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This document, which comprises an admission document, has been drawn up in accordance with the AIM Rules. The definitions used in this document are at pages 79 to 83.

The Directors of India Capital Growth Fund Limited (the "Company"), whose names appear on page 6 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made for all of the Ordinary Shares and Warrants of the Company, in issue and to be issued pursuant to the Placing, to be admitted to trading separately on the AIM market of the London Stock Exchange ("AIM"). It is expected that admission will become effective and that dealings will commence on AIM on 22 December 2005.

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 (the "Official List"). 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. The rules of AIM are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the Ordinary Shares to the Official List. Further, neither the UK Listing Authority nor the London Stock Exchange has examined or approved the contents of this document. The Ordinary Shares are not traded on any other recognised investment exchange and no other such applications have been made. The whole text of this document should be read. The attention of investors is drawn in particular to the risk factors set out in Part II of this document.

INDIA CAPITAL GROWTH FUND LIMITED

(a closed-ended investment company incorporated in Guernsey with registration number 43916)

Admission to trading on AIM

Placing of 75,000,000 Ordinary Shares with Warrants attached on a 1 for 5 basis at 100p per Ordinary Share

by

Arbuthnot Securities Limited

Nominated Adviser and Broker

Ordinary share capital immediately following Admission

<i>Authorised</i>			<i>Issued and fully paid</i>	
<i>Number</i>	<i>Amount</i>		<i>Number</i>	<i>Amount</i>
125,000,000	£1,250,000	ordinary shares of 1 pence each	75,000,000	£750,000

Arbuthnot Securities Limited, which is regulated by the Financial Services Authority, is acting as nominated adviser and broker to the Company in relation to the Placing and will not be responsible to any person other than the Company for providing the protections afforded to its customers or for advising any other person on the contents of this document or any transaction or arrangement referred to herein. Arbuthnot Securities Limited has not authorised the contents of any part of this document for the purposes of the AIM Rules. The responsibilities of Arbuthnot Securities Limited as the Company's nominated adviser and broker under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or any Director or Shareholder or any other person in respect of a decision to subscribe for shares in the Company. Arbuthnot Securities Limited is not making any representation or warranty, express or implied, as to the contents of this document.

Application has been made for consent under the Control of Borrowing (Bailiwick of Guernsey) Ordinances 1959 to 1989 for the circulation of this document in so far as it relates to the issue of the Ordinary Shares and Warrants and to the raising of money by the issue of Ordinary Shares and Warrants. Neither the Guernsey Financial Services Commission nor the States of Guernsey Policy Council accept any responsibility for the financial soundness of the Company or for the correctness of any of the statements made or opinions expressed with regard thereto.

The Company has not been and will not be registered under the Investment Company Act. In addition, the Ordinary Shares and Warrants have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States, Panama, Bermuda or the Cayman Islands. Consequently, none of the Ordinary Shares or the Warrants may be offered or sold or otherwise transferred within the United States, Panama, Bermuda or the Cayman Islands or to, or for the account or benefit of, US Persons except in accordance with the Securities Act or an exemption therefrom and under circumstances which will not require the Company to register under the Investment Company Act or except in accordance with the applicable laws and regulations of Panama, Bermuda or the Cayman Islands. The Ordinary Shares and Warrants may only be resold or transferred in accordance with the restrictions set forth under the section headed "Transfer of Ordinary Shares and Warrants" in Section 8 of Part IV of this document. Subject to certain exceptions, this document should not be distributed, forwarded, transferred or otherwise transmitted to any persons within the United States or to any US Persons or to any persons within Panama, Bermuda or the Cayman Islands.

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 into Canada, Australia, the Republic of Ireland or Japan. The issuance of the Ordinary Shares and Warrants has not been and will not be registered under the applicable securities laws of Canada, Australia, the Republic of Ireland or Japan and will not be made to any national, resident or citizen of Canada, Australia, the Republic of Ireland 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 restriction. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdictions.

In making any investment decision in respect of the Placing, no information or representation should be relied upon in relation to the Placing or in relation to the Ordinary Shares and Warrants other than as contained in this document. No person has been authorised to give any information or make any representation other than that contained in this document and, if given or made, such information or representation must not be relied upon as having been authorised.

IMPORTANT NOTICE

For the attention of Guernsey residents

The Ordinary Shares are only being promoted in or from within the Bailiwick of Guernsey either (i) by persons licensed to do so under the Protection of Investors (Bailiwick of Guernsey) Law, 1987 (as amended) or (ii) to persons licensed under the Protection of Investors (Bailiwick of Guernsey) Law, 1987 (as amended), the Insurance Business (Guernsey) Law, 2002 (as amended), the Banking Supervision (Bailiwick of Guernsey) Law, 1994 or the Regulation of Fiduciaries, Administration Businesses and Company Directors, etc. (Bailiwick of Guernsey) Law, 2000. Promotion is not being made in or from within the Bailiwick of Guernsey in any other way.

For the attention of Hong Kong residents

This document has not been registered as a prospectus under the Companies Ordinance of Hong Kong. Accordingly, this document does not constitute an offer to the public for the purposes of that ordinance nor of the Securities and Futures Ordinance of Hong Kong. The Ordinary Shares and Warrants may not be offered or sold in Hong Kong by means of any document other than to professional investors within the meaning of the Securities and Futures Ordinance of Hong Kong and in circumstances that do not constitute a public offer within the meaning of the Companies Ordinance of Hong Kong. The contents of this document have not been reviewed by any regulatory authority in Hong Kong. Potential investors are advised to exercise caution in relation to the Placing. If potential investors are in any doubt about any of the contents of this document, they should obtain independent professional advice.

For the attention of Swiss residents

The Ordinary Shares and Warrants are only offered pursuant to this document to a limited number of investors in Switzerland by way of private placement without any public offering. This document may only be used by those persons to whom it has been distributed in connection with the offer of Ordinary Shares described in this document.

For the attention of US residents

The Ordinary Shares and Warrants have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States and, may not be offered or sold within the United States or to, or for the account or benefit of, US Persons (as defined in Regulation S under the Securities Act) except in accordance with the Securities Act or an exemption therefrom and under circumstances which will not require the Company to register under the Investment Company Act. The Company has not been and will not be registered under the Investment Company Act and investors will not be entitled to the benefits of the Investment Company Act. The Ordinary Shares and Warrants have not been approved or disapproved by the US Securities and Exchange Commission, any State Securities Commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of Ordinary Shares and Warrants or the accuracy or adequacy of this Admission Document. Any representation to the contrary is a criminal offence in the United States and re-offer or resale of any of the Ordinary Shares and Warrants in the United States or to US Persons may constitute a violation of US law or regulation. Subject to certain exemptions, applicants for Ordinary Shares and Warrants will be required to certify that they are not US Persons and are not subscribing for Ordinary Shares and Warrants on behalf of US Persons. Subject to certain exemptions, this document should not be distributed, forwarded, transferred or otherwise transmitted to any person within the United States or any US Persons.

For the attention of New Hampshire residents

NOTICE TO NEW HAMPSHIRE RESIDENTS. NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATION OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

For the attention of residents in the European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), Arbuthnot has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Shares or warrants ("Securities") to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Securities to the public in that Relevant Member State:

- (a) in the period beginning on the date of publication of this document in relation to those Securities which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of the following attributes (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- (d) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Securities to the public” in relation to any Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase or subscribe for the Securities, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression “Prospectus Directive” means Directive 2003/71/EC of the European Parliament and of Council of 4 November 2003 includes any relevant implementing measure in each Relevant Member State.

During the period up to but excluding the date on which the Prospectus Directive is implemented in Member States other than the Netherlands, the United Kingdom, Luxembourg, Germany, France and Belgium, as well as, at any time, in any other jurisdictions, this document may not be used for, or in connection with, and does not constitute, any offer of any Securities or an invitation to purchase or subscribe any Securities in any Member State or jurisdiction in which such offer or invitation would be unlawful.

For the attention of residents of Liechtenstein, Panama, Bermuda and the Cayman Islands

The Ordinary Shares and Warrants may not be offered or sold or otherwise transferred within Liechtenstein, Panama, Bermuda or the Cayman Islands except in accordance with the applicable laws and regulations of Liechtenstein, Panama, Bermuda or the Cayman Islands, as the case may be. The Company has not been authorised by any regulatory authority in such jurisdictions, nor has this Admission Document nor any of the documents referred to herein been filed with, reviewed or approved by any regulatory authority in such jurisdictions. If potential investors are in any doubt as to the contents of this document, they should obtain independent professional advice.

FORWARD LOOKING STATEMENTS

This document contains forward looking statements, including, without limitation, statements containing the words “believe”, “anticipated”, “expect” and similar expressions. Such forward looking statements involve unknown risk, uncertainties and other factors which may cause the actual results, financial condition, performance or achievement of the Company, or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Factors that might cause such a difference include, but are not limited to:

- There can be no assurance that the investment objective of the Company will be met.
- The value of the Indian equity securities and Indian equity-linked securities in which the Group invests may fluctuate and there is no guarantee that the amounts invested by the Group will be returned in whole or in part. Potential investors should note that an independent valuation agent has not been appointed and no third party will value the Group’s investments on an independent basis.
- There is no guarantee that the market price of Ordinary Shares will fully reflect their underlying Net Asset Value.
- Changes in economic conditions in India could substantially and adversely affect the Group’s prospects.
- Neither the Company nor IIP have an operating history. The success of the Company will depend on the Fund Manager’s ability to identify and realise investments in accordance with the Company’s investment objectives.
- The Group’s portfolio is expected to comprise predominantly Rupee denominated investments and it is intended that all monies returned to the Shareholders and the reported Net Asset Value will be denominated in Sterling. Any depreciation in the Rupee could have an adverse impact on the performance of the Group. The Group is not intending to enter into currency hedging transactions.
- US Persons will be subject to significant transfer restrictions in this offering or in secondary transactions in the future.
- Any change in the Group’s tax status, or in taxation legislation or in the interpretation or application of taxation legislation could affect the value of investments held by the Group, the Company’s ability to achieve its stated objective and/or alter the post tax returns receivable by Shareholders.

Additional factors that could affect the Company’s ability to achieve its objectives and could cause actual results to differ materially from those in forward-looking statements include, but are not limited to, those discussed in “Risk Factors” set out in Part II of this document.

Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward looking statements. The Company disclaims any obligation to update any such forward looking statements in this document to reflect future events or developments.

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DIRECTORS, SECRETARY AND ADVISERS

Directors of the Company	M. L. Ingall (<i>Chairman</i>) J. M. B. Cayzer-Colvin A. Dayal R. P. King R. C. Nicholson
Registered Office of the Company	Trafalgar Court Les Banques St. Peter Port Guernsey GY1 3QL
Fund Manager	<i>Initial</i> Polar Capital LLP 4 Matthew Parker Street London SW1H 9NP <i>Following receipt of FSA Authorisations</i> India Investment Partners Limited Cayzer House 30 Buckingham Gate London SW1E 6NN
Administrator and the Company Secretary	Northern Trust International Fund Administration Services (Guernsey) Limited PO Box 255 Trafalgar Court Les Banques St. Peter Port Guernsey GY1 3QL
Nominated Adviser and Broker	Arbuthnot Securities Limited Arbuthnot House 20 Ropemaker Street London EC2Y 9AR
Solicitors to the Company as to UK and US law	Herbert Smith LLP Exchange House Primrose Street London EC2A 2HS
Solicitors to the Nominated Adviser and Broker	Norton Rose Kempson House Camomile Street London EC3A 7AN
Advocates to the Company as to Guernsey law	Carey Olsen 7 New Street St. Peter Port Guernsey GY1 4BZ
Counsel to the Group as to Indian Law	AZB & Partners Express Towers 23rd Floor Nariman Point Mumbai 400 021 India

Auditors of the Company and Reporting Accountants	Ernst & Young LLP PO Box 9 14 New Street St. Peter Port Guernsey GY1 4AF
Custodian	The Hong Kong and Shanghai Banking Corporation Limited (Custody and Clearing) HSBC Central Services Centre 8 Sk Ahire Marg Worli Mumbai 400 030 India
Registrar	Capita IRG (CI) Limited 2nd Floor No. 1 Le Truchot St. Peter Port Guernsey GY1 4AE
CREST Agent, UK Paying Agent and Transfer Agent	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Counsel and tax adviser to the Group as to Mauritian law, Mauritian Administrator, registrar and secretary of the Mauritian Companies	Ms Anupama Basanka Lala and International Financial Services Limited Twenty Eight Cybercity Ebene Mauritius
Auditors of the Mauritian Companies	Ernst & Young LLP 1st and 2nd Floors Anglo Mauritius House 4 Intendance Street Port Louis Mauritius

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Admission and dealings commence in the Ordinary Shares and Warrants on AIM	8.00 a.m. on 22 December 2005
CREST Stock Accounts credited	22 December 2005
Despatch of definitive certificates in respect of the Ordinary Shares and Warrants	10 January 2006

PLACING STATISTICS

Placing Price per Ordinary Share	100p
Number of Ordinary Shares in issue following the Placing	75,000,000
Number of Warrants in issue following the Placing	15,000,000
Market capitalisation at the Placing Price	£75.0 million
Gross proceeds of the Placing	£75.0 million
Net proceeds of the Placing to be received by the Company	£73.5 million
Initial Net Asset Value per Ordinary Share	98 pence

KEY INFORMATION

The following information is derived from and should be read in conjunction with the full text of this document. You should read the whole of this document and not rely solely on the key information set out below.

The Company

The Company is a new closed-ended investment company registered and incorporated in Guernsey. The Company has been established to take advantage of long-term investment opportunities in companies based in India, either directly or through subsidiaries. Its capital is denominated in Sterling and will initially consist of a single class of Ordinary Shares with associated Warrants issued to Shareholders on Admission on the basis of one Warrant for every five Ordinary Shares issued.

The Company currently does not have a fixed life but the Board considers it desirable that Shareholders should have the opportunity to review the future of the Company after an initial period of ten years and periodically thereafter. Accordingly, at the Annual General Meeting of the Company in 2015 (and every five years thereafter) an ordinary resolution will be proposed that the Company should continue as presently constituted.

Mauritian Companies

As at Admission, the Group will consist of the Company and its subsidiaries, ICG Q Limited and ICG U Limited, both newly incorporated Mauritian limited liability companies. ICG Q Limited will invest in listed Indian securities and ICG U Limited will invest in unlisted Indian securities.

Investment Policy and Objective

The Company's investment objective is to provide long-term capital appreciation by investing (directly or indirectly) in companies based in India. The investment policy permits the Group to make investments in a range of Indian equity and equity-linked securities. The Directors intend that, once fully invested, the Group's investments will predominantly be in listed small to mid-cap Indian companies with a smaller proportion in unlisted Indian companies. Investment may also be made in large-cap listed Indian companies and in companies incorporated outside India, which have significant operations or markets in India, where the Fund Manager believes long-term capital appreciation will be achieved.

While the principal focus will be on investments in listed or unlisted equity securities or equity-linked securities, the Group will have the flexibility to invest in bonds (including non-investment grade bonds), convertibles and other types of securities, where suitable opportunities arise.

The Group may use derivative instruments such as financial futures, options and warrants. The Group may, from time to time, use borrowings to provide short-term liquidity and, if the Directors deem it prudent, for longer term purposes. The Directors intend to restrict borrowings on a longer term basis to a maximum amount equal to 25 per cent. of the net assets of the Group at the time of the drawdown.

Fund Manager

Upon receipt of the FSA Authorisations, the Group's assets will be managed by India Investment Partners Limited ("IIP"); prior to that, the Group's assets will be managed by Polar Capital LLP.

IIP is a limited liability company incorporated in England and Wales on 5 October 2005. Caledonia Investments plc ("Caledonia") owns 43 per cent. of IIP's shares in issue and the balance is owned in equal proportions by James Winterbotham and two Singaporean incorporated companies (being Odysseus Ventures (Singapore) Pte. Ltd and Add Capital Pte. Ltd). Further information on IIP is set out on page 16 of this document.

The Fund Manager will be entitled to a management fee equivalent to 1.5 per cent. of Total Assets per annum and will also be entitled to a performance fee, details of which are set out on pages 19 to 20 of this document.

The Placing

The Company is proposing to raise £75.0 million (before expenses) through a conditional placing, to be undertaken by Arbuthnot Securities, of 75.0 million Ordinary Shares at a Placing Price of 100p per Share (with Warrants attached on a one for five basis). The aggregate proceeds of the Placing are expected to be approximately £73.5 million, after deduction of associated expenses.

The Company has received a commitment from Caledonia to subscribe for 16.5 million Ordinary Shares through the Placing representing 22 per cent. of the issued share capital of the Company following Admission.

Application has been made for all of the Ordinary Shares and Warrants of the Company (in issue and to be issued pursuant to the Placing) to be admitted to trading on the AIM market of the London Stock Exchange. It is expected that Admission will become effective and that dealings will commence on AIM on 22 December 2005.

At the discretion of the Directors and depending on the performance of the Company, the Company may make available a tender facility for Ordinary Shares at the prevailing NAV per Ordinary Share, subject to a discount of 5 per cent. (to cover the costs of the repurchase). The maximum number of Ordinary Shares that may be tendered pursuant to any tender facility in any financial year will be limited to 14.99 per cent. of the Ordinary Shares in issue at the commencement of the relevant financial year, with any excess tender requests being scaled back pro rata. Further details of this tender facility are set out in paragraph 17 of Part I of this document.

Eligibility

Each prospective investor will be required to certify that it is not a “US Person” within the meaning of Regulation S of the Securities Act. Prospective investors unable to provide this certification will be required to satisfy the Company, the Fund Manager and Arbuthnot Services that they are “accredited investors” as defined in Regulation D of the Securities Act and “qualified purchasers” within the meaning of Section 3(c)(7) of the Investment Company Act. See “Transfer of Ordinary Shares and Warrants” as set out in paragraph 8 of Part IV of this document.

Transfer restrictions

Ordinary Shares and Warrants acquired by US Persons will be subject to significant transfer restrictions in this offering or in secondary transactions in the future. See “Transfer of Ordinary Shares and Warrants; US Investors” as set out in paragraph 8 of Part IV of this document.

Risk Factors

Before investing in the Ordinary Shares and Warrants, prospective investors should consider carefully, together with the other information contained in this document, the factors and risks attaching to an investment in the Ordinary Shares and Warrants described in “Risk Factors”, including the following risks:

- There can be no assurance that the investment objective of the Company will be met;
- The value of the Indian equity securities and Indian equity-linked securities in which the Group invests may fluctuate and there is no guarantee that the amounts invested by the Group will be returned in whole or in part. Potential investors should note that an independent valuation agent has not been appointed and no third party will value the Group’s investments on an independent basis;
- There is no guarantee that the market price of Ordinary Shares will fully reflect their underlying Net Asset Value;

- Changes in economic conditions in India could substantially and adversely affect the Group's prospects;
- Neither the Company nor IIP have an operating history. The success of the Company will depend on the Fund Manager's ability to identify and realise investments in accordance with the Company's investment objective;
- The Group's portfolio is expected to comprise predominantly Rupee denominated investments and it is intended that all monies returned to the Shareholders and the reported Net Asset Value will be denominated in Sterling. Any depreciation in the Rupee could have an adverse impact on the performance of the Group. The Group is not intending to enter into currency hedging transactions;
- US Persons will be subject to significant transfer restrictions in this offering or in secondary transactions in the future;
- Warrant holders will be required to deliver, upon any exercise of the rights under the Warrants, such certifications, legal opinions and other information as the Company may reasonably require to confirm that the proposed exercise complies with relevant US law restrictions; and
- Any change in the Group's tax status, or in taxation legislation or in the interpretation or application of taxation legislation could affect the value of investments held by the Group, the Company's ability to achieve its stated objective and/or alter the post tax returns receivable by Shareholders.

The attention of potential investors is drawn to the section entitled "Risk Factors" set out in Part II of this document.

PART I
INFORMATION ON THE GROUP

1. INTRODUCTION

India Capital Growth Fund Limited is a new closed-ended investment holding company registered and incorporated in Guernsey, with wholly owned subsidiaries incorporated in Mauritius. The Group has been established to take advantage of long-term investment opportunities in companies based in India, in accordance with the Group's investment objective and policy as set out in this document. Upon receipt of the FSA Authorisations, the Group's assets will be managed by IIP; prior to that time, they will be managed by Polar Capital LLP to whom James Winterbotham, one of the Key Personnel, will be seconded by IIP (as described in the section "Fund Manager" on pages 15 to 16 of this document).

The Company's share capital will comprise Ordinary Shares. Warrants will also be issued to Shareholders subscribing in the Placing on the basis of one Warrant for every five Ordinary Shares issued. Application has been made for the Ordinary Shares and the Warrants to be admitted to trading on AIM.

The Company has an indefinite life but a continuation resolution will be proposed at the annual general meeting to be held in 2015 and every five years thereafter.

2. INVESTMENT RATIONALE

India is a country with a population of over 1 billion and a land area of 3.3 million square km bordered by Bangladesh, Bhutan, Burma, China, Nepal and Pakistan. The population is young, with approximately 25.5 per cent. being between 15 and 29 years old, and a life expectancy of approximately 65 years. India is the fourth largest economy in the world in terms of purchasing power parity ("PPP"), having an estimated PPP adjusted GDP of US\$2.9 trillion in 2004.

The Directors consider that there are a range of sound long-term investment opportunities in listed and unlisted companies based in India, in particular within small to medium sized companies. The Directors further consider that the Group is well placed to take advantage of such opportunities, which are often overlooked by other institutional funds with shorter investment horizons than those of the Group.

Opportunities arising from economic considerations

India is undergoing sustained and high GDP growth, averaging approximately 5.9 per cent. between 1990 and 2003. Agriculture's share of GDP has fallen from 56 per cent. in 1950 to 25 per cent. in 2004, demonstrating how the Indian economy has developed over recent times. The service sector (comprising banking, IT, hotels and tourism) constituted 51 per cent., and the manufacturing sector constituted 24 per cent., of GDP in 2004.

The rate of inflation and, correspondingly, the average cost of debt has fallen markedly over the same period. The language of business and government is predominantly English and the legal system is based on that used in England. Taxes are relatively low and infrastructure is improving. India has no history of government debt defaults and the Directors believe that government reforms have created an increasingly supportive environment for private enterprise.

India has a large domestic market with consumption patterns exhibiting an increase in both the quantity and quality of goods and services purchased. Sectors such as cement, automobile and automobile components, consumables, processed foods, banking and housing finance have benefited, and continue to benefit, significantly from the size and growth of the domestic market.

In addition Indian companies benefit from the availability of labour that is significantly cheaper than that available in western Europe and the United States of America and growing demand driven by increased outsourcing from western Europe and the US. In particular, the Directors believe that western Europe and the US will increasingly outsource to India manufacturing and services such as software, auto-components, pharmaceuticals and textiles. While the Indian securities exchanges indices

have risen strongly over the last two years, price/earnings ratios are somewhat lower than they have been during previous periods of strong market performance, indicating that the current growth has been driven by the rising profits reported by listed companies.

Opportunities arising from political considerations

India is the world's largest democracy with a history of peaceful elections and an acceptance within its Government to adopt the wishes of its voters. All Indian Governments since 1991 have pursued market liberalising policies, although the pace of reforms has varied. The present Government is headed by Dr Manmohan Singh, the architect of India's initial reforms in 1991 and who is considered as a modernising reformist by political commentators.

While reforms have at times been slow, these have been peacefully implemented and all mainstream political parties subscribe to the broad market driven policies that are currently in place in most sectors of the economy.

Opportunities arising in small to mid cap listed and unlisted Indian companies

The Directors believe that the factors outlined above and in particular the potential for economic growth, combined with the need for capital of private firms and positive demographics, should provide the Company with attractive investment opportunities. The Directors believe that the number of investment opportunities in India is likely to increase as Indian companies grow in size, and Indian entrepreneurs become increasingly confident and able to set up new projects and businesses. These opportunities will be an area of particular focus for the Company.

3. INVESTMENT POLICY AND OBJECTIVE

The Company's investment objective is to provide long-term capital appreciation by investing (directly or indirectly) predominantly in companies based in India. The investment policy permits the Group to make investments in a range of equity and equity-linked securities of such companies. The Directors intend that, once fully invested, the Group's portfolio of investments will predominantly be in a well-diversified selection of listed small to mid-cap Indian companies and a smaller proportion in unlisted Indian companies. Investments may also be made in large-cap listed Indian companies and in companies incorporated outside India, which have significant operations or markets in India, where the Fund Manager believes long-term capital appreciation will be achieved.

While the principal focus will be on investments in listed or unlisted equity securities or equity-linked securities, the Group will have the flexibility to invest in bonds (including non-investment grade bonds), convertibles and other types of securities, where suitable opportunities arise.

The Group may, for the purposes of hedging and investing, use derivative instruments such as financial futures, options and warrants. The Group may, from time to time, use borrowings to provide short-term liquidity and, if the Directors deem it prudent, for longer term purposes. The Directors intend to restrict borrowings on a longer term basis to a maximum amount equal to 25 per cent. of the net assets of the Group at the time of the drawdown.

The Group will not invest in other UK listed investment companies (including UK investment trusts).

It is the intention of the Directors, subject to market conditions, for the Group to be substantially invested in accordance with its investment policy by the first anniversary of Admission and thereafter at all times, although the Fund Manager may use its discretion to hold cash or cash equivalent investments. In the event that the Company has not made an investment or acquisition as outlined above within 12 months from the date of Admission, the Directors will convene an extraordinary general meeting at which proposals will be put to Shareholders of the Company to liquidate the assets of the Company and distribute the proceeds amongst Shareholders. Pending such investment and subject to market conditions, it is expected that the net proceeds of the Placing will be converted to Rupees and substantially invested in larger, more liquid, companies listed on the Indian securities exchanges. The net proceeds may also be invested in short-term money market instruments and cash deposits with financial institutions (or wholly owned subsidiaries of financial institutions).

The Company believes it is currently a “foreign private issuer” within the meaning of Rule 405 of the Securities Act, and in order to preserve this status, has undertaken to comply with a number of restrictions including the restriction that not more than 50 per cent. of the assets (including any unvested cash) in the portfolio of the Group may be invested in investments located in the United States.

The Directors confirm that, as required by the AIM Rules, they will at each annual general meeting of the Company seek Shareholder approval of its investment strategy.

4. STRUCTURE OF THE GROUP

As at Admission, the Group will consist of the Company and its wholly owned subsidiaries, ICG Q Limited and ICG U Limited. A proportion of the Group’s assets will be held in ICG Q Limited and invested in listed Indian securities with a smaller proportion of the Group’s assets held in ICG U Limited and invested in unlisted Indian securities. ICG Q Limited will be registered as a sub-account of Kotak (which is a FII). All investments in Indian companies will be implemented through the boards of the Mauritian Companies, in accordance with the recommendations of the Fund Manager. To the extent that an investment decision is made to invest in companies incorporated outside India or in bonds, convertibles and other types of securities, it is intended for such assets to be held in a new subsidiary (or subsidiaries) of the Company to be incorporated for this purpose.

The Mauritian Companies have been incorporated in Mauritius and application has been made for a global business category 1 licence (collective investment schemes) from the Financial Services Commission and a Tax Residency Certificate from the Commissioner of Income Tax in Mauritius. Further details in respect of the taxation position of the Group under Indian and Mauritian taxation legislation are set out at paragraph 5 of Part IV of this document.

The boards of directors of the Mauritian Companies will initially each consist of two Mauritian residents (one of whom will be the Chairman) and one Director of the Company.

Registration of ICG Q Limited as a FII sub-account

The activities of FII’s in India are primarily governed by the FII Regulations. A “sub-account” of a FII includes those foreign corporates, foreign individuals and institutions, funds or portfolios established or incorporated outside India on whose behalf investments are proposed to be made in India by a FII. To become a sub-account of a FII, the relevant FII needs to apply to the SEBI for the registration of the sub-account. Once the sub-account has been registered with the SEBI, the FII is free to invest on its behalf. Pursuant to the Sub-Account Agreement, Kotak will make an application to the SEBI for the registration of ICG Q Limited as a FII sub-account. The Directors have been advised by the Group’s Indian legal advisers that they are not aware of any circumstances which would result in such application being unsuccessful.

Once registered as a FII sub-account, ICG Q Limited will be eligible to make investments only in the following securities:

- (i) shares, debentures and warrants of Indian companies which are unlisted, listed or to be listed on a recognised stock exchange in India;
- (ii) units of schemes floated by Indian mutual funds, including the Unit Trust of India, whether listed on a recognised stock exchange or not;
- (iii) dated Government securities (investment in treasury bills is not permitted);
- (iv) derivatives traded on a recognised stock exchange in India; and
- (v) commercial paper.

5. DIRECTORS OF THE COMPANY

The Directors will have overall responsibility for the Company's activities and the determination of its investment policy and strategy.

The Directors, all of whom are non-executive, are as follows:

Michael Lenox Ingall (*Chairman*), aged 64, has 40 years experience as broker and fund manager in London, having worked at Rathbone Brothers plc as head of investment from 1985 to 1988, as chief executive until 1997 and then as executive chairman until his retirement in 2003, although he retains a consulting arrangement. He is also a non-executive director of Investors Capital Trust plc, Edinburgh Small Companies Trust plc, and Mid Wynd International Investment Trust plc. He is resident in the UK.

Jamie Michael Beale Cayzer-Colvin, aged 40, joined the Caledonia group in 1995, initially working at its speciality chemical subsidiary, Amber Industrial, before becoming an investment executive at Caledonia in 1999. He was appointed an associate director in 2002 and a director in April 2005. He is chairman of Amber Industrial and a non-executive director of Rathbone Brothers, Polar Capital and Eddington Capital. He is resident in the UK.

Ashok Dayal, aged 68, has had 38 years experience in banking in India or supervising a major banking business in India from bases in Hong Kong, London and Singapore. During his last eight years in banking he was executive director, Deutsche Bank AG, regional head office in Singapore. Prior to joining Deutsche Bank AG, he was a managing director of Grindlays Bank plc ("Grindlays") based in London and immediately before that, regional director of Grindlays based in Mumbai. Since his return to India, Mr Dayal has worked as a management consultant, and is currently an independent director with companies such as Glaxo Smithkline Consumer Healthcare, Abbot India and Akzo Nobel Coatings, in addition to being chairman of the board of trustees of ING Mutual Fund. He is resident in India.

Robert Paul King, aged 42, is a director of Northern Trust International Fund Administration Services (Guernsey) Limited, where he has worked since 1990, specialising in the administration of open and closed ended emerging market and global investment funds. He has been in the offshore fund administration industry since 1986 and a member of its management team since 1997. He holds a number of board appointments in other investment companies. He is resident in Guernsey.

Robert Charles Nicholson, aged 49, was a senior advisor to the board of directors of PCCW Limited between 2001 and 2003. He is an independent non-executive director of Pacific Basin Shipping Limited and QPL International Holdings Limited. He is an executive director of First Pacific Company Limited, a Hong Kong based listed investment and management company. He also serves as a commissioner of First Pacific Company Limited's subsidiary in Indonesia, PT Indofood Sukses Makmur Tbk. He qualified as a solicitor in England and Wales in 1980 and in Hong Kong in 1982. He was a senior partner at Richards Butler from 1985 to 2001. He is resident in Hong Kong.

6. FUND MANAGER

The Directors are responsible for the determination of the Company's investment policy and have overall responsibility for the Company's day-to-day activities. Under the Fund Management Agreement, the Fund Manager has been appointed to manage the Group's portfolio and to provide various management services to the Company, subject to the overriding supervision of the Directors.

