Limited
AXA Isle of Man Management Ltd
Ballinrobe Limited
BBA Insurance Limited
Belmullet Limited
Bohola Limited
Bradford & Bingley Insurance Limited
Bradford & Bingley International Limited
BT (JT Mobile) Investments Limited
Communicator Insurance Company Limited
Communicator Limited
Dundrod Limited
Enpet Insurance Limited
Ferbros Realisations Limited
Forres Limited
General Nominees (Isle of Man) Limited
Interbuild Insurance Limited
International P&I Excess Reinsurance Co. Ltd
International P&I Reinsurance Company Limited
Ipsley Insurance Limited
Isle of Man Steam Packet (Holdings) Limited
Kingsgate Limited
Lawnet Insurance Limited
Meridies Insurance Limited
MITA Holdings Limited
Monkton Combe School
Nunsgate Limited

Past directorships and partnerships

King William Street (now Northavon Investments) Ltd
Lehman Brothers Portugal Growth Fund Ltd
Leveraged Income Fund Ltd (*in insolvent liquidation*)
Murray Johnstone (Jersey) Ltd
Murray Scots Portfolios Ltd
North American Growth Investments Ltd
Pantheon Global PCC Limited
Pantheon Secondary Interests Ltd
Parametre Ltd
Scottish Asian Investment Co Ltd
Seahorse Ltd
SPV Jersey Ltd
The Bayard Fund (Euro) Ltd (*being dissolved*)
Valfond Finance a.r.l.
Zophonus Ltd

Past directorships and partnerships

Abthorpe Limited (*dissolved*)
BT One Investment Limited
BT Asia Pacific Limited
BT Yucom Holdings Limited
BT3G Holdings Limited
Clifden Limited (*dissolved*)
Classic Corner Limited
Edgewood Limited
Ferbros Estates Limited (*in liquidation*)
Ferbros Land & Leisure Limited (*in liquidation*)
Ferbros Properties Limited (*dissolved*)
Ferbros Tenerife Limited (*dissolved*)
Gilmerton Limited (*dissolved*)
Key Security Limited (*N. Ireland – liquidated*)
Kilmaine Limited
Luxinvest Limited (*dissolved*)
Mount Charles Securities Limited (*N. Ireland liquidated*)
Monksgate Limited
Nassington Limited (*dissolved*)
Navegate Limited
Neville James Fund Managers Limited
Olympic Worldlink Investments Limited
Priorygate Limited
Queensgate Limited
Radio Manx Limited
Reeveton Limited (*dissolved*)
Relmor Limited (*dissolved*)
Rette Limited (*dissolved*)
Singer & Friedlander Trust Company (Isle of Man) Limited

Current directorships and partnerships

Prestige Investment Portfolio PLC
Priestgate Limited
Ridings Insurance Limited
Romeo Limited
SFIM International Limited
Sea Containers Isle of Man Limited
Singer & Friedlander (Isle of Man) Holdings Limited
Singer & Friedlander Investment Management (IOM) Limited
Talbot Insurance Limited
Tapton Insurance Limited
The Golden Jubilee Trust
The Isle of Man Steam Packet Company Limited
The Neville James Secure Capital Growth Fund plc
The Neville James Zero Preference Fund plc
The With Profits Plus Fund plc
Total Isle of Man Limited
Transceptgate Limited
United Utilities (Isle of Man) Number 1 Limited
Viridian Insurance Limited

Clive Spears

Current directorships and partnerships

Brewin Dolphin Portfolios Limited
Corinthian Portfolio Selections Funds Limited
Diversified Portfolios Fund Limited
Lowe's Personal Choice Portfolios Limited
RBSI Fund Administration Limited
RBSI Securities (Holdings) Limited
The Royal Bank of Scotland Fund Managers (C.I.) Limited
The Royal Bank of Scotland Fund Managers (Jersey) Limited

Geoffrey Vero FCA

Current directorships and partnerships

Akers BioSciences Inc
Govern Finance Limited
Mill Hill School Enterprises Limited
Mill Hill School Foundation Limited
Modular Stock Limited
Numis Corporation plc
Numis Securities Limited
Westcane Limited

Nicholas Wilson

Current directorships and partnerships

Alternative Investment Strategies Limited
Blue Chip Value and Income Fund Limited
World Web Writers.com Limited

Past directorships and partnerships

Past directorships and partnerships

Ben Nevis Five Limited
Burrage Funds Limited
Burrage Gilt Fund Limited
Kamao Investments Limited
Lonworld Fund of Funds Limited
RoyScot Jersey Limited
The Royal Bank of Scotland International Money Market Funds Limited