The Directors intend that the Group's assets will in due course be managed by IIP, a new fund management company, details of which are set out below. IIP will apply for the FSA Authorisations to enable it to carry out the role of fund manager and, pending their receipt, the Company has appointed Polar Capital LLP to carry out fund management functions. To assist Polar in performing its services under the Fund Management Agreement one of the Key Personnel, James Winterbotham, has been seconded to work for Polar. A summary of the Fund Management Agreement is set out in paragraph 6.3 of Part IV of this document.

IIP

IIP is a limited liability company incorporated in England and Wales on 5 October 2005. Caledonia Investments plc owns 43 per cent. of IIP's shares in issue and the balance is owned in three equal proportions by James Winterbotham and two Singaporean incorporated companies (being Odysseus Ventures (Singapore) Pte. Ltd and Add Capital Pte. Ltd).

Caledonia Investments plc is a UK investment trust listed on the London Stock Exchange with long-term investment experience and approximately £1 billion of net assets.

Since 2004, IAP (UK) and IAP (India) have been advising Caledonia on a strategy to invest in Indian securities, and have originated and helped evaluate a number of successful investments in Indian companies. As a result of this relationship Caledonia supported the establishment of IIP including the involvement of Dileep Madgavkar, a professional fund manager and employee of IAP (India).

The individual within the Fund Manager who will be responsible for the day-to-day management of the Group's assets is as follows:

James Winterbotham, aged 47, is a director and shareholder of IIP. Until he left in 1998 to establish IAP (UK), Mr Winterbotham worked at Lazard Brothers & Co. Limited in London from 1982 to 1998, and was a board director from 1995. Between 1993 and 1995 he was posted to New Delhi as president of Lazard's Indian joint venture company, Creditcapital Finance Corporation Limited, where he undertook a range of corporate finance assignments for Indian and foreign clients. Since 1998, IAP (UK), together with IAP (India), has advised companies from Europe, the US and the Far East on operational and financial issues in India.

Polar

Polar is an investment management company; it was established in 2001 as Polar Capital Partners Limited and incorporated as Polar Capital LLP on 15 August 2005. It has approximately £2 billion of assets under management.

7. INVESTMENT ADVISOR

IIP will retain, as its non-discretionary Investment Advisor, IAP (India).

The Fund Manager will source investment opportunities from, and evaluate target companies and conduct and obtain due diligence and market intelligence through, IAP (India), which will provide non-binding advice to IIP.

IAP (India) is a private Indian registered limited company and provides corporate finance and investment management services. Past clients of IAP (India) include many substantial listed companies in the UK and elsewhere.

The advisory team within the Investment Advisor which will be responsible for providing investment advice to IIP will comprise the following persons:

Kaikhushru Taraporevala, aged 40, one of IAP (India)'s principal shareholders, received his Masters degree in Physics and Materials Science from the Indian Institute of Technology in Delhi and later worked as an oilfield engineer in the North Sea and Syria. After taking an MBA at INSEAD in 1994 he joined Lazard's Indian joint venture in Mumbai in 1995, where he worked in the corporate finance department until 1997 when he left to co-establish IAP (India) in 1998.

Dileep Madgavkar, aged 42, has 17 years work experience in India and, formerly as chief investment officer of Prudential ICICI Asset Management Co. Ltd., has managed Indian funds with gross assets in excess of US\$3.5 billion. Mr Madgavkar qualified as a chartered accountant in India. Since leaving Prudential ICICI Asset Management Co. Ltd, he worked for Prudential Asset Management Company (HK) Limited before joining IAP (India) in 2005.

8. INVESTMENT PROCESS

The Key Personnel will pursue an investment process that will seek to source investment opportunities through a combination of research, company visits and networking, evaluated on the basis of a range of fundamental, operational, management and valuation criteria. Investments will only be made in companies that meet the relevant criteria.

The Group's investment strategy will focus primarily on (i) the Fund Manager's selection of target companies; (ii) the Fund Manager's evaluation and selection strategy; and (iii) the Fund Manager's holding and exit strategy.

Selection of target companies

A crucial element in the Fund Manager's investment process is the selection of target companies. To that end, the Key Personnel will utilise proprietary detailed databases on target companies, owners and managers, the most significant one of these databases being INDATA.

The Fund Manager will instruct the Key Personnel in India to carry out company visits and attend monthly management meetings to collect key data on target companies.

Evaluation and selection strategy

The Key Personnel's investment evaluation and selection strategy will involve a disciplined approach to investing by carrying out detailed and careful studies of opportunities on a case by case basis in companies which the Fund Manager believes have the potential for strong growth. The Key Personnel will only recommend that investments are made in target companies where they believe the management is of a quality which should lead to such growth.

The Key Personnel will seek to identify target companies which demonstrate a substantial difference between the Key Personnel's valuation of their securities and their market price or proposed acquisition price. In order to achieve this strategy, they will, taking into account other relevant factors, such as the liquidity of the company's securities, carry out conservative target company valuations using discounted cash flow analysis, comparable company analysis and an analysis of the financial results. The Key Personnel will undertake this disciplined investment process to identify target companies that have the potential for superior performance and will operate an extensive due diligence process before making or advising on any investment. The Fund Manager will follow an absolute return focus to investing rather than 'relative-performance' stock picking. Whilst selecting target companies across the Indian market which the Fund Manager considers have the potential to appreciate in value without undue risks, the Company may hold liquid assets (including cash) pending deployment in suitable investments.

Holding and exit strategy

Whilst the Company intends to invest on a long-term basis the Fund Manager will continue its research, portfolio analysis, monitoring and valuation strategies following investment. This may lead to the disposal of investments in certain circumstances, including (but not limited to) where (i) the ongoing valuations carried out by the Key Personnel indicate a significant reduction in the difference between such valuations and the market price/acquisition price; (ii) the price earnings to growth ratio becomes expensive; (iii) declining returns on capital occur; (iv) the management of the target companies do not deliver the levels of performance desired; or (v) the Key Personnel identify target companies with a relatively higher potential for capital appreciation than those in which the Company has already invested. The Directors believe that the Key Personnel have the requisite experience in identifying the appropriate circumstances for, and successful negotiation of, the disposal of such investments.

9. ADMINISTRATOR AND SECRETARY

Northern Trust has been appointed as administrator and secretary to the Company pursuant to the Administration and Secretarial Agreement, a summary of which is set out in paragraph 6.4 of Part IV of this document. In such capacity, Northern Trust will be responsible for the day-to-day

administration of the Company and general secretarial functions required by the Companies Laws. The Administrator will also be responsible for the Company's general administrative functions such as the calculation of the Net Asset Value (based on the net asset value of the Mauritian Companies' shares provided by the Mauritian Administrator) and the maintenance of accounting records.

10. MAURITIAN ADMINISTRATOR

IFS has been appointed as Mauritian Administrator to the Mauritian Companies pursuant to Mauritian Administration Agreement, a summary of which is set out in paragraph 6.5 of Part IV of this document. In such capacity, IFS will carry on the general administration of the Mauritian Companies, keep or cause to be kept the accounts of the Mauritian Companies and such financial books and records as are required by law or otherwise for the proper conduct of their financial affairs. The Mauritian Administrator will calculate the net asset value per share of the Mauritian Companies on each of their respective valuation days.

The Mauritian Administrator will convene board meetings of the Mauritian Companies, keep statutory books and records of the Mauritian Companies, maintain their respective registers of shareholders and make all returns required to be made by the Mauritian Companies under the laws of Mauritius. The Mauritian Administrator will also be responsible for all tax filings in Mauritius relating to the Mauritian Companies.

11. CUSTODIAN

HSBC has been appointed as the principal custodian of the assets of ICG Q Limited pursuant to the Custodian Agreement, a summary of which is set out in paragraph 6.6 of Part IV of this document. It is intended that, prior to making any investments, ICG U Limited will also enter into a similar agreement with HSBC.

12. REGISTRAR

Capita IRG (CI) Limited has been appointed as registrar to the Company pursuant to the Registrar Agreement, a summary of which is set out in paragraph 6.7 of Part IV of this document. In such capacity, the Registrar will maintain the register of Shareholders.

The Registrar will utilise the services of Capita Registrars as UK paying agent and transfer agent regarding the transfer and settlement of Shares held in uncertificated form.

13. POTENTIAL CONFLICTS OF INTEREST

The Fund Manager may from time to time act for other clients which have a similar or different investment objective and policy to that of the Group. Circumstances may arise where investment opportunities will be available to the Group and which are also suitable for one or more such clients of the Fund Manager. Where a conflict arises in respect of an investment opportunity, the Fund Manager will allocate the opportunity on a basis they consider to be fair.

IAP (India) may continue to advise other clients from time to time regarding investment in India. Accordingly, circumstances may arise where such advice creates a conflict of interest with IAP (India)'s advice to the Fund Manager and so indirectly to the Group. IAP (India) has undertaken to the Directors to use its reasonable endeavours to manage the affairs of IAP (India) to avoid such conflicts arising and to undertake such services only where the time devoted by, and the quality of service, provided by, IAP (India) to IIP is not compromised, but in circumstances where such conflict is unavoidable it will advise such clients on a basis they consider to be fair.

Each of the above parties and the Key Personnel have confirmed that they will have regard to their obligations under their respective agreements with the Group (or, in the case of IAP (India), with IIP) and will otherwise act in a manner that they consider fair, reasonable and equitable having regard to their respective obligations to other clients, when potential conflicts of interest arise.

14. FEES AND EXPENSES

Formation and Initial Expenses

The formation and initial expenses of the Company are those which are necessary for the incorporation of the Group and the Placing. These expenses will be met by the Company and paid on or around Admission out of the Placing proceeds. Such expenses will be written off in the first year of incorporation and will include fees payable under the Placing Agreement, whereby Arbuthnot Securities will receive a corporate finance fee of £200,000 and commission equivalent to one per cent. of gross funds raised. Registration and admission fees, printing costs, legal fees and any other applicable expenses will also be payable. In aggregate, the costs and expenses of establishment and the Placing are expected to amount to approximately 2 per cent. of the gross funds raised.

Ongoing Annual Expenses

The Group will also incur ongoing annual expenses. These expenses will include the following:

(i) Fund Manager

Management fee

Under the terms of the Fund Management Agreement, the Fund Manager will be entitled to receive a management fee payable jointly by the Company and the Mauritian Companies equivalent to 1.5 per cent. per annum of the Company's Total Assets plus VAT, if applicable, calculated and payable monthly in arrears.

Performance fee

In addition to the management fee, the Fund Manager will also be entitled to receive a semi-annual performance related fee from the Company if the Net Asset Value per Share at the end of the half-year performance period (a) exceeds the Net Asset Value per Share at the start of the performance period by an annualised, annually compounded, rate of more than 10 per cent. (the "**Performance Hurdle**") and (b) exceeds by an annualised, annually compounded, rate of more than 10 per cent. the highest previously recorded Net Asset Value per Share as at the end of the performance period in respect of which a performance fee was last paid (or if no performance fee has yet been paid, exceeds the Net Asset Value per Share on the date of Admission increased by an annualised, annually compounded, rate of 10 per cent.) (the "**High Water Mark**"). The performance fee will be an amount equal to 20 per cent. of the aggregate increase in the Net Asset Value above the High Water Mark, plus VAT if applicable. The aggregate increase in Net Asset Value per Share shall be calculated by reference to the time-weighted average number of Ordinary Shares in issue over the relevant performance period. There shall be added to the Net Asset Value per Share at the end of the relevant performance period the gross amount of all dividends paid in respect of an Ordinary Share and any undistributed net revenue in respect of such performance period not otherwise taken into account for the purposes of calculating such Net Asset Value per Share. Further, any enhancement arising from any further issue of Ordinary Shares at a premium to Net Asset Value will be taken into account and will not be deducted from such Net Asset Value per share but any such enhancement arising from any purchase by the Company of Ordinary Shares at a discount to Net Asset Value per Share will not be taken into account and will be deducted from such Net Asset Value. For the avoidance of doubt any accrual made in respect of the performance fee itself shall be added back to such Net Asset Value. Finally, there shall be made any further adjustment as the Directors and the Fund Manager agree to be appropriate and should they be unable to agree the relevant adjustment shall be determined by an independent expert. For the purposes of calculating the performance fee as provided in this and the previous paragraph the Net Asset Value per Share to be used shall be the undiluted Net Asset Value per Share, adjusted as referred to above and calculated before taking account of any potential dilutive effect of any exercise of the Warrants, provided that as and when Warrants are exercised a further adjustment to the Net Asset Value per Share shall be made so as to compensate for the effect of such exercise.

The performance periods are the six month periods ending on 31 December and 30 June in each year. The performance fee, if any, will be calculated on behalf of the Company by the Administrator. The performance fee, if payable in respect of any performance period, shall be paid semi-annually as soon as practicable following the end of the relevant performance period. 50 per cent. of any performance

fee payable (net of all tax payable by IIP, Caledonia or by the Key Personnel) in consideration of services provided shall be reinvested in Ordinary Shares.

Further details of the Fund Management Agreement are set out in paragraph 6.3 of Part IV of this document.

(ii) Administrator and Secretary

Under the terms of the Administration and Secretarial Agreement, Northern Trust is entitled to a fee calculated on the Net Asset Value of the Company of 0.125 per cent. per annum on the first £50 million of Net Asset Value, 0.10 per cent. per annum on the next £50 million of Net Asset Value and 0.05 per cent. on any Net Asset Value in excess of £100 million, payable quarterly (subject to a minimum annual fee of £75,000). The Administrator and any of its delegates will also be entitled to reimbursement of certain expenses incurred by them in connection with their duties.

(iii) Mauritian Administrator

Under the terms of the Mauritian Administration Agreement, IFS is entitled to the following fees: a set-up fee of US\$50,000, an initial fee of US\$42,000 per annum in respect of services provided to ICG Q Limited and an initial fee of US\$30,000 per annum in respect of services provided to ICG U Limited. The Mauritian Administrator and any of its delegates is also entitled to reimbursement of certain expenses incurred by them in connection with their duties.

(iv) Custodian

The Custodian will be entitled to a fee calculated on the assets held by the Custodian of 0.04 per cent. per annum on the first US\$100 million of assets held by the Custodian in accordance with the Custodian Agreement, 0.03 per cent. per annum on the next US\$125 million and 0.02 per cent. per annum on any assets held in excess of US\$225 million.

(v) Registrar

Under the terms of the Registrar Agreement, the Registrar is entitled to a fee of £2 per Shareholder per annum subject to a minimum annual fee of £6,500 per annum, together with other agreed transaction charges.

(vi) Directors

Each of the Directors is entitled to receive a fee from the Company at such rate as may be determined in accordance with the Articles of Association. The initial fees will be £15,000 for each Director per annum, with the Chairman's initial fee being £25,000 per annum. The Directors will 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.

(vii) Nominated Adviser and Broker

Under the terms of the Nominated Adviser and Broker Agreement appointing Arbuthnot Securities to act as nominated adviser and broker to the Company for the purposes of AIM, Arbuthnot Securities will be paid a fee of £25,000 per annum.

15. WARRANTS

Under the Placing, Warrants will be issued on the basis of one Warrant for every five Ordinary Shares subscribed. Warrants will be quoted on AIM and tradeable separately from Ordinary Shares.

Each Warrant will confer the right to subscribe for one Ordinary Share at a subscription price of 100 pence. Warrant holders will be entitled to exercise their subscription right between four and eight weeks following publication of the Company's annual accounts, commencing with the publication of the Company's annual accounts in 2009 and ending with the publication of the Company's annual accounts in 2011. The final date for exercising subscription rights will be notified by the Company to Warrant holders when the Company sends its annual accounts to Shareholders and Warrant holders.

Further details of the terms and conditions attaching to the Warrants are set out at in Part V of this document.

16. REPURCHASE OF SHARES AND WARRANTS

As the Company will be a closed-ended fund whose Ordinary Shares are traded on AIM, the Ordinary Shares may trade at a discount to their Net Asset Value per Share on occasion. However, in structuring the Company, the Directors have given detailed consideration to the discount risk and how this may be managed.

Conditionally upon Admission, the Directors have been granted authority to buy back up to 14.99 per cent. of the Ordinary Shares in issue following Admission. The Company's authority to make purchases of its own issued Ordinary Shares will expire at the earlier of 31 May 2007 and the conclusion of the first annual general meeting of the Company. A renewal of the authority to make purchases of Ordinary Shares will be sought from Shareholders at each annual general meeting of the Company. The timing of any purchases will be decided by the Board.

The Directors intend that purchases will only be made pursuant to this authority through the market, for cash, at prices below the prevailing Net Asset Value Per Share where the Directors believe such purchases will result in an increase in the Net Asset Value Per Share of the remaining Ordinary Shares and to assist in narrowing any discount to Net Asset Value Per Share at which the Ordinary Shares may trade. The maximum price to be paid for Ordinary Shares will be not more than 5 per cent. above the average of the mid-market values of the Ordinary Shares for the five business days before the purchase is made, and any purchases made will be in accordance with the Companies Laws and the Guernsey Companies (Purchase of Own Shares) Ordinance, 1998. Any Ordinary Shares bought back by the Company will be cancelled.

Under the terms of the Warrant Instrument the Company has the ability to buy back Warrants. Upon any purchases by the Company of its own Ordinary Shares, the Directors will give regard to whether purchases of Warrants are also appropriate at such time. The maximum price to be paid for Warrants will be not more than would be permitted if the Warrants were listed on the Official List of the UK Listing Authority and tradeable on the London Stock Exchange. Any Warrants bought back by the Company will be cancelled.

Conditional upon Admission and the approval of the Court in Guernsey, the Company has resolved to cancel the amount standing to the credit of its share premium account following Admission. The amount released on cancellation will be credited as a distributable reserve to be established in the books of account and may be used by the Company for the purpose of funding purchases of its Ordinary Shares and Warrants as described above and/or by way of the tender facility described below and the payment of dividends. Further information relating to this cancellation is set out in paragraph 2.4 of Part IV of this document.

17. TENDER FACILITY

Subject to certain limitations and the Directors' choosing to exercise their absolute discretion to operate the tender facility or any variation thereof on any relevant occasion, and in accordance with all applicable laws, Shareholders may request the repurchase of all or part of their holding of Ordinary Shares pursuant to a tender facility. The tender price will be set by the Directors, based on the NAV of the Ordinary Shares and having regard to the realisable value of the Group's portfolio and the costs of the repurchase. The maximum number of Ordinary Shares that may be tendered pursuant to the tender facility in any financial year will be limited to 14.99 per cent. of the Ordinary Shares in issue at the commencement of the relevant financial year, with any excess tender requests being scaled back pro rata. Any Ordinary Shares bought back pursuant to the tender facility will be cancelled.

Subject to the limitations set out below and the Directors' discretion being exercised on any relevant occasion, the tender facility would operate annually. The tender facility is not expected to be made available in circumstances where the annual compound growth rate of the Net Asset Value (including dividends or other distributions) exceeds 10 per cent. or when annual performance is 15 per cent. in excess of the Performance Hurdle.

If the Directors choose to operate the tender facility on any given tender date, they will make an announcement to that effect not less than 27 business days before the relevant tender date. Shareholders who wish to tender their Ordinary Shares pursuant to the tender facility should request a tender form and must lodge their completed tender form not less than 7 days before the relevant tender date. Details of where to obtain a tender form and where it must be lodged when completed will be set out in the announcement. Cheques in respect of successful tenders are expected to be despatched (at the recipient's risk) within 3 business days following the relevant tender date. These dates may be extended, if permissible, in accordance with the relevant laws and regulations applicable to the Company at the time of the relevant tender.

Prospective Shareholders should note that the operation of the tender facility is discretionary and they should place no expectation or reliance on the Directors exercising such discretion on any one or more occasions or the proportion of Ordinary Shares which may be sold pursuant to the tender facility.

18. FURTHER SHARE ISSUES

The Company's authorised share capital is such that further issues of Ordinary Shares and/or Warrants could be made. Subject to prevailing market conditions and to all necessary consents and approvals being obtained, the Board may decide to make one or more further issues of Ordinary Shares for cash from time to time. There are no provisions of the Companies Laws or the Articles of Association of the Company providing pre-emption rights for existing Shareholders on the allotment of equity securities for cash. Unless authorised by Shareholders, the Company will not issue further Ordinary Shares for cash at a price below the prevailing Net Asset Value per Share unless they are first offered pro rata to existing Shareholders.

19. NET ASSET VALUE

The Net Asset Value and the Net Asset Value per Share will be calculated in Sterling by the Administrator (or such other person as the Directors may appoint for such purpose from time to time) on the NAV Calculation Date based upon information supplied by the Mauritian Administrator (in turn based upon the valuations of the assets of the Group provided by the Fund Manager). The Net Asset Value per Share will be published on a monthly basis through a regulatory information service. The Directors do not expect at any point to suspend the monthly calculations of the Net Asset Value and Net Asset Value per Share. However, should the Directors suspend the monthly calculations, they have undertaken to notify investors through a regulatory information service.

The Net Asset Value will be the value of all assets of the Company less the liabilities to creditors (including the provisions for such liabilities) of the Company determined in accordance with the valuation guidelines adopted by the Directors from time to time.

Under current valuation guidelines adopted by the Directors, such values will be determined in accordance with applicable accounting standards. Investors should note that an independent valuation agent has not been appointed and no third party will value the Group's assets on an independent basis.

If the Directors consider that any of the above bases of valuation are inappropriate in any particular case, or generally, they may adopt such other valuation procedure as they consider is reasonable in the circumstances. The Directors may delegate to the Fund Manager any of their discretions under the valuation guidelines.

20. DETAILS OF THE PLACING

The Company is proposing to raise approximately £75.0 million (before expenses) through a conditional placing, to be undertaken by Arbuthnot Securities, of 75.0 million Ordinary Shares at a Placing Price of 100p per Share (with Warrants attached on a one for five basis). The aggregate proceeds of the Placing, if fully subscribed, are expected to be approximately £73.5 million, after deduction of expenses.

Under the Placing Agreement, Arbuthnot Securities has agreed to use its reasonable endeavours to procure subscribers for the Ordinary Shares at the Placing Price. The obligations of Arbuthnot Securities under the Placing Agreement are conditional, *inter alia*, upon Admission taking place by 8.30 a.m. on 31 December 2005 (or such later date, being not later than 8.30 a.m. on 16 January 2006).

The Placing Agreement contains provisions entitling Arbuthnot Securities to terminate the Placing Agreement at any time prior to Admission in certain circumstances. If this right is exercised, the Placing will lapse. The Placing has not been underwritten by Arbuthnot Securities.

Following the Placing and Admission, the interests of the Directors, in aggregate will amount to approximately 0.1 per cent. of the issued Ordinary Share capital of the Company. Details of the Directors' holdings of Ordinary Shares are set out in paragraph 4.1 of Part IV of this document.

The Placing will be marketed to institutional and sophisticated investors.

An investment in the Ordinary Shares and the Warrants is only suitable for investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses which may arise from that investment (taking into account the fact that those losses may be equal to the whole amount invested). Such an investment should be seen as long term in nature and complementary to existing investments in a range of other financial assets and should not form a major part of an investment portfolio. The value of Ordinary Shares and the Warrants can go down as well as up, and investors may not realise the value of their initial investment.

Further details of the Placing Agreement are set out in paragraph 6.1 of Part IV of this document. Details on the transfer of Ordinary Shares and Warrants are set out in paragraph 8 of Part IV of this document.

21. MEETINGS, REPORTS AND ACCOUNTS

All general meetings of the Company will be held in Guernsey. The Company will hold an annual general meeting each year.

The annual reports and accounts of the Company will be made up to 31 December in each year with copies expected to be sent to Shareholders within the following six months. Shareholders will also receive each year an unaudited interim report for the six months to 30 June. These are expected to be sent to Shareholders within the following three months. The first financial period of the Company will cover the period from incorporation to 31 December 2006.

The audited accounts of the Company will be prepared under International Financial Reporting Standards which the Directors believe is an acceptable body of generally accepted accounting practice. Under International Financial Reporting Standards, the Company will prepare an income statement which will disclose revenue and capital results including net investment gains.

The annual accounts of the Company will be published with all financials denominated in Sterling.

22. DIVIDEND POLICY

In view of the comparatively low yields available in India, the Directors do not expect income (net of expenses) to be significant and do not currently expect to declare any dividends. In the event that net income is significant, the Directors may consider the distribution of net income in the form of dividends. Dividends, if any, are expected to be paid in Sterling.

23. BORROWINGS

The Company may, from time to time, use borrowings for short-term liquidity purposes and, if the Directors deem prudent, for longer term purposes. The Directors intend to restrict borrowing on a longer term basis to an amount not exceeding 25 per cent. of the Net Asset Value of the Company at the time of drawdown.

24. LOCK-IN ARRANGEMENTS

Each of the Directors (pursuant to Rule 7 of the AIM Rules) and the Key Personnel has, under the terms of the Lock-in Deeds, entered into lock-in arrangements in respect of any Ordinary Shares and Warrants held by them. Caledonia, Polar and IIP have entered into similar lock-in arrangements under the terms of the Placing Agreement.

Under the terms of the lock-in arrangements, each of the Directors, the Key Personnel, Polar, IIP and Caledonia has agreed not to sell, transfer or otherwise dispose of any Ordinary Shares or Warrants held by them or their associates (as such term is defined in the AIM Rules) on Admission or which they may subsequently acquire in the 12 month period following Admission, other than in certain limited circumstances, for a period of 12 months following Admission.

After the expiry of such period the Directors, the Key Personnel, Polar, IIP and Caledonia have agreed that any sale or disposal of Ordinary Shares and/or Warrants which they may hold from time to time will be notified to Arbuthnot Securities for so long as it remains the Company's broker.

The lock-in arrangements outlined above will apply in respect of 16.6 million Ordinary Shares and 3.3 million Warrants on Admission, representing approximately 22 per cent. of the issued share capital of the Company on Admission.

25. LIFE OF THE COMPANY

Although the Company will not have a fixed life, the Directors consider it desirable to give Shareholders the periodic opportunity to review the future of the Company. At the annual general meeting of the Company in 2015 and at every fifth annual general meeting thereafter, an ordinary resolution will be proposed that the Company should continue as presently constituted. If that resolution is not passed, the Directors are required to formulate proposals to be put to Shareholders to wind up, reorganise or reconstruct the Company.

26. ADMISSION, SETTLEMENT AND CREST

Application has been made to the London Stock Exchange for all the Ordinary Shares and Warrants to be admitted to trading on AIM. Admission of the Ordinary Shares and Warrants is expected to take place on 22 December 2005.

The Articles of Association permit the Company to issue shares in uncertificated form for settlement through CREST. CREST is a computerised paperless share transfer and settlement system which allows shares and other securities, including depository interests, to be held in electronic rather than paper form. CREST is a voluntary system and Shareholders and Warrantholders who wish to receive and retain share certificates will be able to do so.

Shares placed initially with non-US Persons will be eligible for settlement through CREST with effect from Admission. Shares allotted will be allotted to placees (other than US Persons) through the CREST system unless otherwise stated.

The Company will arrange for CRESTCo to be instructed to credit the appropriate CRESTCo accounts of the subscribers concerned or their nominees (other than US Persons) with their respective entitlements to Ordinary Shares and Warrants. The names of subscribers or their nominees (other than US Persons) that invest through their CRESTCo accounts will be entered directly onto the share register of the Company.

Any Ordinary Shares or Warrants held by a US Person who: (i) acquired such Ordinary Shares and Warrants in the Placing, (ii) acquired such Ordinary Shares and Warrants from a US Person who acquired such Ordinary Shares and Warrants in the Placing, or (iii) is otherwise connected by an unbroken series of US purchasers to a US Person who acquired Ordinary Shares and Warrants in the Placing must be held in certificated form (that is, outside CREST) and will only be eligible for dematerialisation into CREST upon the sale of the Ordinary Shares or Warrants to a non-US Person and the provision by the purchaser of a signed letter addressed to the Company, with copies provided to the Administrator and the Registrar, containing a representation that the purchaser is not a US Person.

27. OVERSEAS PERSONS

General

The attention of investors who are not resident in, or who are not citizens of, the United Kingdom and Guernsey is drawn to the paragraphs below.

The offer of Shares under the Placing to persons who are resident in, or citizens of, countries other than the United Kingdom and Guernsey (“Overseas Investors”) may be affected by the law of the relevant jurisdictions. Such persons should consult their professional advisers as to whether they require any government or other consents or need to observe any applicable legal requirements to enable them to subscribe for Shares under the Placing. It is the responsibility of all Overseas Investors receiving this document and/or wishing to subscribe for Shares under the Placing to satisfy themselves as to full observance of the laws of the relevant territory in connection therewith, including obtaining all necessary governmental or other consents that may be required and observing all other formalities needing to be observed and paying any issue, transfer or other taxes due in such territory.

No person receiving a copy of this document in any territory other than the United Kingdom or Guernsey may treat the same as constituting an offer or invitation to him/her, unless in the relevant territory such an offer can lawfully be made to him/her without compliance with any further registration or other legal requirements.

Persons (including, without limitation, nominees and trustees) receiving this document should not distribute or send it to any US Person or in or into the United States or any other jurisdiction where to do so would or might contravene local securities laws or regulations.

The Company reserves the right to treat as invalid any agreement to subscribe for Shares and Warrants under the Placing if it appears to the Company or its agents to have been entered into in a manner that may involve a breach of the securities legislation of any jurisdiction.

United States

The Company has not been and will not be registered under the Investment Company Act. In addition, the Ordinary Shares and Warrants have not been and will not be registered under the Securities Act. Consequently, the Ordinary Shares and Warrants may not be offered or sold or otherwise transferred within the United States or to, or for the account or benefit of, US Persons except in accordance with the Securities Act or an exemption therefrom and under circumstances which will not require the Company to register under the Investment Company Act. **Accordingly, US Persons purchasing Ordinary Shares or Warrants will be subject to significant restrictions on transfer in this offering or in secondary transactions in the future.** Specifically, US Persons will only be able to resell their Ordinary Shares or Warrants to non-US Persons or to US Persons who are “accredited investors” as defined in Regulation D of the Securities Act and also “qualified” purchasers within the meaning of Section 3(c)(7) of the Investment Company Act and subject to additional restrictions. See “Transfer of Ordinary Shares and Warrants” as set out in paragraph 8 of Part IV of this document.

28. TAXATION

Potential investors are referred to paragraph 5 of Part IV of this document for details of the taxation of the Group and of Shareholders in the UK, Guernsey, the United States and India in addition to the position under the applicable Indian and Mauritian taxation laws.

Investors who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than the UK and Guernsey are strongly advised to consult their own professional advisers immediately.

29. RISK FACTORS

The Company’s business is dependent on many factors and potential investors are advised to read the whole of this document, and in particular Part II entitled “Risk Factors”.

30. FURTHER INFORMATION

The attention of investors is drawn to the information contained in Parts III and IV of this document which provide additional information on the Group. The attention of investors is also drawn to Part V, which sets out the terms and conditions of the Warrants.

PART II

RISK FACTORS

An investment in the Ordinary Shares and Warrants involves a high degree of risk. Accordingly, prospective investors should consider carefully all of the information set out in this document and the risks attaching to an investment in the Company, including, in particular, the risks described below, prior to making any investment decision. The information below does not purport to be an exhaustive list or summary of the risks which the Group may encounter and is not set out in any particular order of priority. Investors should consider carefully whether an investment in the Company is suitable for them in the light of the information in this document and the financial resources available to them.

The Group's financial condition or operations could be materially and adversely affected by the occurrence of any of the risks described below. In such case, the market price of the Ordinary Shares could decline due to any of these risks and investors could lose all or part of their investment. Additional risks and uncertainties not presently known to the Directors, or that the Directors currently deem immaterial, may also have a material adverse affect on the Group.

Investment risks

Investor returns will be dependent upon the performance of the portfolio of the Group

Investors contemplating an investment in the Ordinary Shares and Warrants should recognise that their market value can fluctuate and may not always reflect their underlying value. Returns achieved are reliant upon the performance of the portfolio of the Group. No assurance is given, express or implied, that Shareholders will receive back the amount of their investment in the Ordinary Shares and Warrants.

The success of the Company will depend on the Fund Manager's ability to identify and realise investments in accordance with the Company's investment objective. There can be no assurance that the Fund Manager will be able to do so or that the Group will be able to invest its capital on attractive terms or generate returns for Shareholders or Warrantholders.

Warrants involve a high degree of gearing

Warrants involve a high degree of gearing, such that a relatively small movement in the price of the Ordinary Shares is likely to result in a disproportionately large movement in the price of the Warrants, which could be unfavourable or favourable.

It may be difficult for Shareholders to realise their investment

It may be more difficult for an investor to realise his or her investment on AIM than to realise an investment in a company whose shares or other securities are quoted on the Official List. The AIM Rules are less demanding than those of the Official List. An investment in a share or warrant that is traded on AIM is likely to carry a higher risk than an investment in a share or warrant quoted on the Official List. AIM has been in existence since June 1995 but its future success and liquidity in the market for the Ordinary Shares and Warrants cannot be assured. The share price of publicly traded emerging companies can be highly volatile.

The price at which the Ordinary Shares and Warrants will be traded and the price at which investors may realise their investment will be influenced by a large number of factors, some specific to the Company and its investments and some which may affect companies generally. Admission to AIM should not be taken as implying that there will be a liquid market for the Ordinary Shares and Warrants particularly as, on Admission, the Company will have a limited number of Shareholders and Warrantholders. The market for shares in smaller public companies, including the Company, is less liquid than for larger public companies. The Company is aiming to achieve capital growth and, therefore, Ordinary Shares and Warrants may not be suitable as a short-term investment. Consequently, the share and warrant prices may be subject to greater fluctuation on small volumes, and the Ordinary Shares and Warrants may be difficult to sell at a particular price. The market price of the

Ordinary Shares and, by extension, of the Warrants may not reflect the underlying value of the Group's net assets.

US investors will be subject to significant transfer restrictions in this offering or in secondary transactions in the future

US Persons purchasing Ordinary Shares and Warrants will be subject to significant resale restrictions in respect of the Shares and Warrants in this offering or in secondary transactions in the future (see "Transfer of Ordinary Shares and Warrants" as set out in paragraph 8 of Part IV of this document). There can be no assurance that US Persons will be able to locate acceptable purchasers or obtain the required certifications.

Warrantholders will be required to deliver certifications, legal opinions and other information

Warrantholders will be required to deliver, upon any exercise of the rights under the Warrants, such certifications, legal opinions and other information as the Company may reasonably require to confirm that the proposed exercise complies with relevant US law restrictions.

The Company's Net Asset Value will be, to a degree, based on valuations of unquoted investments which may be inaccurate, out of date or in need of adjustment

In calculating the Net Asset Value, and the Net Asset Value per Share, the Administrator will rely on valuations of the Group's assets supplied by the Fund Manager. The value of the Group's assets will be determined in accordance with applicable accounting standards. There can be no assurance that any such investments will ultimately be realised at any such valuation. In addition the unquoted nature of some of the Group's investments may mean that they may be difficult to realise in a timely manner or at all.

Shareholders may be adversely affected by currency movement

Prospective investors should be aware that the Directors intend that the Group's portfolio will comprise predominantly Rupee denominated investments and intend that all monies returned to the Shareholders and the reported Net Asset Value will be denominated in Sterling. Any depreciation in the Rupee could have an adverse impact on the performance of the Group. Certain of the Group's investments may be denominated in US Dollars. In this event, any depreciation in the US Dollar could also have an adverse impact on the performance of the Group. The Group may enter into currency hedging transactions but appropriate mechanisms on acceptable terms are not expected to be readily available.

The Company has no operating history

The Company was incorporated on 11 November 2005 and has not commenced operations. ICG Q Limited and ICQ U Limited were incorporated on 1 December 2005 and have not commenced operations. Accordingly, the Company, ICG Q Limited and ICQ U Limited have no operating history upon which to evaluate their likely performance.

Changes in laws or regulations governing the Group's operations may adversely affect the Group's business

Legal and regulatory changes could occur that may adversely affect the Group. Changes in the regulation of investment companies may adversely affect the value of the Group's investments and the ability of the Group to successfully pursue its investment strategy.

Changes in taxation legislation may adversely affect the Group

Any change in the Company's tax status, the Mauritian Companies' tax status, or in taxation legislation in Guernsey, the United Kingdom, Mauritius, India, the United States or elsewhere could affect the value of the Group's investments and the Group's ability to achieve its investment objective, or alter the post tax returns to Shareholders. Statements in this document concerning the taxation of UK Shareholders and Warrantholders and Guernsey Shareholders and Warrantholders are based upon current UK and Guernsey tax law and practice, and that of US Shareholders are based upon current

US tax law and practice, which laws and practice are in principle subject to change that could adversely affect the ability of the Group to meet its investment objective.

Further, the information relating to Indian taxation legislation contained in this document is based on Indian domestic taxation law, the India/Mauritius double tax treaty, rules and regulations made thereunder and the judicial and administrative interpretations thereof, which are subject to change or modification by subsequent legislative, regulatory, administrative, or judicial decisions. Any such changes, which could also be retroactive, could have an effect on the validity of the information stated herein.

Prospective investors are urged to consult their tax advisers with respect to their particular tax situations and the tax effects of an investment in the Company.

The Company's status as a PFIC has adverse tax consequences for US investors

Potential investors who are United States taxpayers should be aware that the Company will make no assessment as to whether it may or may not be a passive foreign investment company ("PFIC") for US federal income tax purposes. If the Company qualifies as a PFIC in any taxable year, a US Holder of Ordinary Shares generally will be required to treat any so-called "excess distribution" received on such Ordinary Shares, or any gain realised upon the disposition of such Ordinary Shares, as ordinary income, and to pay an interest charge on a portion of such distribution or gain, unless the US Holder makes a qualified electing fund ("QEF") election or a mark-to-market election with respect to the Ordinary Shares. In certain circumstances, the sum of the tax and the interest charge could exceed the amount of the excess distribution received, or the amount of proceeds of disposition realised, by the US Holder. A US Holder who makes a QEF election generally must report on a current basis its share of the Company's ordinary earnings and net capital gain for any year in which the Company is a PFIC, whether or not the Company distributes any amounts to its Shareholders. A US Holder who makes the mark-to-market election, generally, must include as ordinary income in each year, the excess of the fair market value of the Ordinary Shares over the holder's tax basis therein. The Company does not intend to comply with the record keeping requirements necessary for US Holders to elect to treat the Company as a qualified electing fund ("QEF") or to provide such US Holders with the information necessary to make such an election. There can be no assurance that the Company will be willing or able to satisfy present or future record-keeping requirements that may be imposed as a condition to making a valid QEF election. See "Passive Foreign Investment Company Considerations" in paragraph 5, "United States" section (iii)(C) of Part IV of this document.

The Company may become subject to regulation under ERISA

If 25 per cent. or more of any class of equity ownership in the Company is owned, directly or indirectly, by pension or other employee-benefit plans, including both US and non-US plans but provided that there is at least one ERISA plan (collectively, "Plans"), the assets of the Company will be deemed to be "plan assets", subject to the constraints of ERISA and Section 4975 of the Code. If this happens, transactions involving the assets of the Company could be subject to the fiduciary responsibilities of ERISA and the prohibited transaction provisions of ERISA and Section 4975 of the Code and, among other things, the fiduciary of an ERISA Plan that is responsible for the Plan's investment in the Ordinary Shares could be liable for any ERISA violations by the Directors or Fund Manager.

The Company is not and will not be registered under the Investment Company Act

The Company has not been and will not be registered under the Investment Company Act. The Investment Company Act provides certain protections to investors and imposes certain restrictions on registered investment companies, none of which have been or will be applicable to the Company. In order to avoid being required to register under the Investment Company Act, the Company has imposed significant restrictions on the transfer of the Ordinary Shares and Warrants (see paragraph 8 of Part IV of this document) which may materially affect the ability of Shareholders to transfer Ordinary Shares and Warrants in the United States or to US Persons.

If the Company is deemed a "domestic issuer", it will be in violation of the Investment Company Act

The Company believes it is currently a "foreign private issuer" within the meaning of Rule 405 of the Securities Act. The Company will be considered a "domestic issuer" if more than 50 per cent. of its

voting securities are held by US residents and any one of the following three criteria are satisfied; (i) the majority of the executive officers and Directors are US citizens or residents; (ii) more than 50 per cent. of the assets (including any uninvested cash) in the Company are invested in investments located in the United States; or (iii) the business of the Company is administered principally in the United States. If the Company fell within this definition of a “domestic issuer,” it could no longer rely on the exemption from registration under the Investment Company Act provided by Section 3(c)(7) thereof as such exemption applies to foreign funds that have engaged in private placements in the United States. If the Company was no longer able to rely on this exemption, it would be in violation of the registration requirements of the Investment Company Act, which would have a material adverse effect on the Company’s business, prospects, financial condition, results of operations and the value of the Ordinary Shares.

No assurance can be given that a tender offer will be made to US investors

In the event of a tender offer, the Company will generally make the tender offer open to all Shareholders. However, US investors may be excluded if compliance with the US tender offer rules proves onerous. The Company intends to evaluate at the time of any tender offer the costs and potential liabilities associated with any such tender offer, as well as the indirect benefits and costs to it of enabling US investors to accept the tender offer and any other factors considered appropriate at the time, and decide as to whether to make any offer open to US investors. No assurance can be given that any offer will be made to US investors.

Risks associated with the Fund Manager

IIP has no operating history

IIP has no operating history. The past performance of other portfolios managed by Polar or the Key Personnel can provide no guidance as to the future performance of the Group.

IIP may not receive the FSA Authorisations

Under the terms of the Fund Management Agreement, in the event that IIP has not received the authorisations required to be obtained by it pursuant to the FSA’s Handbook of rules and guidance to permit IIP to provide investment management services to the Group by 31 December 2006, the appointment of the Fund Manager will terminate. The Directors would, in these circumstances, have to find a replacement fund manager to the Group and there can be no assurance that such a replacement can be found.

There can be no assurance that the Directors of the Company will be able to find a replacement fund manager if the Fund Manager resigns

Whilst the Company has no fixed life, in the event that IIP is appointed as Fund Manager to the Company pursuant to the terms of the Fund Management Agreement, IIP will be entitled to terminate its appointment by giving not less than 12 month’s written notice at any time after the second anniversary of Admission. The Directors would, in these circumstances, have to find a replacement manager to the Group and there can be no assurance that such a replacement can be found.

There are potential conflicts of interest which could impact the investment return

The Fund Manager may from time to time act for other clients which have a similar or different investment objective and policy to that of the Group. Circumstances may arise where investment opportunities will be available to the Group and which are also suitable for one or more such clients of the Fund Manager. Where a conflict arises in respect of an investment opportunity, the Fund Manager will allocate the opportunity on a basis they consider to be fair.

IAP (India) may continue to advise other clients from time to time regarding investment in India. Accordingly, circumstances may arise where such advice creates a conflict of interest with IAP (India)’s advice to the Fund Manager and so indirectly to the Group. IAP (India) has undertaken to the Directors to use its reasonable endeavours to manage the affairs of IAP (India) to avoid a conflict arising, and to undertake such services only where the time devoted by, and the quality of the service,

provided by IAP (India) to IIP is not comprised but in circumstances where such conflict is unavoidable it will advise such clients on a basis they consider to be fair.

Each of the above parties has confirmed that they will have regard to their obligations under their respective agreements with the Group (and, in the case of IAP (India), with IIP) or otherwise to act in a manner that they consider fair, reasonable and equitable having regard to their respective obligations to other clients, when potential conflicts of interest arise.

Risks relating to the Group's portfolio

Investing in the Ordinary Shares and Warrants may involve a high degree of risk

There can be no assurance that the Company's investment objective will be achieved. The Company's ability to achieve its investment objectives may be adversely affected in the event of significant or sustained changes in market returns or volatility. Prospective investors should regard an investment in the Group as long-term in nature and they may not recover the full amount initially invested or any amount at all.

As with any investment in companies, the Group's investments may fall in value with the maximum loss on such investments being the value of the initial investment and, where relevant, any gains or subsequent investments made.

The performance of the Group is dependent upon the investment strategy followed by the Fund Manager

The success of the investment strategy followed by the Fund Manager depends upon its success at correctly interpreting market data. Any factor which would make it more difficult to buy or sell companies based in India may have an adverse effect on the profitability of the Group. No assurance can be given that the strategy to be used will be successful under all or any market conditions.

The value of the Ordinary Shares may be affected by political and country risks

The Group will invest in companies based in India where the regulatory framework is still developing. The value of the investments made by the Group may be affected by foreign exchange rates and controls, interest rates, changes in Government policy, social and civil unrest and other political, economic and other developments in or affecting India. Since 1991, successive Indian governments have pursued policies of economic liberalisation; however, there is no assurance that future political and economic conditions in India will not result in its government adopting different policies with respect to foreign investment. Any such changes in policy may affect ownership of assets, taxation, rates of exchange, environmental protection, labour relations, repatriation of income and return of capital, thereby influencing the Group's ability to generate profits. Such policy changes could extend to the expropriation of assets.

Companies based in India are subject to accounting, auditing and financial reporting standards, practices and disclosure requirements that are generally less stringent than those applicable to companies incorporated in the United Kingdom. In addition, there is generally less government supervision and regulation of stock exchanges, brokers and listed companies.

Trading volume on the Indian securities' exchanges can be substantially less than on the leading stock markets of the developed world, so that accumulation and disposal of holdings may be time consuming and may need to be conducted at unfavourable prices. Volatility of prices can be greater than in more developed markets. Different segments of the Indian financial markets have different settlement periods and such periods may be extended significantly by unforeseen circumstances leading to delays in receipt of proceeds from the sale of securities. Any inability of the Group to make intended securities purchases due to settlement problems could also cause the Group to miss investment opportunities.

The value of the Group's investments may be affected generally by factors affecting the Indian securities' exchanges, such as price and volume volatility in the capital markets, interest rates, changes in policies of the government of India, taxation laws or policies and other political and economic developments and closure of stock exchanges which may have an adverse bearing on individual securities, a specific sector or all sectors including equity and debt markets.

In recent years India has witnessed various terrorist attacks, civil unrest and other acts of violence or war, and it is possible that future such events as well as other adverse social, economic or political events in India may affect the value of the securities held by the Group thereby affecting the capacity of the Group to generate profits.

The Group's investments may be concentrated in terms of limited geographical location and size of target companies

The Group's investment portfolio is expected to be relatively concentrated both in terms of geographical area and in terms of size and accordingly should be regarded as representing a higher risk than a more diversely invested fund. Underperformance or failure of one or more of the investments may have an adverse effect on the value of the Group.

The success of any of the investments in the Group's portfolio is subject to numerous risks

The Group may invest in unquoted companies and small listed companies which, by their nature, carry a high level of risk. The objective of the Group is to spread that risk through investment in a broadly-spread portfolio of such companies (in addition to mid-cap listed companies); the inherent risk of each individual investment, however, remains.

Small companies of the type in which the Group may invest are often reliant on a limited number of products and/or markets, may have limited financial resource and may be dependent for their management on a limited number of key individuals.

Although the Group intends to have representation indirectly through the Investment Advisor, where appropriate and possible, on the board of directors of a number of investee companies, it will not control any boards of directors of the investee companies and may not be in a position to protect its interests fully.

Any call or put option arrangement entered into by the Group may not be enforceable

In India the enforceability of a call and/or put option with regard to public limited companies (not necessarily listed) is not free from doubt since the same may not amount to a "spot delivery contract" under Section 16 of the Securities Contracts Regulations Act, 1956 and hence expressly recognised by statute. In the event that the Group enters into any such arrangement with an Indian public limited company it will face the risk of the same being declared void in law.

The Group operates in a highly competitive environment for investment opportunities

A number of private equity houses, institutions and other investors have become active in seeking investments in companies based in India. Competition for a limited number of attractive investment opportunities may lead to a delay in investment of the Group's assets and may increase the price at which investments can be made, thereby reducing the Group's potential profits.

The Group is dependent on the Key Personnel and its Directors for its future success

The ability of the Company to achieve its investment objective is significantly dependent upon the expertise of the Fund Manager and its ability to retain the Key Personnel. The Company is also reliant upon the skills of its non-executive Directors and the loss of any of these persons could reduce the Group's ability to achieve its planned investment objectives. The Company and the Fund Manager have endeavoured to ensure that the principal members of their management teams are suitably incentivised, but the retention of such persons cannot be assured.

Performance fees may create incentives for speculative investment

The semi-annual performance fees payable to the Fund Manager may result in substantially higher payments to the Fund Manager than alternative arrangements in other types of investment vehicles. The existence of the performance fees may create an incentive for the Fund Manager to make riskier or more speculative investments than it would otherwise make in the absence of such fees.

Any gearing used by the Company may expose investors to risks

The Company may use gearing. Gearing can be employed in a variety of ways including direct borrowing and the use of futures, warrants, options and other derivative products. Generally, gearing is used to increase the overall level of investment in a portfolio. Higher investment levels may offer the potential for higher returns. Gearing exposes investors to increased risk as it increases the portfolio's market exposure and volatility.

Certain investee companies in the Group's portfolio may be "special situation" companies

The Group may invest in companies involved in (or the target of) acquisition attempts or tender offers or companies involved in work-outs, liquidations, spin-offs, reorganisations, bankruptcies and similar transactions. There exists the risk that the transaction in which such business enterprise is involved either will be unsuccessful, take considerable time, or will result in a distribution of cash or a new security the value of which will be less than the purchase price of the security or other financial instrument in respect of which such distribution is received. Similarly if an anticipated transaction does not in fact occur, the Group may be required to sell its investment at a loss.

Any suspension of trading on the Indian securities exchanges may expose the Group to losses

Securities' exchanges typically have the right to suspend or limit trading in any instrument traded on that exchange. Any suspension of any security held by the Group could render it impossible for the Group to liquidate positions and thereby expose the Group to losses.

Any divestment by the Group of unquoted or thinly traded shares may impact the Group's profits

Any divestment by the Group in the form of a sale to a resident Indian will amount to a transfer from a non-resident to a resident. Such a transfer would be subject to pricing guidelines laid down by the Reserve Bank of India, from time to time, which prescribe a cap as to a maximum amount that may be paid as consideration for such a transaction. This limitation may adversely impact the profits generated by the Group for unquoted and thinly traded shares. However, in relation to quoted shares which are going to be sold on stock exchanges at the prevailing market price there is not expected to be any adverse impact or limitation on generation of profits.

Risks relating to the Group structure

The suspension of Mauritian exchange control laws and regulations may be lifted

Exchange control laws and regulations have been suspended in Mauritius since 1994. Any payments made to or by the Mauritian Companies are, therefore, not restricted by the exchange control laws and regulations. Although it is unlikely that the suspension of such laws and regulations will be lifted, there is no assurance this will not happen.

The application of the India/Mauritius Double Tax Treaty may cease to have effect

Investors should note that the Mauritian Companies rely upon the provisions of the India/Mauritius Double Tax Avoidance Treaty (the "Treaty") to minimise, so far as possible, the taxation of the Group. No assurance can be given that the terms of the Treaty will not be subject to a renegotiation in the future and any change could have a material adverse effect on the returns of the Group. There can be no assurance that the Treaty will continue and will be in full force and effect during the life of the Group.

The legal position under the Treaty is that following the issue of assessment orders against certain Mauritian resident companies deriving benefits under the Treaty during 2000, the Indian Central Board of Direct Taxes ("CBDT") issued circular 789 (the "Circular") on 13 April 2000. The Circular clarified that a certificate of tax residence issued by the Mauritian tax authorities was sufficient evidence for accepting the status of the residence as well as beneficial ownership for the purposes of applying the Treaty. As a result of this Circular, the Mauritian Companies and other investors that are tax residents of Mauritius (as evidenced by a certificate for residence issued by the Mauritius authorities) are not liable for tax on capital gains from the sale of shares in India in terms of the provisions of the Treaty.

In response to a subsequent public interest litigation filed by an Indian non-government organisation and an individual, the Delhi High Court quashed the Circular on 31 May 2002, on the grounds that the CBDT exceeded its powers in issuing the Circular. In response, the Government of India filed a Special Leave Petition before the Supreme Court (the highest court in India) challenging the order of the Delhi High Court. The supreme Court delivered its ruling on this petition on 7 October 2003 whereby it set aside the order of the Delhi High Court and upheld the validity and applicability of the Circular.

The Supreme Court subsequently dismissed the review petition and the curative petition filed against its order.

However, the CBDT has also issued a subsequent circular (No. 1 of 2003) which clarifies that if a company is a resident of both India and Mauritius, it will be taxed in the country from where it is effectively managed and controlled. It further clarifies that the tax officer in India could investigate the resident of the Mauritius entity in India.

Hence, the Mauritian Companies should be eligible for Treaty benefits on the basis that they obtain a tax residency certificate from the Mauritius authorities and are not seen to be controlled and managed from India.

Prospective investors should therefore consider carefully whether investment in the Company is suitable for them, in light of the risk factors outlined above, their personal circumstances and the financial resources available to them.

PART III

ACCOUNTANTS' REPORT ON THE COMPANY

The following is the full text of a report by Ernst & Young LLP, the Reporting Accountants to the Company.

The Directors
India Capital Growth Fund Limited
Trafalgar Court
Les Banques
St. Peter Port
Guernsey GY1 3QL

16 December 2005

Dear Sirs

We report on the financial information set out on page 35. This financial information has been prepared for inclusion in the AIM admission document dated 16 December 2005 of India Capital Growth Fund Limited (the "Company") on the basis of the accounting policies set out in note 1 to the financial information. This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that schedule and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the AIM admission document and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion, the financial information gives, for the purposes of the AIM admission document dated 16 December 2005, a true and fair view of the state of affairs of the Company as at the date stated in accordance with the basis of preparation set out in note 1.

Declaration

We are responsible for this report as part of the AIM admission document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM admission document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

Ernst & Young LLP

Financial Information

The Company was incorporated on 11 November 2005 and the Mauritian Companies were incorporated on 1 December 2005. Neither the Company nor the Mauritian Companies have completed their respective first accounting periods. No statutory financial statements have been prepared or audited since its incorporation.

The total authorised share capital of the Company on incorporation was £1,250,000 comprising 125,000,000 Ordinary Shares of £0.01. The stated capital in respect of each of the Mauritian Companies on incorporation was 1 management share of US\$1.00 each and participating shares of US\$1.00 each to be issued in such classes of shares as the directors of each of the Mauritian Companies may determine.

Between the date of incorporation and the date of the Admission document, neither the Company nor the Mauritian Companies have traded, but the Company has acquired its investments in the Mauritian Companies.

Balance Sheet as at 11 November 2005

	<i>Notes</i>	<i>Company Pence</i>
Current assets – Debtors		2
Total assets		<u>2</u>
Share capital	2	<u>2</u>
Total equity		<u><u>2</u></u>

1. Accounting policies

Basis of preparation

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

2. Share capital

	<i>As at 11 November 2005 £</i>
Authorised: 125,000,000 Ordinary shares of 1 pence each	<u>1,250,000.00</u>
Issued: 2 Ordinary shares of 1 pence each	<u><u>0.02</u></u>

3. Post balance sheet events

On 1 December 2005 the company's two Mauritian subsidiary companies, ICG Q Limited and ICG U Limited were incorporated and the one management share of US\$1 then in issue in respect of each company was transferred to the Company on 5 December 2005. The remaining 99 management shares in each of the Mauritian Companies were issued directly to the Company on 5 December 2005.

In connection with the Admission the company has entered into agreements with various service providers in respect of services in connection with the Admission. Fees will be payable from the proceeds of the placing. Fixed costs are estimated at £750,000 and variable costs are equivalent to one per cent of gross funds received.

PART IV

ADDITIONAL INFORMATION

1. The Group

The Company

- 1.1 The Company was incorporated in Guernsey on 11 November 2005 with the name India Capital Growth Fund Limited with registered number 43916 as a company limited by shares under the Companies Laws. The Company operates under the Companies Laws and ordinances and regulations made thereunder and has no employees. The liability of Shareholders is limited.
- 1.2 Save for its entry into the material contracts summarised in paragraph 6 of this Part IV and certain non-material contracts, since its incorporation the Company has not carried on business or incurred borrowings and no accounts of the Company have been made up. The Company is expected to receive a certificate from H.M. Greffier in Guernsey, as required by section 16 of the Companies Laws, entitling it to commence business. The Company will, upon Admission, be authorised by the Guernsey Financial Services Commission.
- 1.3 The Company does not conduct investment business in the United Kingdom.

The Mauritian Companies

- 1.4 The Mauritian Companies were incorporated in Mauritius on 1 December 2005 with the names ICG Q Limited and ICG U Limited, with registered numbers 59808 and 59809 respectively and each being a company limited by shares under the laws of Mauritius.
- 1.5 Save for their entry into the material contracts summarised in paragraph 6 of this Part IV and certain non-material contracts, since their incorporation the Mauritian Companies have not carried on business or incurred borrowings and no accounts of the Mauritian Companies have been made up.
- 1.6 As at the date of this document, the stated capital of each of the Mauritian Companies was 100 management shares of US\$1.00 each. The stated capital of each of the Mauritian Companies on their incorporation was 1 management share of US\$1.00 each, held by International Securities Limited, a nominee company controlled by the Mauritian Administrator, and was transferred to the Company on 5 December 2005. The remaining 99 management shares in each of the Mauritian Companies were issued to the Company on 5 December 2005.

2. Share Capital

- 2.1 The authorised share capital and issued share capital of the Company (i) as at the date of this document and (ii) following Admission, all of which will be fully paid up is set out below:

	<i>Authorised No. of Ordinary Shares</i>	<i>nominal£</i>	<i>Issued No. of Ordinary Shares</i>	<i>nominal£</i>
(i)	125,000,000	1,250,000	2	0.02
(ii)	125,000,000	1,250,000	75,000,000	750,000.00

- 2.2 The ISIN number of the Ordinary Shares is GB00B0P8RJ60 and the Warrants is GB00B0P8RS51.
- 2.3 The authorised share capital of the Company on its incorporation was £1,250,000 divided into 125,000,000 Ordinary Shares of 1 pence each, of which 2 Ordinary Shares are in issue and are held respectively by CO 1 Limited and CO 2 Limited, nominee companies controlled by the Guernsey legal advisers to the Company, Carey Olsen. These two Ordinary Shares will be transferred to Placees as part of the Placing.
- 2.4 At an extraordinary general meeting held on 14 December 2005, special resolutions were passed authorising the cancellation of the Company's share premium account immediately following the conclusion of the Placing and authorising the Company in accordance with the Companies (Purchase of Own Shares) Ordinance, 1998 to make market purchases (within the meaning of Section 5 of the said Ordinance) of up to 29.98 per cent. of its Ordinary Shares in issue following Admission of which a maximum of 14.99 per cent. may be by way of general purchases and a maximum of 14.99 per cent. may be by way of the Tender Facility.
- 2.5 Save as referred to in paragraph 2.3 above or Part I of this document, since the date of its incorporation no share or loan capital of the Company has been issued or agreed to be issued, or is now proposed to be issued, for cash or any other consideration and no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue of any such capital.
- 2.6 No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 2.7 Any unallotted Ordinary Shares will remain authorised but unissued.

3. Memorandum and Articles of Association and Warrant Instrument

The Memorandum of Association of the Company provides that the objects of the Company include carrying on business as an investment company. The objects of the Company are set out in full in Clause 3 of the Memorandum of Association.

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

Ordinary Shares

Income

The holders of Ordinary Shares have the right to receive in proportion to their holdings all the revenue profits of the Company (including accumulated revenue reserves) attributable to the Ordinary Shares as a class available for distribution and determined to be distributed by way of interim and/or final dividend at such times as the Directors may determine.

Capital

On a winding-up of the Company, after paying all the debts attributable to and satisfying all the liabilities of the Company, holders of the Ordinary Shares shall be entitled to receive by way of capital any surplus assets of the Company attributable to the Ordinary Shares as a class in proportion to their holdings.

The Company shall not without the previous consent in writing of the holders of a simple majority, in the case of paragraph (i) below, or at least a 75 per cent. majority, in the case of paragraph (ii) below, of the Ordinary Shares in issue or the sanction of a resolution passed by the same majority of votes cast at a separate general meeting of the Shareholders at such meeting:

- (i) make any material change in the investment policy of the Company; or
- (ii) pass any resolution amending, altering or abrogating any of the rights attaching to the Ordinary Shares as a class.

Pre-emption

Subject to the provisions of the Articles, the Company's unissued shares shall be at the disposal of the Board which may offer, allot, grant options over, or otherwise dispose of them to such persons, for such consideration, on such terms and conditions and at such times as the Board determines but so that, unless authorised by Shareholders, no share shall be issued at a discount to its prevailing net asset value and so that the amount payable on application on each share shall be fixed by the Board.

Voting at General Meetings

- (i) Subject to any special rights or restrictions for the time being attached to any class of shares, on a show of hands every member present in person has one vote. Upon a poll every member present in person or by proxy has one vote for each share held by him.
- (ii) A shareholder 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.

Creation of additional issues of shares

Subject to the provisions of the Articles, the Directors may from time to time determine to issue one or more classes of shares thereof and the Company's unissued shares shall be at the disposal of the Board which may offer, allot, grant options over, or otherwise dispose of them to such persons, for such consideration, on such terms and at such times as the Board determines but so that no share shall be issued at a discount to its prevailing net asset value and so that the amount payable on application on each share shall be fixed by the Board.

Transfer of Shares

Subject to such of the restrictions noted below as may be applicable, any Shareholder may transfer all or any of his/her shares in any form which the Board may accept. Any written instrument of transfer of a share must be signed by or on behalf of the transferor and, in the case of a partly-paid share, the transferee and the transferor will be deemed to remain the holder of the share until the name of the transferee is entered in the register. The Board may, at its absolute discretion and without assigning any reasons therefor, refuse to register a transfer of any share in certificated form (not being a fully paid up share) on which the Company has a lien.

The Board may also refuse to register any transfer of a share unless:

- (i) the instrument of transfer is lodged with the Company;
- (ii) the instrument of transfer is in respect of only one class of share;

- (iii) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four; and
- (iv) in the case of a transfer of a partly paid-up share, the instrument of transfer is signed by both the transferor and the transferee.

If the Board refuses to register a transfer it must, within two months of the date on which the instrument of transfer was lodged with the Company, send notice of the refusal to the transferee.

In the case of the death of any one of joint holders the survivor or survivors, and in the case of the death of a sole holder the executor, shall be the only person or persons recognised by the Company as having any title or interest in the Ordinary Shares of the deceased holder.

Subject to the Companies Laws, registration of transfers may be suspended and the register of members closed by the Directors at their discretion, provided that the register of members shall not be closed for more than 30 days in any year.

The Articles provide that the Directors may implement such arrangements as they may think fit in order for any class of shares to be admitted to settlement by means of the CREST system. If the Directors implement any such arrangement, no provision of the Articles applies or has effect to the extent that it is in any respect inconsistent with:

- (i) the holding of shares of that class in uncertificated form;
- (ii) the transfer of title to shares of that class by means of the CREST system; or
- (iii) the CREST Guernsey Requirements.

Where any class of shares is for the time being admitted to settlement by means of the CREST system such shares may be issued in uncertificated form in accordance with and subject as provided in the CREST Guernsey Requirements. Unless the Directors otherwise determine, such shares held by the same shareholder or joint shareholders in certificated form and uncertificated form at the same time shall be treated as separate holdings. Such shares may be changed from uncertificated to certificated form and from certificated to uncertificated form in accordance with and subject as provided in the CREST Guernsey Requirements and in accordance with applicable law.