Past directorships and partnerships

ABN AMRO Private Equity (UK) Limited
ABN AMRO Quoted Investments (UK) Limited
Beaumont Industries Limited (*dissolved*)
CAL Group Limited
CAL Group Services Limited
Chamberlain Plastics Limited
European Automotive Components Ltd
Kennford Properties Limited (*Members voluntary liquidation*)
Lyric Hotels Limited
Medihealth Ltd
Old CAL Limited
Optoplast plc
Peaston & Company Limited
Peaston & Company (Dundee) Limited
Peaston & Company (Plymouth) Limited
Parker Hirst Limited (*dissolved*)
Parker Hirst Group Limited (*dissolved*)

Past directorships and partnerships

Beresford Property and Consultancy Limited

- (l) In the ordinary course of his duties as an investment executive of Causeway Capital, Mr Geoffrey Vero served as an institutional non-executive director of the following portfolio companies which became insolvent either during the period of his non-executive directorship or within 12 months of him ceasing to be a director: Regional Business Services Limited, Keeling Lamont Group Limited, Linereserve Limited and Shogun Jewellery Limited. Mr Nicholas Wilson was a non-executive director of Unit Furniture Limited, which went into liquidation in 1981 and Island Holdings Limited, which went into liquidation in 1982.
- (m) Andrew Castle was a subject of a private criminal prosecution brought in 1989 arising from a transaction on which his firm had advised while he was practising as a solicitor. The proceedings were dismissed by the Court which took the view that no credible evidence had been produced to support the charges. The defendants were awarded costs out of public funds.
- (n) Save as disclosed in this Part, no person (other than a professional adviser referred to in this document or trade supplier dealing with the Company) has:
 - (i) received, directly or indirectly, from the Company within the 12 months preceding the Company's application for Admission; or
 - (ii) entered into any contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission any of the following:
 - (a) fees totalling £10,000 or more;
 - (b) securities in the Company with a value of £10,000 or more calculated by reference to the placing price of £1 per Share; or
 - (c) any other benefit with the value of £10,000 or more at the date of Admission.
- (o) Andrew Castle's services will be provided to the Investment Adviser by Reconstruction Advisers Limited, a company controlled by Mr Castle and in which the Investment Adviser and a subsidiary of Lehman Brothers will have minority shareholdings. Lehman Brothers has agreed to co-operate in developing opportunities for the Company and the broader market in arranging finance for distressed and previously insolvent businesses.

4. Memorandum of Association

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

THE COMPANIES ACTS 1931 TO 1993
ISLE OF MAN
A COMPANY LIMITED BY SHARES
MEMORANDUM OF ASSOCIATION
OF
EPIC Reconstruction plc

1. The name of the Company is EPIC Reconstruction plc.
2. The Company is a public company.
3. The liability of the members is limited.
4. Restrictions, if any, on the exercise of the rights, powers and privileges of the Company:-
None, unless and until decided upon by Special Resolution of the Company in accordance with Section 6 of the Companies Act 1986.
5. The share capital of the Company is £2,000 divided into 2,000 shares of £1 each.
We, the subscribers to this memorandum of association:
 - (a) wish to be formed into a Company pursuant to this memorandum;
 - (b) agree to take the number of shares shown opposite our respective names;
 - (c) declare that all the requirements of the Companies Acts 1931 to 1993 in respect of matters relating to registration and of matters precedent and incidental thereto have been complied with.

<i>Names and addresses of Subscribers</i>	<i>Signatures</i>	<i>Number of Shares Taken</i>
Barfield Nominees (IOM) Limited St James's Chambers Athol Street Douglas Isle of Man IM1 1JE		One
Pollett Limited St James's Chambers Athol Street Douglas Isle of Man IM1 1JE		One

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

(a) *Votes of Members*

The Shareholders have the right to receive notice of, and to attend, general meetings of the Company. Subject to the restrictions referred to below and subject to any special rights or restrictions for the time being attached to any class of shares, every holder of Ordinary Shares who is present in person (or, being a corporation, by representative) at a general meeting on a show of hands has one vote and, on a poll, every such holder who is present in person (or, being a corporation, by representative) or by proxy has one vote in respect of each Ordinary Share held.

(b) *Restrictions on Voting*

(i) A member of the Company shall not be entitled in respect of any share held by him to attend or vote (either personally or by representative or by proxy) at any general meeting or separate class meeting of the Company unless all amounts payable by him in respect of that share have been paid.