Title to such of the shares as are recorded on the register of the Company as being held in uncertificated form may be transferred only by means of the CREST system and as provided in the CREST Guernsey Requirements. Every transfer of Company shares from a CRESTCo account of a CRESTCo member to a CRESTCo account of another CRESTCo member shall vest in the transferee a beneficial interest in the shares transferred, notwithstanding any agreement or arrangements to the contrary however and whenever arising and however expressed.

Shares

Any Shares held by a US Person who: (i) acquired such Shares in the Placing, (ii) acquired such Shares from a US Person who acquired Shares in the Placing, or (iii) is otherwise connected by an unbroken series of US purchasers to a US Person who acquired Shares in the Placing may only be transferred after the Shareholder has notified the Company of its intention to transfer the Shares and has obtained from the transferee a signed letter addressed to the Company, with copies to the Administrator and to the Registrar, containing the representations described in the section headed “Transfer of Ordinary Shares and Warrants” in Section 8 of Part IV of this document. The Registrar will not register transfers unless such a letter is provided.

Any Shares held by a US Person who: (i) acquired such Shares in the Placing, (ii) acquired such Shares from a US Person who acquired Shares in the Placing, or (iii) is otherwise connected by an unbroken series of US purchasers to a US Person who acquired Shares in the Placing must be held in certificated form and may not be transferred into CREST or any other paperless system without the prior approval of the Company. Such approval will only be granted if the transferor provides a signed letter addressed to the Company, with copies to the Administrator and the Registrar, containing a representation that the transferee is not a US Person.

Warrants

Any Warrants held by a US Person who: (i) acquired such Warrants in the Placing, (ii) acquired such Warrants from a US Person who acquired Warrants in the Placing, or (iii) is otherwise connected by an unbroken series of US purchasers to a US Person who acquired Warrants in the Placing may only be transferred after the Shareholder has notified the Company of its intention to transfer the Warrants and has obtained from the transferee a signed letter addressed to the Company, with copies to the Administrator and to the Registrar, containing the representations described in the section headed “Transfer of Ordinary Shares and Warrants” in Section 8 of Part IV of this document. The Registrar will not register transfers unless such a letter is provided.

Any Warrants held by a US Person who: (i) acquired such Warrants in the Placing, (ii) acquired such Warrants from a US Person who acquired Warrants in the Placing, or (iii) is otherwise connected by an unbroken series of US purchasers to a US Person who acquired Warrants in the Placing must be held in certificated form and may not be transferred into CREST or any other paperless system without the prior approval of the Company. Such approval will only be granted if the transferor provides a signed letter addressed to the Company, with copies to the Administrator and the Registrar, containing a representation that the transferee is not a US Person.

Shares and Warrants

The Company will refuse to register any transfer of a Share or Warrant that could result in it being required to register under the Investment Company Act. Shares and Warrants may not be transferred to or held by US Plan Investors, and the Company will refuse to register any transfer of a Share or Warrant to a US Plan Investor.

The Directors may give notice in writing to the Shareholder of any Share or Warrant which appears to have been acquired in violation of the transfer restrictions contained in the above five paragraphs requiring him within 21 days (or such extended time as in all the circumstances the Directors shall consider reasonable or such shorter time as the Directors may determine in the case of a transfer to, or holding of, a Share or Warrant by the US Plan Investor) to transfer (and/or procure the disposal of interests in) such Share or Warrant to another person so that the violation will be remedied. On and after the date of such notice, and until registration of a transfer of the Share or Warrant to which it relates, the Share or Warrant shall not confer any right to receive notice of or to attend or vote at general meetings of the Company and of any class of Shareholders and the rights to attend (whether in person or by proxy), to speak and to demand a vote on a poll which would have attached to the Share or Warrant had it not appeared to the Directors to have been acquired in violation of transfer restrictions shall vest in the Directors of any such meeting. The manner in which the Directors exercise or refrain from exercising any such rights shall be entirely at their discretion.

If within 21 days after the giving of any notice pursuant to the paragraph above (or such extended time as in all the circumstances the Directors shall consider reasonable or such shorter time as the Directors may determine in the case of a transfer to, or holding of, a Share or Warrant by a US Plan Investor) such notice is not complied with to the satisfaction of the Directors, the Directors shall arrange for the Company to sell such Share or Warrant at the best price reasonably obtainable to another person such that the violation of the transfer restrictions will be remedied. For this purpose the Directors may, in the case of a Share or Warrant in certificated form, authorise in writing any officer or employee of the Company to execute on behalf of the Shareholder a transfer of the Share or Warrant to a purchaser and may issue a new certificate to the purchaser and, in the case of a Share or Warrant in uncertificated form, the Directors may re-materialise such Share and take such other steps (including the giving of directions to or on behalf of the Shareholder who shall be bound by them) as they think fit to effect the transfer of the Share to that person. The net proceeds of the sale of such Share or Warrant shall be received by the Company whose receipt shall be a good discharge for the purchase money and shall be paid over by the Company to the former Shareholder (together with interest at such rate as the Directors consider appropriate) upon surrender by him or them of the certificate for the Share or Warrant.

Directors

- (i) Unless otherwise determined by ordinary resolution, the number of the Directors shall not be less than two.
- (ii) A majority of the Directors shall not be resident in the United Kingdom or the United States.
- (iii) The remuneration of each Director shall be determined from time to time by the Directors provided always that the aggregate remuneration of all Directors shall not exceed £100,000 per annum or such higher amount as may be approved by the Company in general meeting.
- (iv) The Directors shall also be entitled to be paid their reasonable travelling, hotel and incidental expenses of attending and returning from meetings of the Directors or committees of the Board or general meetings and all expenses properly and reasonably incurred by them in the conduct of the Company's business or in the discharge of their duties as Directors.
- (v) The Directors, secretary and other officers or servants or agents for the time being of the Company shall be indemnified out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses in respect of which they may lawfully be indemnified which they or any of them shall or may incur or sustain by reason of any contract entered into or any act done, concurred in, or omitted, in or about the execution of their duty or supposed duty or in relation thereto, except such (if any) as they shall incur or sustain by or through their own wilful act, neglect or default respectively, and none of them shall be answerable for the acts, receipts, neglects or defaults of the other or others of them, or for joining in any receipt for the sake of conformity, or for any bankers or other persons with whom any monies or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for any bankers, brokers, or other persons into whose hands any money or assets of the Company may come, or for any defect of title of the Company to any property purchased, or for the insufficiency or deficiency or defect of title of the

Company, to any security upon which any monies of the Company shall be invested, or for any loss or damage occasioned by an error of judgement or oversight on their part, or for any other loss, damage or misfortune whatsoever which shall happen in the execution of their respective offices or in relation thereto, except the same shall happen by or through their own wilful neglect or default respectively.

The Company may purchase and maintain insurance for the benefit of the Directors and other officers of the Company or any subsidiary including insurance against costs, charges, expenses, losses or liabilities suffered or incurred by such persons in respect of any act or omission in the actual or purported discharge of their respective duties, powers and discretions in relation to the Company.

- (vi) A Director who to his knowledge is in any way, directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company, otherwise than by virtue of his interests in shares or debentures or otherwise in or through the Company, shall disclose the nature of his interest to the Board. A Director shall not vote or be counted in the quorum in relation to any resolution of the Board or of a committee of the Board concerning any contract or arrangement or any other proposals in which he is to his knowledge alone or together with any person connected with him materially interested, save that this prohibition shall not apply in respect of a resolution relating to:
 - (a) the giving of a guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;
 - (b) the giving of a guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part, either alone or jointly with others, under a guarantee or indemnity or by the giving of security;
 - (c) a contract, arrangement, transaction or proposal concerning an offer of shares, debentures, or other securities of the Company or any of its subsidiary undertakings for subscription or purchase, in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
 - (d) a contract, arrangement, transaction or proposal to which the Company is or is to be a party concerning another company in which he (and any persons connected with him) is interested and whether as an officer, shareholder, creditor or otherwise, if he does not to his knowledge hold an interest in shares representing one per cent. or more of either a class of the equity share capital or of the voting rights in the relevant company;
 - (e) a contract, arrangement, transaction or proposal for the benefit of employees of the Company or any of its subsidiary undertakings which only awards him a privilege or benefit generally awarded to the employees to whom it relates; and
 - (f) a contract, arrangement, transaction or proposal concerning the purchase or maintenance of any insurance policy for the benefit of Directors or for the benefit of persons including Directors.
- (vii) The Articles do not contain a provision which disqualifies any person from being appointed as a Director or which requires him to vacate the office of Director by reason only of the fact that he has attained 70 years of age.
- (viii) The Board shall have the power at any time to appoint any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors, provided that no person shall be appointed as a Director under any provision of the Articles if his appointment would cause or permit the aggregate of the number of Directors resident in the United Kingdom or the United States for the purposes of United Kingdom or United States taxation, as the case may be, to constitute a majority of Directors. Any Director so appointed shall hold office only until the next following annual general meeting and shall then be eligible for re-election.
- (ix) No share qualification is required for Directors.

Borrowing powers

- (i) The Board may exercise all the powers of the Company to borrow money of an amount up to such limit and subject to restrictions either in respect of the Company as a whole as may be set out in any admission document published from time to time and to guarantee, mortgage, hypothecate, pledge or charge all or part of its undertaking property and uncalled capital or any part thereof and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.
- (ii) Any person lending money to the Company shall be entitled to assume that the Company is acting in accordance with the Articles and shall not be concerned to enquire whether such provisions have in fact been complied with.

Disclosures of interests in shares

- (i) The Directors may serve notice on any member requiring that member to disclose to the Company the identity of any person (other than the member) who has an interest in the shares held by the member and the nature of such interest. Any such notice shall require any information in response to such notice to be given within such reasonable time as the Directors may determine. The Directors may be required to exercise their powers under the relevant Articles on the requisition of members holding at the date of the deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings.
- (ii) If any member is in default in supplying to the Company the information required by the Company within the prescribed period (which is 28 days after service of the notice or 14 days if the shares concerned represent 0.25 per cent. or more of the issued shares of the relevant class), the Directors in their absolute discretion may serve a direction notice on the member. The direction notice may direct that in respect of the shares in respect of which the default has occurred (the “default shares”) and any other shares held by the member, the member shall not be entitled to vote in general meetings or class meetings. Where the default shares represent at least 0.25 per cent., of the issued shares of the relevant class of shares concerned the direction notice may additionally direct that dividends on such shares will be retained by the Company (without interest), and that no transfer of shares (other than a transfer approved under the Articles) shall be registered until the default is rectified.

Untraced Shareholders

The Company shall be entitled to sell (at a price which the Company shall use its reasonable endeavours to ensure is the best obtainable) the shares of a member or the shares to which a person is entitled by virtue of transmission, if and provided that:

- (i) during the period of not less than 12 years prior to the date of the publication of the advertisements referred to below (or, if published on different dates, the first thereof) no cheque or warrant sent by the Company through the post in a pre-paid letter addressed to the Shareholder or to the person entitled by transmission to the share or stock at his address on the Company’s register of members, or the last known address given by such person to which cheques and warrants are to be sent, has been cashed and at least three dividends in respect of the shares in question have become payable and no dividend in respect of those shares has been claimed; and
- (ii) the Company shall following the expiry of such period of 12 years have inserted advertisements, both in a national newspaper and in a newspaper circulating in the area in which the last known address of the member at which service of notices may be effected under the Articles is located giving notice of its intention to sell the said shares; and
- (iii) during the period of three months following the publication of such advertisements (or, if published on different dates, the last thereof) the Company shall have received indication neither of the whereabouts nor of the existence of such member or person.

In the case of shares in uncertificated form, the foregoing provisions of this paragraph are subject to any restrictions applicable under any regulations relating to the holdings and/or transferring of securities in any paperless system as may be introduced from time to time.

Dividends

- (i) The Company in general meeting may declare a dividend but no dividend shall exceed the amount recommended by the Directors.
- (ii) No dividend shall be paid other than out of profits available for that purpose under the Companies Laws provided always that all monies realised on the sale or other realisation of any capital assets in excess of book value and all other monies in the nature of accretion to capital, as determined conclusively by the Directors, will not be treated as profits available for dividend.
- (iii) All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed. No unclaimed dividend shall bear interest against the Company. Any dividend unclaimed after a period of twelve years from the date of declaration of such dividend shall 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.

4. Directors’ and other interests

- 4.1 In so far as is known to the Company, the interests of each Director, including any connected person, the existence of which is known to, or could with reasonable diligence be ascertained by, that Director, whether or not held through another party, in the share capital of the Company together with any options in respect

of such capital immediately following completion of the Placing are set out below. All such Ordinary Shares allotted and issued will be beneficially held by such Directors:

<i>Directors</i>	<i>Ordinary Shares following Admission</i>		<i>Percentage of issued share capital following Admission</i>	<i>Warrants following Admission</i>
	<i>Beneficial</i>	<i>Non-beneficial</i>		
M. Ingall	50,000	0	0.1	10,000
J. Cayzer-Colvin	50,000	0	0.1	10,000

- 4.2 Save as set out in paragraph 4.1 above, none of the Directors has any interests, beneficial or otherwise, in the share capital of the Company nor does (so far as is known to, or could with reasonable diligence be ascertained by, the Directors) any person connected with the Directors have any interests in such share capital, in each case whether or not held through another party.
- 4.3 The services of the Directors are provided under the terms of letters of appointment between the Company and each of them dated 22 November 2005. Each Director, with the exception of the Chairman, will be paid an initial annual fee of £15,000. The Chairman will receive an initial annual fee of £25,000. These fees may be waived at the discretion of each Director.
- 4.4 Save as specified above, there are no service contracts in existence between the Company and any of its Directors, nor are any such contracts proposed.
- 4.5 In addition to their directorships in the Company, the Directors have held the following directorships and/or been a partner in the following partnerships within the five years prior to the date of this document:

<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
M. Ingall	Investors Capital Trust plc Edinburgh Small Companies Trust plc Mid Wynd International Investment Trust plc Rathbone Trust Co. Ltd The Dendrology Charitable Company (company limited by guarantee)	St. Davids Investment plc Rathbone Brothers plc
A. Dayal	Glaxo Smithkline Consumer Healthcare Ltd ING Vysya Mutual Fund Abbott India Ltd Akzo Nobel Coatings Ltd	Roland Berger International Management Consultants Pvt Ltd Deutsche Bank AG Ambersil Ltd
J. Cayzer-Colvin	Caledonia Investments plc Amber Industrial Holdings plc The Sloane Club Group Ltd The Sloane Club Management Ltd Colvins Farms Partnership Eddington Capital Management Ltd Eddington Triple Alpha Funds Ltd Polar Capital Market Neutral Absolute Return Fund Limited Polar Capital Funds plc Polar Capital LLP PCP Holdings Plc Polar Capital Japan Absolute Return Fund Ltd Polar Capital Technology Absolute Return Fund Ltd Polar Capital Paragon Fund Ltd Polar Capital European Smaller Companies Absolute Return Fund Ltd. Polar Capital European Market Neutral Absolute Return Fund Ltd. Rathbone Brothers plc Rathbone Investment Management Ltd.	Ambersil Pte Ltd Laboratory Solution Ltd The Amber Chemical Company Ltd DC Capital Ltd DC Management Ltd Polar Capital Global Technology Fund Ltd Polar Capital Japan Growth Fund Ltd. Sea Lion Ventures Ltd

<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
R. King	Absolute Return Trust Limited SAMBA Fund Management (Guernsey) Limited Fitzwilliam International PCC Limited Carrousel Fund II Limited (The) Elysian Investment Management Limited Elysian Fund Limited Thames River Capital Holdings Limited Thames River Nevsky Fund Limited Thames River Global Funds Limited Thames River Alternative Strategies Limited Thames River First Absolute Return Limited Hillside Apex Fund Limited Kingsway Fund Limited Thames River Edo Fund Limited Thames River Topaz Fund Limited Thames River Equity Focus Fund Limited Thames River Warrior Fund Limited Thames River Sentinel Fund Limited Thames River Mainstay Fund Limited Thames River Distressed Focus Fund Limited Thames Garrett Fund Limited Leveraged Fund Limited (The) Thames River Hedge Ventures Fund Limited Sienna Investment Company Limited Sienna Investment Company 2 Limited Sarasin Funds Management (Guernsey) Limited Aspect Sterling PCC Limited FCM European Frontier Fund Limited FCM European Frontier Master Fund Limited Sarbacan Fund Limited FCM Asia-Pacific Fund Limited FCM Asia-Pacific Master Fund Limited BeechHolt Fund Limited Thames River Multi Hedge PCC Limited Dominion Fund Management Limited Dominion PCC Limited Thames River Capital (CI) Limited Thames River Guernsey Direct Property Holdings Limited Thames River Property (Securities) SARL SC Invest Holding (Guernsey) Limited SCNTF II Limited	Intrinsic Asset Management (Guernsey) Limited Intrinsic Holdings Limited Intrinsic Portfolio Fund PCC Limited Thames River Savoy Fund Limited (in voluntary liquidation) Stellar Funds PCC Limited Dejima Fund Limited (The) Thames River Scimitar Fund Limited Thames River Scimitar Investments Fund Limited Thames River Turkish Bond Fund Limited SLI Property Holdings Limited SLI Property Income Fund Limited Czech Assets Finance Company Limited Swiss Capital Non-Traditional Funds PCC (Guernsey) Limited (in voluntary liquidation) SC Lowvol Subsidiary Limited SC Trend Subsidiary Limited SC LS Equity Subsidiary Limited P123 Limited P123 (C.I.) Limited P123 (C.I.) (Investments) Limited P123 (Investments) Limited
R. Nicholson	First Pacific Company Limited Pacific Basin Shipping Limited QDL International Holdings Limited	Richards Butler Energo China Holdings Limited

4.6 No Director:

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

4.6.2 has been bankrupt or the subject of an individual voluntary arrangement, or has had a receiver appointed to any asset of such director; or

4.6.3 save as disclosed in paragraph 4.6.7 below, has been a director of any company which, while he was a director or within 12 months after he ceased to be a director, had a receiver appointed or went into compulsory liquidation, creditors voluntary liquidation, administration or company, voluntary arrangement, or made any composition or arrangement with its creditors generally or with any class of its creditors; or

4.6.4 save as disclosed in paragraph 4.6.7 below, has been a partner of any partnership which, while he was a partner or within 12 months after he ceased to be a partner, went into compulsory liquidation, administration or partnership voluntary arrangement, or had a receiver appointed to any partnership asset; or

4.6.5 has had any public criticism by statutory or regulatory authorities (including recognised professional bodies); or

4.6.6 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.

4.6.7 Mr. Ingall was a director of St. Davids Investment Trust plc until his resignation in February 2004. In June 2004, St. Davids Investment Trust plc went into administrative receivership. Mr. Dayal was a director of Protx Ltd until his resignation in June 2000. In March 2001, Protx Ltd went into administration.

4.7 Save as set out below, the Directors are not aware of any person, directly or indirectly, jointly or severally, who exercises or could exercise control over the Company or who is interested in 3 per cent. or more of the issued share capital of the Company as at the date of the publication of this document:

<i>Name</i>	<i>Ordinary Shares prior to the Placing</i>	<i>%</i>	<i>Ordinary Shares following the Placing</i>	<i>%</i>	<i>Warrants following the Placing</i>	<i>%</i>
CO 1 Limited	1	50	0	0	0	0
CO 2 Limited	1	50	0	0	0	0
Caledonia Investments plc	0	0	16,500,000	22	3,300,000	22

4.8 No loans have been made or guarantees provided by the Company to or for the benefit of any Director.

4.9 Save as disclosed in this document, no Director is or has been interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company.

5. Taxation

The information below, which relates only to United Kingdom, Guernsey, India, Mauritius and US taxation, is applicable to the Company and to persons who are resident or ordinarily resident in the United Kingdom, Guernsey, India and the United States for taxation purposes (except where indicated) and who will hold Ordinary Shares and Warrants as investments and in the circumstances indicated below to non-residents carrying on a trade in the United Kingdom. It is based on existing law and practice and is subject to subsequent changes therein. The summary does not deal with certain types of person, such as persons holding or acquiring shares and warrants in the course of trade, collective investment schemes or insurance companies. If you are in any doubt as to your tax position, or if you may be subject to tax in a jurisdiction other than Guernsey, the United Kingdom, the United States or India, you should consult your own professional adviser without delay.

Guernsey

The Company

The Company has applied to the Administrator of Income Tax for confirmation that the Company will be eligible for exempt status under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989. If and when the exemption is granted, the Company will need to reapply for it annually, incurring a fee of £600 per annum.

The conditions of exemption are:

- that the Company be deemed to be an “investment company”;
- that the Company has contracted on an arm’s length basis with a person resident in Guernsey for the provision of managerial and secretarial services and, where appropriate, custodian services, in respect of its affairs, unless the States of Guernsey Income Tax Authority is satisfied that in the circumstances of a particular case it would be unreasonable to require that custodian services are contracted with a person resident in Guernsey; and
- that no investment or other property situated in Guernsey, other than a relevant bank deposit or an interest in another body to which an exemption from tax has been granted under the Ordinance, be acquired or held.

If the exemption is granted, the Company will not be resident in Guernsey for the purposes of liability to Guernsey income tax. Under current law and practice in Guernsey, the Company will only be liable to tax in Guernsey in respect of income arising in Guernsey, other than bank deposit interest. The Company will not therefore incur any additional liability to Guernsey tax, providing that the Company is not in receipt of any Guernsey sourced income, other than interest on bank deposits maintained in Guernsey.

In the absence of an exemption, the Company will be treated as resident in Guernsey for tax purposes and will be liable to income tax at a standard rate on its total taxable income.

On 25 November 2002, the Advisory and Finance Committee (now the Policy Council) of the States of Guernsey (the "Government") announced a proposed framework for a structure of corporate tax reform within an indicative timescale. In the announcement it was stated that any specific recommendations for change would only be placed before the States of Guernsey after further consultation with local businesses and a review of taxation in other financial centres. The relevant parts of the announcement are as follows:

- The general rate of income tax paid by Guernsey companies will be reduced to 0 per cent. in respect of the tax year 2008 and subsequent years. Exempt company status will be abolished;
- Certain regulated businesses will pay tax at 10 per cent., such as banks. Funds (which term will include the Company) will continue to be taxed at 0 per cent.; and
- Whilst income tax on Guernsey individuals will remain at 20 per cent., it has been confirmed there will be no VAT, capital gains tax, inheritance or other wealth taxes.

Guernsey does not levy taxes upon capital inheritances, capital gains (with the exception of a dwellings profit tax), gifts, sales or turnover, nor are there any estate duties, save for an *ad valorem* fee for the grant of probate or letters of administration. Document duty is payable on the creation or increase of authorised share capital at the rate of one half of one per cent., of the authorised share capital of a company incorporated in Guernsey up to a maximum of £5,000 in the lifetime of a company. No stamp duty is chargeable in Guernsey on the issue, transfer, switching or redemption of shares.

Shareholders and Warranholders

Guernsey does not, at present, levy capital gains tax (with the exception of a dwellings profit tax) and, therefore, neither the Company nor any of its Shareholders and Warranholders will suffer any tax in Guernsey on capital gains. Payments made by the Company to non-Guernsey resident Shareholders and Warranholders, whether made during the life of the Company or by distribution on the liquidation of the Company, will not be subject to Guernsey tax. Whilst the Company is no longer required to deduct Guernsey income tax from dividends on any participating share (if applicable) paid to Guernsey residents, the Company is required to make a return to the Treasury and Resources Department of the States of Guernsey, on an annual basis, when renewing the Company's exempt tax status, as described above, of the names, addresses and gross amounts of income distributions paid to Guernsey resident Shareholders and Warranholders during the previous year.

Subject to comments set out above, no withholding tax or deduction will be made on interest payments made by the Company in respect of any Ordinary Shares issued by the Company to Shareholders.

United Kingdom

The Company

The Company intends to conduct its affairs so that, for United Kingdom corporation tax purposes, it will not be regarded as resident within the United Kingdom nor as carrying on a trade through a permanent establishment located in the United Kingdom. On that basis and on the assumption that it has no United Kingdom source income the Company will have no liability in respect of United Kingdom corporation tax on its income or capital gains.

Shareholders and Warranholders

(a) Taxation of dividends

Dividends received by Shareholders liable to United Kingdom taxation will be treated as income receipts chargeable to United Kingdom taxation and will not carry a tax credit. Individuals resident for tax purposes in the United Kingdom who are liable to income tax at the starting or basic rate will be taxed at the ordinary rate (currently 10 per cent.). An individual who is a higher rate taxpayer will be taxed at the upper rate (currently 32.5 per cent.). Non-taxpayers will have no liability to income tax.

United Kingdom resident corporate Shareholders will normally be liable for corporation tax on any dividends paid by the Company.

(b) *Taxation of capital gains*

The Directors have been advised that the Company will not be a collective investment scheme for the purposes of the United Kingdom offshore funds legislation. Accordingly, any gain realised by a United Kingdom resident or ordinarily resident Shareholder or Warrantholder or a Shareholder or Warrantholder who carries on a trade in the United Kingdom through a branch, agency or permanent establishment with which their investment in the Company is connected on a sale or other disposal (including from liquidation or dissolution of the Company) of their Ordinary Shares or Warrants may, depending on their circumstances and subject as mentioned below, be subject to United Kingdom capital gains tax or corporation tax on chargeable gains. On a disposal of Ordinary Shares or a disposal (rather than an exercise) of Warrants by an individual investor who is resident or ordinarily resident in the United Kingdom for tax purposes, the Ordinary Shares or Warrants may attract taper relief which reduces the amount of chargeable gain according to how long, measured in years, the Ordinary Shares or Warrants have been held. An investor which is a body corporate resident in the United Kingdom for tax purposes will benefit from indexation allowance which, in general terms, increases the capital gains tax base cost of an asset in accordance with the rise in the Retail Prices Index.

A Warrantholder who exercises the option to subscribe for Ordinary Shares under a Warrant will not be treated as making a disposal. The cost of subscribing for the Ordinary Shares under the Warrant can be added to the acquisition cost of the Warrant in calculating the acquisition cost for the Ordinary Shares.

Section 739 UK Taxes Act

Individual investors ordinarily resident in the United Kingdom for tax purposes should note that Chapter III (Sections 739 and 740) of Part XVII of the Income and Corporation Taxes Act 1988 (the “UK Taxes Act”) may render them liable to income tax in respect of undistributed income or profits of the Company. These provisions are aimed at preventing the avoidance of income tax by individuals through a transaction resulting in the transfer of assets or income to persons (including companies) resident or domiciled abroad.

Controlled Foreign Companies Legislation

The attention of companies resident in the United Kingdom is drawn to the fact that the “controlled foreign companies” provisions contained in Sections 747 to 756 of the UK Taxes Act could be material to any company so resident that has an interest in the Company such that 25 per cent., or more of the Company’s profits for an accounting period could be apportioned to them, if at the same time the Company is controlled by companies or other persons who are resident in the United Kingdom for taxation purposes. The effect of such provisions could be to render such companies liable to United Kingdom corporation tax in respect of their share of the undistributed profits of the Company.

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

The attention of United Kingdom investors resident or ordinarily resident and, if an individual, domiciled in the United Kingdom, is drawn to the provisions of Section 13 TCGA under which, in certain circumstances, a portion of capital gains made by the Company can be attributed to an investor who holds, alone or together with associated persons, more than 10 per cent. of the Ordinary Shares. The capital gains attributed to the investor may (in certain circumstances) be liable to United Kingdom tax on capital gains in the hands of the investor.

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

No United Kingdom stamp duty or SDRT will arise on the issue of Ordinary Shares or Warrants. Generally, no United Kingdom stamp duty or SDRT is payable on a transfer of or agreement to transfer Ordinary Shares or Warrants.

PEPs and ISAs

The Ordinary Shares and Warrants will not be eligible for inclusion in a PEP or the stocks and shares component of an ISA under current laws.

India

Taxability of FIIs in India

Section 115AD of the Indian Income-tax Act, 1961 (the “Act”) provides for a concessional tax regime for FIIs/sub-accounts. As per section 115AD, the income of an FII would be taxable as follows:

Capital Gains

Capital gains are computed by deducting from the sale proceeds, the cost of acquisition (including brokerage, stamp duty, custodian charges, etc.) of the securities.

Long-term capital gains (i.e. gains on sale of shares held for more than 12 months) arising on sale of listed equity shares on a recognised Indian stock exchange or on redemption of units of an equity oriented mutual fund or sale of such units on a recognised Indian stock exchange, are not liable to tax in India. Short term gains on sale of listed equity shares on a recognised Indian stock exchange or on redemption of units of an equity oriented mutual fund or sale of such units on a recognised Indian stock exchange are liable to tax at 10 per cent. plus surcharge¹ and education cess². However, these transactions are subject to securities transaction tax which ranges between 0.02 per cent. to 0.2 per cent. In computing the capital gains chargeable to tax, the securities' transaction tax paid is not available as a deduction.

Long term capital gains on securities other than the securities discussed above are liable to tax at 10 per cent. plus surcharge and education cess and short term capital gains are liable to tax at 30 per cent. plus surcharge and education cess.

The above rates would be subject to tax treaty relief where applicable.

Taxability of capital gains from sale of shares earned by foreign private equity funds not having a taxable presence/permanent establishment in India

Computationally, taxable capital gains are determined by deducting from the sales consideration of an asset, the cost of acquisition, the cost of any improvements made to the asset, and any transfer expenses, such as stamp duty.

Capital gains

Where investment is made by a non-resident in convertible foreign exchange, the aforesaid computation is permitted in the currency of actual purchase. This enables protection against losses due to fluctuations in foreign currency.

Any gains would be taxable as follows:

- Long-term capital gains arising on sale of listed equity shares on a recognised Indian stock exchange or on redemption of units of an equity oriented mutual fund or sale of such units on a recognised Indian stock exchange are not liable to tax in India. Short term gains on sale of listed equity shares on a recognised Indian stock exchange or on redemption of units of an equity oriented mutual fund or sale of such units on a recognised Indian stock exchange are liable to tax at 10 per cent. plus surcharge³ and education cess⁴. However, these transactions are subject to securities transaction tax which ranges between 0.02 per cent. and 0.2 per cent. In computing the capital gains chargeable to tax, the securities transaction tax paid is not available as a deduction;
- Long term capital gains on securities other than the securities discussed above are liable to tax at 20 per cent. plus surcharge and education cess and short term capital gains are liable to tax at 40 per cent. plus surcharge and education cess; and
- The above rates would be subject to the tax treaty relief where applicable.

Other income – FIIs and private equity funds

- Dividends are exempt in the hands of the shareholders subject to dividend distribution tax being paid by the Indian company distributing dividend. Interest income is taxed at 20 per cent. (plus surcharge and cess)

Taxability of the Company in India

The Company does not expect to earn any income from India and hence, is not expected to be subject to any Indian taxes.

Taxability of Shareholders/Warrantholders in India

Taxability of an individual in India depends upon his residential status in India, which in turn is determined on the basis of his number of days of physical stay in India during a particular financial year. A financial year runs from 1 April to 31 March. If the residential status of the Shareholders/Warrantholders is that of an “ordinarily resident” in India, his global income will be taxable in India.

An individual is said to be “resident” in India in any tax year (running from 1 April of a year to 31 March of the following year) if he is:

- present in India in that year for a period or periods totalling 182 days or more; or

1. Surcharge at 2.5 per cent. is applicable to a corporate.
2. Education cess at 2.5 per cent. is payable on income-tax plus surcharge.
3. Surcharge at 2.5 per cent. is applicable to a corporate.
4. Education cess at 2.5 per cent. is payable on income-tax plus surcharge.

- present in India for at least 60 days or more during the tax year (182 days or more for a citizen of India/person of Indian origin on a visit to India; 182 days or more for a citizen of India who leaves India for employment abroad or as member of a crew of an Indian ship) and 365 days or more during the preceding four tax years.

An individual being a resident and also satisfying the following conditions:

- he has been a “resident” in India in at least two out of the ten tax years preceding the relevant tax year; and
- he has been in India for 730 or more days during the seven tax years preceding the relevant tax year,

would be a resident and an ordinary resident and subject to tax on his global income in India. Hence, the income earned from the Company by a Shareholder/Warrantholder would be subject to tax in India provided the individual is an “ordinary resident” in India. In any other case, the individual would not be taxable in India in respect of such income, if not accrued/received in India.

Where an individual is liable to tax in India, he would be taxable as follows:

<i>Income</i>	<i>Tax Rate</i>
Nil to Rs. 100,000*	Nil
Rs. 100,001 to Rs. 150,000	10 per cent.
Rs. 150,000 to Rs. 250,000	20 per cent.
Above Rs. 250,000	30 per cent.

*Rs. 135,000 for females

Rs. 185,000 for senior citizens

Surcharge at 10 per cent. is payable on income of more than Rs. 1,000,000

Education cess at 2 per cent. is payable on tax on total income and surcharge payable.

Mauritius

The Company

The Company will not be subject to any withholding tax in Mauritius in respect of dividends or interest from the Mauritian Companies or in respect of proceeds from disposals (including redemptions) of shares in the Mauritian Companies.

The Mauritian Companies

The Mauritian Companies will be registered with the Financial Services Commission and will qualify as tax incentive companies. Each of the Mauritian Companies are subject to income tax in Mauritius on its assessable income at the income tax rate of 15 per cent. However, credit for foreign tax is currently available against Mauritian income tax payable. Such credit is the higher of actual tax paid (comprising withholding tax on dividends and underlying tax on the profits of the payor company out of which the dividends are paid where the shareholding of the Mauritian Company in the payor company is over 5 per cent.) or a deemed credit equal to 80 per cent. of the Mauritian income tax payable on foreign source income in the relevant year. This will result in an effective tax rate on foreign source income of 3 per cent.

The Mauritian Companies will benefit from the India-Mauritius double tax treaty. Capital gains from disposal of the Mauritian Companies’ investments will therefore be exempt from tax in Mauritius.

The Mauritian Companies will apply for tax residence certificates from the Commissioner of Income Tax in Mauritius. On this basis and the manner in which the Mauritian Companies will manage their respective business, each of the Mauritian Companies believes that it will be treated as resident in Mauritius.

Any person who is in any doubt as to his tax position or requires more detailed information than the general outline above should consult his professional advisers.

United States

The US federal tax discussion in this document was not intended or written to be used, and cannot be used, by any taxpayer for purposes of avoiding US federal tax penalties that may be imposed on the taxpayer. This tax discussion was written in connection with the promotion or marketing by the Company and Arbuthnot Securities of the Ordinary Shares and Warrants to be issued or sold pursuant to this document. Each taxpayer should seek advice based on the taxpayer’s particular circumstances from an independent tax advisor.

(i) *The Company*

In general, the US federal income taxation of the Company will depend in material part upon whether it is considered to be “engaged in a trade or business within the United States.” If it is so considered, so much of the Company’s income as is deemed to be “effectively connected” to that trade or business would be subject to US Federal income taxation at graduated rates, plus a “branch profits” surtax imposed on the after-tax portion of that “effectively connected” income at a flat rate of 30 per cent.; the balance of the Company’s income would be subject to a gross-basis US withholding tax at a flat rate of 30 per cent. to the extent it consisted of “fixed or determinable annual or periodical income” from US sources. If the Company is not considered to be engaged in a US trade or business, only the withholding tax described in the previous sentence would apply.

Since as of the date of this document the only activity the Company contemplates in the United States will be the conduct, at the direction of the Managers, of trading stocks, securities, commodities and interests in partnerships engaged solely in investing and trading in stocks, securities and commodities, and since the Company will not be a dealer in stocks, securities, commodities or partnership interests, the Company should therefore not be considered to be engaged in a trade or business within the United States. Based upon the foregoing, the US federal income tax treatment of the principal categories of income expected to be derived by the Company is expected to be as follows:

- (A) The Company is not expected to be subject to US federal income tax on capital gains realised from investment and trading activities unless such gains are derived from investments in “United States real property interests”; and
- (B) Dividends and interest derived from sources outside the United States, original issue discount accrued on short-term obligations (obligations with a term of less than 184 days) and interest derived from US sources on “portfolio obligations” (which generally must be in registered form) by the Company should not be subject to US federal income or withholding tax. The Company will be subject to US withholding tax at a 30 per cent. rate on other US source interest and original issue discount, and on US source dividends.

Notwithstanding the foregoing, if the Company invests directly in a partnership that engages in activities in the United States other than investing and trading in stocks, securities and commodities such that the partnership is considered to be engaged in a trade or business within the United States, then the Company would be considered to be engaged in a trade or business within the United States and generally subject to US federal income taxation on its “effectively connected” income.

(ii) *Non-US Holders*

Unless they are independently considered to be “engaged in a trade or business within the United States” and hold their Shares in connection with that trade or business, Shareholders which are not US Holders (as defined below) generally should not be subject to US federal income or withholding tax on capital gains from a disposition of their Shares or on Company dividends.

(iii) *US Holders*

The following is a summary of certain US federal income tax consequences under current law of the acquisition, ownership and disposition of the Shares and Warrants by a US Holder (as defined below). This summary relates only to initial purchasers of the Shares and Warrants that are US Holders and that will hold such Shares and Warrants as capital assets. This discussion does not purport to be a complete analysis of all the potential US federal income tax considerations relating to the acquisition, ownership and disposition of Shares and Warrants, and does not address all aspects of taxation that may be relevant to particular investors in light of their individual circumstances or to certain types of investors (including banks, insurance companies, investors liable for the alternative minimum tax, dealers in securities, US Holders whose functional currency is not the US Dollar, individual retirement accounts and other tax-deferred accounts and tax-exempt organisations) subject to special treatment under US Federal tax laws. Each prospective investor must recognise that the complexity of these laws and their accompanying interpretative regulations, when combined with the limited scope of this document, prevents a detailed explanation of all aspects of the US federal tax consequences to any investor in Shares and Warrants. Further, this summary does not address, take into account or anticipate any state, local or non-US tax considerations.

The following summary is based upon the sections of the United States Internal Revenue Code of 1986, as amended (the “Code”), Treasury Regulations issued under the Code, published US Internal Revenue Service (“IRS”) rulings, published administrative positions of the IRS and court decisions that are currently applicable, any or all of which could be materially and adversely changed, possibly on a retroactive basis, at any time. This summary does not consider the potential effects, whether adverse or beneficial, of any proposed legislation which, if enacted, could be applied, possibly on a retroactive basis, at any time.

As used herein, a “US Holder” means a beneficial owner of Shares and Warrants that is for US federal income tax purposes: (i) a citizen or individual resident of the United States, (ii) a corporation or

partnership organised in or under the laws of the United States or any state thereof (including the District of Columbia), (iii) an estate the income of which is subject to US federal income taxation regardless of its source, or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more US persons have the authority to control all substantial decisions of the trust.

(A) *Distributions by the Company on Shares*

The Company may from time to time repurchase Shares or Warrants. The US tax treatment of a purchase of Shares or Warrants by the Company from a US Holder will depend upon whether the purchase is treated for US federal income tax purposes as a sale or exchange of the Shares or as a dividend.

(1) *Treatment as a Sale or Exchange*

Under section 302 of the Code, a US Holder of Shares who sells Shares to the Company will, as a general rule, be treated as selling or exchanging the portion of the Shares redeemed by the Company if the redemption is (a) “substantially disproportionate” with respect to the US Holder, or (b) is “not essentially equivalent to a dividend” with respect to the US Holder (the “Section 302 Tests”). Each of these tests is discussed below. In some cases, a sale of Warrants to the Company by a US Holder may be treated for US federal income tax purposes as if the US Holder sold Shares to the Company.

If any of the Section 302 Tests is satisfied, a US Holder who sells Shares to the Company will be treated as having sold the Shares redeemed, and the US Federal income tax consequences of that sale will be as described below under “Sale, Redemption or Other Disposition of Shares.”

(2) *Treatment as a Dividend*

If none of the Section 302 tests is satisfied, then, subject to the discussion below under “Passive Foreign Investment Company Considerations,” US Holders of Shares who sell Shares to the Company will be required to treat the proceeds of the sale as a distribution from the Company and to include in gross income for US federal income tax purposes the gross amount of such distributions, equal to the US dollar value of such distributions, to the extent that the Company has current or accumulated earnings and profits, without reduction for any income tax withheld from such distributions. Such tax withheld may be credited, subject to certain limitations, against the US Holder’s federal income tax liability or, alternatively, may be deducted in computing US Federal taxable income by US Holders who itemise their deductions. To the extent that distributions exceed current or accumulated earnings and profits of the Company, then, subject to the discussion below under “Passive Foreign Investment Company Considerations,” they will be treated first as a return of capital up to the US Holder’s adjusted basis in the Shares, and thereafter as capital gain from the sale or exchange of the Shares. A distribution paid in a currency other than the US dollar will be included in income in a US dollar amount calculated by reference to the exchange rate in effect on the day the distribution is received by a US Holder. Any gain or loss resulting from currency exchange rate fluctuations during the period from the date the distribution is includible in income of the US Holder to the date that payment is converted into US dollars generally will be treated as ordinary income or loss.

Distributions paid by the Company to US Holders of Shares that are treated as dividends will not qualify for the reduced tax rate applicable to qualified dividend income. Further, since the Company expects to be classified as a “passive foreign investment company” for US Federal income tax purposes for the Company’s initial taxable year and for all subsequent taxable years, it is expected that US Holders that are corporations will not be eligible for the dividends-received deduction provided to corporations receiving dividends from certain corporations.

(3) *Section 302 Tests*

One of the following three tests must be satisfied in order for a US Holder who sells Shares to the Company to treat that sale as a sale or exchange rather than as a dividend distribution.

- (a) *Substantially Disproportionate Test.* The receipt of cash by a US Holder will be substantially disproportionate with respect to the US Holder if (i) the percentage of the outstanding voting shares of the Company actually and constructively owned by the US Holder immediately following the redemption of Shares (treating Shares redeemed as not outstanding) is less than 80 per cent. of the percentage of the outstanding voting shares of the Company actually or constructively owned by the US Holder immediately before the redemption (treating Shares redeemed by the Company as outstanding) and (ii) the percentage of the outstanding Shares of the Company actually and constructively owned by the US Holder immediately following the redemption of Shares (treating Shares

redeemed as not outstanding) is less than 80 per cent. of the percentage of the outstanding Shares of the Company actually and constructively owned by the US Holder immediately before the redemption (treating Shares redeemed by the Company as outstanding).

- (b) *Not Essentially Equivalent to a Dividend Test.* The receipt of cash by a US Holder of Shares will not be essentially equivalent to a dividend if the US Holder's exchange of Shares in the partial redemption results in a meaningful reduction of the US Holder's proportionate interest in the Company. The IRS has ruled that, in the case of publicly traded companies, even a small reduction in the proportionate interest of a small Shareholder can have the effect of a reduction in interest that is not essentially equivalent to a dividend. Whether the receipt of cash by a US Holder of Shares will not be essentially equivalent to a dividend will depend on (i) the US Holder's particular facts and circumstances and (ii) the extent to which other holders of Shares elect not to receive corresponding distributions, and the percentage interests owned by such non-electing holders.
- (c) *Complete Termination of Interest Test.* The receipt of cash by a US Holder will be a complete redemption of the US Holder's interest if either (i) after the redemption, the US Holder does not actually or constructively own any Shares or (ii) after the redemption, the US Holder does not actually own any Shares, and the US Holder is eligible to waive, and effectively waives, the attribution of all Shares constructively owned by the US Holder in accordance with the Procedures described in Section 302(c)(2) of the Code.

In determining whether any of the Section 302 tests is satisfied, a US Holder must take into account not only the Shares actually owned by the US Holder, but also Shares that are constructively owned within the meaning of Section 318 of the Code. Under Section 318, a US Holder may constructively own Shares actually owned, and in some cases constructively owned, by certain related individuals and certain entities in which the US Holder has an interest, or that have an interest in the US Holder, as well as any Shares the US Holder has a right to acquire by exercise of an option, including a Warrant, or by the conversion or exchange of a security.

No assurance can be given that any of the Section 302 tests will be satisfied as to any particular US Holder. US Holders should consult their tax advisors concerning the application of the "substantially disproportionate test" or the "not essentially equivalent to a dividend test" to their particular circumstances.

(B) *Sale, Redemption, Exercise or Other Disposition of Shares or Warrants*

A US Holder's initial tax basis in Shares and Warrants will be the amount paid for such Shares and Warrants, allocated between the Shares and Warrants in accordance with their relative fair market values.

A US Holder's adjusted tax basis in a Share will generally be its initial tax basis, adjusted upward to reflect net amounts included in income with respect to that Share pursuant to a QEF election or mark-to-market election (both of these elections are described below under "Passive Foreign Investment Company Considerations") and adjusted downward to reflect distributions not subject to tax as a result of a QEF election. Subject to the discussion below under "Passive Foreign Investment Company Considerations," a US Holder will recognise gain or loss upon the sale, redemption (to the extent the redemption is not treated as a dividend under the Section 302 Tests) or other disposition of Shares equal to the difference, if any, between (i) the US dollar value of the amount of cash plus the fair market value of any property received and (ii) the US Holder's adjusted tax basis in those Shares. In the case of a Share, this gain or loss will be long-term capital gain or loss if the Shares are held for more than one year, except as described below with respect to gains on the disposition of stock in a PFIC. In the case of a Warrant, this gain or loss will be short-term capital gain or loss.

A US Holder will not recognise any gain or loss upon the exercise of a Warrant. The basis of a Share acquired pursuant to exercise of a Warrant will be equal to the sum of (i) the price paid for the Share acquired by exercise of the Warrant and (ii) the US Holder's basis in the Warrant exercised. The holding period for a Share acquired pursuant to exercise of a Warrant will begin on the date the Warrant is exercised. If a US Holder allows a Warrant to expire unexercised, then the US Holder will recognise a capital loss equal to the amount of the US Holder's basis in that Warrant.

Preferential tax rates apply to long-term capital gains of US Holders that are individuals, estates or trusts. Deductions for net capital losses are subject to significant limitations. For US Holders that are not corporations, any unused portion of such net capital loss may be carried over to be used in later tax years until such net capital loss is thereby exhausted. For US Holders that are corporations (other than corporations subject to Subchapter S of the Code), any unused net capital loss may be carried back three years and carried forward five years from the loss year to be offset against capital gains until such net capital loss is thereby exhausted.

A cash basis US Holder that receives payment in a currency other than the US dollar generally will realise an amount equal to the US dollar value of the amount received, calculated by reference to the exchange rate in effect on the day the payment is received by the US Holder. Any gain or loss resulting from currency exchange rate fluctuations during the period from the date the US Holder determines its amount realised to the date that payment is converted into US dollars generally will be treated as ordinary income or loss.

(C) *Passive Foreign Investment Company Considerations*

The Code contains rules governing “passive foreign investment companies” (“PFICs”) which can have significant tax effects on US Holders of stock in certain non-US corporations. These rules do not apply to non-US Holders. A PFIC is a corporation that is not formed in the United States and, for any taxable year, either (i) 75 per cent. or more of its gross income is “passive income” or (ii) the average percentage, by fair market value (or, in some cases, by adjusted tax basis), of its assets that produce or are held for the production of “passive income” is 50 per cent. or more. The Company expects that it will be a PFIC for its initial and all subsequent taxable years. The Company does not intend to comply with the record keeping requirements necessary for US Holders to elect to treat the Company as a qualified electing fund (“QEF”) or to provide such US Holders with the information necessary to make such an election. There can be no assurance that the Company will be willing or able to satisfy present or future record-keeping requirements that may be imposed as a condition to making a valid QEF election.

A US person who holds stock in a non-US corporation during any year in which such corporation qualifies as a PFIC is subject to US federal income taxation under one of three alternative tax regimes, at the election of such US person. The following is a discussion of those three alternative tax regimes as they may apply to US Holders of the Shares of the Company. In addition, special rules apply if a foreign corporation qualifies as both a PFIC and a “controlled foreign corporation” (as defined below) and a US person owns, actually or constructively, 10 per cent. or more of the total combined voting power of all classes of stock entitled to vote of such non-US corporation.

Under the first tax regime, a US Holder of Shares or Warrants who elects in a timely manner to treat the Company as a QEF (an “Electing US Holder”) will be subject to current US federal income tax for any taxable year in which the Company qualifies as a PFIC on his pro rata share of the Company’s (i) “net capital gain” (the excess of net long-term capital gain over net short-term capital loss), which will be taxed as long-term capital gain to the Electing US Holder and (ii) “ordinary earnings” (the excess of earnings and profits of the Company over its net capital gain), which will be taxed as ordinary income to the Electing US Holder, in each case, for the holder’s taxable year in which (or with which) the Company’s taxable year ends, regardless of whether such amounts are actually distributed.

A timely QEF election also allows the Electing US Holder to (i) generally treat any gain realised on the disposition of their Shares or Warrants (or deemed to be realised on the pledge of their Shares) as capital gain; (ii) treat such holder’s share of the Company’s net capital gain, if any, as long-term capital gain instead of ordinary income; and (iii) either avoid interest charges resulting from PFIC status altogether or make an annual election, subject to certain limitations, to defer payment of current taxes on that holder’s share of the Company’s annual realised net capital gain and ordinary earnings, subject to an interest charge. If the Electing US Holder is not a corporation, such an interest charge would be treated as non-deductible “personal interest”.

Distributions paid by the Company from earnings and profits to US Holders of Shares will not be treated as dividends to the extent previously included in the Holder’s income under a QEF election.

The procedure for US Holder to make an effective QEF election will depend on whether the year of the election is the first year in the US Holder’s holding period in which the Company is a PFIC. If the US Holder makes a QEF election in that first year, i.e., a timely QEF election, then the US Holder may make the QEF election by simply filing the appropriate documents at the time the US Holder files his tax return for such first year. If, however, the Company was a PFIC in a prior year during which the US Holder held Shares, then in addition to filing documents, the US Holder must elect to recognise (i) any gain that the holder would otherwise recognise if the holder sold those Shares on the qualification date or (ii) if the Company is a controlled foreign corporation, the US Holder’s pro rata share of the Company’s post-1986 earnings and profits as of the qualification date. The qualification date is the first day of the Company’s first tax year in which the Company qualified as a QEF with respect to such US Holder. The elections to recognise such gain or earnings and profits can only be made if such US Holder’s holding period for the Shares or the Warrants includes the qualification date. By electing to recognise such gain or earnings and profits, the US Holder will be deemed to have made a timely QEF election. A QEF election, once made with respect to the Company, applies to the tax year for which it was made and to all subsequent tax years, unless the election is invalidated or terminated, or the IRS consents to its revocation.

If a US Holder does not make a timely QEF election during a year in which the holder holds (or is deemed to have held) the Shares and the Company is a PFIC (a “Non-Electing US Holder”), then the special rules discussed below will apply to (i) gains realised on an actual or constructive disposition of the holder’s Shares or Warrants and (ii) certain “excess distributions,” within the meaning of Section 1291 of the Code, by the Company.

Under the second tax regime, a Non-Electing US Holder generally would be required to allocate all gains realised on the disposition of the Shares or Warrants and all excess distributions on such Shares over its entire holding period for the Shares. All gains or excess distributions allocated to prior taxable years of the US Holder would be taxed in the current taxable year at the highest tax rate for each such prior taxable year applicable to ordinary income. The Non-Electing US Holder also would be liable for interest on the foregoing tax liability for each such prior taxable year calculated as if such liability had been due with respect to each such prior taxable year. A Non-Electing US Holder that is not a corporation must treat this interest charge as non-deductible “personal interest”. The balance of the gain or the excess distribution would be treated as ordinary income in the year of the disposition or distribution.

Under the third tax regime, US Holders that hold (actually or constructively) marketable stock of a non-US corporation that qualifies as a PFIC may annually elect to mark such stock to the market (a “mark-to-market election”). If such election is made, the US Holder will generally not be subject to the special rules discussed above concerning excess distributions. Instead, any excess of the fair market value of the Shares or Warrants at the close of the tax year over the US Holder’s adjusted basis in such Shares is included in the Holder’s income. The US Holder may deduct any excess of the Holder’s adjusted basis in the Shares or Warrants over the fair market value of such Shares at the close of the tax year; however, deductions are limited to the net mark-to-market gains on Shares that the Holder included in income in prior tax years. A US Holder’s adjusted basis in the Shares or Warrants is increased by the income recognised under the mark-to-market election and decreased by the deductions allowed under the election. Income recognised under the mark-to-market election and gain on the sale of Shares or Warrants with respect to which an election is made is treated as ordinary income. Deductions allowed under the election and loss on the sale of Shares or Warrants with respect to which an election is made, to the extent that the amount of loss does not exceed the net mark-to-market gains previously included, are treated as ordinary losses. The source of any income or losses as US or foreign source is determined as if the amount were a gain or loss from the sale of stock in the Company. There can be no assurance that Shares or Warrants will be deemed to be marketable stock for purposes of the mark-to-market election such that the mark-to-market election will be available to US Holders of the Shares.

If the Company is considered a PFIC at any time during a US Holder’s holding period, and holds (directly or indirectly) shares of another entity that also is considered a PFIC, the US Holder generally will be treated as if it directly owned shares of the lower-tier PFIC. In that event, the US Holder will be subject to substantial tax upon the occurrence of any transaction that decreases the US Holder’s proportionate interest in the lower-tier PFIC, or upon the deemed receipt of certain distributions from the lower-tier PFIC, unless the US Holder is able to make, and does in fact make, the QEF election or the mark-to-market election with respect to the lower-tier PFIC (whether or not any such election is made with respect to the upper-tier PFIC). However, there can be no assurance that any such lower-tier PFIC will comply with the record-keeping requirements or make available the information necessary to allow US Holders to elect to treat such lower-tier PFIC as a QEF. In addition, there can be no assurance that US Holders will be able to make a mark-to-market election with respect to the shares of a lower-tier PFIC even if such shares constitute marketable stock for purposes of the mark-to-market election.

The IRS has issued proposed Treasury regulations that, subject to certain exceptions, would treat as taxable certain transfers of PFIC stock by Non-Electing US Holders that are generally not otherwise taxed, such as gifts, exchanges pursuant to corporate reorganisations, and transfers at death. Generally, in such cases the basis of the Shares in the hands of the transferee and the basis of any property received in the exchange for the Shares would be increased by the amount of gain recognised. Under these proposed Treasury regulations, an Electing US Holder would not be taxed on certain transfers of PFIC stock, such as gifts, exchanges pursuant to corporate reorganisations, and transfers at death. The transferee’s basis in this case will depend on the manner of the transfer. In the case of a transfer by an Electing US Holder upon death, for example, the transferee’s basis is generally equal to the fair market value of the Electing US Holder’s Shares as of the date of death. The specific tax effect to the US Holder and the transferee may vary based on the manner in which the Shares are transferred.

Certain special, generally adverse, rules will apply with respect to the Shares and the Warrants while the Company is a PFIC, whether or not it is treated as a QEF. For example, a US Holder that uses

PFIC stock as security for a loan (including a margin loan) will, except as may be provided in Treasury Regulations, be treated as having made a taxable disposition of such Shares.

It is not clear how the PFIC rules, including the QEF election rules and mark-to-market election rules, would apply in the case of a US Holder of Warrants with redemption premium that would otherwise be required to be taken into account under rules similar to those for accrual of OID on a debt instrument, as discussed above under “Redemption Premium on Warrants.” The Company intends to allocate “ordinary earnings” for each taxable year first to Warrants to the extent of the accrual of redemption premium with respect to those Shares for that taxable year, and then to allocate “net capital gain” to the Warrants to the extent that the accrual of redemption premium with respect to those Shares for that taxable year exceeds the ordinary earnings for such year. The Company intends to allocate to the Shares all ordinary earnings and net capital gain not allocated to the Warrants. No assurances can be given, however, that the IRS would not challenge this allocation by the Company or, if it did, that the IRS would not prevail.

US Holders of Shares or Warrants should consult their tax advisors concerning the availability and desirability of making a QEF election or a mark-to-market election with respect to Shares and the treatment of income and gains with respect to Shares under the rules for accrual of redemption premium and the PFIC rules.

(D) *Controlled Foreign Corporation Considerations*

If more than 50 per cent. of the total combined voting power of all classes of shares entitled to vote or the total value of the shares of the Company is owned, actually or constructively, by United States persons within the meaning of Section 7701(a)(31) of the Code, each of which owns, actually or constructively, 10 per cent. or more of the total combined voting power of all classes of shares entitled to vote of the Company (each a “United States Shareholder”), the Company would be treated as a controlled foreign corporation (“CFC”) under Subpart F of the Code. The United States generally taxes United States Shareholders of a CFC currently on their pro rata shares of the CFC’s “Subpart F income” regardless of whether that income is actually distributed. Such United States Shareholders are generally treated as having received a current distribution out of the CFC’s Subpart F income and are also subject to current US tax on their pro rata shares of the CFC’s earnings invested in certain US property. Foreign tax credits may reduce the US tax on these amounts. In addition, gains from the sale or exchange of shares by a US Holder who is or was a United States Shareholder at any time during the five-year period ending with the sale or exchange will be treated as ordinary income to the extent of the current or accumulated earnings and profits of the Company attributable to the shares sold or exchanged. If a foreign corporation is both a PFIC and a CFC, the foreign corporation generally will not be treated as a PFIC with respect to United States Shareholders of the CFC. The Company does not believe that it currently qualifies as a CFC. However, there can be no assurance that the Company will not be considered a CFC for its initial taxable year or any future taxable year.

(E) *Information Reporting and Backup Withholding*

For a non-corporate US Holder, information and reporting requirements, on Internal Revenue Service Form 1099, generally will apply to:

- payments of dividends or other taxable distributions in respect of Shares made within the United States; and
- the payment of proceeds from the sale of Shares effected at a US office of a broker.

Additionally, backup withholding may apply to these payments if the non-corporate US Holder fails to provide an accurate taxpayer identification number or certification of exempt status, or fails to report all interest and dividends required to be shown on its US federal income tax returns.

Non-US Holders are generally exempt from backup withholding and information reporting requirements with respect to:

- dividend payments made outside the United States by the Company or another non-US payer, and
- other dividend payments and the payment of the proceeds from the sale of Shares effected at a US office of a broker, as long as the income associated with such payments is otherwise exempt from United States federal income tax, and
- the payer or broker does not have actual knowledge or reason to know that the holder is a United States person and the holder has furnished the payer or broker;
- an Internal Revenue Service Form W-8BEN or an acceptable substitute on which it certifies, under penalties of perjury, that it is a non-United States person, or

- other documentation upon which it may rely to treat the payments as made to a non-United States person in accordance with US Treasury regulations, or
- the holder otherwise establishes an exemption.

Payment of the proceeds from the sale of Shares effected at a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, a sale of Shares that is effected at a foreign office of a broker will be subject to information reporting and backup withholding if:

- the proceeds are transferred to an account maintained by the holder in the United States,
- the payment of proceeds or the confirmation of the sale is mailed to the holder at a US address, or
- the sale has some other specified connection with the United States as provided in US Treasury regulations,

unless the broker does not have actual knowledge or reason to know that the holder is a United States person and the documentation requirements described above are met or the holder otherwise establishes an exemption.

In addition, a sale of Shares effected at a foreign office of a broker will be subject to information reporting if the broker is:

- a United States person,
- a controlled foreign corporation for US tax purposes,
- a foreign person 50 per cent. or more of whose gross income is effectively connected with the conduct of a US trade or business for a specified three-year period,
- a foreign partnership, if at any time during its tax year,
- one or more of its partners are “US persons”, as defined in US Treasury Regulations, who in the aggregate hold more than 50 per cent. of the income or capital interest in the partnership, or
- such foreign partnership is engaged in the conduct of a US trade or business,

unless the broker does not have actual knowledge or reason to know that the holder is a United States person and the documentation requirements described above are met or the holder otherwise establishes an exemption. Backup withholding will apply if the sale is subject to information reporting and the broker has actual knowledge or reason to know that the holder is a United States person.

Backup withholding is not an additional tax and will be credited against the US Holder’s US federal income tax liability or refunded to the US Holder, provided that the US Holder files a tax return with the IRS.

Certain United States persons who hold interests in foreign corporations or who transfer property to foreign corporations must comply with certain US tax reporting requirements. Prospective US Holders of Shares should consult their own tax advisers about the US tax reporting requirements that may apply to them with respect to the acquisition, ownership and disposition of Shares.

This summary is for general information only and it is not intended to be, nor should it be construed to be, legal or tax advice to any holder or prospective holder of Shares. Further, this summary is not intended to constitute a complete analysis of all US Federal income tax consequences relating to US Holders of their acquisition, ownership and disposition of the Shares. Accordingly, prospective holders of such Shares should consult their own tax advisers about the US Federal, state, local, and non-US tax consequences of the acquisition, ownership and disposition of the Shares.

Other Jurisdictions

Prospective purchasers of Ordinary Shares and Warrants should consult their own professional tax advisers as to the tax consequences of the purchase, ownership and disposition of Ordinary Shares or Warrants.

6. Material contracts

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

- 6.1 The Placing Agreement, dated 16 December 2005, between the Company (1) IIP (2) Polar (3) Caledonia (4) and Arbuthnot Securities (5) pursuant to which Arbuthnot Securities has agreed to use its reasonable endeavours to arrange for Placees to subscribe for 75.0 million Ordinary Shares (the “Ordinary Shares”) at the Placing Price. The agreement is conditional, *inter alia*, upon Admission taking place on or before 31 December 2005 or such later date as agreed but in any event not later than 16 January 2006. For its services in connection with the Placing, Arbuthnot Securities is entitled to a corporate finance fee of £200,000 and a commission of 1 per cent. of the gross proceeds of the Placing (together with a commission of 0.5 per cent. on any Ordinary Shares subscribed for by investors based in the US). The agreement provides for the Company to pay all expenses of and incidental to the Placing and the application for Admission, including the fees and costs of other professional advisers, all costs relating to the Placing, including printing, advertising and distribution charges, the fees of the Registrars and the fees payable to the London Stock Exchange.

The Placing Agreement contains, *inter alia*, undertakings and warranties by the Company and IIP and Polar in favour of Arbuthnot Securities as to the accuracy of information contained in this document and other matters relating to the Company and its business and an indemnity from the Company and IIP in favour of Arbuthnot Securities.

Arbuthnot Securities may terminate the Placing Agreement in specified circumstances prior to Admission, principally in the event of a material breach of the Placing Agreement or of any of the warranties contained in it or where any change in market conditions occurs which is, or will be in the reasonable opinion of Arbuthnot Securities, materially prejudicial to the Company or the successful outcome of the Placing. The agreement is governed by English law.

- 6.2 A Nominated Adviser and Broker Agreement, dated 16 December 2005, between the Company (1) and Arbuthnot Securities (2) pursuant to which the Company has appointed Arbuthnot Securities to act as nominated adviser and broker to the Company for the purposes of AIM commencing on Admission, subject thereafter to termination by either party on not less than 3 months’ written notice. The Company has agreed to pay to Arbuthnot Securities a fee of £25,000 per annum for its services. The agreement is governed by English law.
- 6.3 The Fund Management Agreement dated 16 December 2005 between the Company (1), IIP (2), Polar (3), Caledonia (4), ICG Q Limited (5) and ICG U Limited (6) whereby Polar has been appointed to manage the investments of the Group in accordance with the investment policy from time to time approved by the Directors until the earlier of IIP obtaining the FSA Authorisations or 31 December 2006 (with IIP agreeing to use all reasonable endeavours to obtain the FSA Authorisations prior to 30 June 2006). Under the terms of the Fund Management Agreement, subject to the overall supervision of the Directors, the Fund Manager has authority to make investments for the Group and to manage the assets of the Group.