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

(c) *Variation of Rights*

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

(d) *Capital entitlement*

On a winding up, the holders of the Ordinary Shares shall be entitled, pro rata to their holdings, to all the assets of the Company available for distribution to shareholders.

(e) *Issue of shares*

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

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

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

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

(f) *Notice requiring disclosure of interest in shares*

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

(g) *Uncertificated shares*

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

(h) *Transfer of shares*

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

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

(i) *Compulsory transfer of shares*

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

(j) *Alteration of capital and purchase of shares*

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

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

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

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

(k) *Interests of Directors*

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

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

- (1) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person for the benefit of the Company or any of its subsidiaries;
 - (2) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director himself has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
 - (3) a contract, arrangement, transaction or proposal concerning or the offer of shares, debentures or other securities of the Company or its subsidiaries in which offer he is or may be entitled to participate or in the underwriting or sub-underwriting of which he is to or may participate;
 - (4) any proposal concerning any other company in which he is interested, directly or indirectly, as an officer, creditor or shareholder or otherwise, provided that he, together with persons connected with him, is not to his knowledge the holder of or beneficially interested in one per cent. or more of any class of the equity share capital of any such company (or of any third company through which his interest is derived) or of the voting rights of such company;
 - (5) any arrangement for the benefit of employees of the Company or any of its subsidiaries which accords to the Director only such privileges and advantages as are generally accorded to the employees to whom the arrangement relates; or
 - (6) any proposal for the purchase or maintenance of insurance for the benefit of the Directors or persons including the Directors.
- (iii) Any Director may act by himself or by his firm in a professional capacity for the Company, other than as auditor, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.
- (iv) Any Director may continue to be or become a director, managing director, manager or other officer or member of a company in which the Company is interested, and any such Director shall not be accountable to the Company for any remuneration or other benefits received by him.
- (l) *Remuneration and Appointment of Directors*
- (i) The Directors shall be remunerated for their services at such rate as the Directors shall determine provided that the aggregate amount of such fees shall not exceed £120,000 per annum (or such sum as the Company in general meeting shall from time to time determine). The Directors shall also be entitled to be paid all reasonable expenses properly incurred by them in attending general meetings, board or committee meetings or otherwise in connection with the performance of their duties.
 - (ii) A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with the office of Director on such terms as to tenure of office and otherwise as the Directors may determine.
 - (iii) The Directors may at any time appoint any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall be eligible for re-election at the next annual general meeting following his appointment. Without prejudice to those powers, the Company in general meeting may appoint any person to be a Director either to fill a casual vacancy or as an additional Director. The Directors may from time to time appoint one or more of their body to the office of managing director or to any other office for such term and at such remuneration and upon such terms as they determine.
 - (iv) A Director, notwithstanding his interest, may be counted in the quorum present at any meeting where he or any other Director is appointed to hold any such office or place of profit under the Company, or where the terms of appointment are arranged or any contract in which he is interested is considered and he may vote on any such appointment or arrangement other than his own appointment or the terms thereof.
- (m) *Retirement, Disqualification and Removal of Directors*
- (i) There is no obligation on the Directors to retire by rotation.
 - (ii) A Director shall not be required to hold any qualification shares.
 - (iii) There is no age limit at which a Director is required to retire.

- (iv) The office of Director shall be vacated if the Director resigns his office by written notice, if he shall have absented himself from meetings of the Board for three consecutive Board meetings and the Board resolves that his office shall be vacated, if he becomes of unsound mind or incapable, if he becomes insolvent, suspends payment or compounds with his creditors, if he is requested to resign by written notice signed by all his co-Directors, if the Company in general meeting shall declare that he shall cease to be a director, or if he becomes resident in the United Kingdom and, as a result, a majority of the Directors are resident in the United Kingdom.
- (n) *Dividends*
- (i) Subject to the rights of persons entitled to shares with special rights as to dividends, the Company in general meeting may declare a dividend but no dividend shall exceed the amount recommended by the Directors.
 - (ii) The Directors may if they think fit from time to time pay the members such interim dividends as appear to be justified by the profits of the Company.
 - (iii) All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee thereof. No dividends shall bear interest against the Company. Any dividend unclaimed after a period of 12 years from the date of declaration of such dividend shall (if the Board so resolves) be forfeited and shall revert to the Company.
 - (iv) The Directors are also empowered to create reserves before recommending or declaring any dividend. The Directors may also carry forward any profits which they think prudent not to distribute.
- (o) *Borrowing Restrictions*
- The Board may exercise all the powers of the Company to borrow money and to give guarantees, mortgage, hypothecate, pledge or charge all or part of its undertaking, property or assets and uncalled capital and to issue debentures and other securities whether outright or as collateral security for any liability or obligation of the Company or of any third party.
- (p) *Register of Shareholders*
- The register of Shareholders is kept in the Isle of Man pursuant to the Laws.