Under the terms of the Fund Management Agreement, the Fund Manager will be entitled to receive a management fee payable jointly by the Company and the Mauritian Companies equivalent to 1.5 per cent. per annum of the Company’s Total Assets plus VAT, if applicable, calculated and payable monthly in arrears.

In addition to the management fee, the Fund Manager will also be entitled to receive a semi-annual performance related fee from the Company, further details of which are set out in paragraph 14 of Part I of this document.

The performance period in respect of the Ordinary Shares is each six month period ending on 31 December and 30 June in each year. The first performance period in respect of the Ordinary Shares shall commence on the date of Admission and end on 30 June 2006 and, thereafter, will be each 6 month period thereafter until the termination of the Fund Management Agreement provided that the final performance period will end on the date of the termination of the Fund Management Agreement, in respect of which the performance fee will be calculated on a pro rated basis.

Under the terms of the Fund Management Agreement, in the event that the Directors or the Fund Manager consider that the performance fee as calculated pursuant to the Fund Management Agreement would result in a performance fee becoming payable which did not reflect the parties’ intentions, the Directors and the Fund Manager agree to negotiate in good faith with a view to making appropriate adjustments to the performance fee to be paid by the Fund. In the event that the Directors and the Fund Manager are unable to agree on the adjustments to be made, such difference of opinion will be referred to an independent third party to resolve. The independent third party shall be appointed by agreement between the Directors and the Fund Manager or, failing agreement within seven days as to such appointment, by the President for the time being of the Institute of Chartered Accountants in England and Wales on the application of either

party. In so stating his opinion the independent third party shall be deemed to act as an expert and not as an arbitrator and, save in the case of fraud or manifest error, his determination shall be final and binding on all concerned.

A performance fee, if payable in respect of any performance period, shall be paid as soon as practicable following the end of the relevant performance period.

The Fund Management Agreement contains an indemnity in favour of the Fund Manager against claims by third parties except to the extent that the claim is due to the negligence, wilful default or fraud of the Fund Manager or any party to whom the Fund Manager has delegated any of its functions. The agreement is governed by English law.

Upon IIP notifying the Company that it has obtained the FSA Authorisations, the appointment of Polar shall terminate and IIP shall be appointed fund manager of the Company, pursuant to the terms set out the Fund Management Agreement.

- 6.4 The Administration and Secretarial Agreement, dated 16 December 2005, between the Company (1) and Northern Trust International Fund Administration Services (Guernsey) Limited (2) pursuant to the terms of which the Administrator has been appointed the Administrator of the Company.

Under the terms of the Administration and Secretarial Agreement, the Administrator will be entitled to such fees as may be agreed from time to time between the Administrator and the Company. The Administrator will also be entitled to reimbursement of all reasonable out of pocket expenses properly incurred by it in the performance of its duties.

The Administration and Secretarial Agreement contains provisions under which the Company exempts the Administrator from liability and indemnifies the Administrator against liability in the absence of some act of, *inter alia*, negligence, fraud, wilful default or bad faith for any loss, cost, expense or damage suffered by the Company in any of the following circumstances:

- (i) in connection with the duties carried out by the Administrator;
- (ii) in connection with the use of the internet or other electronic communication used for providing or receiving notices of information; or
- (iii) where the Administrator acted in good faith upon a communication believed to be genuine.

These exemptions from liability and indemnities are of a customary nature for contracts of this type.

The Administration and Secretarial Agreement may be terminated on not less than ninety days' written notice given so as to expire on the last day of any calendar month, provided that the Administration and Secretarial Agreement may be determined immediately:

- (i) if either party commits a material breach of any of its obligations under the Administration and Secretarial Agreement which is not remedied within thirty days of a notice requiring the same to be remedied;
- (ii) if either party commences liquidation proceedings or a receiver is appointed over any of its assets;
- (iii) by the Company if no agreement is reached between the parties in relation to the Administrators' remuneration where the Administrator proposes a change to such remuneration and the Company gives notice that such proposed remuneration is not acceptable; or
- (iv) by the Company if the Administrator ceases to hold the necessary licences, approvals, permits, consents or authorisations to perform its duties under the Administration and Secretarial Agreement.

Upon termination, the Administrator will be entitled to receive all fees accrued due to the date of termination but is not entitled to compensation in respect of such termination.

The Administration and Secretarial Agreement is governed by Guernsey law.

- 6.5 The Mauritian Administration Agreement, dated 16 December 2005, between the Mauritian Companies (1) and IFS (2) pursuant to the terms of which IFS has been appointed to act as Mauritian Administrator, registrar and secretary of the Mauritian Companies. Under the terms of the Mauritian Administration Agreement, the Mauritian Administrator shall be entitled to a set-up fee of US\$50,000, and an initial annual fee of US\$42,000 in respect of services provided to ICG Q Limited and an initial annual fee of US\$30,000 in respect of services provided to ICG U Limited.

The Mauritian Administration Agreement is governed by the laws of Mauritius and may be terminated on not less than 90 days' written notice by either the Mauritian Administrator or the Mauritian Companies (in respect of services provided to such entity).

- 6.6 The Custody Agreement, dated 16 December 2005, between ICG Q Limited (1) and HSBC (2) pursuant to the terms of which HSBC is appointed to act as custodian of ICG Q Limited's investments, cash and other assets and accept responsibility for the safe custody of the property of the ICG Q Limited which is delivered to and accepted by the Custodian. It is intended that prior to making any investments, ICG U Limited will also enter into similar arrangements with the Custodian.

The Custodian shall be entitled to receive a fee from the Company equivalent to 0.04 per cent. per annum of the assets held by the Custodian. On the first US\$100 million of assets held by the Custodian in accordance with the Custodian Agreement, 0.03 per cent. on the next US\$125 million and 0.02 per cent. per annum on any assets held in excess of US\$225 million. The Custodian shall be entitled to receive reimbursement of reasonable out-of-pocket expenses on an ongoing basis.

The Custody Agreement contains provisions under which the Company exempts the Custodian from liability in the absence of fraud, wilful default or negligence for losses of any kind arising out of or in connection with its performance of its duties under the agreement. Similarly, the Company has agreed to indemnify the Custodian in respect of losses it may suffer in connection with the performance of its duties under the agreement save to the extent that such losses are due to fraud, wilful default or negligence on the part of the Custodian.

The Custody Agreement may be terminated on not less than thirty days' written notice by either party, provided that termination may be made immediately if the Company has breached its terms. The agreement is governed by the laws of England and Wales.

- 6.7 The Registrar Agreement, dated 16 December 2005, between the Company (1) and Capita IRG (CI) Limited (2), pursuant to the terms of which the Registrar has been appointed as registrar to the Company for a period commencing on the date of the agreement subject thereafter to termination on 3 months' written notice given by either party, such notice to expire no earlier than the first anniversary of the date of the Registrar Agreement in the case of a notice given by the Company. Under the Registrar Agreement the Registrar is entitled to receive a fee of £2 per Shareholder per annum subject to a minimum annual fee of £6,500 together with other agreed transaction charges. The Registrar Agreement is governed by Guernsey law.

7. Share certificates

Shares placed initially with non-US Persons will be in registered form and certificates will not be issued unless specifically requested. Share placed initially with US Persons will be held in certificated form. The register of Shareholders will be maintained at the office of the Registrar.

8. Transfer of Ordinary Shares and Warrants

The transfer of Shares and Warrants outside the CREST system should be arranged directly through the Registrar. However, an investor's beneficial holding held through the CREST system may be exchanged, in whole or part, only upon the specific request of a beneficial owner to CREST for share certificates or an uncertificated holding in definitive registered form.

If a Shareholder or transferee requests Shares and Warrants to be issued in certificated form and is holding such Shares and Warrants outside CREST, a share or warrant certificate will be dispatched either to them or their nominated agent (at their own risk) within 21 days of completion of the registration process or transfer, as the case may be, of the Shares and Warrants. Shareholders who are non-US Persons holding definitive certificates may elect at a later date to hold their Shares and Warrants through CREST or in uncertificated form provided they surrender their definitive certificates.

The Company has not been and will not be registered under the Investment Company Act. In addition, the Shares and Warrants have not been and will not be registered under the Securities Act. Consequently, the Shares and Warrants may not be offered or sold or otherwise transferred within the United States or to, or for the account or benefit of, US Persons except in accordance with the Securities Act or an exemption therefrom and under circumstances which will not require the Company to register under the Investment Company Act. Accordingly, US Persons acquiring Shares or Warrants will be subject to significant restrictions on transfer in this offering or in secondary transactions in the future.

US Investors: Shares

Each US Person who: (i) acquires Shares in the initial offering, (ii) acquires Shares from a US Person who acquired Shares in the initial offering, or (iii) is otherwise connected by an unbroken series of US purchasers to a US Person who acquired Shares in the initial offering will be required to execute an investment letter in which it represents, acknowledges and agrees that:

1. The Shares have not been, and will not be, registered under the Securities Act and accordingly, may not be offered or sold or otherwise transferred in the United States or to, or for the account or benefit of, US Persons (as defined in Rule 902 of Regulation S under the Securities Act) unless registered or an exemption from registration is available.
2. The Company has not registered and will not register under the Investment Company Act and that the Company has put in place restrictions for transactions not involving any public offering, and to ensure that the Company is not required and will not be required to be registered under the Investment Company Act.
3. It is, and each account for which it is purchasing is, an “accredited investor” as defined in Rule 501 of Regulation D under the Securities Act.
4. (i) At the time the Placing Shares are acquired, it is not an affiliate of the Company or a person acting on behalf of such an affiliate; and (ii) it is not acquiring the Placing Shares for the account of an affiliate of the Company or of a person acting on behalf of such affiliate.
5. It is not an employee benefit plan as defined in section 3(3) of ERISA (whether or not subject to the provisions of Title 1 of ERISA, but excluding plans maintained outside the US that are described in Section 4(b)(4) of ERISA) or an individual retirement account (as defined in section 408 of the Code) and is not purchasing the Shares with assets that are treated as the assets of any such plan or account.
6. It is, and each account for which it is purchasing is, a “qualified purchaser” within the meaning of Section 3(c)(7) of the Investment Company Act.
7. It is purchasing the Shares for its own account or for one or more investment accounts for which it is acting as a fiduciary or agent, in each case for investment only, and not with a view to or for sale or other transfer in connection with any distribution of the Shares in any manner that would violate the Securities Act, the Investment Company Act or any other applicable securities laws.
8. It has received, carefully read and understands this document, and has not distributed, forwarded, transferred or otherwise transmitted this document or any other presentation or offering materials concerning the Shares to any persons within the United States or to any US Persons, nor will it do any of the foregoing. It understands that this document is subject to the requirements of the AIM Rules and the London Stock Exchange and the information herein, including any financial information, may be materially different from any disclosure that would be provided in a US offering.
9. It understands and acknowledges that neither the Company nor the Manager, nor any of their respective affiliates, makes any representation as to the availability of any exemption under the Securities Act for the reoffer, resale, pledge or transfer of the Shares. It understands that the Shares to be purchased by it are “restricted securities” as defined in Rule 144(a)(3) under the Securities Act.
10. It agrees, on its own behalf and on behalf of any accounts for which it is acting, that if it should offer, resell, pledge or otherwise transfer any Shares, it will do so only in accordance with any applicable securities laws of any state of the United States and:
 - (a) outside the United States to a non-US Person in accordance with Rule 903 or 904 of Regulation S under the Securities Act (and not in a pre-arranged transaction resulting in the resale of such Shares into the United States), provided that it notifies the Company, with copies to the Administrator and the Registrar, of such proposed transaction and that it intends to make such sale in accordance with the terms of this paragraph 10(a) and obtains from the purchaser a signed letter addressed to the Company, with copies to the Administrator and the Registrar, containing a representation from the purchaser that it is not a US Person (**see Exhibit 1 of the relevant share exhibit booklet issued by Arbuthnot Securities for the full text of the letter to be provided to the Company prior to sale to a non-US Person**); or
 - (b) pursuant to another exemption from registration under the Securities Act provided that, if such transfer is to a US Person, the purchaser is a qualified purchaser for purposes of Section 3(c)(7) of the Investment Company Act and it notifies the Company, with copies to the Administrator and the Registrar, of such proposed transaction and that it intends to make such sale in accordance with the terms of this paragraph 10(b) and obtains from the purchaser a signed letter addressed to the Company, with copies to the Administrator and the Registrar, containing the representations, agreements and acknowledgements relating to the transfer restrictions substantially in the form set out in this letter (**see Exhibit 2 of the relevant share exhibit booklet issued by Arbuthnot Securities for the full text of the letter to be provided to the Company prior to sale to a US Person**).
11. It agrees, on its own behalf and on behalf of any accounts for which it is acting, that if it should deposit any Shares with a custodian, it will do so only after notifying the Company, with copies to the Administrator and the Registrar, that it intends to deposit Shares with a custodian in accordance with the terms of this paragraph 11 and obtains from the custodian a signed letter addressed to the Company, with copies to the

Administrator and the Registrar, in which the custodian agrees (i) to hold the Shares only in certificated form, and (ii) not to issue a request to the Registrar for such Shares to be dematerialised unless it obtains from the transferee a signed letter addressed to the Company, with copies to the Administrator and the Registrar, containing a representation from the transferee that it is not a US Person **(in the form of Exhibit 1 of the relevant share exhibit booklet issued by the Arbuthnot Securities)**. See **Exhibit 3 of the relevant share exhibit booklet issued by Arbuthnot Securities for the full text of the letter to be provided to the Company prior to the deposit of Shares with a custodian.**

12. It will only hold the Shares in certificated form and will only transfer the Shares in certificated form unless it sells the Shares to a non-US Person and the purchaser provides a signed letter addressed to the Company, with copies to the Administrator and the Registrar, containing a representation that the purchaser is not a US Person **(in the form of Exhibit 1 of the relevant share exhibit booklet issued by Arbuthnot Securities)**, in which case the Shares will be eligible for settlement through CREST.
13. It agrees that it will inform each subsequent purchaser of the Shares from it of these transfer restrictions and that if in the future it decides to offer, resell, pledge or otherwise transfer such Shares, any offer, resale or transfer will be made in compliance with the Securities Act, the Investment Company Act and any applicable US securities laws.
14. It understands and acknowledges that if a beneficial owner of Shares who is required to be a qualified purchaser within the meaning of Section 3(c)(7) of the Investment Company Act is at any time not such a qualified purchaser, the Company may (i) require such beneficial owner to sell its Shares to a person who is not a US Person or who is a US Person who is also a qualified purchaser and who is otherwise qualified to purchase such Shares in a transaction exempt from registration under the Securities Act or (ii) sell such Shares on behalf of the beneficial owner at the best price reasonably obtainable to a person who is not a US Person or who is a US Person who is also a qualified purchaser and who is otherwise qualified to purchase such Shares in a transaction exempt from registration under the Securities Act.
15. In making the investment decision with respect to the Shares, it has:
 - (a) not relied on the Company or the Manager or any of their respective affiliates;
 - (b) had access to such financial and other information concerning the Company and the Shares as it deems necessary in connection with its decision to purchase the Shares; and
 - (c) investigated the potential tax consequences affecting it in connection with its purchase of the Shares.
16. It understands that any share certificates or other written evidence of the Shares that it receives shall bear the following legend:

The Company has not been registered under the United States Investment Company Act of 1940, as amended (the “Investment Company Act”) and the security evidenced hereby has not been registered under the Securities Act of 1933, as amended (the “Securities Act”), and may not be offered, sold, pledged or otherwise transferred except (A) outside the United States to a non-US person (as defined in Rule 902 of Regulation S, “US Person”) in accordance with Rule 903 or 904 of Regulation S under the Securities Act (and not in a pre-arranged transaction resulting in the resale of such security into the United States) or (B) pursuant to an exemption from registration under the Securities Act and under circumstances which will not require the Company to register under the Investment Company Act (provided that, if such transfer pursuant to this clause (B) is to a US Person, the purchaser is a qualified purchaser within the meaning of Section 3(c)(7) of the Investment Company Act) and, in each case in accordance with any applicable securities laws of the States of the United States and other jurisdictions. In addition the Warrants have not been and will not be registered under the Securities Act. The holder of this security agrees that it will comply with the foregoing restrictions. No representation can be made as to the availability of any exemption under the Securities Act for resales of the security.

The holder acknowledges that the Company reserves the right prior to any sale or other transfer to require the delivery of such certifications, legal opinions and other information as the Company may reasonably require to confirm that the proposed sale or other transfer complies with the foregoing restrictions.

If a beneficial owner of this security who is required to be a qualified purchaser within the meaning of Section 3(c)(7) of the Investment Company Act is at any time not such a qualified purchaser, the Company may (A) require such beneficial owner to sell this security to a person who is not a US Person or who is a US Person who is also a qualified purchaser and who is otherwise qualified to purchase such security in a transaction exempt from registration under the Securities Act or (B) sell this security on behalf of the beneficial owner at the best price reasonably obtainable to a person who is not a US Person or who is a US Person who is also a qualified purchaser and who is otherwise qualified to purchase such security in a transaction exempt from registration under the Securities Act.

This security may not be dematerialised into CREST or any other paperless system unless the party requesting such dematerialisation first obtains a letter from the transferee stating that such transferee is not a US Person.

The holder of this security is deemed to have acknowledged that this legend will not be removed from this security for as long as the Company relies on Section 3(c)(7) of the Investment Company Act.

Investors should note that there can be no assurance US Persons will be able to locate acceptable purchasers or obtain the certifications required by paragraph 10 above.

See Exhibit 2 of the relevant share exhibit booklet issued by Arbuthnot Securities for the full text of the investment letter to be provided by US Persons.

Each US Person purchasing Shares at any time that is not required to execute the above investment letter will be deemed to have represented, acknowledged and agreed as follows:

1. The Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and may not be offered or sold in the United States or to US Persons absent registration or an exemption from registration under the Securities Act.
2. The Company has not registered and will not register under the Investment Company Act and that the Company has put in place restrictions for transactions not involving any public offering, and to ensure that the Company is not required and will not be required to be registered under the Investment Company Act.
3. Each Share offered and sold pursuant to Regulation S will contain a legend substantially to the following effect unless otherwise agreed by the Company and the holder of the Share in accordance with applicable law.

The Company has not been and will not be registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”). In addition, the Shares have not been and will not be registered under the Securities Act of 1933, as amended (the “Securities Act”). Consequently, this security may not be offered or sold or otherwise transferred within the United States or to, or for the account or benefit of, US Persons except in accordance with the Securities Act or an exemption therefrom and under circumstances which will not require the Company to register under the Investment Company Act.

4. It is not an employee benefit plan as defined in section 3(3) of ERISA (whether or not subject to the provisions of Title 1 of ERISA, but excluding plans maintained outside the US that are described in Section 4(b)(4) of ERISA) or an individual retirement account (as defined in section 408 of the Code) and is not purchasing the Shares with assets that are treated as the assets of any such plan or account; and
17. It has investigated the potential US tax consequences, including any federal, state and local consequences, affecting it in connection with its purchase and any subsequent disposal of the Shares.

US Investors: Warrants

Each US Person who: (i) acquires Warrants in the initial offering, (ii) acquires Warrants from a US Person who acquired Warrants in the initial offering, or (iii) is otherwise connected by an unbroken series of US purchasers to a US Person who acquired Warrants in the initial offering will be required to execute an investment letter in which it represents, acknowledges and agrees that:

1. The Warrants have not been, and will not be, registered under the Securities Act, and accordingly, may not be offered or sold or otherwise transferred in the United States or to, or for the account or benefit of, US Persons (as defined in Rule 902 of Regulation S under the Securities Act) unless registered or an exemption from registration is available.
2. The Company has not registered and will not register under the Investment Company Act and that the Company has put in place restrictions for transactions not involving any public offering, and to ensure that the Company is not required and will not be required to be registered under the Investment Company Act.
3. It is, and each account for which it is purchasing is, an “accredited investor” as defined in Rule 501 of Regulation D under the Securities Act.
4. (i) At the time the Warrants are acquired, it is not an affiliate of the Company or a person acting on behalf of such an affiliate; and (ii) it is not acquiring the Warrants for the account of an affiliate of the Company or of a person acting on behalf of such affiliate.
5. It is not an employee benefit plan as defined in section 3(3) of ERISA (whether or not subject to the provisions of Title 1 of ERISA, but excluding plans maintained outside the US that are described in Section

- 4(b)(4) of ERISA) or an individual retirement account (as defined in section 408 of the Code) and is not purchasing the Warrants with assets that are treated as the assets of any such plan or account.
6. It is, and each account for which it is purchasing is, a “qualified purchaser” within the meaning of Section 3(c)(7) of the Investment Company Act.
 7. It is purchasing the Warrants for its own account or for one or more investment accounts for which it is acting as a fiduciary or agent, in each case for investment only, and not with a view to or for sale or other transfer in connection with any distribution of the Warrants in any manner that would violate the Securities Act, the Investment Company Act or any other applicable securities laws.
 8. It has received, carefully read and understands this document, and has not distributed, forwarded, transferred or otherwise transmitted this document or any other presentation or offering materials concerning the Warrants to any persons within the United States or to any US Persons, nor will it do any of the foregoing. It understands that this document is subject to the requirements of the AIM Rules and the information herein, including any financial information, may be materially different from any disclosure that would be provided in a US offering.
 9. It understands and acknowledges that neither the Company nor the Manager, nor any of their respective affiliates, makes any representation as to the availability of any exemption under the Securities Act for the reoffer, resale, pledge or transfer of the Warrants. It understands that the Warrants to be purchased by it are “restricted securities” as defined in Rule 144(a)(3) under the Securities Act.
 10. It understands, on its own behalf and on behalf of any accounts for which it is acting, that if it should offer, resell, pledge or otherwise transfer any Warrants, it will do so only in accordance with any applicable securities laws of any state of the United States and:
 - (a) outside the United States to a non-US Person in accordance with Rule 903 or 904 of Regulation S under the Securities Act (and not in a pre-arranged transaction resulting in the resale of such Warrants into the United States), provided that it notifies the Company, with copies to the Administrator and the Registrar, of such proposed transaction and that it intends to make such sale in accordance with the terms of this paragraph 10(a) and obtains from the purchaser a signed letter addressed to the Company, with copies to the Administrator and the Registrar, containing a representation from the purchaser that it is not a US Person (**see Exhibit 1 of the relevant warrant exhibit booklet issued by Arbuthnot Securities for the full text of the letter to be provided to the Company prior to sale to a non-US Person**); or
 - (b) pursuant to another exemption from registration under the Securities Act provided that, if such transfer is to a US Person, the purchaser is a qualified purchaser for purposes of Section 3(c)(7) of the Investment Company Act and it notifies the Company, with copies to the Administrator and the Registrar, of such proposed transaction and that it intends to make such sale in accordance with the terms of this paragraph 10(b) and obtains from the purchaser a signed letter addressed to the Company, with copies to the Administrator and the Registrar, containing the representations, agreements and acknowledgements relating to the transfer restrictions substantially in the form set out in this letter (**see Exhibit 2 of the relevant warrant exhibit booklet issued by Arbuthnot Securities for the full text of the letter to be provided to the Company prior to sale to a US Person**).
 11. It agrees, on its own behalf and on behalf of any accounts for which it is acting, that if it should deposit any Warrants with a custodian, it will do so only after notifying the Company, with copies to the Administrator and the Registrar, that it intends to deposit Warrants with a custodian in accordance with the terms of this paragraph 11 and obtains from the custodian a signed letter addressed to the Company, with copies to the Administrator and the Registrar, in which the custodian agrees (i) to hold the Warrants only in certificated form, and (ii) not to issue a request to the Registrar for such Warrants to be dematerialised unless it obtains from the transferee a signed letter addressed to the Company, with copies to the Administrator and the Registrar, containing a representation from the transferee that it is not a US Person (**in the form of Exhibit 1 of the relevant warrant exhibit booklet issued by Arbuthnot Securities**). **See Exhibit 3 of the relevant warrant exhibit booklet issued by Arbuthnot Securities for the full text of the letter to be provided to the Company prior to the deposit of Warrants with a custodian.**
 12. It will only hold the Warrants in certificated form and will only transfer the Warrants in certificated form unless it sells the Warrants to a non-US Person and the purchaser provides a signed letter addressed to the Company, with copies to the Administrator and the Registrar, containing a representation that the purchaser is not a US Person (**in the form of Exhibit 1 of the relevant warrant exhibit booklet issued by Arbuthnot Securities**), in which case the Warrants will be eligible for settlement through CREST.
 13. It agrees that it will inform each subsequent purchaser of the Warrants from it of these transfer restrictions and that if in the future it decides to offer, resell, pledge or otherwise transfer such Warrants, any offer, resale

or transfer will be made in compliance with the Securities Act, the Investment Company Act and any applicable US securities laws.

14. It acknowledges that no Warrant may be exercised for the account or benefit of US Persons except in accordance with the Securities Act or an exemption therefrom and under circumstances which will not require the Company to register under the Investment Company Act.
15. It acknowledges that the Company reserves the right prior to any sale or other transfer, or any exercise of the rights under this security, to require the delivery of such certifications, legal opinions and other information as the Company may reasonably require to confirm that the proposed sale, other transfer, or exercise complies with the foregoing restrictions.
16. It understands and acknowledges that if a beneficial owner of Warrants who is required to be a qualified purchaser within the meaning of Section 3(c)(7) of the Investment Company Act is at any time not such a qualified purchaser, the Company may (i) require such beneficial owner to sell its Warrants to a person who is not a US Person or who is a US Person who is also a qualified purchaser and who is otherwise qualified to purchase such Warrants in a transaction exempt from registration under the Securities Act or (ii) sell such Warrants on behalf of the beneficial owner at the best price reasonably obtainable to a person who is not a US Person or who is a US Person who is also a qualified purchaser and who is otherwise qualified to purchase such Warrants in a transaction exempt from registration under the Securities Act.
17. In making the investment decision with respect to the Warrants, it has:
 - (a) not relied on the Company or the Fund Manager or any of their respective affiliates;
 - (b) had access to such financial and other information concerning the Company and the Warrants as it deems necessary in connection with its decision to purchase the Warrants; and
 - (c) investigated the potential tax consequences affecting it in connection with its purchase of the Warrants.
18. It understands that any warrant certificates or other written evidence of the Warrants that it receives shall bear the following legend:

The Company has not been registered under the United States Investment Company Act of 1940, as amended (the "Investment Company Act") and the security evidenced hereby has not been registered under the Securities Act of 1933, as amended (the "Securities Act"), and may not be offered, sold, pledged or otherwise transferred except (A) outside the United States to a non-US person (as defined in Rule 902 of Regulation S, "US Person") in accordance with Rule 903 or 904 of Regulation S under the Securities Act (and not in a pre-arranged transaction resulting in the resale of such security into the United States) or (B) pursuant to an exemption from registration under the Securities Act and under circumstances which will not require the Company to register under the Investment Company Act (provided that, if such transfer pursuant to this clause (B) is to a US Person, the purchaser is a qualified purchaser within the meaning of Section 3(c)(7) of the Investment Company Act) and, in each case in accordance with any applicable securities laws of the States of the United States and other jurisdictions. The holder of this security agrees that it will comply with the foregoing restrictions. No representation can be made as to the availability of any exemption under the Securities Act for resales of the security.

The rights under this security may not be exercised to, or for the account or benefit of US Persons except in accordance with the Securities Act or an exemption therefrom and under circumstances which will not require the Company to register under the Investment Company Act.

The holder acknowledges that the Company reserves the right prior to any sale or other transfer, or any exercise of the rights under this security to require the delivery of such certifications, legal opinions and other information as the Company may reasonably require to confirm that the proposed sale, other transfer, or exercise complies with the foregoing restrictions.

If a beneficial owner of this security who is required to be a qualified purchaser within the meaning of Section 3(c)(7) of the Investment Company Act is at any time not such a qualified purchaser, the Company may (A) require such beneficial owner to sell this security to a person who is not a US Person or who is a US Person who is also a qualified purchaser and who is otherwise qualified to purchase such security in a transaction exempt from registration under the Securities Act or (B) sell this security on behalf of the beneficial owner at the best price reasonably obtainable to a person who is not a US Person or who is a US Person who is also a qualified purchaser and who is otherwise qualified to purchase such security in a transaction exempt from registration under the Securities Act.

This security may not be dematerialised into CREST or any other paperless system unless the party requesting such dematerialisation first obtains a letter from the transferee stating that such transferee is not a US Person.

The holder of this security is deemed to have acknowledged that this legend will not be removed from this security for as long as the Company relies on Section 3(c)(7) of the Investment Company Act.

Investors should note that there can be no assurance US Persons will be able to locate acceptable purchasers or obtain the certifications required by paragraph 10 above.

See Exhibit 2 of the relevant warrant exhibit booklet issued by Arbutnot Securities for the full text of the investment letter to be provided by US Persons.

Each US Person purchasing Warrants at any time that is not required to execute the above investment letter will be deemed to have represented, acknowledged and agreed as follows:

1. The Warrants have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and may not be offered or sold in the United States or to US Persons absent registration or an exemption from registration under the Securities Act.
2. The Company has not registered and will not register under the Investment Company Act and that the Company has put in place restrictions for transactions not involving any public offering, and to ensure that the Company is not required and will not be required to be registered under the Investment Company Act.
3. Each Warrant offered and sold pursuant to Regulation S will contain a legend substantially to the following effect unless otherwise agreed by the Company and the holder of the Warrant in accordance with applicable law.

The Company has not been and will not be registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”). In addition, the Warrants have not been and will not be registered under the Securities Act of 1933, as amended (the “Securities Act”). Consequently, this security may not be offered or sold or otherwise transferred within the United States or to, or for the account or benefit of, US Persons nor may this Warrant be exercised for the account or benefit of US Persons, except in accordance with the Securities Act or an exemption therefrom and under circumstances which will not require the Company to register under the Investment Company Act.

The rights under this security may not be exercised to, or for the account or benefit of US Persons, except in accordance with the Securities Act or an exemption therefrom and under circumstances which will not require the Company to register under the Investment Company Act.

4. It is not an employee benefit plan as defined in section 3(3) of ERISA (whether or not subject to the provisions of Title 1 of ERISA, but excluding plans maintained outside the US that are described in Section 4(b)(4) of ERISA) or an individual retirement account (as defined in section 408 of the Code) and is not purchasing the Shares with assets that are treated as the assets of any such plan or account; and
19. It has investigated the potential US tax consequences, including any federal, state and local consequences, affecting it in connection with its purchase and any subsequent disposal of the Warrants.

Non-US Investors: Shares

Each non-US purchaser of the Shares will be deemed to have represented, acknowledged and agreed as follows (terms used below that are defined in Regulation S under the Securities Act have the meanings given to them in Regulation S):

1. It and the person, if any, for whose account it is acquiring the Shares are not US Persons (as defined in Rule 902 of Regulation S under the Securities Act) and are purchasing the Shares outside the United States in an offshore transaction meeting the requirements of Regulation S.
2. The Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and may not be offered or sold in the United States or to US Persons absent registration or an exemption from registration under the Securities Act.
3. The Company has not registered and will not register under the Investment Company Act and that the Company has put in place restrictions for transactions not involving any public offering, and to ensure that the Company is not required and will not be required to be registered under the Investment Company Act.
4. It understands that each Share offered and sold pursuant to Regulation S will contain a legend substantially to the following effect unless otherwise agreed by the Company and the holder of the Share in accordance with applicable law.

The Company has not been and will not be registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”). In addition, the Shares have not been and will not be registered under the

Securities Act of 1933, as amended (the “Securities Act”). Consequently, this security may not be offered or sold or otherwise transferred within the United States or to, or for the account or benefit of, US Persons except in accordance with the Securities Act or an exemption therefrom and under circumstances which will not require the Company to register under the Investment Company Act.

5. It is not an employee benefit plan as defined in section 3(3) of ERISA (whether or not subject to the provisions of Title 1 of ERISA, but excluding plans maintained outside the US that are described in Section 4(b)(4) of ERISA) or an individual retirement account (as defined in section 408 of the Code) and is not purchasing the Shares with assets that are treated as the assets of any such plan or account.
6. It is purchasing the Shares for its own account or for one or more investment accounts for which it is acting as a fiduciary or agent, in each case for investment only, and not with a view to or for sale or other transfer in connection with any distribution of the Shares in any manner that would violate the Securities Act, the Investment Company Act or any other applicable securities laws.
7. It has received, carefully read and understands the Admission Document, and has not distributed, forwarded, transferred or otherwise transmitted this document or any other presentation or offering materials concerning the Shares to any persons within the United States or to any US Persons, nor will it do any of the foregoing and that it understands that the Admission Document are subject to the requirements of the AIM Rules and the information therein, including any financial information, may be materially different from any disclosure that would be provided in a US offering.
8. It agrees that it will inform each subsequent purchaser of the Shares from it of these transfer restrictions and that if in the future it decides to offer, resell, pledge or otherwise transfer such Shares, any offer, resale or transfer will be made in compliance with the Securities Act, the Investment Company Act and any applicable US securities laws.
9. (i) At the time the Shares are acquired, it is not an affiliate of the Company or a person acting on behalf of such an affiliate; and (ii) it is not acquiring the Warrants for the account of an affiliate of the Company or of a person acting on behalf of such affiliate.
10. It acknowledges that the Company reserves the right to make inquiries of any holder of the Shares or interests therein at any time as to such person’s status under the US securities laws, including without limitation whether it is a qualified purchaser as defined in Section 2(a)(51)(A) of the Investment Company Act, and to require any such person that has not satisfied the Company that such person is holding appropriately under the US securities laws to transfer such Shares or interests immediately under the direction of the Company.
11. It is a “qualified investor” as defined in section 86(7) of the Financial Services and Markets Act 2000 (as amended).
12. It is entitled to subscribe for the Shares comprised in its Placing Participation under the laws of all relevant jurisdictions which apply to it, that it has fully observed such laws and obtained all governmental and other consents which may be required thereunder and complied with all necessary formalities and it has paid any issue, transfer or other taxes due in connection with its acceptance in any jurisdiction and that it has not taken any action or omitted to take any action which will or may result in Arbutnot Securities or the Company or any of its respective directors, officers, agents, employees or advisers acting in breach of the legal and regulatory requirements of any jurisdiction in connection with the Placing or your acceptance of the Placing Participation.

Non-US Investors: Warrants

Each non-US purchaser of the Warrants will be deemed to have represented, acknowledged and agreed as follows (terms used below that are defined in Regulation S under the Securities Act have the meanings given to them in Regulation S):

1. It and the person, if any, for whose account it is acquiring the Warrants are not US Persons and are purchasing the Warrants outside the United States in an offshore transaction meeting the requirements of Regulation S.
2. It understands and acknowledges that the Warrants have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and may not be offered or sold in the United States or to US Persons (as defined in Rule 902 of Regulation S under the Securities Act) absent registration or an exemption from registration under the Securities Act.
3. It understands and acknowledges that the Company has not registered and will not register under the Investment Company Act and that the Company has put in place restrictions for transactions not involving

any public offering, and to ensure that the Company is not required and will not be required to be registered under the Investment Company Act.

4. Each Warrant offered and sold pursuant to Regulation S will contain a legend substantially to the following effect unless otherwise agreed by the Company and the holder of the Warrant in accordance with applicable law.

The Company has not been and will not be registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”). In addition, the Warrants have not been and will not be registered under the Securities Act of 1933, as amended (the “Securities Act”). Consequently, this security may not be offered or sold or otherwise transferred within the United States or to, or for the account or benefit of, US Persons nor may this Warrant be exercised for the account or benefit of US Persons, except in accordance with the Securities Act or an exemption therefrom and under circumstances which will not require the Company to register under the Investment Company Act.

The rights under this security may not be exercised to, or for the account or benefit of US Persons except in accordance with the Securities Act or an exemption therefrom and under circumstances which will not require the Company to register under the Investment Company Act.

The holder acknowledges that the Company reserves the right prior to any sale or other transfer, or any exercise of the rights under this security to require the delivery of such certifications, legal opinions and other information as the Company may reasonably require to confirm that the proposed sale, other transfer, or exercise complies with the foregoing restrictions.

5. It is not an employee benefit plan as defined in section 3(3) of ERISA (whether or not subject to the provisions of Title 1 of ERISA, but excluding plans maintained outside the US that are described in Section 4(b)(4) of ERISA) or an individual retirement account (as defined in section 408 of the Code) and is not purchasing the Warrants with assets that are treated as the assets of any such plan or account.
6. It is purchasing the Warrants for its own account or for one or more investment accounts for which it is acting as a fiduciary or agent, in each case for investment only, and not with a view to or for sale or other transfer in connection with any distribution of the Warrants in any manner that would violate the Securities Act, the Investment Company Act or any other applicable securities laws.
7. It has received, carefully read and understands the Admission Document, and has not distributed, forwarded, transferred or otherwise transmitted this document or any other presentation or offering materials concerning the Warrants to any persons within the United States or to any US Persons, nor will it do any of the foregoing and that it understands that the Admission Document are subject to the requirements of the AIM Rules and the information therein, including any financial information, may be materially different from any disclosure that would be provided in a US offering.
8. It agrees that it will inform each subsequent purchaser of the Warrants from it of these transfer restrictions and that if in the future it decides to offer, resell, pledge or otherwise transfer such Warrants, any offer, resale or transfer will be made in compliance with the Securities Act, the Investment Company Act and any applicable US securities laws.
9. (i) At the time the Warrants are acquired, it is not an affiliate of the Company or a person acting on behalf of such an affiliate; and (ii) it is not acquiring the Warrants for the account of an affiliate of the Company or of a person acting on behalf of such affiliate.
10. It acknowledges that the Company reserves the right to make inquiries of any holder of the Warrants or interests therein at any time as to such person’s status under the US securities laws, including without limitation whether it is a qualified purchaser (“QP”) as defined in Section 2(a)(51)(A) of the Investment Company Act, and to require any such person that has not satisfied the Company that such person is holding appropriately under the US securities laws to transfer such Warrants or interests immediately under the direction of the Company.
11. It acknowledges that no Warrant may be exercised for the account or benefit of US Persons except in accordance with the Securities Act or an exemption therefrom and under circumstances which will not require the Company to register under the Investment Company Act.
12. It acknowledges that the Company reserves the right prior to any sale or other transfer, or any exercise of the rights under this security, to require the delivery of such certifications, legal opinions and other information as the Company may reasonably require to confirm that the proposed sale, other transfer, or exercise complies with the foregoing restrictions.
13. It is a “qualified investor” as defined in section 86(7) of the Financial Services and Markets Act 2000 (as amended).

14. It is entitled to subscribe for the Warrants, comprised in its Placing Participation under the laws of all relevant jurisdictions which apply to it, that it has fully observed such laws and obtained all governmental and other consents which may be required thereunder and complied with all necessary formalities and it has paid any issue, transfer or other taxes due in connection with its acceptance in any jurisdiction and that it has not taken any action or omitted to take any action which will or may result in Arbuthnot Securities or the Company or any of its respective directors, officers, agents, employees or advisers acting in breach of the legal and regulatory requirements of any jurisdiction in connection with the Placing or your acceptance of the Placing Participation.

9. Working Capital

In the opinion of the Directors, having made due and careful enquiry, the working capital available to the Company will, from the date of Admission, be sufficient for its present requirements, that is for at least the next twelve months.

10. Litigation

No legal or arbitration proceedings are active, pending or threatened against, or being brought by, the Company.

11. Investment restrictions

The Company and/or the Mauritian Companies will not:

- invest in securities carrying unlimited liability; or
- buy or sell commodities or commodity contracts or real estate or interests in real estate although they may purchase and sell securities which are secured by real estate or commodities and securities of companies which invest in or deal in real estate or commodities; or
- invest or lend more than 15 per cent. of the Group's assets at the time of investment in securities of any one company or single issuer; or
- invest or lend more than 25 per cent. of the Group's assets at the time of investment in securities of unlisted companies.

Subject to the need to comply with regulatory requirements, none of these restrictions will, however, require the realisation of any assets of the Group where any restriction is breached as a result of an event outside of the control of the Fund Manager or the Board which occurs after the investment is made but, in such a case, no further relevant assets may be acquired by the Group until the relevant restriction can again be complied with. In the event any restriction is breached the Company will, as soon as reasonably practicable, notify investors through a regulatory information service.

Further, any investment made by Kotak on behalf of ICG Q Limited is subject to the following investment limits:

- (i) investment on behalf of a sub-account shall not exceed 10 per cent. (in the event that ICG Q Limited is registered as a broad based sub-account by the SEBI) of the total issued capital of an Indian investee company; or
- (ii) investments in equity and equity related instruments (including fully convertible debentures, convertible portion of partially convertible debentures and tradable warrants) made by Kotak on its own behalf and on behalf of ICG Q Limited shall not be less than 70 per cent. of the aggregate of all investments made by Kotak on its own account and on the behalf of ICG Q Limited.

12. General

12.1 There are no patents or other intellectual property rights, licences or particular contracts which are of fundamental importance to the Company's business; except as set out in Part I and in paragraph 6 of Part IV of this document.

12.2 The costs and expenses of, and incidental to, Admission and the Placing will be borne by the Company and will be approximately £1.5 million. The gross assets of the Company following Admission will be approximately £75.0 million and the estimated assets net of expenses of the Company will be £73.5 million which will be applied in accordance with the Company's investment policy.

12.3 Under the arrangements in force at the date of this document, the total amount of fees which it is estimated will be payable to the Directors in respect of the current and future financial periods of the Company will not exceed in aggregate £85,000 per annum.

12.4 Save as otherwise set out in this document and except for fees payable to the professional advisers whose names are set out on pages 6 and 7 of this document, no person has received fees, securities in the Company

or any other benefit to a value of £10,000 (or its currency equivalent) whether directly or indirectly; from the Company within the 12 months preceding the application for Admission, or has entered into any contractual arrangement to receive from the Company, directly or indirectly, any such fees, securities or other benefit on or after Admission.

- 12.5 There has been no significant change in the financial or trading position of the Company since the date of its incorporation. The principal activity of the Company is to act as an investment company.
- 12.6 The Company has not, nor has it had since its incorporation, any employees and it does not own any premises.
- 12.7 The Company is committed to complying with the corporate governance obligations which apply to Guernsey registered companies. In addition, the Company intends to have regard to the AITC Code of Corporate Governance produced by the Association of Investment Trust Companies and the UK Combined Code, where appropriate, taking into account the nature of the business.
- 12.8 The Fund Manager and Arbuthnot Securities are or may be promoters of the Company and save as disclosed in paragraph 6.1 above, no amount or benefit has been paid, or given to the promoters or any of their subsidiaries in relation to the Placing and Admission since the incorporation of the Company and none is intended to be paid, or given.
- 12.9 It is the intention of the Directors to implement the investing strategy of the Company as set out in Part I of this document.
- 12.10 The Company is receiving legal advice from Herbert Smith LLP, Carey Olsen, IFS and AZB & Partners, financial advice from Arbuthnot Securities, and accounting advice from Ernst & Young LLP in addition to certain administrative services from other third party service providers. Such advisers act for many other clients, including others in the investment funds sector and on occasion may face conflicts of interest as a result of acting both for the Company and such other clients. In the event of a conflict of interest, advisers will be required to disregard it in the course of providing services to the Company.
- 12.11 Polar Capital LLP is regulated by the FSA in the conduct of its investment business. It is a limited liability partnership incorporated and domiciled in England and Wales. Its registration number is OC314700. It was incorporated on 15 August 2005 under the Companies Act and operates under the Companies Act and regulations made under the Companies Act, its registered office is at 4 Matthew Parker Street, London SW1H 9NP and its telephone number is 020 7227 2700.
- 12.12 India Investment Partners Limited will apply for the relevant FSA Authorisations. It is a private limited company incorporated and domiciled in England and Wales. Its registration number is 05583807. It was incorporated on 5 October 2005 under the Companies Act and operates under the Companies Act and regulations made under the Companies Act, its registered office is at Cayzer House, 30 Buckingham Gate, London SW1E 6NN and its telephone number is 020 7226 6858.
- 12.13 The Hong Kong and Shanghai Banking Corporation Limited, commercially known as HSBC, is a bank incorporated in Hong Kong. Its registration number is 263876. It was incorporated on 14 August 1866 under the Hongkong and Shanghai Bank Ordinance 1866, and was also registered under Part IX of the Companies Ordinance of the Hong Kong SAR on 6 October 1989 and operates under the laws of the Hong Kong SAR. The bank is licensed with the Hong Kong Monetary Authority (HKMA) and its securities operations are regulated by the SFC in Hong Kong. Its registered office is at HSBC Main Building, 1 Queen's Road Central, Hong Kong and its telephone number is +852 2822 1111.
- 12.14 Ernst & Young LLP has given and has not withdrawn its written consent to the issue of this document with the inclusion of its Accountants' Report in Part III of this document and the references to such report and to its name in the form and context in which they appear.
- 12.15 Arbuthnot Securities, the Fund Manager and Caledonia have each given and not withdrawn their written consent to the issue of this document with their names and the references to them in the form and context in which such references are included.

13. Availability of Documents

Copies of this document will be available free of charge to the public at the registered office of Arbuthnot Securities, Arbuthnot House, 20 Ropemaker Street, London EC2Y 9AR during normal business hours on any weekday (Saturdays and public holidays excepted) until the date falling one month after the date of Admission.

Dated: 16 December 2005

PART V

TERMS & CONDITIONS OF WARRANTS

The Warrants will be constituted by a deed poll of the Company (the “**Warrant Instrument**”) and will be issued subject to, and with the benefit of, the terms and conditions set out below.

1. SUBSCRIPTION RIGHTS

- 1.1 A registered holder for the time being of a Warrant (a “**Warrantholder**”) shall have rights (“**subscription rights**”) to subscribe for one Ordinary Share at the price of 100p per share (the “**subscription price**”). Warrantholders shall be entitled to exercise their subscription rights on any date in the period between the expiry of four weeks and the expiry of eight weeks following publication of the Company’s annual accounts, commencing with the publication of the Company’s annual accounts in 2009 and ending with the publication of the Company’s annual accounts in 2011 (each a “**subscription period**”). Each subscription period will be notified by the Company to Warrantholders around the time the Company sends its relevant annual accounts to Shareholders and Warrantholders. The subscription price shall be payable in full in cash upon subscription.
- 1.2 In the case of Certificated Warrants, the Company shall issue a Warrant certificate to each Warrantholder. The Warrant certificates shall not be endorsed with the terms, conditions and subscription rights attaching to the Warrants but the Company shall, on the request of any holder of Certificated Warrants, provide them with a copy of the same but so that joint holders of such Warrants shall be entitled to receive one copy only, which shall be delivered to the holder whose name stands first in the register of holders of Warrants in respect of that holding. The Company shall be under no obligation to issue a Warrant certificate to any person holding Warrants in uncertificated form but such person shall have the rights provided in paragraph 8.3 below.
- 1.3 In order to exercise subscription rights in whole or in part the Warrantholder must:
- 1.3.1 in the case of Certificated Warrants, lodge the Warrant certificate at the office of the registrars for the time being of the Company (the “**Registrars**”), and/or at such other address or addresses as the Company may from time to time notify to Warrantholders, on or within 14 days prior to the final date of the subscription period (but not later than 3.00 p.m. on that date) having completed i) the notice of subscription thereon accompanied by a remittance for the aggregate subscription price payable on subscription for the Ordinary Shares in respect of which the subscription rights are exercised; and ii) a written confirmation:
- (A) in the form from time to time prescribed by the Directors and having the effect determined by the Directors from time to time; and
 - (B) containing the representations set forth in paragraph 8 of Part IV, “US Investors” if the Warrantholder is a US Person, in which case the Warrantholder will receive certificated Shares with the legend set out in paragraph 8 of Part IV of this document, “US Investors: Warrants”; and
 - (C) containing the representations set forth in paragraph 8 of Part IV, “Non-US Investors” if the Warrantholder is a non-US Person, in which case the Warrantholder will receive certificated Shares with the legend set out in paragraph 8 of Part IV of this document, “Non-US Investors: Warrants”; and
 - (D) which is addressed to the Company, is attributable to the system-member who is the registered holder of the Warrants and identifies (in accordance with the form prescribed by the Directors as aforesaid) the Warrants in respect of which the subscription rights are to be exercised; and
- provided always that:
- (E) the Directors may in their discretion permit the holder of any Uncertificated Warrant to exercise their subscription rights by some other means (including if the Company or any sponsoring system-participant acting on behalf of the Company is unable at any time and for any reason to receive properly authenticated dematerialised instructions) in accordance with applicable laws; or
- 1.3.2 in the case of Uncertificated Warrants, send to the Company or such person as the Company may require (including, without limitation, the Registrars or any sponsoring system-participant acting on behalf of the Company or the Registrars) a properly authenticated dematerialised instruction requesting a Certificated Warrant with the legend set out in paragraph 8 of Part IV of this document, “Non-US Investors: Warrants”. The properly authenticated dematerialised instruction shall be:
- (A) in the form from time to time prescribed by the Directors and having the effect determined by the Directors from time to time; and

- (B) which is addressed to the Company, is attributable to the system-member who is the registered holder of the Warrants and identifies (in accordance with the form prescribed by the Directors as aforesaid) the Warrants in respect of which the subscription rights are to be exercised; and provided always that:
- (C) the Directors may in their discretion permit the holder of any Uncertificated Warrant to exercise his subscription rights by some other means (including if the Company or any sponsoring system-participant acting on behalf of the Company is unable at any time and for any reason to receive properly authenticated dematerialised instructions) in accordance with applicable laws;
- (D) the Directors may in their discretion require, in addition to the receipt of a properly authenticated dematerialised instruction as referred to above, the holder of any Uncertificated Warrant to complete and deliver to the Company (or its Registrars) on or within 14 days prior to the final date of the relevant subscription period, a notice in such form as may from time to time be prescribed by the Directors;
- (E) the Directors may in their discretion determine when any such properly authenticated dematerialised instruction and/or other instruction or notification is to be treated as received by the Company or by such other person as it may require for these purposes; and
- (F) for the avoidance of doubt, the form of the properly authenticated dematerialised instruction as referred to above may be such as to divest the holder of the Warrant concerned of the power to transfer such Uncertificated Warrant to another person.

In order to exercise subscription rights in whole or in part relating to the Certificated Warrants received pursuant to this paragraph 1.3.2, the Warrantholder must follow the requirements set out in paragraph 1.3.1 above.

All notices, instructions and any other steps required by this paragraph 1.3.2 shall be subject always to the facilities and requirements of the relevant system concerned.

- 1.4 Each notice of subscription or properly authenticated dematerialised instruction as referred to in paragraph 1.3 above, and any transfer of a Warrant, will be deemed to contain a representation that, at the time of submission to the Company, the Warrantholder exercising the subscription rights or the transferee of the Warrant (as the case may be) is not a US Person or a person in Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan or, if they are such a person, that their exercise of subscription rights is otherwise permitted by the securities laws of the relevant jurisdiction. The exercise of subscription rights, or the transfer of the Warrant, or the right of any Warrantholder to receive the Ordinary Shares falling to be issued following the exercise of subscription rights will be subject to such requirements, conditions, restrictions, limitation or prohibition (together “restrictions”) as the Company may at any time impose, in its discretion, for the purpose of complying with (or for avoiding any requirement which would otherwise arise to comply with) the securities laws of the USA, Canada, Australia, the Republic of South Africa, the Republic of Ireland and Japan (including, without limitation, the United States Securities Act of 1933, as amended, the United States Investment Company Act of 1940, as amended, and any rules or regulations promulgated under such Acts) and will only be effective to the extent that it conforms to such restrictions.

Once lodged, a notice of subscription or properly authenticated dematerialised instruction shall be irrevocable save with the consent of the Directors. In addition to the requirements set out above, compliance must also be made with any statutory requirements for the time being applicable.

- 1.5 Not earlier than twelve weeks nor later than eight weeks before each subscription period begins the Company shall give notice in writing to the holders of the outstanding Warrants reminding them of their subscription rights. Such notice shall set out the subscription price, as adjusted in accordance with paragraph 2, at which Warrantholders may subscribe for Ordinary Shares in that subscription period and, in relation to any Warrants that are in uncertificated form, stating the form of properly authenticated dematerialised instruction prescribed by the Company in relation to such subscription period.
- 1.6 Ordinary Shares issued pursuant to the exercise of subscription rights will be allotted not later than 14 days after and with effect from the last date of the relevant subscription period. Unless the Directors otherwise determine, or unless the Regulations and/or the rules of the relevant system concerned otherwise require, the Ordinary Shares allotted on the exercise of any subscription rights shall be allotted and issued in certificated form where the Warrant exercised was in certificated form in the subscription period concerned or, otherwise, in uncertificated form. In the case of Ordinary Shares to be allotted and issued in certificated form, certificates in respect of such Ordinary Shares will be issued free of charge and despatched (at the risk of the person(s) entitled thereto) not later than 28 days after the end of the relevant subscription period to the person(s) in whose name(s) the Warrants are registered at the date of such exercise (and, if more than one, to the first named, which shall be sufficient despatch for all) or (subject as provided by law and to the

payment of any stamp duty, stamp duty reserve tax or any like tax as may be applicable) to such other person(s) as may be nominated on the reverse of the relevant Warrant certificate (and, if more than one, to the first named, which shall be sufficient despatch for all). In the event of a partial exercise of the subscription rights comprised in a Certificated Warrant, the Company shall at the same time as the issue of the said certificate issue a fresh Warrant certificate in the name of the holder(s) for any balance of subscription rights remaining exercisable. No fraction of an Ordinary Share will be issued on the exercise of any Warrant and no refund will be made to a Warranthead in respect of any subscription monies paid by that Warranthead which represents such a fraction (if any) provided that if the subscription rights represented by more than one Warrant are exercised by the same Warranthead in the same subscription period then the number of Ordinary Shares to be issued to such Warranthead in relation to all such Warrants exercised shall be aggregated and whether any fractions then arise shall be determined accordingly.

- 1.7 Ordinary Shares issued pursuant to the exercise of subscription rights will not rank for any dividends or other distributions declared, paid or made for which the record date is prior to the last date of the relevant subscription period but, subject thereto, will rank in full for all dividends and other distributions in respect of the then current financial year and *pari passu* in all other respects with the Ordinary Shares in issue on the last date of the relevant subscription period, provided that on any allotment falling to be made pursuant to paragraph 3.6 or 3.7 below the Ordinary Shares to be allotted shall not rank for any dividend or other distribution declared, paid or made by reference to a record date prior to the date of allotment.
- 1.8 For so long as the Company's ordinary share capital is admitted to a Relevant Exchange, the Company will apply for the Ordinary Shares allotted pursuant to any exercise of subscription rights to be listed or traded on the Relevant Exchange and the Company will use its best endeavours to obtain the admission thereof not later than 14 days after the relevant date of allotment of such Ordinary Shares.
- 1.9 If, immediately after the end of any subscription period (other than the final subscription period) and after taking account of any subscription rights exercised on that date, subscription rights shall have been exercised in respect of 90 per cent. or more of the Ordinary Shares to which the subscription rights attached to all the Warrants (whether issued pursuant to the Placing or otherwise) relate the Company shall be entitled at any time within the next following 14 days to serve notice in writing on the holders of the Warrants then outstanding of its intention to appoint a trustee for the purposes set out in paragraph 1.10 below upon the expiry of 21 days from the date of such notice (the "Notice Period") and for this purpose the Notice Period shall expire at 3.00 p.m. on such twenty-first day. Such notice shall in its terms give the holders of the Warrants so outstanding a final opportunity to exercise their subscription rights in the manner provided in paragraph 1.3. Such notice shall set out the subscription price, as adjusted if required in accordance with paragraph 2, at which Warrantheads may subscribe for Ordinary Shares before the expiry of the Notice Period.
- 1.10 Subject to paragraph 1.2, forthwith after the expiry of the Notice Period, the Company shall appoint a trustee who, provided that in his opinion (acting reasonably) the net proceeds of sale after deduction of all costs and expenses incurred by him will exceed the cost of the subscription, shall within the period of 14 days following the expiry of the Notice Period (and, in the case of Uncertificated Warrants, subject to paragraph 1.12 below) either: (i) exercise the subscription rights which shall not have been exercised on the terms (subject to any further adjustments pursuant to paragraph 2) on which the same could have been exercised immediately prior to the expiry of the Notice Period if the final date of the Notice Period had been the final date of a subscription period and sell in the market the Ordinary Shares allotted on such subscription or (ii) accept any offer available to Warrantheads for the purchase of those Warrants, provided always that, in the case of Uncertificated Warrants, such exercise or acceptance is permitted by the Operator. The trustee shall distribute pro rata the proceeds less such subscription costs and such other costs and expenses to the persons entitled thereto at the risk of such persons as soon as practicable thereafter provided that entitlements of each Warranthead to amounts of under £5.00 shall be retained for the benefit of the Company. If the trustee shall not exercise the subscription rights as aforesaid (and his decision in respect thereof shall, in the absence of unreasonableness, be final and binding on all Warrantheads) all subscription rights shall lapse on the fifteenth day after the final date of the final subscription period.
- 1.11 Subject to paragraph 1.2, within seven days following the final date of the final subscription period the Company shall appoint a trustee who, provided that in his opinion (acting reasonably) the net proceeds of sale after deduction of all costs and expenses incurred by him will exceed the costs of subscription, shall within the period of 14 days following the final date of the final subscription period (and, in the case of Uncertificated Warrants, subject to paragraph 1.12 below), either: (i) exercise all the subscription rights which shall not have been exercised on the terms on which the same could have been exercised on the final date of the final subscription period and sell in the market the Ordinary Shares acquired on such subscription or (ii) accept any offer available to Warrantheads for the purchase of those Warrants, provided always that, in the case of Uncertificated Warrants, such exercise or acceptance is permitted by the Operator. The trustee shall distribute pro rata the proceeds less any such subscription costs and such other costs and expenses to the persons entitled thereto at the risk of such persons as soon as practicable thereafter

provided that entitlements of each Warrantholder to amounts of under £5.00 shall be retained for the benefit of the Company. If the trustee shall not exercise the subscription rights as aforesaid (and his decision in respect thereof shall, in the absence of unreasonableness, be final and binding on all Warrantholders) all subscription rights shall lapse on the fifteenth day after the final date of the final subscription period. Notwithstanding the above, if as at the final date of the final subscription period and throughout the period of 14 days thereafter, the subscription price of the Ordinary Shares is higher than the closing bid price for the Ordinary Shares (as derived from the Relevant Exchange) the Company shall not be obliged to appoint a trustee and shall be entitled to allow the subscription rights to lapse on the fifteenth day after the final date of the final subscription period without taking any other action.

- 1.12 The Company shall, in its discretion, as an alternative to the procedures in paragraph 1.10 and 1.11, have the right to make a payment to the holder of each outstanding Warrant of an amount equal to the Directors' best estimate of the amount which would be received by Warrantholders were such procedures being followed and upon making such payment the Warrants shall lapse.
- 1.13 The provisions of this paragraph 1.13 shall apply in relation to any Uncertificated Warrants that are to be exercised or sold by a trustee appointed in accordance with paragraph 1.10 or 1.11 above. The Directors shall, if so required by the trustee (and subject always to the facilities and requirements of the relevant system), take such steps (or require the holder of the Warrants to take such steps) as are necessary to enable the trustee to exercise its powers arising under paragraph 1.10 or 1.11 above. In particular, and without prejudice to the generality of the foregoing, in the event that the trustee decides to exercise the subscription rights in accordance with paragraph 1.10 or 1.11 above, the procedures for such exercise may involve or include:
 - 1.13.1 the sending by the Company or by any person on its behalf of an issuer instruction to the Operator requesting or requiring the deletion of any computer-based entries in the relevant system which relate to the Warrants exercised by the trustee; and/or
 - 1.13.2 the trustee (or the Company acting on its behalf) by notice in writing to the Warrantholder concerned requiring him to change the form of those Warrants from uncertificated to certificated form prior to the trustee's exercise of the relevant subscription rights.

Subject always to the facilities and requirements of the relevant system, all steps taken by the trustee (or the Company acting on its behalf) shall be as effective as if they had been taken by the registered holder of, or person entitled by transmission to, the Warrants.

The trustee shall distribute pro rata the proceeds of sale less such subscription costs and such other costs and expenses to the persons entitled thereto at the risk of such persons as soon as practicable after the final date of the final subscription period, provided that entitlements of each Warrantholder to amounts of under £5.00 shall be retained for the benefit of the Company. If the trustee shall not exercise the subscription rights as aforesaid (and his decision in respect thereof shall, in the absence of unreasonableness, be final and binding on all holders of outstanding Warrants), the outstanding Warrants shall lapse on the fifteenth day after the final date of the final subscription period.

- 1.14 The trustee referred to in paragraphs 1.9 to 1.13 shall have no liability of any nature whatsoever where he has acted honestly and reasonably.

2. ADJUSTMENT OF SUBSCRIPTION RIGHTS

2.1 Forthwith on:

- 2.1.1 any allotment of fully paid Ordinary Shares (otherwise than on the allotment of fully paid Ordinary Shares pursuant to scrip dividend arrangements) by way of capitalisation of profits or reserves to Shareholders on the Company's register of members on a date (or by reference to a record date) on or before the final date of the final subscription period; or
- 2.1.2 any subdivision or consolidation of the Ordinary Shares on a date (or by reference to a record date) on or before the final date of the final subscription period,

the number and/or nominal value of Ordinary Shares to be subscribed on any subsequent exercise of subscription rights will be increased or, as the case may be, reduced in due proportion (fractions being ignored) and the subscription price will be adjusted accordingly, so as to maintain the same cost of exercising the subscription rights of each Warrantholder, with the effect from the record date for such capitalisation, subdivision or consolidation. On any such capitalisation, subdivision or consolidation the Company's auditors for the time being (the "Auditors"), or such other person as the Directors may in good faith select for the purpose, shall report in writing on the appropriate adjustments and, within 28 days thereafter, notice of such adjustments will be sent to each Warrantholder together with, in the case of holders of Certificated Warrants, a new Warrant certificate in respect of the number of Ordinary Shares for which the Warrantholder is entitled to subscribe in consequence of such adjustments. Any additional subscription rights arising as a result of such adjustments shall confer the same rights and privileges and be

subject to the same restrictions and obligations as the subscription rights which subsist at the date of the relevant capitalisation, subdivision or consolidation subject to any adjustment to the number and/or nominal value of Ordinary Shares to be subscribed on any subsequent exercise of subscription rights and/or the subscription price which is made in pursuance of this paragraph 2.1.