5. Overseas Investors

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

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

The Articles contain provisions designed to exclude the holding of Ordinary Shares by Isle of Man residents (unless exempt from taxation in the Isle of Man) and to restrict the holding of Ordinary Shares by persons,

including US Persons, where in the opinion of the Directors such a holding could cause or be likely to cause the Company some legal, regulatory, pecuniary, tax or material administrative disadvantage.

The Ordinary Shares may not be commercially offered and distributed in Switzerland.

6. Conflicts of Interest

- (a) The Investment Adviser may provide investment advisory, management and other services to other clients (including investment companies), including clients which may invest in assets in which the Company may invest, and, in providing such services, may use information obtained by it which it uses in advising on the Company's investments. In the event of a conflict of interest arising, the Investment Adviser will ensure that it is resolved fairly in the best interests of the Shareholders and that investment opportunities shall be fairly allocated to its clients. Furthermore, the activities of the Investment Adviser in its capacity as the Company's Investment Adviser are subject to the overall direction and review of the Directors. Under the terms of the Investment Advisory Agreement between the Investment Adviser and the Company, the Investment Adviser may effect transactions which involve a potential conflict with its duty to the Company, subject to the overriding principles of suitability and with the prior consent of the Directors. The Investment Adviser is obliged to disclose to the Company details of all transactions intended to be effected where there is such a potential conflict of interest.
- (b) Andrew Castle was a founder director and shareholder of Corporate Solutions. He remains a 40 per cent. shareholder but has resigned as a director and is no longer active in its business. His wife, Julie Castle, remains an executive director of Corporate Solutions.

7. Material Contracts

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

- (a) The Placing Agreement dated 10 September 2003 between the Company, the Directors and Numis under which Numis has conditionally agreed, as agent for the Company, to use its reasonable endeavours to procure places for 30,000,000 Ordinary Shares at the Placing Price.

In consideration for its services Numis will be paid a corporate finance fee of £300,000 plus a commission equal to 3 per cent. of the Placing Price on Ordinary Shares for which Numis procures subscribers. The Company has given warranties and indemnities to Numis, which shall be entitled to terminate its obligations prior to Admission in the event of a material breach of the warranties occurring. The Placing Agreement may be terminated by Numis if any material statement contained in the Prospectus is discovered to be untrue, incorrect or misleading in any material respect, or there has been a material breach of any of the warranties or any other material term of the Placing Agreement on the part of the Company.

- (b) The Investment Advisory Agreement dated 10 September 2003 between the Company and the Investment Adviser under which the Company has appointed the Investment Adviser to be responsible for the provision of investment advice in relation to the Company's investment portfolio.

The Investment Advisory Agreement is terminable by either party by 12 months' prior written notice given at any time, subject to earlier termination by either party in the event of, *inter alia*, a party having a receiver, administrator or liquidator appointed or committing a material breach of the Investment Advisory Agreement. In addition, the Investment Advisory Agreement will be terminable forthwith at the Company's option following any period of 180 days during which neither Jo Welman nor a replacement key director of the Investment Adviser approved by the Board (previously or during such 180 day period) is available to perform his duties as an executive director of the Investment Adviser.

The Investment Adviser shall be entitled to the investment advisory and performance fees described in Part 1 of this document.

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

- (c) The Administration Agreement dated 10 September 2003 between the Company and the Administrator whereby the Administrator has agreed to provide the Company with administrative, registrar and secretarial services to the Company as therein provided for a quarterly fee equal to 0.15 per cent. per annum of the Company's net asset value as at 31 January in each year, subject to a minimum fee per annum of £30,000 (exclusive of VAT) plus all reasonable out of pocket expenses (including the fees of the CREST provider),

and save that the first payment as at 31 January 2004 shall be pro-rated in respect of the period from the date of this document to 31 January 2004.