- 2.2 If, on a date (or by reference to a record date) on or before the final date of the final subscription period, the Company makes any offer or invitation to Shareholders (whether by rights issue or otherwise but not being an offer to which paragraph 3.6 below applies or an offer made in connection with scrip dividend arrangements) or any offer or invitation (not being an offer to which paragraph 3.7 below applies) is made to such Shareholders otherwise than by the Company, then the Company shall, so far as it is able, procure that at the same time the same offer or invitation is made to the then Warrantholders as if their subscription rights had been exercisable and had been exercised on the date immediately preceding the date of or, as the case may be, the record date of such offer or invitation on the terms (subject to any adjustment pursuant to paragraph 2.1 above) on which the same could have been exercised if such date had been within a subscription period, provided that, if the Directors so resolve in the case of any such offer or invitation made by the Company, the Company shall not be required to procure that the same offer or invitation is made to the then Warrantholders but the subscription price shall be adjusted:

2.2.1 in the case of an offer of new Ordinary Shares for subscription by way of rights at a price less than the market price at the date of announcement of the terms of the offer, by multiplying the subscription price in force immediately before such announcement by a fraction of which the numerator is the number of Ordinary Shares in issue on the date of such announcement plus the number of Ordinary Shares which the aggregate of the amount payable for the total number of Ordinary Shares comprised in such offer would purchase at such market price and the denominator is the number of Ordinary Shares in issue on the date of such announcement plus the aggregate number of Ordinary Shares offered for subscription; and

2.2.2 in any other case, in such manner as the Auditors, or such other person as the Directors may in good faith select for the purpose, shall certify to be fair and reasonable.

Any such adjustment shall become effective as at the record date for the offer or invitation. For the purposes of this paragraph “**market price**” shall mean the average of the closing middle market quotations (as derived from the Relevant Exchange) for an Ordinary Share for the five consecutive Dealing Days ending on the Dealing Day immediately preceding the date on which the market price is to be ascertained, making an appropriate adjustment if the Ordinary Shares to be issued pursuant to the offer or invitation do not rank, on some or all of the relevant Dealing Days, *pari passu* as to dividends or other distributions with the Ordinary Shares in issue on those days. The Company shall give notice to such Warrantholders within 28 days of any adjustment made pursuant to this paragraph 2.2.

- 2.3 Whenever the subscription price is adjusted pursuant to paragraph 2.2 above the Company shall issue, for no payment, additional Warrants to each Warrantholder at the same time as such adjustment takes effect. The number of additional Warrants to which a Warrantholder will be entitled shall be the number of existing Warrants held by him multiplied by the fraction:

$$(A - B) \div B$$

where:

A = the subscription price which would have been payable if the subscription rights had been exercisable and had been exercised immediately prior to the relevant adjustment pursuant to paragraph 2.2 above; and

B = the subscription price as adjusted pursuant to paragraph 2.2 above.

Fractions of Warrants will not be allotted to Warrantholders but will be aggregated and, if practicable, sold in the market. The proceeds of such sale after deduction of all costs and expenses incurred in connection with the sale shall be distributed pro rata to the persons entitled thereto at the risk of such persons as soon as practicable after such sale, except that entitlements in respect of each Warrantholder to amounts of less than £5.00 shall be retained for the benefit of the Company. Warrant certificates relating to such additional Warrants will be issued to holders of Certificated Warrants within 28 days of the said adjustment taking effect.

- 2.4 If at any time an offer is made to all the holders of Ordinary Shares (or all holders of Ordinary Shares other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with the offeror) to acquire the whole or any part of the issued ordinary share capital of the Company and the Company becomes aware that as a result of such offer the right to cast a majority of the votes which may ordinarily be cast on a poll at a general meeting of the Company (“control”) has or will become vested in the offeror and/or such companies and/or persons as aforesaid, the subscription price payable on any subsequent exercise of the subscription rights in accordance with paragraph 3.7 below (but not otherwise) shall be reduced by an amount determined by the Auditors in accordance with the following formula:

$$A = (B + C) - D$$

where:

A = the reduction in the subscription price;

B = the subscription price ruling immediately before the date on which the adjustment becomes effective;

C = the average of the closing middle market quotations (as derived from the Relevant Exchange) for one Warrant for the 10 consecutive Dealing Days ending on the Dealing Day immediately preceding the date of announcement of such offer (or, where such offer is a revised offer, the original offer) or, if applicable and earlier, the date of the first announcement of the intention to make such offer or original offer or of the possibility of the same being made; and

D = the average of the closing middle market quotations (as derived from the Relevant Exchange) for one Ordinary Share for the 10 consecutive Dealing Days ending on the Dealing Day immediately preceding the date of the announcement of such offer (or, where such offer is a revised offer, the original offer) or, if applicable and earlier, the date of the first announcement of the intention to make such offer or original offer or of the possibility of the same being made;

provided that:

- (i) the Auditors, or such other person as the Directors may in good faith select for the purpose, shall be entitled to make such further adjustments to the subscription price payable on any subsequent exercise of subscription rights in accordance with paragraph 3.7 below as they shall report to be appropriate to take account of the market value of the Warrants having regard, *inter alia*, to the time value of money;
- (ii) the subscription price shall not be adjusted so as to cause the Company to be obliged to issue Ordinary Shares at a discount to their par value and if the application of the above formula would, in the absence of this sub-paragraph (ii), have reduced the subscription price to below the then par value of an Ordinary Share, the number of Ordinary Shares to be subscribed on any subsequent exercise of subscription rights in accordance with paragraph 3.7 below (but not otherwise) shall be adjusted in such manner as the Auditors shall report to be appropriate to achieve the same economic result for the Warrantholders as if the subscription price had been adjusted without regard to this sub-paragraph (ii); and
- (iii) no adjustment shall be made to the subscription price where the value of D exceeds the aggregate value of B and C in the above formula.

Any such adjustment shall be effective as of the date on which the Company becomes aware that, as a result of such offer, control of the Company has or will become vested in the offeror and/or such companies and/or persons as aforesaid. The Company shall give notice to each Warrantholder within seven days of any adjustment made pursuant to this paragraph and, in the case of Certificated Warrants if the Company considers it necessary or desirable, despatch new Warrant certificates in the manner described in paragraph 2.1 above. Publication of a scheme of arrangement providing for the acquisition by any person of the whole or any part of the issued ordinary share capital of the Company shall be deemed to be the making of an offer for the purposes of this paragraph 2.4.

- 2.5 If an order is made or an effective resolution is passed for winding up the Company (except for the purpose of reconstruction, amalgamation or unitisation on terms sanctioned by an extraordinary resolution of the Warrantholders), the provisions of paragraph 2.4 above shall apply *mutatis mutandis* and any adjustment made pursuant to this paragraph shall become effective on the day immediately before the date of such order or resolution. For the purposes of applying the formula set out in paragraph 2.4 above, C shall be the average of the closing middle market quotations as derived from the Relevant Exchange for one Warrant for the 10 consecutive Dealing Days ending on the Dealing Day immediately preceding the earliest of the following dates: (i) the date of an announcement by the Directors of their intention to convene an extraordinary general meeting for the purpose of passing a resolution to wind up the Company; (ii) the date of the notice of an extraordinary general meeting convened for the purpose of passing a resolution to wind up the Company; (iii) the date of commencement of the winding-up of the Company by the court; and (iv) the date of suspension by the Relevant Exchange of dealings in the Warrants prior to the making of any such announcement by the Directors and D shall be the amount per share as determined by the Auditors which each holder of an Ordinary Share would be entitled to receive on such winding-up, on the assumption that all Warrants then unexercised had been exercised in full at the relevant subscription price (ignoring any adjustment under this paragraph 2.5) and the subscription monies in respect thereof had been received in full by the Company and assuming that no Warrant would be exercised if the unadjusted subscription price is lower than the amount which the relevant Warrantholder would receive as a holder of Ordinary Shares on a winding-up of the Company.
- 2.6 Where an event which gives or may give rise to an adjustment to the full subscription price occurs whether in such proximity in time to another such event or otherwise in circumstances such that the Directors in their absolute discretion determine that the foregoing provisions should be operated subject to some modification

in order to give a result which is fair and reasonable in all the circumstances then such modification shall be made in the operation of the foregoing provisions as may be advised by the Auditors, or such other person as the Directors may in good faith select for the purpose, to be appropriate in order to give such a result.

- 2.7 Any adjustment to the number of Ordinary Shares to be subscribed on the exercise of Warrants may be effected, at the option of the Company, either by adjusting the number of Ordinary Shares in respect of which a Warrant may be exercised (which adjustment may, subject to the preceding paragraphs, be in respect of a fraction of an Ordinary Share) or by issuing further Warrants or in such other manner as the Company may consider appropriate.

3. OTHER PROVISIONS

So long as any subscription rights remain exercisable:

- 3.1 The Company shall not (except with the sanction of an extraordinary resolution of the Warrantholders) (i) make any distribution of capital profits or capital reserves (including all surpluses and accretions required to be credited to capital reserve by the Company's articles of association) except by means of a capitalisation issue in the form of fully paid Ordinary Shares or by means of purchases of Ordinary Shares at prices below the net asset value of such Ordinary Shares, (ii) issue securities by way of capitalisation of profits or reserves except fully paid Ordinary Shares issued to the holders of its Ordinary Shares, pro rata, to their existing holdings or at the election of the Shareholder instead of cash in respect of all or part of a dividend or dividends or (iii) on or by reference to a record date falling within the period of six weeks ending on the last date of any subscription period make any such allotment as is referred to in paragraph 2.1 above or any such offer or invitation as is referred to in paragraph 2.2 above (except by extending to Warrantholders, or procuring the extension to Warrantholders of, any such offer or invitation as may be made by a third party).
- 3.2 The Company shall not (except with the sanction of an extraordinary resolution of the Warrantholders) in any way modify the rights attached to its existing Ordinary Shares as a class (but so that nothing herein shall restrict the right of the Company to reduce, increase or to consolidate or sub-divide its share capital or to buy back its Ordinary Shares), or create or issue any new class of equity share capital, except for shares which, as compared with the rights attached to the existing Ordinary Shares, carry rights which are not more advantageous as regards voting, dividend or return of capital (save as to the date from which such new shares shall rank for dividends or distributions). For the avoidance of doubt, nothing herein shall restrict the ability of the Company to issue securities with rights as to voting, dividend and/or return of capital which are or may be more favourable than the rights attaching to the Ordinary Shares provided that (i) such securities carry rights of conversion into fully paid Ordinary Shares calculated by means of a formula based on the net asset value attributable to the Ordinary Shares in issue prior to the relevant date of conversion and the net asset value attributable to the securities carrying the rights of conversion, and (ii) such securities shall convert into Ordinary Shares within one year following the date of their issue.
- 3.3 The Company shall not issue any Ordinary Shares credited as fully paid by way of capitalisation of profits or reserves nor make any such offer as is referred to in paragraph 2.2 above if, in either case, as a result the Company would on any subsequent exercise of subscription rights be obliged to issue Ordinary Shares at a discount to nominal value.
- 3.4 The Company shall not (except with the sanction of an extraordinary resolution of the Warrantholders) (i) amend its articles of association so as to enable any distribution of capital profits or capital reserves (save as permitted by paragraph 3.1 above) or (ii) except as authorised by sections 45 to 50 (inclusive) or section 40(1)(b)(iv) of the Companies Laws) reduce its share capital or any share premium account or capital redemption reserve except for a reduction not involving payment to Shareholders provided that the Company shall not be restricted by this paragraph 3.4 from cancelling any share premium account in connection with, or from making, any purchase of Ordinary Shares at prices below the net asset value of such Ordinary Shares as envisaged by paragraph 3.1.
- 3.5 The Company:
- 3.5.1 shall keep available for issue sufficient authorised but unissued share capital to satisfy in full all subscription rights remaining exercisable without the need for passing any further resolutions of Shareholders;
- 3.5.2 shall not make any allotment of fully paid Ordinary Shares by way of capitalisation of capital profits or reserves unless at the date of such allotment the Directors have authority to grant the additional subscription rights to which the Warrantholders would by virtue of paragraph 2.1 above be entitled in consequence of such capitalisation; and
- 3.5.3 shall not make any such offer or invitation as is referred to in paragraph 2.2 above to the holders of Ordinary Shares unless where such offer or invitation involves the allotment of relevant securities the Directors shall have authority to allot any such securities to be allotted to the Warrantholders, or to

grant the additional subscription rights to which the Warranholders would by virtue of paragraph 2.3 above be entitled as a consequence of such offer or invitation, in accordance with paragraph 2.2 or 2.3 above.

- 3.6 If at any time an offer or invitation is made by the Company to its Shareholders generally for the purchase by the Company of any of its Ordinary Shares, the Company shall simultaneously give notice thereof to the Warranholders and each Warranholder shall be entitled, at any time while such offer or invitation is open for acceptance, to exercise his subscription rights on the terms on which the same could have been exercised if they had been exercisable on the day immediately preceding the record date for such offer or invitation and so as to take effect as if he had exercised his rights immediately prior to the record date of such offer or invitation.
- 3.7 Subject to paragraph 3.8 below, if at any time an offer is made to all Shareholders (or all such Shareholders other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with the offeror) to acquire the whole or any part of the issued ordinary share capital of the Company and the Company becomes aware that as a result of such offer the right to cast a majority of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or such companies and/or persons as aforesaid, the Company shall give notice to the Warranholders of such vesting within 14 days of its becoming so aware and each Warranholder shall be entitled, at any time within the period of 30 days immediately following the date of such notice, to exercise his subscription rights on the terms (subject to any adjustments pursuant to paragraph 2 above) on which the same could have been exercised if the day on which the Company shall become aware as aforesaid had been within a subscription period. The publication of a scheme of arrangement providing for the acquisition (by whatever means) by any person of the whole or any part of the issued ordinary share capital of the Company shall be deemed to be the making of an offer for the purposes of this paragraph 3.7 and references in these terms and conditions to such an offer shall be made and construed accordingly.
- 3.8 If any offer as is referred to in paragraph 3.7 above shall be made where the consideration shall consist solely of the issue of ordinary shares of the offeror and the offeror shall make available to Warranholders an offer of warrants to subscribe for ordinary shares in the offeror in exchange for the Warrants which the financial advisers to the Company shall consider in their opinion (acting as experts and not as arbitrators) to be fair and reasonable (having regard to the terms of the offer and any other circumstances which may appear to the financial advisers to the Company to be relevant), then any director of the Company shall be authorised as attorney for the Warranholders to (i) execute a transfer thereof in favour of the offeror in consideration of the issue of Warrants to subscribe for ordinary shares in the offeror as aforesaid whereupon all the Warrants shall lapse, and (ii) do all such acts and things as may be necessary or appropriate in connection therewith, subject in the case of both (i) and (ii) aforesaid to such offer becoming or being declared unconditional in all respects and the offeror being in a position compulsorily to acquire the whole of the issued ordinary share capital of the Company.
- 3.9 If an order is made or an effective resolution is passed for winding-up the Company (except for the purposes of reconstruction, amalgamation or unitisation on terms sanctioned by an extraordinary resolution of the Warranholders), each Warranholder shall (if in such winding-up and on the basis that all subscription rights then unexercised had been exercised in full and the subscription price in respect thereof had been received in full by the Company, there would be a surplus available for distribution amongst the holders of the Ordinary Shares, including for this purpose the Ordinary Shares which would arise on exercise of the subscription rights which would on such basis exceed in respect of each Ordinary Share a sum equal to such subscription price) be treated as if immediately before the date of such order or resolution (as the case may be) his subscription rights had been exercisable and had been exercised in full but at the reduced subscription price (if applicable) determined in accordance with paragraph 2.5 above and shall accordingly be entitled to receive out of the assets available in the liquidation *pari passu* with the Shareholders such a sum as he would have received had he been the holder of the Ordinary Shares to which he would have become entitled by virtue of subscription on such terms after deducting a sum per Ordinary Share equal to such subscription price. Subject to the foregoing, all subscription rights shall lapse on the liquidation of the Company.
- 3.10 The Company shall adopt as its accounting reference date 31 December and thereafter shall not change its accounting reference date except to a date falling within seven days before or after 31 December without giving to the Warranholders not less than 14 days' notice thereof.

4. MODIFICATION OF RIGHTS

All or any of the rights for the time being attached to the Warrants may from time to time (whether or not the Company is being wound up) be compromised, altered or abrogated with the sanction of an extraordinary resolution of the Warranholders. Modifications to the rights of the Warrants which are of a minor nature, or made to correct a manifest error, and which in the reasonable opinion of the Directors do not adversely affect the interests of the Warranholders shall be deemed not to be an alteration or abrogation of the rights attached to the

Warrants and may be effected (without the sanction of an extraordinary resolution of the Warrantholders) by a deed poll executed by the Company and expressed to be supplemental to the Warrant Instrument and notice of each such modification made pursuant thereto shall be given by the Company to the Warrantholders as soon as practicable.

5. TRANSFER AND TRANSMISSION

Each Warrant will be in registered form and, in the case of Uncertificated Warrants, may be transferred by means of a relevant system or, in the case of Certificated Warrants, will be transferable in whole or in part by instrument of transfer in any usual or common form or in any other form which may be approved by the Directors. No transfer of a right to subscribe for a fraction of an Ordinary Share may be effected. Subject as provided in paragraph 8 below and this paragraph 5, the provisions of the articles of association for the time being of the Company relating to the registration, transfer and transmission of Ordinary Shares and the issue of certificates shall apply *mutatis mutandis* to the Warrants.

6. PURCHASE OF WARRANTS

The Company and its subsidiaries shall have the right to purchase Warrants in the market or at any price by tender (available to all Warrantholders alike) or by private treaty or otherwise at a price not exceeding the maximum which would be permissible were the Warrants to be listed on the Official List of the UK Listing Authority or such other price as may from time to time be permitted by rules of the Relevant Exchange. All Warrants so purchased shall forthwith be cancelled and shall not be available for reissue or resale.

7. GENERAL

- 7.1 The Company will send to each Warrantholder (or, in the case of joint holders, to the first named of them) either a copy of the published annual report and accounts or a summary of the annual report and accounts of the Company, together with all documents required by law to be annexed thereto, and copies of statements, notices, circulars and other documents issued by the Company to its Shareholders.
- 7.2 For the purposes of these terms and conditions, “**extraordinary resolution of the Warrantholders**” means a resolution proposed at a separate meeting of the Warrantholders duly convened and held and passed by a majority consisting of not less than three-fourths of the votes cast, whether on a show of hands or on a poll. All the provisions of the articles of association for the time being of the Company as to general meetings, untraced members and the transfer and transmission of Ordinary Shares shall *mutatis mutandis* apply as though the Warrants were a class of shares forming part of the capital of the Company but so that the necessary quorum shall be Warrantholders present in person or by proxy entitled to subscribe for one-third in nominal amount of the Ordinary Shares attributable to such outstanding Warrants, every Warrantholder present in person or by proxy at any such meeting shall be entitled on a poll to one vote for each Ordinary Share for which he is entitled to subscribe, any Warrantholder present in person or by proxy may demand or join in demanding a poll and at any adjourned meeting those Warrantholders present in person or by proxy shall be a quorum (whatever the number of Warrants held or represented by such Warrantholders).
- 7.3 If the final date of any subscription period would, but for the provisions of this paragraph 7.3, fall on a day which is not a Business Day, the relevant final date of the subscription period shall be the next following Business Day.
- 7.4 Any determination or adjustment to be made pursuant to these terms and conditions by the Auditors shall be made by them as experts and not as arbitrators and any such determination or adjustment made by them shall be final and binding on the Company and each Warrantholder.
- 7.5 Any reference to a provision of the Regulations (as that term is defined in paragraph 8.4.1 below) or the Companies Laws shall include that provision as from time to time modified or re-enacted.
- 7.6 For the purposes of these terms and conditions:
 - 7.6.1 “**Dealing Day**” means a day on which dealings take place on the Relevant Exchange;
 - 7.6.2 “**Relevant Exchange**” means the stock exchange, stock market or other recognised exchange (including for the avoidance of doubt, where reference is made to the rules of the Relevant Exchange, the London Stock Exchange) on which the Warrants are listed and/or traded;
 - 7.6.3 “**US Person**” means any person or entity defined as such in Rule 902(o) under the United States Securities Act of 1933 and, without limiting the generality of the foregoing, includes a natural person resident in the United States, a corporation or partnership organised or incorporated under the laws of the United States and an estate or trust, if any executor, administrator or trustee is a US Person, but shall not include a branch or agency of a US Person located outside the United States if such agency or branch operates for valid business reasons and is engaged in the business of insurance or

banking and is subject to substantive insurance or banking regulation, respectively, in the jurisdiction where located;

- 7.6.4 “**US Resident**” means a person resident in the United States or its territories, possessions or any other area subject to its jurisdiction;
 - 7.6.5 “**US-held Warrant**” means any Warrant the beneficial owner of which is a US Resident;
 - 7.6.6 all references to time are to time in London; and
 - 7.6.7 “**Financial Year**” has the meaning ascribed thereto by section 117(1) of the Companies Laws.
- 7.7 Any references in this paragraph 7 to “**beneficial ownership**” shall be deemed to include beneficial ownership by attribution pursuant to section 3(c)(1)(A) of the United States Investment Company Act of 1940 and references to “**beneficial owner**” or “**beneficially owned**” shall be construed accordingly.

8. UNCERTIFICATED SECURITIES REGULATIONS

- 8.1 Nothing herein shall impose any obligation on the Company to procure that the Warrants are capable of being held in uncertificated form. However, if at any time there are Uncertificated Warrants or an application has been made by the Company and not withdrawn for Warrants to be held in uncertificated form to the Operator of a relevant system, then no provision of these terms and conditions (or any term of issue of the Warrants, including any provision of the articles of association of the Company deemed to apply to the Warrants by virtue of paragraph 5 or 7.3 above) shall apply or have effect to the extent that it is in any respect inconsistent with (i) the holding of the Warrants in uncertificated form, (ii) the transfer of title to the Warrants by means of a relevant system, or (iii) the Regulations.
- 8.2 Subject to the generality of paragraph 8.1 above, and notwithstanding any provision of the articles of association of the Company deemed to apply to the Warrants by virtue of paragraph 5 or 7.3 above, the register of Warrantholders shall be maintained at all times in Guernsey, the Warrants may be changed from uncertificated to certificated form and from certificated to uncertificated form, in accordance with and subject as provided in the Regulations, and, for the avoidance of doubt, reference to a Warrantholder refers to a holder of the Warrants in either certificated or uncertificated form.
- 8.3 Notwithstanding paragraph 8.4 below, and for the avoidance of doubt, the terms, conditions and subscription rights applicable to the Uncertificated Warrants from time to time shall remain so applicable notwithstanding that they are not endorsed on any Warrant certificate, and the Company shall, on the request of any holder of Uncertificated Warrants, provide that holder with a schedule of the terms, conditions and subscription rights attaching to the Warrants (the “**Schedule of Conditions**”) but so that joint holders of such Warrants shall be entitled to receive one copy only of the Schedule of Conditions in respect of the Warrants held by them, which copy shall be delivered to that one of the joint holders whose name stands first in the register of holders of Warrants in respect of that holding.
- 8.4 In these terms and conditions:
 - 8.4.1 unless the context otherwise requires, words or expressions defined in the Uncertificated Securities Regulations 2001 (SI 2001/3755) (the “**Regulations**”) bear the same meanings as in the Regulations;
 - 8.4.2 a reference to Ordinary Shares or Warrants being in “**uncertificated form**” means Ordinary Shares or Warrants the title to which is recorded in the relevant register as being held in such form and which by virtue of the Regulations may be transferred by means of a relevant system, and a reference to Ordinary Shares or Warrants in “**certificated form**” means Ordinary Shares or Warrants the title to which is not so recorded and which may not be so transferred;
 - 8.4.3 whether any Warrant is in certificated form or uncertificated form on any date shall be determined by reference to the register of holders of Warrants as at the close of business on the relevant date or such other time as the Directors may (subject to the facilities and requirements of the relevant system concerned) in their absolute discretion determine; and
 - 8.4.4 “**Uncertificated Warrant**” means any Warrant which, as at the relevant date concerned, is held in uncertificated form and “**Certificated Warrant**” means any Warrant which, as at that date, is held in certificated form.

DEFINITIONS

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

“Administration and Secretarial Agreement”	the agreement between the Company and the Administrator, a summary of which is set out in paragraph 6.4 of Part IV of this document
“Administrator” or “Secretary” or “Northern Trust”	Northern Trust International Fund Administration Services (Guernsey) Limited
“Admission”	the admission of the entire issued share capital of the Company and the Warrants issued and to be issued pursuant to the Placing to trading on AIM becoming effective in accordance with the AIM Rules
“AIM”	the market of that name regulated by the London Stock Exchange
“AIM Rules”	the rules applicable to AIM as published by the London Stock Exchange from time to time
“Arbuthnot Securities”	Arbuthnot Securities Limited, the Company’s nominated adviser and broker
“Articles” or “Articles of Association”	the articles of association of the Company
“Auditors” or “Reporting Accountants”	Ernst & Young LLP
“Board”	the board of directors of the Company
“Caledonia”	Caledonia Investments plc
“Code”	the United States Internal Revenue Code of 1986, as amended
“Companies Laws”	the Companies (Guernsey) Laws 1994 to 1996, as amended
“Commission”	the US Securities and Exchange Commission
“Company”	India Capital Growth Fund Limited
“CREST”	the computerised settlement system (as defined in the CREST Regulations) operated by CRESTCo which facilitates the transfer of title to shares in uncertificated form
“CREST Agent” or “UK Paying Agent” or “Transfer Agent”	Capita Registrars
“CRESTCo”	CRESTCo Limited
“CREST Guernsey Requirements”	rule 8 and such other rules and requirements of CRESTCo as may be applicable to issues as from time to time specified in the CREST Manual

“CREST Manual”	the compendium of documents entitled <i>CREST Manual</i> issued by CRESTCo from time to time and comprising the CREST Reference Manual, the CREST Central Counterparty Service Manual, the CREST International Manual, CREST Rules, CCSS Operations Manual and the CREST Glossary of Terms
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755)
“Custodian” or “HSBC”	the Hong Kong and Shanghai Banking Corporation Limited
“Custodian Agreement”	the custody agreement between ICG Q Limited and the Custodian, details of which are set out in paragraph 6.6 of Part IV of this document
“Directors”	the directors of the Company, whose names are set out on page 6 of this document
“ERISA”	the US Employee Retirement Income Security Act of 1974, as amended
“Exchange Act”	the US Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder
“FII”	a foreign institutional investor, defined in the FII Regulations as an entity established or incorporated outside India which proposes to make investments in India and has obtained a registration from the SEBI
“FII Regulations”	the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995
“FSA”	Financial Services Authority
“FSA Authorisations”	the authorisations required to be obtained by IIP pursuant to the FSA’s Handbook of rules and guidance to permit IIP to provide fund management services to the Company
“FSMA”	Financial Services and Markets Act 2000
“Fund Management Agreement”	the fund management agreement, dated 16 December 2005, between IIP, Polar, Caledonia, the Company and the Mauritian Companies, details of which are set out in paragraph 6.3 of Part IV of this document
“Fund Manager” or “Manager”	IIP or, for the period from the date of this document until the FSA Authorisations have been received, Polar
“GDP”	Gross Domestic Product
“Group”	the Company and the Mauritian Companies
“Guernsey”	the Bailiwick of Guernsey, her territories and dependencies
“IAP (India)”	India Advisory Partners Pvt Ltd., a company incorporated in India
“IAP (UK)”	India Advisory Partners Limited, a company incorporated in England and Wales

“IIP”	India Investment Partners Limited, a company incorporated in England and Wales
“INDATA”	the proprietary database of IAP (India) and IAP (UK) of M&A and private equity transactions in respect of target Indian companies covered the period from 1998 to date
“India”	the Republic of India
“Investment Advisor”	IAP (India)
“Investment Company Act”	the US Investment Company Act of 1940, as amended
“Key Personnel”	the individuals providing the requisite expertise to provide fund management services to the Group
“Kotak”	Kotak Mahindra (UK) Limited
“Laws” or “Companies Laws”	the Companies (Guernsey) Laws, 1994 to 1996, as amended
“London Stock Exchange”	London Stock Exchange plc
“Mauritian Administration Agreement”	the Mauritian administration agreement, dated 16 December 2005, between the Mauritian Companies and the Mauritian Administrator, a summary of which is set out in paragraph 6.5 of Part IV of this document
“Mauritian Administrator” or “IFS”	International Financial Services Limited
“Mauritian Companies”	ICG Q Limited and ICG U Limited, two wholly owned subsidiaries of the Company
“NAV Calculation Date”	the last business day of each calendar month (or if such date is a public holiday in India, the immediately preceding business day)
“Net Asset Value” or “NAV”	means: <ul style="list-style-type: none"> (i) in relation to the calculation of the management fee and performance fee of the Fund Manager, the value of the assets of the Company less its liabilities (and for these purposes there shall be excluded from current liabilities any performance fees payable to the Fund Manager), determined in accordance with the accounting principles adopted by the Company from time to time (ii) in all other cases, the total assets of the Company less its total liabilities (including accrued but unpaid fees) valued in accordance with the Company’s accounting policies adopted by the Company from time to time and expressed in Sterling
“Net Asset Value per Share”	the Net Asset Value divided by the number of Ordinary Shares in issue and expressed in Sterling
“Nominated Adviser and Broker Agreement”	the agreement, dated 16 December 2005, between the Company and Arbuthnot Securities, details of which are set out in paragraph 6.2 of Part IV of this document
“Official List”	the Official List of the UKLA

“Ordinary Shares” or “Shares”	the ordinary shares of one pence each in the capital of the Company to be issued by the Company and placed with subscribers pursuant to the Placing
“Placees”	the subscribers of the Ordinary Shares pursuant to the Placing
“Placing”	the conditional placing by Arbuthnot Securities on behalf of the Company of the Ordinary Shares (with Warrants attached on a one for five basis), pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement, dated 16 December 2005, between the Company, IIP, Polar, Caledonia and Arbuthnot Securities, relating to the Placing, details of which are set out in paragraph 6.1 of Part IV of this document
“Placing Price”	100p per Ordinary Share
“Placing Shares”	Shares acquired in the Placing
“Polar”	Polar Capital LLP
“Registrar”	Capita IRG (CI) Limited
“Rupees”	the lawful currency of India
“SEBI”	the Securities and Exchange Board of India
“Securities Act”	the US Securities Act of 1933, as amended
“Shareholder”	a holder of Ordinary Shares
“Sterling”	Pounds Sterling
“Sub-Account Agreement”	the agreement between Kotak Bank (UK) Limited and ICG Q Limited
“Tender Facility”	the tender facility described in paragraph 17 of Part I of this document
“Total Assets”	the aggregate value of the assets of the Company less the current liabilities of the Company (and for these purposes there shall be excluded from current liabilities any proportion of principal amounts borrowed for investment and any performance fees payable to the Fund Manager under the Fund Management Agreement)
“UK” or “United Kingdom”	United Kingdom of Great Britain and Northern Ireland
“UKLA”	the FSA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
“uncertificated form” or “in uncertificated form”	recorded on the register as being held in uncertificated form in CREST and title to which may be transferred by means of CREST
“Unit Trust of India”	the Unit Trust of India, established under the Unit Trust of India Act 1963 (52 of 1963)
“United States”, “USA” or “US”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia

“US Dollars” or “US\$”	the lawful currency of the United States
“US Holder”	has the meaning given to such term in paragraph 5, “United States” section (iii) of Part IV of this document
“US Person”	has the meaning assigned to it in Regulation S under the Securities Act
“US Plan Investor”	an employee benefit plan as defined in section 3(3) of ERISA (whether or not subject to the provisions of Title 1 of ERISA, but excluding plans maintained outside the US that are described in Section 4(b)(4) of ERISA), an individual retirement account (as defined in section 408 of the Code), or any entity the assets of which are treated as the assets of any such plan or account
“Warrantholder”	a holder of Warrants
“Warrant Instrument”	the deed poll of the Company constituting the Warrants to be executed shortly before Admission
“Warrants”	warrants to be issued by the Company in connection with the Placing on the terms and conditions set out at the end of this document