The fee will be subject to review on 31 January 2005 and annually thereafter. The Administrator will also be entitled to a fee for time spent in connection with the formation of the Company and the Placing, estimated not to exceed £5,000 plus VAT. The Administration Agreement is terminable, *inter alia*, by either party on six months' notice. The Administrator shall provide or procure the appointment of Philip Scales (a director of the Administrator) as secretary to the Company and, if required, in succession to him another individual who shall be qualified to act as a secretary of an Isle of Man public company. The Company agrees to indemnify the Administrator against liability, subject to exclusion in the case of negligence, wilful default, fraud or bad faith on the part of the Administrator.

8. Working Capital

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

9. Miscellaneous

- (a) The Ordinary Shares may be issued in certificated form or uncertificated form and settled through CREST. Temporary documents of title will not be issued. Definitive share certificates in respect of the New Ordinary Shares are expected to be despatched on or before 23 September 2003. In respect of uncertificated shares, it is expected that Shareholders' CREST stock accounts will be credited on 16 September 2003.
- (b) The expenses of establishing the Company (including preliminary expenses estimated at £1,000), are expected to amount to £1.9 million. These include the commission of 3 per cent. and fee of £300,000 payable to Numis as referred to in paragraph 7(a), and commission of up to 1 per cent. payable to John Macmillan and Andrew Castle (of which Andrew Castle will receive no more than £100,000) and including any irrecoverable VAT to be paid by the Company. Accordingly, on the basis of 30,000,000 New Ordinary Shares being issued under the Placing, the net proceeds of the Placing (including recoverable VAT) will be £28.1 million. The net proceeds will be invested in accordance with the Company's investment policy.
- (c) The Company has not been and is not currently engaged in any legal or arbitration proceedings nor, so far as the Company is aware, are there any such legal or arbitration proceedings pending or threatened by or against the Company which may have or have had since the Company's incorporation a significant effect on the Company's financial position.
- (d) The Placing Price of 100p per Ordinary Share represents a premium of 99p over the nominal value of each Ordinary Share.
- (e) No Ordinary Share available under the Placing is being underwritten.
- (f) The Directors confirm that the Company was incorporated and registered on the date referred to in paragraph 1 above and that, save for its entry into the material contracts described in paragraph 7 above, the Company has not traded.
- (g) There has been no significant change in the trading or financial position of the Company since the date of its incorporation and the Company does not have nor has it had since incorporation any employees and it neither owns nor leases any premises.
- (h) Numis has given and has not withdrawn its written consent to the issue of this document and the references to itself in the form and context in which such references appear.
- (i) The Investment Adviser has given and has not withdrawn its written consent to the issue of this document and the references to itself in the form and context in which such references appear.
- (j) KPMG Audit LLC has given and has not withdrawn its written consent to the inclusion of its report as set out in Part 2 of this document and the references to itself in the form and context in which such references appear.
- (k) The minimum amount which in the opinion of the Directors must be raised by the Placing to provide for the matters set out in paragraph 5 of the Fourth Schedule to the Companies Act 1931 and paragraph 21 of Part IV of Schedule 1 to the POS Regulations is £1,000. This sum will be applied in payment of preliminary expenses payable by the Company. There are no amounts to be provided in respect of the matters aforesaid otherwise than out of the proceeds of the Placing.

10. Isle of Man Statutory Information

- (a) Copies of the material contracts listed in paragraph 7 above and of the written consents referred to in paragraph 9 above have been delivered to the Financial Supervision Commission in the Isle of Man together with a copy of this Prospectus.
- (b) For the purposes of paragraph 6 of the Fourth Schedule to the Companies Act 1931 the subscription list will open at 11 a.m. on 11 September 2003.
- (c) Save as disclosed in this document, no amount or benefit has been paid or given within the 2 years preceding the date of this document, or is intended so to be given, to any promoter.

11. Documents Available for Inspection

- (a) Copies of the following documents will be available for inspection at the registered office of the Company and at the offices of Latham & Watkins at 99 Bishopsgate, London EC2M 3XF during business hours on any weekday for a period of one month following Admission (Saturdays and public holidays excepted):
 - (i) the Memorandum of Association of the Company;
 - (ii) the report of KPMG Audit LLC appearing in Part 2 of this document;
 - (iii) the material contracts referred to in paragraph 7 above;
 - (iv) the written consents referred to in paragraph 9 above; and
 - (v) this document.
- (b) *Availability of the Prospectus*

Copies of this document are available for collection free of charge from the Company's registered office in the Isle of Man and from Numis Securities Limited, Cheapside House, 138 Cheapside, London EC2V 6LH for a period of one month following Admission.

The date of this document is 11 September 2003.

